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I. Background

The accompanying report presents for the Congress the Fiscal Year 1999 Accounting of Drug Control Funds. As part of the 1998 law that reauthorized the Office of National Drug Control Policy (ONDCP), a new provision was added to the U.S. Code (21 U.S.C. § 1704(d)), which mandates that the Director of ONDCP shall, "(A) require the National Drug Program agencies to submit to the Director not later than February 1 of each year a detailed accounting of all funds expended by the agencies for National Drug Control Program activities during the previous fiscal year, and require such accounting to be authenticated by the Inspector General for each agency prior to submission to the Director; and (B) submit to Congress not later than April 1 of each year the information submitted to the Director ... [by the agencies]."

In order to implement this law, since April 1999 ONDCP has worked closely with agency Chief Financial Officers (CFO) and each Office of Inspector General (OIG) to develop the form and content of agency drug accounting reports. This process has included a presentation to the President's Council on Integrity and Efficiency, which represents all of the government's OIGs. Further, ONDCP solicited comments from agency financial officials on draft drug accounting procedures, and OMB's Office of Federal Financial Management (OFFM), which is responsible for governmentwide audit standards and reporting, also provided valuable assistance.

As a result of this interagency process, on December 17, 1999, ONDCP issued to all drug control agencies a Circular, *Annual Accounting of Drug Control Funds*. This Circular is presented at Tab D. Generally, drug control funding is not separately accounted for in agency financial systems of record. Drug funding is an estimate, based on individual agency drug methodologies for attributing a portion of agency budgets to drug control activities, such as treatment, prevention, interdiction, and several other drug control functions. Therefore, apart from the accuracy and reliability of agency financial systems, the most important aspect of each agency's drug funding calculations is its drug methodology. The ONDCP Circular focuses on assertions and disclosures associated with agency drug methodologies.

In addition, the law requires that accounting reports be "authenticated" by agency Inspectors General. With respect to financial reviews and audits conducted by the Inspector General community, this term does not have a previously defined meaning. The ONDCP Circular identifies the OIG role to be an attestation review, consistent with the *Statements for Standards of Attestation Engagements*, promulgated by the American Institute of Certified Public Accountants. Attestation reviews are more limited in scope than a standard financial audit, the purpose of which is to express an opinion. The objective of an attestation review is to provide negative assurance as to whether any information came to the OIG's attention to indicate that each agency's assertions are not presented, in all material respects, based on criteria established by the ONDCP Circular.

Section II of this Executive Summary includes highlights from each agency's accounting report and accompanying OIG attestation review. Section III discusses an issue associated with the presentation of FY 1999 obligations in this report, versus FY 1999 data previously reported in ONDCP's FY 2001 *Budget Summary*. Section IV summarizes a legislative proposal to bring agency and ONDCP reporting dates for this drug accounting requirement in line with other

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reporting dates for financial audits under the *Chief Financial Officers Act of 1990* (P.L. 101-576), as amended by the *Government Management Reform Act of 1994* (P.L. 103-356).

II. Summary of Agency Reports

Department of Agriculture (USDA): For agencies with small drug control programs, the ONDCP Circular defines an alternative report, which agencies have an option to submit. USDA provided an alternative report, found in Tab A. USDA's submission includes obligation tables for the Forest Service, Agriculture Research Service, and Food and Nutrition Service. Also included at Tab A is a letter from the USDA Inspector General. The department's submission fails to comply with the Circular's alternative reporting requirements. In order to satisfy the conditions for an alternative report submission, obligations must be below \$50 million, and either the Chief Financial Officer (CFO), or other accountable senior-level executive, and the OIG must attest that full compliance with the Circular would constitute an unreasonable reporting burden. Although the department's obligations were under \$50 million, the OIG was not able to attest that compliance with the Circular would constitute an unreasonable reporting burden.

Corporation for National Service (CNS): CNS submitted an alternative report, found in Tab B, citing an unreasonable reporting burden. This report is in full compliance with the requirements of the Circular and includes the obligations that can be reasonably attributed to drug-related goals for grants to 24 AmeriCorps programs and 501 National Senior Service Corps programs. The obligations reported reflect prevention dollars related to Goal 1: Educate and enable America's youth to reject illegal drugs as well as the use of alcohol and tobacco.

Department of Defense (DoD): DoD submitted a detailed accounting of FY 1999 drug control funds, found in Tab C. DoD's submission includes management's assertions, an obligation table, an explanation of the drug methodology and internal reprogramming process, and the OIG's attestation review. Although the OIG did not attest to the actual obligation amounts, the OIG did attest to the reasonableness of the methodologies used to develop the obligation table. Nothing came to the OIG's attention that caused its office to believe that the obligations reported were used for purposes other than the National Drug Control Program.

The OIG also noted that ONDCP approved the transfer of \$45 million to the Central Transfer Account from the Defense Working Capital Fund to augment counterdrug funding to support the withdrawal and reconstitution of forces from Panama. Also, although OPTEMPO funds are used to support counterdrug operations, these funds were not reviewed as they are allocated directly to the Military Departments and not through the DoD Central Transfer Account. The OIG also noted that the report was incomplete regarding the listing of all accounting systems used and the weaknesses of those systems.

Further, the OIG provided additional audit material focusing on management controls over National Drug Control Program funds managed through the DoD Central Transfer Account, dated 9 June 2000, report number D-2000-145. This report concluded that obligation of DoD National Drug Control Program funds managed and reprogrammed through the Central Transfer

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Account were reasonable. However, the manual process used to prepare the DoD annual report to the ONDCP on funds obligated was not linked to official accounting records. Concurring with OIG recommendation, the Deputy Assistant Secretary of Defense (Drug Enforcement Policy and Support) stated that DEP&S would coordinate with the Under Secretary of Defense (Comptroller) to ensure that the DoD accounting systems are upgraded or replaced to become compliant with applicable federal and DoD requirements.

Department of Education: Education submitted a detailed accounting of FY 1999 drug control funds, found in Tab D. This report addresses the following three major programs: Safe and Drug-Free Schools and Communities (SDFSC), Vocational Rehabilitation State Grants, and National Institute on Disability and Rehabilitation Research. The report consists of a resource summary, program descriptions, disclosures, and assertions. Education adequately addressed each of the report elements as required by the Circular. The OIG reported no negative findings. The IG acknowledged statements made by Education in the disclosure section of the Department's report relating to limitations in Education's drug methodologies. First, Education disclosed that although 100 percent of the obligations associated with SDFSC are reported, some funding supports violence prevention and school safety efforts, which have no drug control nexus. Education also reported that collecting data to distinguish between drug-related and non-drug-related funding would be prohibitively expensive and unreasonably burdensome. Second, Education disclosed that most drug-disabled clients served by the Vocational Rehabilitation State Grant program are not current drug users, and, therefore, funding directed to this group does not meet the ONDCP definition of treatment. Education plans to work with ONDCP to determine the appropriateness of continuing to include the Vocational Rehabilitation State Grant program in the National Drug Control Budget.

Department of Health and Human Services (HHS): On September 1, HHS submitted either a detailed accounting of FY 1999 drug control funds or an alternative report for each of its eight drug control bureaus, found in Tab E. HHS submitted detailed accounting reports for the Administration for Children and Families, Centers for Disease Control, Health Care Financing Administration, National Institutes of Health, and the Substance Abuse and Mental Health Services Administration. HHS submitted alternative reports for the Food and Drug Administration, Health Resources and Services Administration, and Indian Health Service. The Office of Inspector General (OIG) submitted eight separate bureau level attestation reports. In summary, the OIG could not complete an attestation review for four out of the eight reports submitted by HHS. Cited reasons for the OIG's inability to complete a review included failure to meet the reporting requirements of the Circular, identified deficiencies in the drug methodologies, and the provision of insufficient data.

Administration for Children and Families (ACF):

ACF submitted a detailed accounting of FY 1999 drug control funds, which complies with the requirements of the Circular. The OIG provided negative assurance that nothing came to their attention that caused them to believe that ACF's submission is not presented, in all material respects, based on the Circular. As a result of the discontinuation of the Head Start/Family Service Centers, the funding line item associated with this program has been omitted. According to HHS, the FY 2002 budget

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submission will be revised to reflect the exclusion of this program from the drug control scoring.

Centers for Disease Control (CDC):

CDC submitted a detailed accounting of FY 1999 drug control funds. According to the OIG, the submitted CDC report does not contain sufficient information to complete an attestation review. Specifically, the OIG stipulated that the report needed to:

- Expand the description of its drug methodology to explain fully the derivation of all obligations data presented in its table of prior year drug control obligations;
- Disclose whether the drug methodology has been modified from the previous year, consistent with ONDCP's approval; and
- Disclose whether any prior year reprogrammings or transfers affected drug-related budgetary resources.

On April 6, 2000, the OIG asked CDC to submit a revised report that corrected the identified deficiencies so the attestation review could be completed. Since CDC failed to submit a revised report, the OIG was unable to attest to the reliability of CDC's assertions.

Health Care Financing Administration (HCFA):

HCFA submitted a detailed accounting of FY 1999 drug control funds. According to the OIG, the HCFA report does not contain the assertions required by the Circular. In addition, the OIG found that the report contains questionable estimates. Since HCFA is unable to report actual obligations for Medicare and Medicaid drug abuse treatment spending, the amounts reflected in the report are estimates. The estimates are based on studies of claims and various survey data. Since the estimates were originally developed in 1989, each year the estimates have been projected forward using a growth rate, which assumes that drug spending grows at a rate somewhat comparable to the growth rate of the Medicare and Medicaid programs at large. Currently, no estimate for Medicare (Part B) drug abuse treatment spending is included in the report, since no diagnosis codes exist to capture drug treatment costs for outpatient treatment. The OIG identified the following five factors that could negatively impact the accuracy of HCFA's estimates:

- The data used were dated.
- The estimates did not cover all of HCFA's programs.
- The judgments and assumptions used in making the estimates were based on limited evidence.
- The basis for the annual growth factor was not fully explained.

- The HCFA calculations could not be replicated by OIG staff based on the information provided.

As a result of these findings, the OIG was unable to attest to the reliability of HCFA's assertions or provide negative assurance that nothing came to their attention that caused them to believe that HCFA's report is not presented, in all material respects, based on the Circular.

National Institutes of Health (NIH):

As a result of identified deficiencies in NIH's drug methodology, the OIG could not complete an attestation review. The OIG identified two major problems with NIH's drug methodology. First, the methodology includes activities that do not have an illicit drug nexus, such as the development of pregnancy diagnostic tests. Second, the methodology excludes activities that do have an illicit drug nexus, such as the study of drug use by the mentally ill. Given that the methodology presented by NIH contains errors and omissions, the OIG could not attest to the reliability of NIH's assertions.

Currently, NIH's drug control methodology addresses two agencies, the National Institute on Drug Abuse and the National Institute on Alcohol Abuse and Alcoholism. In conducting the attestation review, the OIG considered the activities of all NIH agencies.

Substance Abuse and Mental Health Services Administration (SAMHSA):

SAMHSA submitted a detailed accounting of FY 1999 drug control funds. According to the OIG, the SAMHSA report does not contain, as required by the Circular, sufficient information to complete an attestation review. After performing review procedures on the SAMHSA material, the OIG noted that SAMHSA needed to:

- Expand the description of its drug methodology to explain fully the derivation of all obligations data presented in its table of prior year drug control obligations;
- Explain what appears to be a contradiction in the information presented in its drug methodology and its table of prior year drug control obligations;
- Include a narrative asserting the reasonableness, accuracy, and completeness of the drug methodology used to calculate obligations of the prior year's budgetary resources; and
- Identify all prior year reprogrammings or transfers that affected the drug-related budgetary resources reported in its table of prior year drug control obligations.

On March 31, 2000, the OIG asked SAMHSA to submit a revised report that corrected the identified deficiencies so the attestation review could be completed. Although SAMHSA provided a written response to the OIG in a memorandum dated June 15,

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SAMHSA did not submit a revised report for review. Since SAMHSA did not submit a revised report, the OIG was unable to attest to the reliability of SAMHSA's assertions. On August 8, 2000, SAMHSA submitted a revised report to ONDCP. This later report appears to address some of the concerns raised by the OIG. However, the revised report was not subjected to OIG review. It is included as an addendum to Tab E.

Food and Drug Administration (FDA):

FDA submitted an alternative report citing an unreasonable reporting burden. The report consists of the table of prior year drug control obligations, a description of the drug control methodology, and other disclosures.

As stated in the attestation review, the OIG was satisfied that FDA's prior year drug control obligations totaled less than \$50 million and agreed with FDA's Chief Financial Officer that full compliance with the Circular would constitute an unreasonable reporting burden for FDA.

After FY 2000, FDA will discontinue scoring any of its funding as drug control. Currently, FDA's drug control funding consists solely of FDA's Tobacco Program, which seeks to promote and protect the health of our nation's youth by reducing the number of young people who begin to use and become addicted to tobacco products each year. After FDA issued its final regulation implementing the Tobacco Program on August 23, 1996, the cigarette, smokeless tobacco, advertising, and retail industries brought suit to invalidate FDA's assertion of jurisdiction and enjoin its regulations. After several appeals, on March 21, 2000, the Supreme Court affirmed the decision of the U.S. Court of Appeals for the Fourth Circuit stating that FDA lacks jurisdiction under the Federal Food, Drug, and Cosmetic Act to regulate tobacco products. As a result, FDA is in the process of an orderly shutdown of the program, which will be completed by the end of FY 2000. After FY 2000, FDA will no longer score any funding as drug control.

Health Resources and Services Administration (HRSA):

HRSA submitted an alternative report citing an unreasonable reporting burden. The report consists of a table of prior year drug control obligations, a description of the drug control methodology and its application, and a statement on the burden of reporting.

Based on the report, HRSA's drug-related obligations for FY 1999 are under the \$50 million materiality threshold. However, only obligations for Part A (Title I) and Part B (Title II) grantees are included in the report. Currently, Part A (Title I) and Part B (Title II) grantees report amounts spent for substance abuse treatment and counseling as part of an Annual Administrative Report. Part C (Title III) grantees do not currently report amounts spent on substance abuse treatment and counseling, and therefore HRSA excluded Part C obligations from the report. As a result, the obligations included in the report are understated and should be revised to include an estimate of Part C obligations.

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As stated in the attestation review, the OIG was satisfied that HRSA's prior year drug control obligations totaled less than \$50 million and agreed with HRSA's Chief Financial Officer that full compliance with the Circular would constitute an unreasonable reporting burden for HRSA.

Indian Health Services (IHS):

IHS submitted an alternative report citing an unreasonable reporting burden. The report consists of the table of prior year drug control obligations and a description of the drug control methodology.

As stated in the attestation review, the OIG was satisfied that IHS's prior year drug control obligations totaled less than \$50 million and agreed with IHS's Chief Financial Officer that full compliance with the Circular would constitute an unreasonable reporting burden for IHS.

Department of Housing and Urban Development (HUD): HUD submitted three detailed FY 1999 accounting reports, found in Tab F. The reports submitted addressed the Public Housing Drug Elimination Program (PHDEP), the Multifamily Housing Drug Elimination Grant (DEG) and New Approach Anti-Drug Grant (NAAD) programs, and OIG drug-related activity. PHDEP provides funds to public housing authorities and Tribally Designated Housing entities on a formula basis to support their anti-drug and anti-crime efforts. The DEG and NAAD programs provide funds to privately owned multifamily assisted housing owners on a competitive basis to support their anti-drug and anti-crime efforts. These reports adequately addressed each of the report elements as required by the Circular. In the independent attestation report submitted for PHDEP, DEG, and NAAD, the OIG reported no negative findings. However, the OIG did not review Operation Safe Home citing a lack of independence, since this program is associated with the Office of the Inspector General. Issues that were identified by the OIG were considered immaterial and discussed with the appropriate Department of Housing and Urban Development officials.

Department of the Interior: Interior submitted an alternative report, found in Tab G, citing an unreasonable reporting burden. This report is in full compliance with the requirements of the Circular. The submission includes bureau-level obligation tables for the Bureau of Indian Affairs, National Park Service, Fish and Wildlife Service, and Bureau of Land Management. As noted in these submissions, each contains estimated obligations. The National Park Service and Bureau of Land Management have captured actual drug-related obligations in their accounting systems at the aggregate level, but goal and functional splits are estimated. The Fish and Wildlife Service does not account for drug control activity separately within its accounting system.

Department of Justice: DOJ submitted a detailed accounting of FY 1999 drug control funds, found at Tab H. For each bureau that provided a full report, the submission includes management's assertions, an obligation table, and an explanation of the drug methodology. The department, in cooperation with the OIG, used the services of PricewaterhouseCoopers LLP to conduct the attestation reviews required by the Circular. Based on Pricewaterhouse Coopers

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findings, nothing came to their attention that caused them to believe that bureau assertions and disclosures are not presented, in all material respects, in conformity with ONDCP's Circular. DOJ adequately addressed each of the report elements as required by the Circular. The OIG reported no negative findings; however, some disclosures have been made for the following bureaus:

Asset Forfeiture Fund:

While there were no material weaknesses or other findings relating to the accounting for obligations that would affect the amounts reported in the table of prior year drug control obligations, there were weaknesses reported with respect to the management information system that stores and retrieves data necessary to complete this table.

United States Attorneys (USA):

While the overall methodology to calculate drug control obligations has not been modified, the USAs have included the growth in resources utilized for OCDETF from FY 1997 as part of actuals for FY 1999, and will continue to include this increment in future year reports. The report notes a reportable condition regarding USA's internal controls. The condition is associated with errors between the status of accounts payable and related obligations. It is not believed that this error could materially affect the amounts reported in the table of drug control obligations.

Bureau of Prison, Community Oriented Policing Service, Criminal Division (BOP, COPS, CRM):

BOP, COPS and CRM's Disclosure No. 3 noted a reportable condition regarding their internal controls. The condition is associated with errors between the status of accounts payable and related obligations. It is not believed that this error could materially affect the amounts reported in their respective tables of drug control obligations.

Drug Enforcement Administration (DEA):

DEA disclosed that its accounting system tracks obligation data by a variety of attributes. However, it does not track activities by ONDCP goal or function. Consequently, periodic goal and function estimates are conducted. These estimation procedures are disclosed in DEA's report. In addition, the most recent external audit of DEA's FY 1999 financial statements revealed material weaknesses; however, these weaknesses would not materially affect reported obligations.

Federal Bureau of Investigations (FBI):

Although no negative findings were reported, the OIG did discuss the effect of the FBI's change in drug control budget methodology in 1999 to reflect more accurately the FBI's drug enforcement efforts. This change in methodology resulted in a \$231.6 million reduction to actual FY 1999 obligations reported. This is a correction from the FY 2001

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ONDCP Budget Summary, which reported a reduction of \$283.6 million associated with this change in the drug methodology (p. 141). This reduction reflects a technical score-keeping adjustment only; it is not associated with a policy decision that subsequently reduced the actual level of FBI resources devoted to drug enforcement.

Immigration and Naturalization Service (INS):

The OIG reported no material weaknesses or other findings related to the accounting of FY 1999 obligations; however, there is a reportable condition regarding INS' internal controls. The condition is associated with errors between the status of accounts payable and related obligations. It is not believed that this error could materially affect the amounts reported in the table of drug control obligations.

Office of Justice Programs (OJP):

The OIG reported no material weaknesses or other findings related to the accounting for obligations. The OIG did note that during 2000, OJP plans to revise the existing methodology used to calculate drug-related Management and Administration (M&A) to reflect more accurately how M&A funds relate to program obligations.

U.S. National Central Bureau (USNCB) - Interpol Interagency Crime and Drug Enforcement Task Forces (OCDETF), and Tax Division:

The OIG indicated that USNCB's, OCDETF's and the Tax Division's drug control methodology had been consistently applied. However, there is a reportable condition relating to the accounting for obligations in the Offices, Boards, and Divisions (OBDs') account. This condition is related to identified errors in the status of accounts payable and related obligations at various OBD components. USNCB, OCDETF and the Tax Division are components. As is the case with INS, it is not believed that this error could materially affect the amounts reported in the various tables of drug control obligations.

U.S. Marshals Service (USMS) and Federal Prisoner Detention:

The OIG noted that USMS' drug control methodology has been consistently applied from the previous year. However, during the USMS' FY 1999 audit by Urban, Kahn & Werlin, a number of weaknesses in the USMS' financial accounting and reconciliation processes were identified. "These weaknesses represent a significant deficiency in the financial accounting control system which could adversely impact the USMS' ability to record, process and report its financial transactions timely and accurately."

Department of Labor: Labor submitted a detailed accounting of FY 1999 drug control funds, found in Tab I. The OIG attested that nothing came to their attention that caused its office to believe that management's assertions "are not presented in conformity with ONDCP Circular: *Annual Accounting of Drug Control Funds*, dated December 17, 1999." However, the CFO and

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OIG highlighted that the department will need to revisit its drug budget methodology as a result of the Job Training Partnership Act being repealed.

Small Business Administration (SBA): SBA submitted an alternative report, found in Tab J, citing an unreasonable reporting burden. This report is in full compliance with the requirements of the Circular. The submission includes obligations that support the Drug-Free Workplace Act. These obligations are prevention and education dollars related to Goal 3: Reduce health and social costs to the public of illegal drug use.

Department of State: State submitted a detailed accounting of FY 1999 drug control funds, found in Tab K. The report includes a letter from the CFO, OIG attestations, and material from the Bureau of International Narcotics and Law Enforcement Affairs (INL), the formerly-known United States Information Agency (USIA), and the Emergencies in the Diplomatic Consular Service (EDCS) account. Although the OIG states the assertions contained within the report are reliable and reflect the obligations incurred in FY 1999, the specific management assertions, under the Circular's paragraph 5(b), are lacking for INL. The former USIA and EDCS provided alternative reports, citing an unreasonable reporting burden and are not required to provide such assertions. ONDCP will work with State to ensure that the required assertions are incorporated in the department's future submissions.

Department of Transportation (DOT): DOT submitted a detailed accounting of FY 1999 drug control funds for the United States Coast Guard and alternative reports for the Federal Aviation Administration and the National Highway Traffic Safety Administration, found in Tab L. The OIG's attestation reviews are summarized, as follows:

United States Coast Guard (USCG):

USCG submitted a detailed accounting of FY 1999 drug control funds, which adequately addresses each of the report elements as required by the Circular. For the USCG, the OIG reported no negative findings.

Federal Aviation Administration (FAA):

FAA submitted an alternative report citing an unreasonable reporting burden. The bureau's submission fails to comply with the Circular's alternative reporting requirements. While FAA's drug-related obligations for FY 1999 are under the \$50 million materiality threshold, the OIG did not indicate the existence of an unreasonable reporting burden in the independent attestation report. Additionally, the table of prior year drug control obligations does not comply with the requirements outlined in the Circular. According to the Circular, the "...table shall present obligations by Strategy Goal, Drug Function, Budget Decision Unit, and any other published subdivision displayed for the agency or Bureau in the *National Drug Control Strategy Budget Summary*." FAA's table presents the prior year obligations by program office only. This subdivision is not addressed in the *Budget Summary*.

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Finally, the OIG's Independent attestation report identified two negative findings. Two of FAA's program offices – the Office of Civil Aviation Registry and the Office of Air Traffic Services – do not fully meet the criteria for an agency or bureau's drug methodology as established by the Circular. The report indicates that from the beginning, “...neither of these program offices have accounted for actual drug control funds usage nor do they apply adequate estimating techniques, such as surveys or work studies, to arrive at the amount that fairly quantifies their involvement in the drug control program.”

National Highway Traffic Safety Administration (NHTSA):

NHTSA submitted an alternative report citing an unreasonable reporting burden. The report consists only of the table of prior year drug control obligations. The NHTSA's drug-related obligations for FY 1999 are under the \$50 million materiality threshold and both the accountable senior-level executive and the agency OIG attest to an unreasonable reporting burden.

Department of the Treasury (Treasury): On March 3, 2000, the Treasury Assistant Secretary for Management submitted Treasury's FY 1999 detailed accounting reports, found in Tab M, for each of the following eight law enforcement organizations: Bureau of Alcohol, Tobacco, and Firearms (ATF); U.S. Customs Service; Federal Law Enforcement Training Center (FLETC); Financial Crimes Enforcement Network (FinCEN); Interagency Crime and Drug Enforcement; Internal Revenue Service; U.S. Secret Service; and the Treasury Forfeiture Fund (TFF).

Overall, Treasury's March 3 accounting reports for its bureaus did not comply with the requirements of ONDCP's Circular. Five of the eight bureaus did not submit their accounting reports to Treasury's OIG in sufficient time for the OIG to conduct the required review. Further, the timely reports submitted by Customs, Secret Service, and the TFF did not meet the reporting requirements specified by ONDCP. Therefore, the OIG could not review these reports.

Treasury has pledged to work with its bureaus and the OIG to produce future reports that will comply with this reporting requirement for FY 2000. As part of this process for improving the bureau reports, ATF, Customs, FinCEN, FLETC, and TFF subsequently reexamined their accounting for FY 1999 drug control obligations and prepared revised reports. These new reports are presented as an addendum to Tab M. This revised material is not accompanied by the required OIG attestation reviews.

Department of Veterans Affairs (VA): VA submitted a detailed accounting of FY 1999 drug control funds and an independent attestation report, found at Tab N. The submission addresses each of the report elements of the Circular. (The OIG's commentary on management's assertions begins at page N-14). Although VA allocates drug control funding for drug prevention, treatment, and treatment research, the majority of VA's funding, approximately 99 percent, is associated with treatment programs. Treatment funding represents the cost of all inpatient and outpatient care of veterans with a primary or associated diagnosis of drug abuse. These figures include costs in the following categories: specialized drug treatment programs; specialized substance abuse programs treating veterans with alcohol and/or drug abuse problems; and all other medical costs.

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"Other medical costs" are expenses associated with patients receiving drug treatment, but such expenses are for necessary medical care not directly related to the drug treatment itself. Examples include viral hepatitis, sexually-transmitted diseases, endocarditis, a range of nervous system infections, skin and soft tissue infections, tuberculosis, and HIV. Costs for this sort of care are included in the drug methodology in recognition of elevated rates of serious medical problems among individuals with drug use disorders. As a practical matter, in many instances effective drug treatment cannot be administered without concurrently addressing other chronic medical conditions. According to VA's assertions, the methodology used to allocate FY 1999 other medical costs is an extrapolation of FY 1997 data and does not produce reliable costs. Although the extrapolated costs are not reliable, VA stresses that the current methodology represents their best attempt at estimating obligations with the information currently available. In an attempt to correct these limitations in the existing methodology, VA submitted a request for a change in drug methodology to ONDCP.

VA also disclosed that not all activities with a drug nexus are reflected in the estimated obligations reported. Costs related to the accounting and security of narcotics and other controlled substances and costs of law enforcement related to illegal drug activity were not captured. VA believes these costs are immaterial.

The independent attestation report issued by the OIG identified two qualifications, as follows:

- Estimated FY 1999 obligations are not reliable due to methodological shortcomings and the unreliability of cost accounting data produced by VA financial systems; and,
- All activities conducted by VA with a drug nexus are not reflected in the estimated obligations, however the costs may be immaterial.

The OIG agreed with VA's assertion that due to the unreliability of the FY 1999 obligations for other medical costs, FY 1999 obligations could be significantly underreported. Further, the OIG supported the requested VA modification to its drug methodology, stating that the new methodology "... would result in more accurate and reliable data on workload and obligations." Subsequent to the submission of the FY 1999 accounting report, the CFO of the Veteran's Health Administration (VHA) submitted a request to ONDCP to modify VA's drug budget methodology, using a different approach than referenced in the FY 1999 accounting report. ONDCP is working with VHA to determine the effect and feasibility of this approach.

III. FY 1999 Obligations: Presentation Issues

In addition to the FY 1999 data presented in this report, ONDCP most recently presented FY 1999 drug control funding data in the FY 2001 *Budget Summary*, which accompanied the *National Drug Control Strategy 2000 Annual Report*. The FY 1999 data displayed in these two reports do not in all cases precisely correspond. Readers are cautioned, therefore, in making such comparisons. As a result of preparing this FY 1999 accounting report, ONDCP has become

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aware of a need to correct the presentation of prior year data in the annual *Budget Summary* document.

Financial data in the President's Budget are presented in a way that tracks the life-cycle of an appropriation. Data are displayed several ways. For a given year, each account will show "Budget Authority", which represents the authority to incur obligations. After a fiscal year ends, account data will show "Obligations" that were actually incurred against the budget authority enacted by Congress. The financial data displayed in the accompanying FY 1999 Accounting of Drug Control Funds are obligations. However, the FY 1999 data displayed in ONDCP's most recent Budget Summary are not uniformly obligations. Over time, some departments have consistently reported prior year drug control funding data in the *Budget Summary* as obligations, while some departments have consistently reported prior year data as budget authority.

In most instances, there is not much of a difference between prior year drug control financial data displayed as budget authority versus obligations. Obligation data are likely to be a few percent less, as agencies fail to use 100 percent of their authority to incur obligations for a given year. This difference does become important, however, for programs with large capital components. Budget authority for these programs may be available for obligation beyond the current fiscal year. Therefore, prior year budget authority and obligations for these programs may be quite different.

Over the coming months, ONDCP will be working with each department and agency, as well as OMB, to ensure that prior year drug control data displayed in the annual *Budget Summary* and President's Budget represent a uniform and consistent financial concept across departments. All data displayed in the Annual Accounting of Drug Control Funds will continue to be obligations.

IV. Reporting Dates: Proposed Amendments

As ONDCP developed the procedures that implemented this new drug accounting requirement, many departments provided comments on the draft ONDCP Circular regarding due dates. The law requires agencies to submit their accounting reports to ONDCP by February 1, and ONDCP is to forward these reports to Congress by April 1. Most agencies indicated that they would have great difficulty in meeting the February 1 due date. However, given that the due date is provided for in statute, the final ONDCP Circular retained the February 1 date. While working with agencies on their reports, ONDCP soon recognized that the FY 1999 submission to Congress would be delayed. ONDCP notified its House and Senate oversight committees on March 31, 1999 that the FY 1999 report would be transmitted later in the year.

Subsequent to ONDCP issuing its accounting Circular on December 17, several members of the President's Council on Integrity and Efficiency corresponded with ONDCP, recommending that legislation be sought to provide relief on report due dates. Agency financial audits under the *Chief Financial Officers Act of 1990* (P.L. 101-576), as amended by the *Government Management Reform Act of 1994* (P.L. 103-356), require audits to be completed by March 1 of each year. The annual financial statement audits often represent the single greatest resource demand of OIGs. The addition of ONDCP's drug accounting attestation reviews during this

FY 1999 Accounting of Drug Control Funds

period constitutes an extraordinary burden on both OIGs and agency CFO staff. Therefore, to bring the drug accounting report more in line with the schedule for agency financial audits, the IG community has suggested that agency due dates be changed from February 1 to April 1. For the OIG's, this date would be far more efficient, in that the attestation reviews required by the Circular could be performed as an adjunct to financial statement audits.

ONDCP concurs with the recommended change in agency due dates. At Tab P is a proposed technical amended to title 21, which would change the due date for agency reports to April 1 and the due date for ONDCP's submission to Congress to June 1.





United States
Department of
Agriculture

Office of the Chief
Financial Officer

1401 Independence
Avenue, SW

Washington, DC
20250

MAR 31 2000

Mr. David J. Rivalt
Chief, Budget Branch
Office of National Drug Control Policy
Executive Office of the President
Washington, D.C. 20503

Dear Mr. Rivalt:

As requested, this is the Department of Agriculture's (USDA) response to the Office of National Drug Control Policy's (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. Enclosed is a table with the information you requested for USDA for Fiscal Year 1999.

If you have any questions concerning this report, please contact Ken Kessler of USDA's Office of the Chief Financial Officer's staff. Mr. Kessler can be reached on (202) 720-1179.

Sincerely,

James R. Little
Associate Chief Financial Officer

Enclosure

FY 1999 Accounting of Drug Control Funds

U.S. DEPARTMENT OF AGRICULTURE
 FY 1999 Drug Control Activities

20-Mar-00

(Dollars in Thousands)

	Forest Service	Agricultural Research Service	Food/ Nutrition Service	Total USDA
Drug Resources By Goal:				
Goal 1 - Youth Risk Perception	\$125	\$0	\$0	\$125
Goal 3 - Disseminate Treatment Information	0	0	15,700	15,700
Goal 5 - Break Foreign/ Domestic Sources	5,214	9,799 ^{a/}	0	15,013
Total Resources By Goal	\$5,839	\$9,799	\$15,700	\$31,338

Drug Resources By Function:

Investigation	\$339	\$0	\$0	\$339
Investigations	4,595	0	0	4,595
Prevention	125	0	15,700	15,825
Research and Development	111	9,799	0	9,914
State and Local Assistance	665	0	0	665
Total Resources By Function	\$5,839	\$9,799	\$15,700	\$31,338

Drug Resources by Decision Unit:

Detection and Monitoring	\$454	\$0	\$0	\$454
Law Enforcement Agency Support	5,260	9,126	0	14,386
Demand Reduction	125	0	0	125
Crop Eradication Research	0	873	0	873
Drug Assessment/Referral Activities	0	0	15,700	15,700
Total Resources by Decision Unit	\$5,839	\$9,799	\$15,700	\$31,338

Total USDA Funding By Agency

	FY 1999
Forest Service (Goals 1 and 5)	\$5,839
Agricultural Research Service (Goal 5)	9,799
Food and Nutrition Service (Goal 3)	15,700
TOTAL USDA Drug Control Funding	\$31,338

^{a/} Includes a one-time transfer of \$4.5 million from the Office of National Drug Control Policy



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20250



January 28, 2000

Mr. David J. Rivait *DR 7/600*
Chief Budget Branch
Executive Office of the President
Office of National Drug Control Policy
750 17th Street NW
Washington, D.C. 20503

Dear Mr. Rivait:

The Office of National Drug Control Policy Circular entitled "Annual Accounting of Drug Controls Funds" specified that the Inspectors General, for those agencies not required to submit a detailed report, attest "that full compliance with this Circular would constitute an unreasonable reporting burden."

As of the date of this letter, the Department has not provided us with its report nor any support for an assertion that there would be an unreasonable burden. Accordingly, insufficient time has been afforded us to conduct the necessary review and provide you with the attestation by the required reporting date of February 1, 2000.

If you would like to discuss this matter please contact James R. Eblitz, Assistant Inspector General for Audit, at (202) 720-6945.

Sincerely,

for Paula F. Hayes
ROGER C. VIADERO
Inspector General

cc
Sally Thompson, Chief Financial Officer, OCFD
Steve Dewhurst, Director, OBPA



Corporation for National Service

Office of Inspector General
1301 New York Avenue, NW
Washington, DC 20525



January 30, 2000

Director
Office of National Drug Control Policy

In compliance with Section 7 of the Office of National Drug Control Policy Circular: "Annual Accounting of Drug Control Funds," the Office of Inspector General for the Corporation for National Service states that, because the Corporation has estimated its fiscal year 1999 obligations for drug control efforts were approximately \$7 million, we agree that a full report as required by the Circular would be an unreasonable reporting burden.

Louise S. Jordan
Inspector General



January 18, 2000

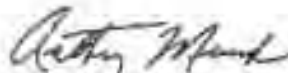
Mr. Barry R. McCaffrey
Director
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. McCaffrey:

Enclosed is the FY 1999 alternative report of drug-related obligations for the Corporation for National Service as outlined in section 7 of ONDCP Circular: Annual Accounting of Drug Control Funds dated December 17, 1999. It is my judgment that to provide a full report as outlined in the circular would be an unreasonable burden to the Corporation.

The programs of the Corporation are only indirectly related to the nation's drug control effort. Our best estimate of the obligations of the Corporation that are related to the drug control effort in FY 1999 is \$7 million. This reflects the portion of the total obligations for grants to 24 AmeriCorps programs and 501 National Senior Service Corps programs that can be reasonably attributed to those program goals (among often many program goals) that are specifically drug related. There is no reporting requirement of these grantees that would provide any better data. Given the small size of those obligations, the indirect nature of the contribution of these obligations to the drug control effort, and the lack of better reporting data, I am providing this alternative report.

Sincerely,


Anthony Musick
Chief Financial Officer

Enclosure

201 New York Avenue, NW
Washington, DC 20004
Telephone: 202-456-1000

Corporation for National Service
Department of National Security
Lobby and Service Center
National Senior Corps

FY 1999 Accounting of Drug Control Funds

Corporation for National Service
Table of Prior Year Drug Control Obligations
Fiscal Year 1999

Budgetary Activity	1999 Obligations \$ in thousands
AmerCorps	3,504
National Senior Service Corps	
Retired and Senior Volunteer Program	115
Foster Grandparent Program	2,758
Senior Companion Program	393
Total National Senior Service Corps	3,266
Total Corporation for National Service	7,170



Department of Defense



DEPARTMENT OF DEFENSE
COORDINATOR FOR DRUG ENFORCEMENT
POLICY AND SUPPORT

1810 DEFENSE PENTAGON
WASHINGTON DC 20301-1810



Mr. John T. Carnevale
Director
Office of Programs, Budget, Research and Evaluation
Office of National Drug Control Policy
750 17th Street, NW
Washington, DC 20503

Dear Mr. Carnevale:

As the Department of Defense Coordinator for Drug Enforcement Policy and Support, I assert that the drug methodology used to calculate obligations of FY 1999 budgetary resources is reasonable and accurate. I further assert that the obligation table in TAB A was generated by the methodology as reflected in TAB-B. The obligations are associated with a financial plan that properly reflects all changes made during the fiscal year, including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$5 million. In the case of FY 1999, counternug funding was augmented by \$45 million from other DoD sources to support the withdrawal and reconstitution of forces from Panama. This action was approved by ONDCP.

Sincerely,

Brian E. Sheridan

Enclosure
As stated

CF
DODIG



FY 1999 Accounting of Drug Control Funds

CENTRAL TRANSFER ACCOUNT

	<u>FY99</u>
Goal 1	23,326
Goal 2	117,795
Goal 3	68,591
Goal 4	332,926
Goal 5	<u>233,997</u>
	<u>776,637</u>
Intimidation	354,171
State and Local Assistance	260,776
Prevention	84,894
Treatment	6,390
Research and Development	30,405
	<u>776,636</u>

OPTEMPO

Goal 2	5,919
Goal 4	102,924
Goal 5	<u>11,659</u>
	<u>120,502</u>
Intimidation	104,405
State and Local Assistance	<u>16,097</u>
	<u>120,502</u>

TOTAL COUNTERDRUG FUNDING

	<u>FY99</u>
Goal 1	23,326
Goal 2	123,714
Goal 3	68,591
Goal 4	435,850
Goal 5	<u>245,656</u>
	<u>897,136</u>
Intimidation	498,576
State and Local Assistance	276,873
Prevention	84,894
Treatment	6,390
Research and Development	30,405
	<u>897,138</u>

DRUG METHODOLOGY

Central Transfer Account

The Counterdrug Central Transfer Account (CTA) was established in PBO 678 in November 1989. Under the CTA, funds are appropriated by Congress to a single budget line, not to the Services baselines. The CTA accounts for all counterdrug resources for the Department of Defense with the exception of OPTEMPO and Active Duty MILPERS. Funds are reprogrammed from the CTA to the Services and Defense Agencies in the year of execution. The CTA allows for greater execution flexibility in the counterdrug program with the ability to realign resources to address changes in requirements. The CTA is essential to respond effectively to the dynamic nature of the drug threat.

The Office of National Drug Control Policy (ONDCP) reports within the National Drug Control Strategy the amount of funds appropriated to the counterdrug CTA. The actual obligations for the counterdrug program for a particular fiscal year differ from the amount released to the CTA since some of the DoD counterdrug effort is executed with multi-year funding.

The reprogramming process begins with reprogramming documents (DD1416 and DD1105) prepared by the Office of the Deputy Assistant Secretary of Defense for Drug Enforcement Policy and Support and forwarded to DoD Comptroller. Funds are reprogrammed to the applicable appropriation/budget activity at the Service/Defense Agency by project (e.g., Navy's Fleet Support, Ground Based Radars, Counterdrug RDT&E). The internal reprogramming (IR) action requires no congressional notification/approval. Attachment (1) outlines the sequence of events in a normal internal reprogramming process.

The Services/Defense Agencies have their own internal accounting systems for tracking obligations of funds transferred from the counterdrug CTA. The following examples provide the process of how obligations are tracked:

- + The Army Budget Office receives obligation data from the Defense Finance and Accounting System (DFAS) on a monthly basis and funds are tracked by the DFAS/Standard Army Financial Information System (STANFINS).
- + The Air Force uses the USAF General Accounting & Finance System (GAFS) to track obligations. This system interfaces directly with the DFAS.
- + The Navy uses the Standard Accounting and Reporting System, Field Level (STARS-FL) which provides the means of tracking allocated counterdrug funds through the life cycle of the appropriation at the activity/field level. Navy counterdrug funding is recorded under separate cost centers and sub-cost centers, with a line of accounting consisting of subhead, project units and cost codes specifically for counterdrug obligation tracking.
- + The Army and Air National Guard employs a central accounting service from the DFAS to consolidate, aggregate, and report on funds as they are committed, obligated, and expended. The Army State and Federal Program Accounting Codes

and the Air Accounting Codes provide funds tracking mechanisms to reconcile funding at various levels of reporting and execution.

The Services/Defense Agencies provide monthly obligation reports by project code to the Office of the Deputy Assistant Secretary of Defense for Drug Enforcement Policy and Support (DEP&S). These individual reports are recorded on a spreadsheet and compiled into a single counterdrug obligation report. The obligation and expenditure data provided by the Services/Defense Agencies are compared against their total annual counterdrug funding for each appropriation. At the end of the year, the Services/Defense Agencies provide an end of year status report which reflects their actual obligation data.

The monthly obligation reports provided by the Services/Defense Agencies include obligation and expenditure data by project code, not down to the goal level. In order to comply with ONDCP's circular and provide obligation data by goal, it was necessary to use percentages based on the amount of funding allocated to each project code by goal.

OPTEMPO

OPTEMPO includes fuel, aviation fleet and depot level maintenance. DEP&S does not receive any funding for the Services' OPTEMPO. Congress directly appropriates funding for OPTEMPO to the Services/Defense Agencies. Each of the Services/Defense Agencies manages its own OPTEMPO account and reports to DEP&S platform hours and obligations in support of the counterdrug mission. The following activities provide the process of how OPTEMPO obligations are tracked:

- Air Force estimates its OPTEMPO obligations by multiplying counterdrug OPTEMPO flying hours with the average cost per hour. The Reliability Management Information System (REMIS) is the official database for tracking USAF flying hours and each counterdrug mission.
- The Army derives its Flying Hour Program (FHP) OPTEMPO obligations from the major subordinate commands' reports for the previous quarter. These reports reflect flight hours converted into FHP obligation projections based on the most current FHP rates as determined by the Cost Economic Analysis Center (CEAC).
- The Navy derives OPTEMPO obligations in a manner similar to the Air Force by multiplying counterdrug OPTEMPO flying hours with the average cost per hour. The Navy uses STARS-FL as the accounting system to track OPTEMPO obligations.
- The Air National Guard OPTEMPO obligations are tracked using the REMIS system and the Consolidated Maintenance system for flying hours. The Army National Guard OPTEMPO obligations are tracked on the ARNG's 218 report using DFAS data.
- U.S. Special Operations Command derives OPTEMPO obligations for aircraft support by multiplying number of hours with the cost factor. USSOCOM derives OPTEMPO obligations for patrol coastals by estimating the number of steaming days for continuous presence and the actual number of days for each mission.

INTERNAL REPROGRAMMING PROCESS

- STEP 1. DFPAS INITIATES, COORDINATES WITH OASD (C31), MILITARY DEPARTMENTS AND DEFENSE AGENCIES AS APPROPRIATE THEN FORWARDS TO DOD DOD(C) (TWO WEEKS).
- STEP 2. USD(C) STAFFS IN DOD COMPTROLLER DIRECTORATE FOR OPERATIONS, INVESTMENTS AND OFFICE OF GENERAL COUNCIL, AND OTHER OFFICES, AS APPROPRIATE (NORMALLY REQUIRES ONE TO TWO WEEKS).
- STEP 3. DOD COMPTROLLER (OPERATIONS) FORWARDS TO DOD COMPTROLLER (PROGRAM AND FINANCIAL CONTROL) WHO PACKAGE AND FORWARDS FOR DOD COMPTROLLER SIGNATURE (NORMALLY REQUIRES A FEW DAYS TO A WEEK).
- STEP 4. SIGNED REPROGRAMMING IS FORWARDED TO OMB.
- STEP 5. SIGNED REPROGRAMMING SETS TWO PROCESSES IN MOTION. 1) APPORTIONMENT DOCUMENTS (FORM 1105) ARE PREPARED BY DFPAS AND DFPAS IS DIRECTED TO INITIATE THE TREASURY TRANSFER DOCUMENT (FORM 1161).
- STEP 6. APPORTIONMENT DOCUMENTS ARE FORWARDED TO OMB FOR REVIEW AND SIGNATURE TO CONSTITUTE APPORTIONMENT.
- STEP 7. COMPLETED APPORTIONMENT DOCUMENTS ARE RETURNED TO DOD COMPTROLLER (PROGRAM AND FINANCIAL CONTROL). APPORTIONMENT DOCUMENTS ARE FORWARDED TO INDIVIDUAL SERVICE/APPROPRIATION ANALYSTS IN DOD COMPTROLLER AND FUNDING DOCUMENTS ARE ISSUED (NORMALLY A FEW DAYS TO A WEEK).
- STEP 8. DFPAS PREPARES TREASURY DOCUMENT (FORM 1161) AND FORWARDS TO TREASURY FOR SIGNATURE. COMPLETED TREASURY DOCUMENTS AND PROVIDED TO EACH MILITARY DEPARTMENT OR DEFENSE AGENCY RECEIVING FUNDS (NORMALLY A FEW DAYS TO A WEEK).
- STEP 9. USD(C) ANALYST RESPONSIBLE FOR EACH SPECIFIC SERVICE/AGENCY AND APPROPRIATION PREPARES FUNDS TRANSFER DOCUMENTS AND PROVIDES TO MILITARY DEPARTMENTS AND DEFENSE AGENCIES (NORMALLY REQUIRES A FEW DAYS TO A WEEK).
- STEP 10. UPON RECEIPT OF OFFICIAL FUNDING TRANSFER DOCUMENTS, MILITARY DEPARTMENTS AND DEFENSE AGENCIES TRANSFER FUNDS TO SPECIFIC ACTIVITIES WITHIN THEIR OPERATION. (FUNDS TRANSFER RATE FROM MILITARY DEPARTMENT OR DEFENSE AGENCY TO THEIR INDIVIDUAL ACTIVITIES IS AT THEIR DISCRETION).

ATTACHED (1)



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22204-9000

January 31, 2000

MEMORANDUM FOR DEPARTMENT OF DEFENSE COORDINATOR FOR
DRUG ENFORCEMENT POLICY AND SUPPORT

SUBJECT: Attestation Review of the January 18, 2000, DoD FY 1999 Drug Control
Obligations Report (Report No. D-2000-001)

We are providing this memorandum in response to Public Law 105-271, "The Office of National Drug Control Policy Reauthorization Act." The law requires the Office of the Inspector General to authenticate the DoD accounting of funds expended on the National Drug Control Program before submission of such accounting to the Director, Office of National Drug Control Policy. The Office of National Drug Control Policy (ONDCP) Circular "Annual Accounting of Drug Control Funds," December 17, 1999, provides the policies and procedures to be used for reporting and authenticating all funds obligated by DoD on National Drug Control Program activities.

In accordance with the ONDCP Circular, the Office of the Inspector General was to review the DoD FY 1999 Drug Control Obligations Report (the FY 1999 Report) and related management assertions on drug control methodology, application methodology, and financial planning and attest to the reliability of the report. Our attestation review was conducted in accordance with the standards established by the American Institute of Certified Public Accountants. An attestation review is substantially less in scope than an examination. The objective of an examination is to express an opinion. Accordingly, we do not express such an opinion. Additionally, the scope of the attestation review of the FY 1999 Report was limited because of the untimely issuance of the ONDCP Circular and the delayed receipt of the FY 1999 Report from your office. The FY 1999 Report was received on January 18, 2000.

We cannot attest to the Table of Obligations in Tab. A of the report. The FY 1999 Report was manually prepared from data submitted by the Military Departments and other DoD agencies and not from official DoD accounting systems. We can attest that the ONDCP approved the transfer of an additional \$45 million to the Central Transfer Account from the Defense Working Capital Fund to augment counterdrug funding to support the withdrawal and reconstitution of forces from Panama. We did not perform a review of the OPTEMPO obligations as shown in Tab. A because OPTEMPO funds are allocated directly to the Military Departments and not through the DoD Central Transfer Account. However, we can attest that the methodologies used to develop the Table of Obligations, as described in Tab. B, do appear reasonable based on audit work performed.

The FY 1999 Report was not completed in accordance with the ONDCP Circular. The FY 1999 Report did not include required information regarding DoD personnel resources used on drug control programs, the percentage of the DoD total budget used on counterdrug programs, and a table of management assertions. Further, the FY 1999 Report was incomplete in regard to listing all accounting systems used and the material management control weaknesses of the accounting systems.

Nothing came to our attention during our review that caused us to believe that the obligations reported were used for purposes other than the National Drug Control Program. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We appreciate the courtesies extended to the review staff. Questions on the review should be directed to Mr. Robert M. Murrell at (703) 604-9210 (rmurrell@dodig.osd.mil) or Mr. Albert L. Puzan at (703) 604-8779 (apuzan@dodig.osd.mil).

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Attachment:
DoD FY 1999 Drug Control Obligations Report

cc:
Director, Office of Programs, Budget, Research and Evaluations, ONDCP



THE U.S. Department of **EDUCATION**

FY 1999 Accounting of Drug Control Funds



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE UNDER SECRETARY

FEB 1 2000

General Barry McCaffrey
Director
Office of National Drug Control Policy
Executive Office of the President
Washington, D.C. 20500

Dear General McCaffrey:

In accordance with Section 1704(d) of Title 21 United States Code, enclosed please find a detailed accounting of all fiscal year 1999 Department of Education drug control funds, along with the Department of Education Inspector General's authentication of this accounting, consistent with the instructions in ONDCP Circular *Annual Accounting of Drug Control Funds*, dated December 17, 1999.

Please do not hesitate to contact me if you have any questions about this information.

Sincerely,


Thomas P. Shelly
Director, Budget Service

Enclosure #1: *Department of Education Detailed Accounting of Fiscal Year 1999 Drug Control Funds*, dated January 27, 2000

Enclosure #2: Authentication letter from Inspector General Lorraine Lewis, dated February 1, 2000

cc: Lorraine Lewis

500 INDEPENDENCE AVE. S.W. WASHINGTON, D.C. 20001

*****This is a private and/or confidential document and its contents should not be disseminated outside the Department of Education.*****

DEPARTMENT OF EDUCATION



DETAILED ACCOUNTING OF FISCAL YEAR 1999 DRUG CONTROL FUNDS

IN SUPPORT OF THE
NATIONAL DRUG CONTROL STRATEGY

AS REQUIRED BY SECTION 1704(D) OF
TITLE 21 UNITED STATES CODE

JANUARY 27, 2000

FY 1999 Accounting of Drug Control Funds

DEPARTMENT OF EDUCATION DETAILED ACCOUNTING OF FISCAL YEAR 1999 DRUG CONTROL FUNDS

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE UNDER SECRETARY

JAN 27 2000

Ms. Lorraine Lewis
Inspector General
Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202-1510

Dear Ms. Lewis:

As required by Section 1704(d) of Title 21 United States Code, enclosed please find a detailed accounting of all fiscal year 1999 Department of Education drug control funds for your authentication, in accordance with the guidelines in Office of National Drug Control Policy (ONDCP) Circular Annual Accounting of Drug Control Funds, dated December 17, 1999.

Consistent with the instructions in the ONDCP Circular, please provide your authentication to me in writing, and I will transmit it to ONDCP along with the enclosed accounting of funds. As you know, ONDCP requests these documents by February 1, 2000, if possible. Please do not hesitate to contact me if you have any questions about the enclosed information.

Sincerely,

Thomas P. Skelly
Director, Budget Service

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202

1

This document is an internal record of the Department of Education and is not to be distributed outside the Department.

FY 1999 Accounting of Drug Control Funds

RESOURCE SUMMARY

Fiscal Year 1999 Obligations
(in \$ millions)

Drug Resources by Goal	
Goal 1	570,266
Goal 2	92,892
Total	663,158
Drug Resources by Function	
Prevention	570,266
Treatment	92,265
Treatment Research	6,627
Total	663,158
Drug Resources by Decision Unit	
Office of Elementary and Secondary Education	
Safe and Drug-Free Schools and Communities	
-SDFSC State Grants	441,100
-SDFSC National Programs	90,000
-SDFSC Middle School Coordinator Initiative	35,000
Fund for the Improvement of Postsecondary Education	9,674
Subtotal, OESE	566,854
Office of Special Education and Rehabilitative Services (OSERS)	
(Vocational Rehabilitation State Grants)	92,175
(National Institute on Disability and Rehabilitation Research (NIDRR)	
Research and Rehabilitation Training Center (RRTC)	1,004
Subtotal, OSERS	92,779
Program Administration	3,525
Total	663,158

PROGRAM DESCRIPTIONS

The drug control programs operated by the Department of Education include: (1) prevention programs under the Safe and Drug-Free Schools and Communities Act, and (2) treatment and treatment research programs under the Rehabilitation Act of 1973. Descriptions of these programs follow.

Drug Prevention: Safe and Drug-Free Schools and Communities

Goal 1 of the National Drug Control Strategy is to educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco. The Safe and Drug-Free Schools and Communities (SDFSC) program, which is administered by the Department's Office of Elementary and Secondary Education (OESE), provides support for research-based approaches to drug and violence prevention that address this goal. Safe and Drug-Free Schools and Communities is the Federal Government's largest drug prevention program, and the only Federal program that provides direct support to schools for efforts designed to prevent school violence.

Under the SDFSC Act, funds are appropriated directly for State Grants and for National Programs. State Grant funds are allocated to States and Territories, half on the basis of school-aged population and half on the basis of State shares of Federal "Education for the Disadvantaged" funding for the previous year (under Title I of the Elementary and Secondary Education Act). Governors receive 20 percent, and State educational agencies (SEAs) 60 percent, of each State's allocation. SEAs are required to subgrant at least 91 percent of their allocations to local educational agencies (LEAs); these subgrants are based on enrollment (70 percent) and high need (30 percent). SEAs determine the criteria for selecting high-need LEAs and are required to target their high-need funds on no more than 10 percent or 5 of their LEAs, whichever is greater.

Drug and violence prevention activities authorized under the statute include developing instructional materials; counseling services; professional development programs for school personnel, students, law enforcement officials, judicial officials, or community leaders; implementing conflict resolution, peer mediation, and mentoring programs; implementing character education programs and community service projects; establishing safe zones of passage; and acquiring and installing metal detectors and hiring security personnel. No more than 20 percent of an LEA's grant award may be used to support safe zones of passage, security personnel, and the purchase or operation of metal detectors. Activities most frequently funded by LEAs include staff training; student instruction; curriculum development/acquisition; and student assistance programs, including counseling, mentoring, and identification and referral services. At least 10 percent of each Governor's grant award must be used to fund law enforcement education partnerships that implement prevention activities such as drug-abuse resistance education (DARE) programming.

SDFSC National Programs is a broad discretionary authority that permits the Secretary to carry out, in accordance with national needs, programs designed to promote drug-free, safe, and orderly learning environments for students at all educational levels, from preschool through the postsecondary level. These programs may include training and technical assistance; demonstration projects; direct services to schools and school systems afflicted with especially severe drug and violence problems; developing and disseminating drug and violence prevention and education materials and information; recruiting, hiring, and training program coordinators to assist school districts in implementing high-quality, effective, research-based drug and violence prevention programs; programs for youth who are out of the education mainstream, including school dropouts, students who have been suspended or expelled from their regular education program, and runaway or homeless children and youth; programs that support local educational agencies and communities in developing and implementing comprehensive programs that create safe, disciplined, and drug-free learning environments and promote healthy childhood development; services and activities that reduce the need for suspension and expulsion in maintaining classroom order and discipline; services and activities to prevent and reduce truancy; programs to provide counseling services to troubled youth; financial and technical assistance to institutions of higher education for model drug prevention and campus safety programs for students attending such institutions; and evaluations of the effectiveness of drug and violence prevention programs. These programs are often carried out jointly with other Federal agencies. National Programs activities constitute a critically important component of the Department's efforts to improve the accountability of the SDFSC State grants program by, among other things, providing technical assistance and information to help State and local grantees implement effective, research-based programs.

Drug Treatment and Treatment Research: Rehabilitation Act Programs

Goal 3 of the National Drug Control Strategy calls for reducing health and social costs to the public of illegal drug use. Although drug treatment is not a major focus of the Department or any of its programs, the Office of Special Education and Rehabilitative Services (OSERS) supports this Goal by funding two drug-related treatment and treatment research activities, the Vocational Rehabilitation State Grant program and the National Institute on Disability and Rehabilitation Research (NIDRR), that assist individuals whose disabling conditions result in an impediment to employment.

The majority of expenditures for drug-related treatment activities in OSERS are for the Vocational Rehabilitation State Grant program, authorized by Title I of the Rehabilitation Act of 1973. The program, which is funded under the Rehabilitation Services and Disability Research account, provides a wide range of services designed to help individuals with a physical or mental disability prepare for and engage in gainful employment to the extent of their capabilities. Funds are allocated to States on the basis of their population and per capita income. Individuals with disabilities that result in a substantial impediment to employment and who can benefit in terms of an employment outcome, including those individuals whose disabling condition is due to drug abuse, are eligible for assistance.

The National Institute on Disability and Rehabilitation Research (NIDRR), which is authorized under Title II of the Rehabilitation Act of 1973, supports research on issues relating to persons of all ages with disabilities. One of the institute's Rehabilitation Research and Training Centers (RRTCs) conducts research related to substance abuse issues among individuals qualifying for vocational rehabilitation services and the intersection between substance abuse and disability conditions.

DISCLOSURES

Drug Methodology

Prevention

For purposes of scoring the Department's drug control budget, the Department estimates that all funds used for violence prevention activities under the Safe and Drug-Free Schools and Communities program also impact on drug prevention. Therefore, this accounting submission includes 100 percent of Safe and Drug-Free Schools and Communities funds obligated in fiscal year 1999. It also includes obligations of \$674,000 from funds that were appropriated under the Fund for the Improvement of Postsecondary Education (FIPSE) program under title VII-B of the Higher Education Act. The FIPSE funds were earmarked in the appropriations statute to be used exclusively to identify and provide models of alcohol and drug abuse prevention and education in higher education at the college level. The Department administered this activity in the Safe and Drug-Free Schools program office along with related postsecondary drug prevention activities funded under SDFSC National Programs.

Treatment and Treatment Research

Although the above resource summary identifies a specific dollar amount for the Vocational Rehabilitation program, this amount reflects only an approximation of the costs under this program of activities that assist eligible individuals with a drug-related disabling condition to

achieve an employment outcome. The estimate of these costs is based on two sets of 1997 data. The first set represents the number of individuals served by State vocational rehabilitation agencies for whom drug abuse is the primary or secondary disabling condition, and is estimated at 8.9 percent. The second data set, which provides average cost estimates for the purchase of services for individuals with different disabling conditions, approximates the cost of purchased services for drug-dependent clients at slightly less than one-half that for clients with other disabilities. Based on the product of these two numbers, the Department's Rehabilitation Services Administration estimates that approximately 4 percent of the Vocational Rehabilitation State grant funds were used by State vocational rehabilitation agencies in 1999 for services to individuals with a drug-related disabling condition. The Department used the most recent client and cost data available to produce these estimates, but because of lag time in reporting, 1999 data could not be used to calculate 1999 obligations. Gross obligations in FY 1998 for the Vocational Rehabilitation State Grant program totaled \$2,304,380,948. 4 percent of this amount equates to \$92,175,238, the estimate shown under the resource summary in section I of this report.

Specifically, the data used to generate estimates of the percentage of Vocational Rehabilitation (VR) State grant funds used by State VR agencies for services to drug disabled clients comes from the Rehabilitation Services Administration (RSA) Case Service Report (R-911). The R-911 reporting system collects data on the personal and program-related characteristics of individuals with disabilities whose cases are closed out each year by State VR agencies. This report also includes information on the cost and types of services purchased by State VR agencies on behalf of their clients. The majority of the data elements collected through this system are on individuals who are determined to have achieved an employment outcome at the time of case closure. The cost data reported through the R-911 reflects the cost of purchased services over the life of the case, which in 1997 was an average of about 14.5 months. The information is reported to RSA by State VR agencies on annual basis.

The R-911 is able to provide fairly accurate counts of the number of individuals with a primary or secondary disability due to drug abuse. However, the R-911 is limited in its ability to provide data on total program expenditures by sub-group. As stated above, the R-911 collects only the cost of services purchased by the VR State agency on a behalf of a client. However, many of the services clients receive are provided directly by State VR agency staff, in particular assessment, counseling, guidance, and placement services. The costs of these direct services are captured through another aggregate report, but they are not reported at the client or subgroup level. Therefore, in estimating the total average cost, we have assumed the costs of services provided directly by agency staff to be proportional to the purchased services for this population.

In fiscal year 1998, the National Institute on Disability and Rehabilitation Research obligated a base grant award of \$489,960 in addition to a supplemental grant award of \$103,673 to the Rehabilitation Research and Training Center on Drugs and Disability at Wright State University. The total of these two awards is \$593,633. Because this center conducts research exclusively on substance abuse issues among individuals qualifying for vocational rehabilitation of persons whose primary or secondary disability is substance abuse, the Department incurs 100 percent of these funds as drug control budgetary resources.

Program Administration

The Department's drug control budget also includes an estimate of the program administration costs associated with the staff who administer the above programs. These staff administer

FY 1989 Accounting of Drug Control Funds

grant competitions; compete contracts; monitor existing grants and contracts; disseminate anti-drug materials; provide technical assistance to States, school districts, and other recipients of drug control funds; implement joint agreements with other Federal agencies for improved coordination in demand reduction activities; coordinate the Department's program evaluations and data collections; perform program and budget analysis; and provide legal counsel on the implementation of these programs.

The Department estimates that 32 full-time-equivalent (FTE) staff perform the above administrative functions for the programs identified in this report under Goal 1 of the *National Drug Control Strategy*. This is based on 28 FTE staff assigned directly to the Safe and Drug-Free Schools program (organizational code ESN) in the Office of Elementary and Secondary Education (OESE), plus 4 additional FTE staff throughout the Department who also provide administrative support for these programs. The 1989 obligations of program administration costs corresponding to these 32 FTE are estimated to be \$3,412,000. This estimate is based on the following methodology:

- Pay for Safe and Drug-Free Staff/FTE (\$2,051,000). Derived from actual FY 1989 obligations in the Department's accounting system showing personnel compensation and benefits costs for organization ESN including overtime and awards.
- Pay for Other FTE (\$298,000). Derived from calculations using FY 1989 average salary for the OESE, excluding the costs for Safe and Drug-Free FTE, multiplied by the FTE associated with portions of staff time (FTE) of a number of other OESE and Department staff.
- Non-pay for Safe and Drug-Free Staff/FTE (\$65,000). Derived from actual FY 1989 obligations in the Department's accounting system for travel, contracts, and supplies.
- Non-pay for Other FTE (\$50,000). Derived from calculations using OESE total non-pay, minus Safe and Drug-Free non-pay, divided by number of FTE (excluding Safe and Drug-Free FTE) for a "per FTE" cost, multiplied by other OESE and Department FTE.
- Non-pay for Department Overhead Costs (\$847,000). Derived from calculations containing all Department overhead costs for rent, phones, ADP equipment, network operations, etc. in the Program Administration account divided by the FTE usage attributable to the Program Administration account for a "per FTE" cost for overhead expense, multiplied by total OESE Safe and Drug-Free and other FTE.

The Department estimates that 1 full-time-equivalent (FTE) staff perform the above administrative functions for the activities identified in this report under Goal 3 of the *National Drug Control Strategy*, based on portions of staff time assigned within the Office of Special Education and Rehabilitative Services and elsewhere in the Department who provide administrative support for these programs. The 1989 obligations of program administration costs corresponding to this 1 FTE are estimated to be \$113,000. This estimate is based on the following methodology:

- Pay (\$76,000). Derived from calculations using FY 1989 average salary for the Office of Special Education and Rehabilitation Services (OSERS) multiplied by the FTE associated with portions of staff time (FTE) of a number of OSERS and other Department staff.

FY 1999 Accounting of Drug Control Funds

- Non-pay Costs (\$7,000). Derived from calculations using OSERS total FY 1999 actual obligations divided by the total OSERS FTE for a "per FTE" cost.
- Non-pay for Department Overhead Costs (\$30,000). Derived from calculations combining all Department overhead costs for rent, phones, ADP equipment, network operations, etc. in the Program Administration account divided by the FTE usage attributable to the Program Administration account for a "per FTE" cost for overhead expenses.

Note. Under the Drug Resources by Function break-out in the resource summary on page 1 of this report, all program administration costs identified above for Goal 1 are combined with the obligations of Safe and Drug-Free Schools and Communities program funds to calculate the total prevention dollars. Eighty percent of the program administration costs identified for Goal 3 are combined with the obligations of Vocational Rehabilitation State Grant funds to calculate the total treatment dollars, and 20 percent of the program administration costs for Goal 3 are added to the obligations for the National Institute on Disability and Rehabilitation Research - Research and Rehabilitation Training Center to calculate the total treatment research dollars.

Methodological Modifications

The Department has not made any modifications from the previous year in the methodology used for estimating its drug control budgetary resources, except for the inclusion, in 1999, of \$674,000 in obligations from funds appropriated under the FIPSE program, as explained above under the drug methodology heading for prevention programs.

Material Weaknesses or Other Findings

The Department does not have any material weaknesses to disclose that affect the presentation of fiscal year 1999 drug-related obligations in this report. All other known weaknesses which affect the presentation of drug-related obligations in this report are explained in the drug methodology description above, and in the disclosures below.

Reprogrammings or Transfers

There were no reprogrammings or transfers of drug-related budgetary resources in the Department of Education in fiscal year 1999.

Other Disclosures

The Department acknowledges that the methodology described above is imprecise for identifying fiscal year 1999 obligations of drug control funds, because the methodology is based in part on estimates and assumptions. While it is based on management's best estimates and assumptions, actual obligations and expenditures may differ. Most significant among these estimates and assumptions are the following:

- The budgetary resources in this report include 100 percent of obligations for the Safe and Drug-Free Schools and Communities program. This program funds drug prevention activities as well as violence prevention and school safety activities. The Department does not currently have data or any other means by which to identify or estimate the amount of funds under this program that support drug prevention exclusive of the funds that support violence prevention and school safety with no drug-control-related needs.

To collect such data would be prohibitively expensive for the Department and impose significant new burdens on program grantees. Furthermore, collecting such data would require the Department and, in turn, SDFSC grantees to make many arbitrary judgments about whether or not the many varied activities funded constitute drug prevention or are at least significantly drug-related. Consequently the data, if collected, would be of questionable quality, and the expense and burden to collect the data could not be justified.

- It should also be noted that a small portion of Safe and Drug-Free Schools and Communities funds (approximately \$5 million, less than 1 percent of fiscal year 1999 obligations) supports alcohol prevention programs for students enrolled in institutions of higher education. For college students served by such programs who are 21 years of age or older, alcohol is a legal drug and those programs fall outside the scope of the National Drug Control Strategy. However, the Department does not have data or any other means by which to identify the ages of the students served by these programs, or to identify or estimate the amount of funds under these programs that supports the prevention of alcohol exclusive of the funds that support prevention of illegal drugs. For these reasons, the drug budget methodology in this report includes all SDFSC funds for postsecondary prevention programs and activities.
- The estimates of program administration costs associated with the staff who administer the Department's drug control programs are based – in part – on average administrative costs per full-time-equivalent (FTE) staff, rather than based entirely on the administrative costs of individual staff who are assigned to those programs. The reasons for this are: (1) not all of the staff assigned to these programs are assigned to them on a full-time basis, and the FTE figures are themselves partly estimated by management based on workload; and (2) the Department's accounting system does not track obligations for individual staff time devoted to specific activities or functions.
- In addition to the qualifications and caveats regarding the budget estimates for the Department's drug treatment and treatment research programs explained in the methodology section above, it should be noted that most drug-disabled clients served by the Vocational Rehabilitation State Grant program are not current drug users. Rather, many of these clients have already successfully completed drug treatment before entering the VR program, and the VR program is providing other types of assistance to these individuals to obtain employment. Therefore, most of the services provided by the program with funds identified in this report would not meet the ONDCP definition of treatment, as follows: "activities focused on assisting regular users of controlled substances to become drug-free through such means as counseling services, in-patient and out-patient care, and the demonstration and provision of effective treatment modalities, etc." Consequently, the Department plans to undertake a review, with ONDCP, on the appropriateness of including the Vocational Rehabilitation State Grant program in the National drug control budget in future years.

ASSERTIONS

Drug Methodology

The methodology used to calculate the fiscal year 1999 obligations of drug control funds presented in this report is reasonably accurate, based on the following ONDCP criteria:

Date

Workload and other statistical information supports the drug methodology; these data are clearly identified and the most recently available; and the source of these data and their current connection to drug control obligations is well documented.

Other Estimation Methods

Where professional judgment or other estimation methods are used as part of the drug methodology, the association between these assumptions and the drug control obligations being estimated is thoroughly explained and documented.

Completeness

All activities conducted by the Department that have a drug control-related nexus are reflected in the methodology. (While the Department conducts programs that are not reflected in the methodology and that may have an indirect or potential impact on preventing drug use by youth, all programs conducted by the Department whose primary purpose is to control drugs have been included. Funding for programs not reflected in the methodology that may have a possible impact on drug control would not be a substantial function of the programs, and difficult, if not impossible, to ascertain.)

Financial Systems

Financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which the drug-related obligation estimates are derived.

Application of Methodology

The methodology disclosed in section III above was, indeed, the actual methodology used to generate the fiscal year 1999 obligations of drug control funds presented in section I of this report.

Financial Plan – Including Reprogrammings or Transfers

There were no reprogrammings or transfers of Department of Education drug control funds in fiscal year 1999; therefore, the required assertion that the data presented in this report properly reflect changes in drug control budgetary resources resulting from reprogrammings or transfers of funds is not applicable.



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

Office of Inspector General's Independent Report on the U.S. Department of Education's Detailed Accounting of Fiscal Year 1999 Drug Control Funds, dated January 27, 2000

We reviewed the accompanying report, entitled *U.S. Department of Education's Detailed Accounting of Fiscal Year 1999 Drug Control Funds*, dated January 27, 2000. This report is the responsibility of the U.S. Department of Education's (ED) management and was prepared under the authority of 21 U.S.C. §1704(d), which also requires a review by the Inspector General.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The objective of a review is to provide negative assurance as to whether any information came to the practitioner's attention on the basis of the work performed to indicate that management's assertions are not presented in all material respects based on established or stated criteria. A review is substantially less in scope than an examination. The objective of an examination is the expression of an opinion on the *U.S. Department of Education's Detailed Accounting of Fiscal Year 1999 Drug Control Funds*, dated January 27, 2000. Accordingly, we do not express such an opinion.

We performed review procedures on the "Resource Summary" (page 2), "Disclosures" (pages 4-8), and "Assertions" (pages 8-9) in ED's accompanying report. We did not review "Program Descriptions" (pages 2-4). In general, our review procedures were limited to inquiries and analytical procedures appropriate for our attestation review engagement.

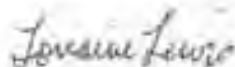
About 85 percent of ED's drug control funds consist of obligations for the Safe and Drug-Free Schools and Communities programs. ED disclosed on page 7 ("Other Disclosures") of its report that it is not able to "estimate the amount of funds under this program that support drug prevention exclusive of the funds that support violence prevention and school safety with no drug-control-related nexus." Furthermore, as disclosed on page 8 ("Other Disclosures") of its report, "the Department plans to undertake a review, with Office of National Drug Control Policy (ONDCP), on the appropriateness of including the Vocational Rehabilitation State Grant program in the National drug control budget in future years."

500 WASHINGTON AVENUE, S.W. WASHINGTON, D.C. 20540-1221

U.S. GOVERNMENT PRINTING OFFICE: 2000-12-14

Based on our review, nothing came to our attention that caused us to believe that the accompanying *U.S. Department of Education's Detailed Accounting of Fiscal Year 1999 Drug Control Funds*, dated January 27, 2000, is not presented in all material respects based on the ONDCP Circular: *Annual Accounting of Drug Control Funds*, dated December 17, 1999.

This report is intended solely for the use of the U.S. Congress, Office of National Drug Control Policy, and ED.



Lorraine Lewis

February 1, 2000





DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

AUG -2 2000

Memorandum

To: Deputy Inspector General
for Audit Services

Subject: Office of Inspector General's Independent Report on the Administration for Children and Families' Annual Accounting of Drug Control Funds, dated April 14, 2000 (CFR A-15-00-80011)

From: Stephen R. Smith
Financial Management Officer
Administration for Children and Families

Through: George Strader
Deputy Chief Financial Officer
Department of Health and Human Services

The purpose of this memorandum is to provide you the results of our attestation review of the Administration for Children and Families (ACF's) report regarding its Fiscal Year 1999 drug control funds. We reviewed the attached report entitled, "*Administration for Children and Families' Annual Accounting of Drug Control Funds*," dated April 14, 2000. This report is the responsibility of ACF management and was prepared by ACF under the authority of 21 U.S.C. Section 1704(d) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999 (Circular). As further required, ACF submitted the report to the Office of Inspector General, which is responsible for expressing a conclusion about the reliability of each assertion made in the report. The attached report contains assertions that comply with the requirements of the Circular. We are able to provide negative assurance that nothing came to our attention that caused us to believe that ACF's submission is not presented in all material respects, based on the Circular.

BACKGROUND

The review was conducted in accordance with 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 the "*Administration for Children and Families' Annual Accounting of Drug Control Funds*," dated April 14, 2000. Accordingly, we do not express such an opinion.

The objective of an attestation review is to provide negative assurance as to whether any information came to the auditor's attention on the basis of the work performed to indicate that management's assertions are not presented in all material respects based on established or stated criteria.

Page 2 - Stephen R. Smith

We performed review procedures on the Drug Methodology, the Resource Summary, and the Assertions in ACF's attached report. In general, our review procedures were limited to inquiries and analytical procedures appropriate for an attestation review.

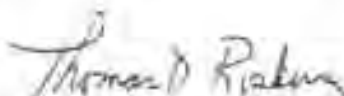
THE ACF SUBMISSIONS

Initially, ACF submitted its report entitled "*Assertions Concerning Annual Accounting of Drug Control Funds*," dated February 10, 2000, which contained a Table of Prior Year Drug Control Obligations totaling \$56.5 million. We performed review procedures on this report and requested some additional information from ACF in order to complete our attestation review. Subsequently, ACF submitted a revised report, dated April 14, 2000, which disclosed that ACF officials had mistakenly included estimated obligations totaling \$26 million for a Head Start program that is no longer funded in their initial submission. Consequently, ACF's prior year drug-related obligations now total \$30.5 million.

Based on our review, nothing came to our attention that caused us to believe that the attached, "*Administration for Children and Families' Annual Accounting of Drug Control Funds*," dated April 14, 2000, is not presented in all material respects, based on the ONDCP Circular: *Annual Accounting of Drug Control Funds*, dated December 17, 1999.

This report is intended solely for the information and use of the U.S. Congress, ONDCP, and ACF, and is not intended to be, and should not be, used by anyone other than these specific parties.


If you have questions or comments, please call me or have your staff contact Joseph J. Green, Assistant Inspector General for Public Health Service Audits, at (301) 443-3582.


Thomas D. Rusiewicz



DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES
 370 L'Enfant Promenade, S.W.
 Washington, D.C. 20447

Date: _____
 To: Director, Office of Programs, Budget, Research and Evaluation
 Office of National Drug Control Policy
 Through: George Strader, Deputy, Chief Financial Officer
 Department of Health and Human Services
 From: 
 Stephen H. Smith, Financial Management Officer
 Subject: Annual Accounting of Drug Control Funds

In accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular "Annual Accounting of Drug Control Funds," ACF is submitting the attached table (Tab A) highlighting our prior year drug control obligations data. Also, appropriate disclosures and assertions regarding that data are included as follows:

Drug Methodology

Disclosures:

Obligations of prior year drug control budgetary resources were calculated as follows:

Based on professional judgment, we estimated the amounts obligated by ACF programs for drug control purposes. We neither earmark funds for drug control purposes in our programs nor do we require our grantees to expend a certain minimum of grant funds for drug control purposes. However, our grantees serve populations that have drug abuse prevention/treatment needs. In certain circumstances, our grantees may use Federal grant funds to provide social services, counseling services, or non-medical drug abuse treatment services to drug abusers who are otherwise eligible for the services of a particular program. We do not collect any statistical data on the amount that our grantees spend on drug abuse prevention/treatment services, nor do we collect data on the numbers of individuals served. Therefore, our estimates had to be based on a general knowledge of the prevalence of drug abuse problems in the populations we serve and on a knowledge of the nature of the specific services that our grantees may offer to children and families. Our use of financial systems in developing the accounting was limited to verification of the overall prior-year obligations in these programs. See attached queries of accounting system obligations (Tab B). As mentioned above, our financial system does not contain any data about what portion of the grant funds awarded to a grantee were actually used for drug abuse prevention/treatment.

Actual FY 98 obligations were obtained from the accounting system. However, the percentages used to calculate specific drug control obligations were based on the professional judgment of program officials and ONDCP consultants in response to ONDCP's initial request for drug control information several years ago. They identified two programs (Youth Gangs and Drug Education)

FY 1999 Accounting of Drug Control Funds

April 14, 2000

with direct drug control obligations. Later, other programs whose purposes could reasonably be expected to include drug control activities were added: Abandoned Infants Program; Community Based Resource Centers; Runaway and Homeless Youth Programs; Transitional Living for Homeless Youth; and Head Start/Family Service Centers. ACF has continued to use the percentages established at that time to determine preceding year drug control obligation data submissions, including the FY 99 submission.

Recently, the FY 99 Catalog of Federal Domestic Assistance (CFDA) was used to review the stated objective of each ACF program to determine whether such program funds could be used for drug control purposes. If such a determination appeared to be reasonable, the established percentage was applied to total program obligations to arrive at FY 99 "drug control" obligations. Though included in previous submissions, the Head Start/Family Service Centers were omitted from this submission since this program no longer exists. The remaining programs are discussed below:

Abandoned Infants Program: CFDA objective "to prevent the abandonment of infants and young children including the provision of services; to identify and address their needs, especially those who have been infected with the human deficiency virus (HIV) or who have been personally exposed to the virus or a dangerous drug;..." Drug Control Percentage Used: 100%

Community Based Resource Centers: CFDA objective "to assist States in develop and implement, or expand and enhance, a comprehensive, statewide system of community-based family resource and support programs." Drug Control Percentage Used: 10%

Runaway and Homeless Youth Programs: CFDA objective: "Grants are for: (1) the establishment and operation of local runaway and homeless youth centers to provide services dealing with the immediate needs (temporary shelter, food, clothing, counseling, and related services) of runaway and homeless youth and their families, in a manner which is outside the law enforcement system, the child welfare system, the mental health system, and the juvenile justice system;..." Drug Control Percentage Used: 20%

Transitional Living for Homeless Youth: CFDA objective: "To provide resources to assist older homeless youth (age 16-21) in making a successful transition toward a productive adulthood and self-sufficiency." Drug Control Percentage Used: 20%

Assertion: I assert that the process as described above is rational, reasonable, accurate and complete estimates of the obligations of drug control activities for my organization. Financial systems used to develop the accounting report fairly present, in all material aspects, aggregate obligations from which drug control-related obligation estimates are derived.

Assumptions and estimate methods will be subject to a more thorough review in the future. ACF will ask program officials to conduct a review of new and existing program objectives and, for appropriate programs, determine percentages on which to calculate potential drug control obligations. Furthermore, a review of new and existing program objectives will be initiated on an annual basis. Programs which do not receive current year funding, but were previously reported as having drug control objectives, will be removed from the computations. New programs will be added as necessary.

Application of Methodology

I assert that the process described above and the percentages previously established and applied to prior year drug control obligations data reporting were the same percentages used to calculate the amounts reflected in the attached accounting report.

April 14, 2000

ACF FY 99 CFO Audit Material Weakness

The FY 99 CFO Audit resulted in a material weakness related to the preparation and analysis of financial statements. Despite the auditors issuing an unqualified opinion on our financial statements, the audit report cited ACF for not having "a fully functional process in place to produce financial statements in a timely and efficient manner. The current financial statement preparation process is manually intensive and provides for limited resources being available for financial analysis." ACF's process requires financial data to be downloaded into an external software package to prepare its financial statements. Nevertheless, the CFO auditors were able to audit the financial statements and obtain sufficient, competent evidential matter to afford a reasonable basis for an opinion regarding the financial statements under examination. The unqualified opinion was issued on February 28, 2000 and is available for review on the ACF Internet web site. ACF management (e.g., the Program Support Center) has developed a corrective action plan to resolve this material weakness and is working to create a more efficient financial statement process.

Financial Plan

I assert that the obligation data presented in the attached accounting report are associated with a financial plan that properly reflects any changes that occurred during the fiscal year. There were no reprogramming or transfers in excess of \$5 million that affected drug control-related resources during the fiscal year.

If you have any questions or comments regarding this submission, please contact Bill Morris of my staff at (202) 401-5461.

FY 1999 Accounting of Drug Control Funds

TAB - A

ADMINISTRATION FOR CHILDREN AND FAMILIES

I. RESOURCE SUMMARY

(Budget Authority in Millions)

	FY 1999 Actual	FY 2000 Enacted	FY 2001 Request
Drug Resources by Goal			
Goal 1 - Educate and enable America's Youth to reject (illegal drugs as well as Alcohol and tobacco.	\$17.830	\$20.935	\$20.935
Goal 3 - Reduce health and social cost to the public of (illegal drug use.	12.648	12.670	12.670
Total	\$30.478	\$33.605	\$33.605
Drug Resources by Function			
Prevention	17.830	20.935	20.935
Treatment	12.648	12.670	12.670
Total	30.478	33.605	33.605
Drug Resources by Decision Unit			
Abandoned Infants Assistance	12.244	12.207	12.207
Community-Based Resource Centers	6.526	6.567	6.567
Head Start/Free to Grow Project	0.000	2.000	2.000
Runaway and Homeless Youth Centers Program	11.708	12.831	12.831
Total	\$30.478	\$33.605	\$33.605
Drug Resources Personnel Summary			
Total FTEs (direct only)	1.0	1.0	1.0
Information			
Total Agency Budget	\$37,918.159	\$38,063.318	\$42,389.362
Drug Percentage	0.08%	0.09%	0.08%

II. METHODOLOGY

Administration on Children and Families (ACF) programs are not targeted specifically on drug use and abuse, drug prevention, or drug treatment. Such activities, however, are a part of several comprehensive service programs.

The amount counted as drug-related is determined as 100 percent for the following programs:

1. Abandoned Infants program
2. Head Start (Free to Grow Project)

Also, 20 percent of the funding for Community-Based Resource Centers and the Runaway and Homeless Youth Programs are considered drug-related.

III. PROGRAM SUMMARY

ACF is responsible for programs that promote the economic and social well being of families, children, individuals, and communities. Drug use and abuse are barriers to ACF performance measurement goals of providing healthy development, safety, and well being of children and youth. ACF's overall strategy is to combat drug use and abuse by focusing efforts on hard-to-reach and at-risk populations in the context of the broad, comprehensive service programs. Our target populations are:

Youth

Adolescent populations, such as runaway and homeless youth and school-age children and youth in areas of significant poverty, juvenile delinquency, and crime are tragically vulnerable and at high risk of alcohol and illicit drug use.

Families and Children

Families and children in crisis, often due to child abuse and neglect associated with substance abuse, is an ACF priority. Abandoned infants of substance abusing or HIV/AIDS infected parents are also a primary at-risk population.

ACF administers four drug-related programs, which indirectly address Goal 1 and Goal 3 of the 1999 National Drug Control Strategy:

Goal 1 - Educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco.

ACF has three programs that include prevention activities: Runaway and Homeless Youth Programs, Head Start (Free to Grow Project), and one-half of the

Abandoned Infants Assistance Program. Each of these programs offers a comprehensive approach to identifying the needs of the populations they serve and providing or facilitation of early access to treatment and other services.

Goal 3 - Reduce health and social costs to the public of illegal drug use.

Funds under the Community-Based Resource Center Program and one-half of the funds under the Abandoned Infants Assistance Program support treatment activities for at-risk families and children.

IV. BUDGET SUMMARY

2000 Program

Goal 1: Educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco.

The FY 2000 Appropriation contains an estimated \$20.9 million for prevention activities in support of Goal 1.

Goal 3: Reduce health and social costs to the public of illegal drug use.

The FY 2000 Appropriation contains an estimated \$12.7 million for treatment activities in support of Goal 3.

2001 Request:

Goal 1: Educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco.

The total drug control request for Goal 1, prevention activities for FY 2001 is \$20.9 million, the same as the FY 2000 base.

Goal 3: Reduce health and social costs to the public of illegal drug use.

The total drug control request for Goal 3 treatment activities for FY 2001 is \$12.7 million, the same as the FY 2000 base.

V. PROGRAM ACCOMPLISHMENTS

ACF's prevention and treatment activities will be used to educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco. Prevention and treatment accomplishments consist of:

- The Runaway and Homeless Centers Youth programs will work with a number of States and the grantees in those States to implement a collaboration that supports a youth development approach to services to young people and coordination with substance abuse and teen pregnancy prevention activities.
- The Community-Based Resource Centers will continue to provide a network of public-private partnerships and developing the continuum of preventive services for children and families. Funds will be used to invest in the kinds of prevention services that are dedicated to supporting families before they go into crisis and risk harming their children.
- The Abandoned Infants programs and the Community-Based Resource Centers provide a broad range of community-based intervention services for women who are substance abusing or who may be HIV positive and their infants who have been perinatally exposed to drugs or HIV.
- Head Start's Partnerships to Promote Substance-Free Communities Project or Free to Grow Project will address problems of substance abuse by strengthening the families and neighborhood within which children live. The hope is that the superstructure of the Head Start national program will provide an effective mechanism for supporting replication and diffusion of promising models once they are fully developed.

FY 1999 Accounting of Drug Control Funds

Administration for Children and Families Annual Accounting of Drug Control Funds Supporting Documentation - FY 99		TAB - 8	
	TOTAL FUNDS:		DRUG CONTROL FUNDS:
<u>Abandoned Infants Program: 100%</u>			
IMN: 300 Appropriation: 75 B 1536			
Allotment: 5F Allowance: 0G5			
Total FY 99 Obligations:	\$ 12,244,100	\$	12,244,100
<u>Head Start Program:</u>			
IMN: 300 Appropriation: 75 B 1536			
Allotment: Allowance:			
Free to Grow Project (Not Active in FY 99):	\$ -	\$	-
<u>Community Based Resource Centers: (20%)</u>			
IMN: 300 Appropriation: 75 B 1536			
Allotment: 1M Allowance: 03B	\$ 32,627,911	\$	6,525,582
<u>Runaway & Homeless Youth Programs: (20%)</u>			
IMN: 300 Appropriation: 75 B 1536			
Allotment: 4B Allowance: 08B			
ACYF - Runaway Youth			
Region 1	\$ 1,760,271		
Region 2:	4,074,616		
Region 3:	3,536,179		
Region 4:	6,845,363		
Region 5:	6,881,947		
Region 6:	4,969,689		
Region 7:	1,809,777		
Region 8:	1,370,192		
Region 9:	8,041,307		
Region 10:	1,650,908		
Region 99:	4,560,851	\$ 43,501,103	\$ 8,700,221

FY 1999 Accounting of Drug Control Funds

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DATE: 02/09/00          ** CORE ACCOUNTING SYSTEM **          0000 - 00000000
TIME: 14:28:16          QUERY ALLOWANCES BY ALLOTMENT NO          PGM: FUNDAL
                                                                PAGE:
AGENCY: G  FY: 89  DOW: 100  APPOR: 1  ALLOT: 5Y
GROSS ALLOW ISSUED      AVAILABLE ALLOTMENT      ALLOTMENT ISSI
12,244,100.00           0.00           12,244,100.1
ALLOW  LOC  ALLOW BY LOC      OBLIGATED      COMMITTED      AVAILABI
008    38    12244100.00      12244100.00      0.00           0.0
    
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Abandoned Infants Program

FY 1999 Accounting of Drug Control Funds

DATE: 01/24/00 ** CORE ACCOUNTING SYSTEM ** PCN: 0001
 TIME: 18:06:08 GOVT ALLOWANCES BY ALLOTMENT NO PAGE:

AGENCY: 0 FY: 99 IN: 300 APPOR: 1 ALLOT: 67

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 14,937,241.00 0.00 14,937,241

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004	01	1397365.00	1397365.00	0.00	0
004	02	1194653.00	1194653.00	0.00	0
004	03	1767601.00	1767601.00	0.00	0
004	04	1712471.00	1712471.00	0.00	0
004	05	2611089.00	2611089.00	0.00	0
004	06	1400000.00	1400000.00	0.00	0
004	07	927814.00	927814.00	0.00	0
004	08	351882.00	351882.00	0.00	0
004	09	1875937.00	1875937.00	0.00	0
004	10	1166305.00	1166305.00	0.00	0
			<u>13,039,492.00</u>		

Runaway & Homeless Youth Program
 - Transitional Living

FY 1999 Accounting of Drug Control Funds

DATE: 01/24/00
TIME: 14:04:19

** CORE ACCOUNTING SYSTEM **
CURRENT ALLOWANCES BY ALLOTMENT NO

PGM: TRMC
PAGE: 1

AGENCY: G FY: 99 IND: 300 APPOR: 1 ALLOT: 48

GROSS ALLOW ISSUED
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AVAILABLE ALLOTMENT
0.00

ALLOTMENT 1:
43,641,103.00

ALLOW	LOC	ALLOW BY LOC	OBLIGATED	COMMITTED	AVAIL:
08B	99	4360851.00	4360851.00	0.00	1
08B	09	6181307.00	6041307.00	0.00	140000
08B	01	1760271.00	1760271.00	0.00	C
08B	03	4074618.00	4074618.00	0.00	C
08B	03	3536179.00	3536179.00	0.00	C
08B	04	6845363.00	6845363.00	0.00	C
08B	05	6881947.00	6881947.00	0.00	C
08B	05	4969689.00	4969689.00	0.00	C
08B	07	1809777.00	1809777.00	0.00	C
08B	08	1370192.00	1370192.00	0.00	C
08B	10	1650908.00	1650908.00	0.00	C
			<u>43,501,103.00</u>		

Runaway + Homeless Youth Program
ACYF - Runaway Youth



DEPARTMENT OF HEALTH & HUMAN SERVICES

E. J. Miller

Office of Inspector General

Memorandum

Date: AUG 14 2000
 To: Deputy Inspector General for Audit Services
 Subject: Office of Inspector General's Independent Report on the Centers for Disease Control and Prevention's Assertions Concerning Annual Accounting of Drug Control Funds, submitted March 15, 2000 (CIN: A-15-00-89007)

William H. Green, Sr.
 Deputy Director
 Financial Management Office
 Centers for Disease Control and Prevention

George Strader
 Deputy Chief Financial Officer
 Department of Health and Human Services

The purpose of this memorandum is to provide you with the results of our attestation review of the Centers for Disease Control and Prevention's (CDC) report regarding its Fiscal Year 1999 drug control funds. We reviewed the attached report entitled, *"Centers for Disease Control and Prevention's Assertions Concerning Annual Accounting of Drug Control Funds,"* submitted March 15, 2000. This report is the responsibility of CDC's management and was prepared by CDC under the authority of 21 U.S.C. Section 1704(f) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999. As further required, CDC submitted the report to the Office of Inspector General, which is responsible for expressing a conclusion about the reliability of each assertion made in the report. As described in further detail below, CDC's report does not contain, as required by the ONDCP Circular, sufficient information to complete an attestation review. As a result, we cannot attest to the reliability of its assertions or provide negative assurance that nothing came to our attention that caused us to believe that CDC's report is presented in all material respects, based on the ONDCP Circular.

BACKGROUND

Our review was conducted in accordance with 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 the *"Centers for Disease Control and Prevention's Assertions Concerning Annual*

Page 2

Accounting of Drug Control Funds, submitted March 15, 2000. Accordingly, we do not express such an opinion.

The objective of an attestation review is to provide negative assurance as to whether any information came to the auditor's attention on the basis of the work performed to indicate that management's assertions are not presented in all material respects based on established or stated criteria.

We performed review procedures on the Drug Methodology, the Resource Summary and the Assertions in CDC's report. In general, our review procedures were limited to inquiries and analytical procedures appropriate for an attestation review.

THE CDC'S SUBMISSION

On March 15, 2000, CDC submitted its report containing a Table of Prior Year Drug Control Obligations totaling \$143.1 million, a description of its Drug Methodology, and the three required assertions. We performed review procedures on this report and found that it does not contain, as required by the ONDCP Circular, sufficient information to complete an attestation review. Specifically, we noted that CDC needed to:

- expand the description of its Drug Methodology to explain fully the derivation of all obligations data presented in its Table of Prior Year Drug Control Obligations;
- disclose whether the Drug Methodology has been modified from the previous year, consistent with ONDCP's approval; and if modified, disclose the changes, their purpose, and the quantitative difference in the amount(s) reported using the new method versus the amount(s) that would have been reported under the old method;
- disclose whether any prior year reprogrammings or transfers affected drug-related budgetary resources; and, for each such reprogramming or transfer, disclose its effect on the drug-related obligations reported in its Table of Prior Year Drug Control Obligations.

On April 6, 2000, we requested that CDC submit a more detailed report that complies with the ONDCP Circular in order to complete our attestation review. Unfortunately, CDC did not submit a revised report, addressing the issues noted above, that would allow us to verify its assertions. Therefore, we cannot attest to the reliability of its assertions or provide negative assurance that nothing came to our attention that caused us to believe that CDC's report is presented in all material respects, based on the ONDCP Circular.

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This report is intended solely for the information and use of the U.S. Congress, ONDCP, and CDC, and is not intended to be, and should not be, used by anyone other than these specific parties. If you have questions or comments, call me, or have your staff contact Joseph J. Green, Assistant Inspector General for Public Health Service Audits, at (301) 443-3582, or through e-mail at jgreen3@os.dhhs.gov.


Thomas D. Roslewicz

Attachment

FY 1999 Accounting of Drug Control Funds

MEMORANDUM TO: Director, Office of Programs, Budget, Research and Evaluation
Office of National Drug Control Policy

THROUGH: George Straker
Deputy Chief Financial Officer
Department of Health and Human Services

FROM:
Deputy Director, Financial Management Office
Center for Disease Control and Prevention

SUBJECT: Assertions Concerning Annual Accounting of Drug Control Funds

In accordance with the requirements of the Office of National Drug Control Policy Circular "Annual Accounting of Drug Control Funds," the following assertions are made regarding the attached annual accounting of drug control funds:

Drug Mortality:

Strategy Goal	Drug Function	Budget Function Unit	FY 1998
Goal 1	Prevention	Tobacco Initiative	\$73,913,293
Goal 3	Prevention	HIV/AIDS Drug Counseling	\$69,157,000
Total Obligations			\$143,070,293

Obligations of prior year drug control budgetary resources are calculated as follows:

Goal 1: Educate and Enable America's Youth to Reject Illegal Drugs as well as Alcohol and Tobacco
The Office on Smoking and Health's accounting methodology includes use of workload data, grants and contracts analyses, study-in and reconciliation with CDC reports, and monthly reconciliations with Center tracking of expenditures.

Goal 3: Reduce Health and Social Costs of Illegal Drug Use to the Public
CDC provides HIV prevention funding to state and local health departments and education agencies, community-based organizations, minority based organizations, national organizations, universities, and nonprofits targeted to populations at high risk for HIV, including injecting drug users (IDU's). A portion of health department funding supports HIV counseling and testing, including partnership notification activities for those infected with HIV, including injecting drug users. CDC also directly funds community based organizations (CBOs) for HIV/AIDS prevention activities.

In the early 1990's, CDC implemented HIV prevention community planning throughout the United States. This process allowed HIV prevention community groups, using surveillance data, to distribute HIV/AIDS prevention resources to address the specific HIV/AIDS prevention needs of their communities. The determinant on the amount of this funding awarded to each State was formerly the responsibility of CDC, based upon need documented in each state's grant application. However, with the implementation of CDC's HIV prevention community planning process, the decision on how HIV prevention resources (including those targeting drug users) are distributed within a particular State or community is now made by the HIV prevention community prevention council located in each State. Community planning groups are responsible for developing comprehensive HIV prevention plans that are directly responsive to the epidemic in their jurisdiction.

CDC has determined that data from the community planning process provides a reasonable basis for calculating commitments of HIV prevention resources that target drug users. Congressional language included

with the FY 1999 increase in funds directed that funding be used for (1) directly funded minority CSOs in African American communities; (2) community development grants to integrate HIV, STD, TB, and substance abuse prevention, treatment, and care in African American communities; (3) technical assistance to directly funded minority CSOs; (4) faith based initiatives in African American communities; (5) perinatal AIDS prevention; and (6) demonstration projects to integrate HIV, STD, and reproductive health programs. Based on 1998 data from community planning, approximately \$5.7 million (18%) of the FY 1999 increase was used to support HIV prevention activities which target IDUs. Please note that we find this methodology, although supported by some data, is in our professional judgement a conservative estimate of HIV prevention activities which target IDUs.

I assert that the methodology produced reasonable, accurate, and complete obligations of drug control resources for my organization. Financial systems used to develop the accounting report fairly present, in all material aspects, aggregate obligations from which drug-related obligation estimates are derived. Assumptions and estimation methods are subject to periodic review.

Application of Methodology

I assert that the drug methodology described in the preceding section was the actual methodology used to generate the amounts reflected in this accounting report.

Financial Plan

I assert that the obligation data presented in this accounting report are associated with a financial plan that properly reflects any changes (including reprogrammings or transfers in excess of \$5 million) that occurred during the fiscal year.



DEPARTMENT OF HEALTH & HUMAN SERVICES

F. J. M. K.
Office of Inspector General

Memorandum

Date: AUG 14 2000
From: Deputy Inspector General
for Audit Services
Subject: Office of Inspector General's Independent Report on the Health Resources and Services Administration's Annual Accounting of Drug Control Funds, dated June 6, 2000 (CIN: A-15-00-80012)
To: James J. Corrigan
Chief Financial Officer
Health Resources and Services Administration
Through: George Strader
Deputy Chief Financial Officer
Department of Health and Human Services

The purpose of this memorandum is to provide you the results of our attestation review of the Health Resources and Services Administration's (HRSA) report regarding its Fiscal Year 1999 drug control funds. We reviewed the attached report entitled, "Health Resources and Services Administration's Annual Accounting of Drug Control Funds," dated June 6, 2000. This report is the responsibility of HRSA's management and was prepared by HRSA under the authority of 21 U.S.C. Section 1704(d) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999 (ONDCP Circular). As further required, HRSA submitted the report to the Office of Inspector General, which is responsible for assessing that full compliance with the ONDCP Circular would constitute an unreasonable reporting burden.

Because HRSA's prior year drug control obligations were less than \$50 million, Section 7 of the ONDCP Circular gives the agency an option of submitting a report which lists its prior year drug control obligations, omits any assertions, and is accompanied by a statement on the burden of reporting. We are satisfied that HRSA's prior year drug control obligations total less than \$50 million (i.e., \$38.8 million), and we agree with its Chief Financial Officer that full compliance with the ONDCP Circular would constitute an unreasonable reporting burden for the agency.

This report is intended solely for the information and use of the U.S. Congress, ONDCP, and HRSA, and is not intended to be, and should not be, used by anyone other than these specific parties. If you have questions or comments, please call me or

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have your staff contact Joseph J. Green, Assistant Inspector General for Public Health Service Admin, at (301) 443-3582, or through e-mail at jgreen3@os.dhhs.gov.


Thomas D. Roslewicz



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Health Resources and
Services Administration
Rockville, MD 20897

Jun 9 2000

MEMORANDUM TO: Director, Office of Programs, Budget, Research and
Evaluation
Office of National Drug Control Policy

THROUGH: George Strader
Deputy Chief Financial Officer
Department of Health and Human Services

FROM: Chief Financial Officer

SUBJECT: Annual Accounting of Drug Control Funds

In accordance with the requirements of the Office of National Drug Control Policy
Circular "Annual Accounting of Drug Control Funds," attached is the annual accounting
of drug control funds for the Health Resources and Services Administration.


James J. Corrigan

Attachment:

FY 1999 Accounting of Drug Control Funds

Health Resources and Services Administration
 Annual Accounting of Drug Control Funds
 March 1, 2000
 Update: April 25, 2000

Prior Year Drug Control Obligations

Strategy Goal 1 - Reduce health and social costs to the public of illegal drug use
 Drug Function - Prevention
 Budget Decision Unit - Health Resources and Services Administration
 Ryan White CARE Act
 (dollar=000's)

	FY 1999 Appropriation	FY 1999 Estimated Obligations	FY 1999 Reported Obligations
Part A (Title I)	3505,200	530,300	538,457
Part B (Title II)	277,000	16,600	2,338
Part C (Title III)	96,300	5,700	0
Total	3878,500	552,600	538,795

Drug Control Budget Methodology and Application

There are no direct HRSA obligations of Ryan White CARE Act appropriation line items for substance abuse treatment/counseling. The Estimated Obligations reported in the February 2000 ONDCP budget submission, were projections of the amounts grantees might spend for substance abuse treatment/counseling. The methodology used for these estimates is explained further. The Reported Obligations listed above, are amounts grantees have reported they will spend on substance abuse treatment/counseling activities.

Currently, Part A (Title I) and Part B (Title II) grantees report amounts spent for substance abuse treatment and counseling as part of an Annual Administrative Report (AAR). For this report of Prior Year Drug Control Obligations, we have used amounts estimated by the grantees in their preliminary report for 1999. Final reports are due in April 2000, the end of the grantees' budget year.

Part C (Title III) grantees provide outpatient primary health care to HIV positive patients and report expenditures in five major categories including primary health care. Substance abuse treatment and counseling is presumed to be included in this category, however, since exact amounts are neither required or specified, there are no Reported Obligations for Part C (Title III). The inclusion of estimated Part C amounts in the FY 2000 ONDCP budget submission is also explained further.

¹ In accordance with the requirements of the Office of National Drug Control Policy Circular "Annual Accounting of Drug Control Funds," dated December 16, 1998.

*Health Resources and Services Administration
Annual Accounting of Drug Control Funds - continued*

Inclusive Ryan White CARE Act substance abuse treatment/counseling estimates in the Office of National Drug Control Policy (ONDCP) budget estimates started in mid-CY 1995 for the FY 1994 ONDCP budget submission. At that time the Office of Management and Budget (OMB), informally determined that Ryan White funds were being used by some grantees for the provision of substance abuse treatment/counseling and would, therefore, be included in ONDCP budget estimates. OMB suggested applying the following percentages to three of the CARE Act line item appropriation amounts: 2.5% for Part A (Title I); 6.0% for Part B (Title II); and, 13.0% for Part C (Title III). In the absence of more specific supporting data, and by general agreement with the Department, the aggregate amount to use as an estimate for the combined three titles was fixed at 6%. The categorical appropriation(s) for the Title II AIDS Drug (pharmaceuticals) Assistance Program (ADAP) was and still is excluded. Since FY 1994 was the first year funds were appropriated for Part D (Title IV), it was not, and still is not, included in the aggregate total.

Ryan White Care Act grants for Titles I and II provide for a broad range of health care services. Grantees either contract with or provide sub-grants to providers for the provision of these services which would include support to persons with HIV/AIDS who are either substance abusers or in substance abuse treatment/counseling programs. This can be further defined as the provision of treatment and/or counseling to address substance abuse (including alcohol) problems provided in an office-based health service or residential health service setting.

Unreasonable Burden

Section 1(b)(7) of the Office of National Drug Control Policy Circular "Annual Accounting of Drug Control Funds," dated December 19, 1999, provides that agencies with prior year drug-related obligations less than \$50 million may submit an alternative report to ONDCP. In addition, the submission of other disclosures, i.e., full compliance with this circular, would constitute an unreasonable reporting burden.



James J. Covatta



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

مذكرة
NO 1 A

Date: Deputy Inspector General
For: for Audit Services

Subject: Office of Inspector General's Independent Report on the Substance Abuse and Mental Health Services Administration's Assertions Concerning Annual Accounting of Drug Control Funds, dated January 31, 2000 (CIN: A-15-00-80008)

To: Richard Kopanda
 Chief Financial Officer
 Substance Abuse and Mental Health Services Administration

Through: George Stradar
 Deputy Chief Financial Officer
 Department of Health and Human Services

The purpose of this memorandum is to provide you the results of our attestation review of the Substance Abuse and Mental Health Services Administration's (SAMHSA) report regarding its Fiscal Year 1999 drug control funds. We reviewed the attached report entitled, "Substance Abuse and Mental Health Services Administration's Assertions Concerning Annual Accounting of Drug Control Funds," dated January 31, 2000. This report is the responsibility of SAMHSA's management and was prepared by SAMHSA under the authority of 21 U.S.C. Section 1704(d) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999 (ONDCP Circular). As further required, SAMHSA submitted the report to the Office of Inspector General, which is responsible for expressing a conclusion about the reliability of each assertion made in the report. As described in further detail below, SAMHSA's report does not contain, as required by the ONDCP Circular, sufficient information to complete an attestation review. As a result, we cannot attest to the reliability of its assertions or provide negative assurance that nothing came to our attention that caused us to believe that SAMHSA's report is presented in all material respects, based on the ONDCP Circular.

BACKGROUND

Our review was conducted in accordance with 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 the "Substance Abuse and Mental Health Services Administration's Assertions Concerning Annual Accounting of Drug Control Funds," dated January 31, 2000. Accordingly, we do not express such an opinion.

Page 3

The objective of an attestation review is to provide negative assurance as to whether any information came to the auditor's attention on the basis of the work performed to indicate that management's assertions are not presented in all material respects based on established or stated criteria.

We performed review procedures on the Drug Methodology, the Assertions, the Resource Summary, and Attachment A, Scoring of the Substance Abuse Prevention and Treatment Block Grant, in SAMHSA's report. In general, our review procedures were limited to inquiries and analytical procedures appropriate for an attestation review.

THE SAMHSA'S SUBMISSION

On January 31, 2000, SAMHSA submitted its report containing a Table of Prior Year Drug Control Obligations totaling \$1.482 billion, a description of its Drug Methodology, and two of the three required assertions. We performed review procedures on this report and found that it does not contain, as required by the ONDCP Circular, sufficient information to complete an attestation review. Specifically, we noted that SAMHSA needed to:

- expand the description of its drug methodology to explain fully the derivation of all obligations data presented in its Table of Prior Year Drug Control Obligations;
- explain what appears to be a contradiction in the information presented in its Drug Methodology and its Table of Prior Year Drug Control Obligations;
- include a narrative asserting the reasonableness, accuracy, and completeness of the Drug Methodology used to calculate obligations of the prior year's budgetary resources; and
- identify all prior year reprogrammings or transfers that affected the drug-related budgetary resources reported in its Table of Prior Year Drug Control Obligations.

On March 31, 2000, we requested that SAMHSA submit a more detailed report that complies with the ONDCP Circular, in order to complete our attestation review.

THE SAMHSA'S RESPONSE TO OIG'S REQUEST

In a memorandum dated June 15, 2000, SAMHSA provided written comments in response to the March 31 request. In this memorandum, SAMHSA indicated that its January 31 report contained errors and omitted necessary information. Despite this

Page 3

acknowledgment, SAMHSA did not submit for our review a revised report in compliance with the ONDCP Circular. Therefore, we cannot attest to the reliability of its assertions or provide negative assurance that nothing came to our attention that caused us to believe that SAMHSA's report is presented in all material respects, based on the ONDCP Circular.

This report is intended solely for the information and use of the U.S. Congress, ONDCP, and SAMHSA, and is not intended to be, and should not be, used by anyone other than these specific parties. If you have questions or comments, please call me, or have your staff contact Joseph J. Green, Assistant Inspector General for Public Health Service Audits, at (301) 443-3582, or through e-mail at jgreen3@os.dhhr.gov.


Thomas D. Roslewitz

Attachment

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Substance Abuse and Mental
Health Services Administration

Center for Mental Health Services
Center for Substance Abuse Prevention
Center for Substance Abuse Treatment
Rockville, MD 20857

MEMORANDUM TO: Director, Office of Programs, Budget, Research and Evaluation,
Office of National Drug Control Policy

THROUGH: George Strader,
Deputy Chief Financial Officer,
Department of Health and Human Services

FROM: Chief Financial Officer *Ronald Kopanda*
Substance Abuse and Mental Health Services Administration

SUBJECT: Assertions Concerning Annual Accounting of Drug Control Funds

In accordance with the requirements of the Office of National Drug Control Policy Circular "Annual Accounting of Drug Control Funds," the following assertions are made regarding the annual accounting of drug control funds:

Drug Methodology

Obligations of prior year drug control budgetary resources are calculated as follows:

All funding for SAMHSA's substance abuse prevention and treatment Knowledge Development and Application (KID&A) activities is considered to be 100% drug-related, and is included in its entirety, based on actual obligation records.

All funding for SAMHSA's substance abuse prevention and treatment Targeted Capacity Expansion (TCE) activities is considered to be 100% drug-related, and is included in its entirety, based on actual obligation records.

All funding for SAMHSA's substance abuse prevention High Risk Youth (HRY) program is considered to be 100 percent drug-related, and is included in its entirety, based on actual obligation records.

Funding for the Substance Abuse Prevention and Treatment Block Grant (SAPTBG) is considered drug-related to the extent that these funds are used by the States/Territories for prevention and treatment of the use of illegal drugs, prevention and treatment of alcohol-related drug use, and as used by SAMHSA for technical assistance, data collection, and program.

1

Conclusion. SAMHSA has continued to use the methodology in estimating drug related activities consistent with the estimates required by Public Law 102-321, the ADAMHA Reorganization Act. (See attached detailed explanation of the scoring of SAPTBO funding, Attachment A.)

All funding for SAMHSA's Office of Applied Studies (OAS) substance abuse surveys/data collection activities funded by either the SAPTBO set-aside or with direct funding, is considered to be 100% drug-related, and is included in its entirety, based on actual obligation records.

Funding for Program Management activities is considered drug-related to the extent that funds are used to support the operations of the Center for Substance Abuse Prevention (CSAP), the Center for Substance Abuse Treatment (CSAT), and the activities of the Office of Applied Studies (OAS) that are supported by set-aside funds from the SAPTBO, based on actual obligation records.

Application of Methodology

I assert that the drug methodology described in the preceding section was the actual methodology used to generate the amounts in this accounting report.

Financial Plan

I assert that the obligation data presented in this accounting report are associated with a financial plan that properly reflects any changes (including reprogramming or transfers in excess of \$5 million) that occurred during the fiscal year.

FY 1999 Accounting of Drug Control Funds

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION
Annual Accounting of Drug Control Funds
Obligation Estimates - FY 1999
(\$ in millions)

Drug Resources by Goal:

Goal 1	\$440.2
Goal 2	12.1
Goal 3	1,029.7
Total	\$1,482.0

Drug Resources by Function:

Prevention	440.2
Treatment	1,041.8
Total	\$1,482.0

Drug Resources by Decision Unit:

Knowledge Development & Application	192.9
<i>Prevention (Non-add)</i>	(77.6)
<i>Treatment (Non-add)</i>	(115.3)
Targeted Capacity Expansion	133.3
<i>Prevention (Non-add)</i>	(78.2)
<i>Treatment (Non-add)</i>	(35.1)
High Risk Youth Program	7.0
Substance Abuse Block Grant	1,126.5
Program Management	22.3
Total	\$1,482.0

Drug Resource Personnel Summary:

Positions:	
Direct	176
FTE:	
Direct	176

Information:

Total SAMHSA Budget	\$2,486.8
Drug Percentage	59.59%

FY 1999 Accounting of Drug Control Funds

ATTACHMENT A TO: Annual Accounting of Drug Control Funds Report, Substance Abuse and Mental Health Services Administration, FY 1999

SUBJECT: Scoring of the Substance Abuse Prevention and Treatment Block Grant (SAPTBG)

Public Law 102-321 (the ADAMHA Reorganization Act) is still being used as the operative guidance for block grant funding. Proposed reauthorization legislation has been submitted, but has not yet cleared the Congress. In P.L. 102-321, there are several mandatory allocations:

- 5% of the Block Grant ("off the top") is authorized to be used for the SAMHSA *en-ende* which supports Data Collection, Technical Assistance, the National Data Center, and Program Evaluation, and, of which, 20% must be used for prevention-related *en-ende* activities. The remaining 95% of the Block Grant is distributed to the States (and Territories), and, at least:
 - 35% must be used for ALCOHOL prevention and treatment activities; and,
 - 35% must be used for OTHER DRUG prevention and treatment activities.
 - The remaining 30% is to be used at State discretion, either for alcohol alone, for drugs alone, or split between alcohol and drug programs. Absent detailed accounting and direct reporting by the States/Territories of actual use of the annual funding received, SAMHSA's methodology for scoring SAPTBG for budget forecasting and accounting purposes assumes that the discretionary amount is split evenly, with 15% going to alcohol programs and 15% going to drug programs. In total then, of the 95% of the block grant distributed to the States and territories, half (47.5%) is scored for alcohol, and half (47.5%) is scored for drugs.
- In addition, other mandatory requirements of the law state that, of the above alcohol and drug allocation, at least:
 - 20% must be used for prevention activities;
 - 5% must be used to expand women's programs;
 - 2% (up to 5%) must be spent on AIDS-related substance abuse programs.

These allocations are *not separate and distinct*; they *overlap* the basic mandates (i.e., these additional mandates are included *within* the overall alcohol and drug prevention and treatment program spins. (The law also requires that States agree to provide for TB counseling and testing services, and that States provide "treatment on demand" for pregnant women and intravenous drug users; however, no set percentages are mandated.)

FY 1999 Accounting of Drug Control Funds

- Finally, the law also says that up to 5% of the State's allocation may be used for State Administration. SAMHSA assumes that all States use the maximum 5% that is allowed.

The following table illustrates how the Substance Abuse Prevention and Treatment Block Grant for the FY 1999 Appropriation was distributed by SAMHSA for the Drug Budget:

Percent of Total Block Grant			FY 1999 Appropriation (\$1,585,000,000) *	
Services (Total)	5.0%		\$ 79,250,000	
Prevention:		1.0		\$11,850,000
Treatment (incl OAS)		4.0		\$3,400,000
Sub-Total:		5.0		79,250,000
Drug (Total)	47.5%		752,875,000	
Prevention:		3.5		150,575,000
Treatment:		37.625		\$64,656,000
Alcohol Abuse:		4.375		17,644,000
Sub-Total:		47.5		752,875,000
Alcohol (Total)	47.5%		752,875,000	
Alcohol only:		28.93		458,541,000
Co-Morbid (drug-related):		14.25		225,863,000
Under Age 21 (Illegal use):		4.32		68,471,000
Sub-Total:		47.5		752,875,000
TOTALS	100%	100%	\$1,585,000,000	\$1,585,000,000

* For purposes of this example, all dollars have been rounded to thousands. In reality, when the OAS prepares State distribution tables, all allocations are calculated in whole dollars.

- The additional Alcohol splits that SAMHSA uses for budget purposes are:
 - Of the 47.50% alcohol portion from the total Substance Abuse Block Grant dollars available for distribution to the States:
 - = 28.93 % is for alcohol only,
 - = 14.25 % is for Co-Morbid (drug and alcohol use),
 - = 4.32 % is for illegal use of alcohol by persons under age 21.
 - Development of the above percentages grew out of joint discussions with ONDCP and SAMHSA staff early in the history of SAMHSA. Inasmuch as the usage mandates in the SAPT Block Grant from that time remain operational today (i.e., P.L. 102-321 still has not been replaced with new legislation), and to maintain consistency of data from year to year, percentages reflected in the above table are still in use.

FY 1999 Accounting of Drug Control Funds

— Note that for budget purposes, SAMHSA assumes that there is 20% for prevention and 80% for treatment (including the State administration) in each of these alcohol program components. Likewise, it is assumed that the overlapping mandates also apply.

- If one sums the percentages that apply only to "drug abuse," including the co-morbid alcohol and drug use and illegal alcohol use by persons under age 21, the result will be 71.07%:

SAMHSA Set-aside	5.00%
Drug (Total)	47.50%
Alcohol:	
Co-Morbid	14.25%
Under Age 21	5.32%
TOTAL	71.07% (or, 71.1%)

— It is this percentage, 71.1% that is often quoted in various SAMHSA funding-related documents and presentations to express the amount of the SAPT Block Grant that is used for Drug Control Programs. And, it is this percentage that is reflected in the data for SAMHSA's Annual Accounting of Drug Control Funds wherever SAPTBG funding is referenced.

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

AG 14 140

Memorandum

Date Deputy Inspector General
From for Audit Services

Subject Office of Inspector General's Independent Report on the Food and Drug Administration's Annual Accounting of Drug Control Funds, submitted February 15, 2000 (CIN: A-15-00-80013)

To Robert J. Byrd
Chief Financial Officer
Food and Drug Administration

Through George Straker
Deputy Chief Financial Officer
Department of Health and Human Services

The purpose of this memorandum is to provide you the results of our attestation review of the Food and Drug Administration's (FDA) report regarding its Fiscal Year 1999 drug control funds. We reviewed the attached report entitled, "Food and Drug Administration's Annual Accounting of Drug Control Funds," submitted February 15, 2000. This report is the responsibility of FDA's management and was prepared by FDA under the authority of 21 U.S.C. Section 1704(d) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999 (ONDCP Circular). As further required, FDA submitted the report to the Office of Inspector General, which is responsible for ensuring that full compliance with the ONDCP Circular would constitute an unreasonable reporting burden.

Because FDA's prior year drug control obligations were less than \$50 million, Section 7 of the ONDCP Circular gives the agency an option of submitting a report which lists its prior year drug control obligations, omits any assertions, and is accompanied by a statement on the burden of reporting. We are satisfied that FDA's prior year drug control obligations total less than \$50 million (i.e., \$34 million), and we agree with its Chief Financial Officer that full compliance with the ONDCP Circular would constitute an unreasonable reporting burden for the agency.

This report is intended solely for the information and use of the U.S. Congress, ONDCP, and FDA, and is not intended to be, and should not be, used by anyone other than these specific parties. If you have questions or comments, call me, or have your

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staff contact Joseph J. Green, Assistant Inspector General for Public Health Service
Audits, at (301) 443-3582, or through e-mail at jgreen3@os.dhhs.gov.


Thomas D. Rostewicz

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Food and Drug Administration
Rockville, MD 20851

MEMORANDUM TO: Director, Office of Programs, Budget, Research and Evaluation Office of National Drug Control Policy

THROUGH: George Sunder, Deputy Chief Financial Officer
Department of Health and Human Services

FROM: Robert J. Byrd, Chief Financial Officer
Food and Drug Administration *RJ Byrd*

SUBJECT: Annual Accounting of Drug Control Funds

This is in response to the Office of Drug Control Policy Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999.

FY 1999 Actuals by Strategy/Goal

Goal 1: Educate and enable America's Youth to reject illegal drugs as well as alcohol and tobacco. \$34,000,000

Objective 3: Promote zero tolerance policies for youth regarding the use of illegal drugs, alcohol, and tobacco within the family, school workplace, and community. \$34,000,000

FY 1999 Actuals by Drug Function

Function: Prevention \$34,000,000

FY 1999 Actuals by Budget Division Unit - Dollars in Thousands

Enforcement \$22,475

Outreach \$10,177

Regulation \$ 1,348

Methodology

The resources used in the Tobacco program are determined by the active workload expended in carrying out FDA's efforts on the Food and Drug Administration Rule on Children and Tobacco.

Other Disclosures

The FDA accounting system is used to calculate payroll and operating costs of the FDA Tobacco program. The accounting system does not report activity based costs. In order to determine the actuals by budget division unit management's best estimates are used.

With prior year drug obligation less than \$50 million, full compliance with this Circular would constitute an unreasonable reporting burden on the Food and Drug Administration.

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date: AUG 18 2000
To: Deputy Inspector General
for Audit Services
Subject: Office of Inspector General's Independent Report on the Indian Health Service's Annual Accounting of Drug Control Funds, dated August 11, 2000 (CIN: A-15-00-80006)
To: Laura L. Reyes
Chief Financial Officer
Indian Health Service
Through: George Strader
Deputy Chief Financial Officer
Department of Health and Human Services

The purpose of this memorandum is to provide you the results of our attestation review of the Indian Health Service's (IHS) report regarding its 1999 drug control funds. We reviewed the attached report entitled, "*Indian Health Service's Annual Accounting of Drug Control Funds*," dated August 11, 2000. This report is the responsibility of IHS' management and was prepared by IHS under the authority of 21 U.S.C. Section 1704(d) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999 (ONDCP Circular). As further required, IHS submitted the report to the Office of Inspector General, which is responsible for attesting that full compliance with the ONDCP Circular would constitute an unreasonable reporting burden.

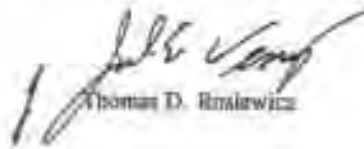
Because IHS' prior year drug control obligations were less than \$50 million, Section 7 of the ONDCP Circular gives the agency an option of submitting a report which lists its prior year drug control obligations, omits any assertions, and is accompanied by a statement on the burden of reporting. The IHS' initial report, dated February 9, 2000, contained a table of prior year drug control obligations and a statement on the burden of reporting, but also included assertions that were not required. After reviewing this report and discussing it with IHS officials, they modified and re-submitted the attached report, dated August 11, 2000.

We are satisfied that IHS' prior year drug control obligations total less than \$50 million (i.e., \$44.3 million), and we agree with its Chief Financial Officer that full compliance with the ONDCP Circular would constitute an unreasonable reporting burden for the agency.

This report is intended solely for the information and use of the U.S. Congress, ONDCP, and IHS, and is not intended to be, and should not be, used by anyone other

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than these specific parties. If you have questions or comments, call me, or have your staff contact Joseph I. Green, Assistant Inspector General for Public Health Service Audit, at (301) 443-2582 or through e-mail at jgreen3@os.dhhs.gov.



Thomas D. Rinalwicz

Attachments:

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

AUG 11 2000

Indian Health Service
Rockville MD 20867

TO: Director, Office of Programs, Budget
Research and Evaluation
Office of National Drug Control Policy
Through: George Strader
Deputy Chief Financial Officer
Department of Health and Human Services

FROM: Chief Financial Officer

SUBJECT: Annual Accounting of Drug Control Funds

In accordance with the requirements of the Office of National Drug Policy Circular: "Annual Accounting of Drug Control," and the particular provisions of Section 7 of that Circular, the Indian Health Service (IHS) provides the following information concerning its drug prevention and treatment programs.

Drug Methodology

Obligations of prior year drug control resources are calculated as follows:

In preparing the agency's drug control budget, the IHS includes the appropriation for Alcohol and Substance Abuse (ASA) excluding the amount designated as the Adult Treatment, and the portion of the Urban Indian Health appropriation that is provided for the alcohol and substance abuse prevention and treatment. The IHS provides comprehensive health services to American Indians and Alaska Natives while also providing the opportunity for maximum tribal involvement in developing and managing these programs. Approximately 95 percent of the alcohol and drug abuse programs are operated by the tribes under self-determination agreements. Accordingly, while these programs are engaged in activities that are aligned with the national drug control strategies to some degree, the IHS cannot direct tribal programs to meet Federal objectives.

FY 1999 Accounting of Drug Control Funds

Workload data is gathered from a variety of sources, including but not limited to outpatient services, hospitalized care (in Federal and non-Federal facilities), aftercare referrals, and emergency placements. Data is collected on a continuous basis by the IHS and tribal providers.

The IHS spends less than \$50 million annually on this activity. Compliance with the detailed reporting requirements places an unreasonable burden on this agency. Therefore, as provided in Section 7 of the Circular, the IHS is providing a table (as highlighted in Section 5a of the Circular) as part of this alternative report. The agency believes this report meets the statutorily required accounting.

RESOURCE SUMMARY	(BUDGET AUTHORITY IN MILLIONS)
	2000 1999*
	Actual
Drug Resources by Goal	
Goal 1	\$3.592
Goal 2	40.692
Total	<u>44.284</u>
Drug Resources by Function	
Prevention	\$3.592
Treatment	40.692
Total	<u>44.284</u>
Drug Resources by Decision Unit	
Alcohol and Substance Abuse	341.104
Urban Indian Health Programs	3.180
Total	<u>344.284</u>
Drug Resources Personnel Summary	
Total FTE's (direct only)	110
Information	
Total Agency Budget	\$2,240.3
Drug Percentage	2.0%


 Luana L. Reyes

* Corrected by IRS on August 14, 2000

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

AUG 22 2000

Memorandum

Date: Deputy Inspector General
for Audit Services

From: Office of Inspector General's Independent Report on the Health Care Financing Administration's Assertions Concerning Annual Accounting of Drug Control Funds, dated June 26, 2000 (CIN: A-15-00-80010)

To: A. Michelle Snyder
Chief Financial Officer
Health Care Financing Administration

Through: George Strader
Deputy Chief Financial Officer
Department of Health and Human Services

The purpose of this memorandum is to provide you with the results of our attestation review of the Health Care Financing Administration's (HCFA) report regarding its Fiscal Year 1999 drug control funds. We reviewed the attached report entitled, "*Assertions Concerning Annual Accounting of Drug Control Funds*," dated June 26, 2000. This report is the responsibility of HCFA's management and was prepared by HCFA under the authority of 21 U.S.C. Section 1704(d) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999. As further required, HCFA submitted the report to the Office of Inspector General (OIG) for the purpose of expressing a conclusion about the reliability of each assertion made in the report. As described below, HCFA does not make the required assertions in its reports. As a result, we cannot attest to the required assertions.

BACKGROUND

Our review was conducted in accordance with 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 the HCFA's "*Assertions Concerning Annual Accounting of Drug Control Funds*," dated June 26, 2000. Accordingly, we do not express such an opinion.

The objective of an attestation review is to provide negative assurance as to whether any information came to the auditor's attention on the basis of the work performed to indicate that management's assertions are not presented in all material respects based on established or stated criteria.

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THE HCFA's REPORTS

Based on HCFA's first report submitted on February 15, 2000, we provided the agency information on areas where the report did not comply with the ONDCP Circular. The HCFA submitted two additional reports that we further commented upon; and provided a final submission on June 26, 2000, on which we are reporting. We performed review procedures on the Drug Methodology, the Assertions, the Resource Summary, and the Attachment, "Derivation of Estimates of Medicare and Medicaid Spending for Drug Abuse Treatment", in HCFA's reports. In general, our review procedures were limited to inquiries and analytical procedures appropriate for our attestation review.

The HCFA did not make the assertions required by the ONDCP Circular. In addition, we identified problems with the data that HCFA provided. In its report, HCFA states Medicare and Medicaid data are not recorded by categories that would enable HCFA to report actual obligations or outlays for drug abuse spending. The HCFA further states that the amounts in this accounting report are estimates only. We believe the following factors may negatively impact the accuracy of HCFA's estimates:

- The data used were dated.
- The estimates did not cover all of HCFA's programs.
- The judgments and assumptions used in making the estimates were based on limited evidence.
- The basis for the annual growth factor was not fully explained.
- The HCFA calculations could not be replicated by OIG staff based on the information provided.

Given that the June 26, 2000 report lacks the assertions required by the ONDCP Circular, and contains questionable estimates, we cannot attest to the reliability of its assertions or provide negative assurance that nothing came to our attention that caused us to believe that HCFA's report is presented in all material respects, based on the ONDCP Circular.

This report is intended solely for the information and use of the U.S. Congress, ONDCP, and HCFA, and is not intended to be, and should not be, used by anyone other than these specific parties. If you have questions or comments, call me, or have

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your staff contact Joseph J. Green, Assistant Inspector General for Public Health Service Audits, at 301-443-3582, or through e-mail at jgreen3@os.dhhs.gov.


Thomas D. Runiewicz

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

HEALTH CARE
FINANCING ADMINISTRATION

Memorandum

DATE: JUN 28 2000

TO: Director, Office of Programs, Budget, Research and Evaluation
Office of National Drug Control Policy

THROUGH: Deputy Chief Financial Officer
Department of Health and Human Services

FROM: Chief Financial Officer *me*
Health Care Financing Administration

SUBJECT: Assertions Concerning Annual Accounting of Drug Control Funds

In accordance with the requirements of the Office of National Drug Control Policy Circular "Annual Accounting of Drug Control Funds," the following assertions are made regarding the attached annual accounting of drug control funds. These amounts reflect estimates of entitlement incomes for providing drug abuse treatment care benefits to eligible Medicare Part A and Medicaid patients. Medicare Part B drug abuse treatment estimates cannot be developed because procedure codes do not permit identification of drug-related claims.

Drug Methodology

Estimates of obligations of prior year drug control budgetary resources are calculated as follows:

a. Medicaid

Medicaid drug abuse treatment expenditures have been estimated using the results of survey data. Only direct treatment costs have been estimated, to the exclusion of costs associated with the treatment of drug-related conditions.

D. Medicare Part A

Medicare Part A drug abuse estimates are based on an analysis of Medicare data conducted by the National Institutes of Health.

4. Medicare Part B

Medicare Part B drug abuse treatment estimates cannot be developed at this time, because procedure codes do not permit identification of drug-related claims.

Medicare and Medicaid data are not recorded by categories which would enable HCFA to report actual obligations or outlays for drug abuse spending. Therefore, I assert that the amounts in this accounting report are estimates only. Because of the unavailability of these data, HCFA has prepared actuarial estimates using reports and studies produced outside HCFA. The accuracy of these actuarial estimates is limited by several factors. Among these factors: assumptions have been made about how to use the data in the external reports; the sources for the original benchmarking of the estimates are now dated; and the original estimates have been projected forward using a growth rate which assumes that drug abuse spending grows at a rate somewhat comparable to the growth rate of the Medicare and Medicaid programs at large.

Application of the Methodology

I assert that the drug methodology described in the preceding section was the actual methodology used by the HCFA Office of the Actuary to generate the HCFA drug control estimates of obligations. Additional information concerning the estimating methodology is reflected in the attached "Derivation of Estimates of Medicare and Medicaid Spending for Drug Abuse Treatment."

Financial Plan

I assert that the estimates of obligations presented in this drug abuse report are not reflected against a financial plan because the HCFA financial system does not capture drug abuse obligation data.

HCFA Drug Abuse Treatment

A. Table of Prior Year Drug Control Estimates

(Dollars in Millions)

Goal 2: Reduce health and social costs to the public of illegal drug use.	FY 1999 Estimate
Total	\$400.0

Drug Resources by Function	
Treatment	\$400.0
Total	\$400.0

Drug Resources by Decision Unit	
Medicaid (Federal Share)	\$320.0
Medicare (Part A)	\$80.0
Total	\$400.0

Drug Resources by Personnel Summary	
Total FTE	0

Attachment

Derivation of Estimates of Medicare and Medicaid Spending for Drug Abuse Treatment

HCFA does not collect data which could be used directly to measure spending associated with drug abuse under the Medicare or Medicaid programs. Hence estimates have been made using studies of claims and various survey data as explained further below. The original estimates were generated in 1989 and have been trended forward since that time. The estimates represent direct treatment costs and do not include costs of treating drug-associated medical conditions.

It is important to keep in mind that these estimates have been produced primarily for inclusion in DHHS inter-agency "cross-cutting" expenditure tables and are meant to represent only rough estimates of drug abuse treatment costs included in the Medicare and Medicaid budget baselines.

Medicare. Medicare drug abuse spending estimates for Part A were developed from the Medicare Provider Analysis and Review (MEDPAR) files using DRGs associated with alcohol/drug abuse. The proportion of the resulting costs associated with drug abuse, *per se*, was estimated using data from the 1987 National Drug and Alcoholism Treatment Unit Survey (NDATUS), conducted jointly by the National Institute on Drug Abuse (NIDA) and the National Institute on Alcohol Abuse and Alcoholism (NIAAA). This resulted in an estimated 9,000 Medicare beneficiaries receiving drug treatment in hospitals at a cost of about \$40 million. Costs for Part B were not developed, since procedure codes did not permit identification of drug-related costs.

Medicaid. Several sources of data and information were used in doing the original estimates of Medicaid drug abuse spending. On the hospital side, estimated spending was developed from work done at Research Triangle Institute using data from the 1987 National Hospital Discharge Survey. Specifically, that survey showed an estimated 20,000 drug-related hospital discharges of Medicaid enrollees with an estimated cost (1989 dollars) of about \$160 million.

For non-hospital costs, the NDATUS data above were employed in conjunction with data from the 1988 National Household Survey on Drug Abuse conducted by NIDA, taking into consideration the fact that Medicaid costs in non-hospital-based facilities are limited by the current exclusion from coverage of most individuals in institutions for mental disease (IMD). Here, age, sex and race-specific rates of illicit drug use from the NIDA survey were applied to tabulations of Medicaid enrollees, yielding an estimated 1.2 million illicit drug users on Medicaid. (Note: The NIDA survey included rates for three categories of drug use: ever used, used in past year, and used in past month. The Medicaid calculations were made using the "used in past month" rates.)

It is difficult to estimate how many of these users might seek non-hospital treatment in the course of a year. The NDATUS survey reported total annual clients funded by public third party payors (including Medicaid, but also others such as CHAMPUS) of about 300,000 and total funding of about \$140 million. Medicaid is likely to comprise a major portion of these figures. A not unreasonable range, considering the 1.2 million user estimate above and the IMD exclusion, might be about one-half to two-thirds, implying Medicaid costs in a rough range of \$50-100 million. There may be some overlap between these costs and the hospital costs above since some of the clients surveyed received treatment in units associated with hospitals, but elimination of this overlap would probably still result in costs in this rough range, since the number of hospital-based treatment units in the survey appears to be relatively small.

Thus, then, from the limited information available, the estimate of FY 1989 spending from Federal and State funds is about \$150-\$200 million for treatment of drug abuse, with somewhat over half spent in hospital settings and the rest in specialized drug treatment facilities. The IMD exclusion limits Medicaid costs in these latter facilities. Because the annual accounting deals with Federal spending, the mid-point of total expenditures was multiplied by the Federal share of slightly more than 57 percent to produce the \$100 million, rounded to tens of millions, in the base year.

Trending Forward: As described above, benchmarks were set for Medicare and Medicaid. In 1991, the Office of the Actuary released—possibly the first time—a stream of drug abuse treatment estimates back to FY 1981 and forward to FY 1997. This benchmark stream was rounded to tens of millions, but the unrounded base appears to have been

increased 12 percent annually. In recent years, as needed for the completion of this exhibit, estimates were developed for years after FY 1997.

The Medicare estimate stream was significantly revised in 1996 and included the years FY 1993 through FY 2003. This re-estimate sharply reduced the previous Medicare stream, i.e., FY 1993 was re-based to \$40 million, the same amount as the base year of 1989, after which the annual growth factor was reapplied. The Part A estimate of \$80 million for FY 1999 comes from this FY 1996 re-estimate.

The Medicaid estimate for FY 1999 resulted from the trending forward of the original benchmark series, which reflected an annual 12-percent growth rate. During the past decade, annual growth in the Medicaid program has varied, being both more and less than 12 percent.

In summary, the Medicaid expenditure amount for FY 1999 was derived from trending forward a benchmark estimate for 1989 of \$175 million (mid-point of the \$150-\$200 million range), of which \$100 million would be the Federal share. In the Medicare program, 1989 drug abuse treatment expenditures under Part A were estimated to be about \$40 million. The earlier Medicare estimate stream was significantly revised in 1996. Because of data limitations, Part B estimates have not been developed.

Office of the Actuary
HCFA
6/19/2000

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date: Aug 31, 2000
From: Deputy Inspector General
for Audit Services
Subject: Office of Inspector General's Independent Report on the National Institutes of Health's
Response to Annual Accounting of Drug Control Funds, dated July 14, 2000
(CIN: A-15-00-80009)
to:

Anthony L. Itelag
Chief Financial Officer
National Institutes of Health

Through: George Strader
Deputy Chief Financial Officer
Department of Health and Human Services

The purpose of this memorandum is to provide you the results of our attestation review of the National Institutes of Health's (NIH) report entitled, "Response to Annual Accounting of Drug Control Funds," dated July 14, 2000. This report is the responsibility of NIH's management and was prepared by NIH under the authority of 21 U.S.C. Section 1704(d) and as required by the Office of National Drug Control Policy Circular, Annual Accounting of Drug Control Funds, dated December 17, 1999 (ONDCP Circular). As further required, NIH submitted the report to the Office of Inspector General, which is responsible for expressing a conclusion about the reliability of each assertion made in the report. As described in further detail below, we noted deficiencies in NIH's drug methodology. As a result, we cannot attest to the reliability of its assertions or provide negative assurance that nothing came to our attention that caused us to believe that NIH's report is not presented in all material respects, based on the ONDCP Circular.

BACKGROUND

Our review was conducted in accordance with 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 the NIH report. Accordingly, we do not express such an opinion.

The objective of an attestation review is to provide negative assurance as to whether any information came to the auditor's attention to indicate that management's assertions are not presented in all material respects based on established or stated criteria.

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THE NIH'S REPORTS

Based on our review of NIH's first report submitted on February 11, 2000, we provided the agency information on areas where the report did not comply with the ONDCP Circular. The NIH submitted four additional reports that we further commented upon, and provided a final submission on July 14, 2000, on which we are reporting. We performed review procedures on the NIH reports' Drug Methodology, Assertions, and Resource Summary. In general, our review procedures were limited to inquiries and analytical procedures appropriate for an attestation review.

We identified two key problems with the NIH drug methodology. First, the methodology included funding for activities that should not be reported as part of the ONDCP reporting process because the activities do not pertain to illicit drugs. For example, we identified activities such as: development of pregnancy diagnostic tests, a smoke detector alert device for the deaf, and tactile aids for the deaf. The methodology also included funding for numerous cigarette smoking prevention and treatment programs that were not targeted at underage (illicit use) populations. The second problem with the methodology is that it excluded funding for activities that should be reported as part of the ONDCP reporting process because the activities do pertain to illicit drugs. For example, using NIH's data base of grants, we identified activities that were not included in NIH's drug methodology, but which related to illicit drug use, including: drug abuse by the mentally ill, youth tobacco use, drug testing, and opiate withdrawal.

Given that the methodology presented by NIH in its July 14, 2000 report contains errors and omissions, as described above, we cannot attest to the reliability of NIH's assertions or provide negative assurance that nothing came to our attention that caused us to believe that NIH's report is not presented in all material respects, based on the ONDCP Circular.

This report is intended solely for the information and use of the U.S. Congress, ONDCP, and NIH, and is not intended to be, and should not be, used by anyone other than these specific parties. If you have questions or comments, call me, or have your staff contact Joseph J. Green, Assistant Inspector General for Public Health Service Audits, at 701-443-3582, or through e-mail at jgreen1@oig.dhhs.gov.



Thomas D. Roslewicz

Attachment

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

National Institutes of Health
Bethesda, Maryland 20892

DATE: July 14, 2000

TO: George Strader
Deputy Chief Financial Officer
Department of Health and Human Services

FROM: Chief Financial Officer
National Institutes of Health

SUBJECT: Response to Annual Accounting of Drug Control Funds

The following is our final consolidated NIH response to the requirements of the Office of National Drug Control Policy (ONDCP) Circular "Annual Accounting of Drug Control Funds" that addresses the issues raised by the DHHS Office of the Inspector General staff. Attached is a table reflecting FY 1999 obligations for National Drug Control activities for the NIH.

We are providing the following assertions regarding the attached annual accounting of drug control funds:

NATIONAL INSTITUTES OF HEALTH ASSERTIONS

Drug Methodology

We assert that the following methodology that we use to calculate prior year drug control obligations is reasonable and accurate:

National Institute on Drug Abuse

The entire National Institute on Drug Abuse (NIDA) budget is drug-related. The NIDA supports goals one and three. The NIDA's prevention research supports goal one, and NIDA's treatment research supports goal three.

We allocate the NIDA obligations between prevention and treatment research based on the professional judgement of scientific program officials. These individuals review grant and contract applications and intramural research projects to decide whether the research meets the NIDA criteria for prevention or treatment research.

National Institute on Alcohol Abuse and Alcoholism

For the National Institute on Alcohol Abuse and Alcoholism (NIAAA), we allocate support for projects that address alcohol prevention, treatment, or epidemiological issues involving under-age youth to the ONDCP goals.

Our allocation methodology is to identify projects that meet specific criteria for fiscal year, project title, key words, special population focus and age, and program class code and we analyzed and summarized individual project costs for developing the ONDCP budget. The scientific reporting office relies heavily on the accuracy of program staff coding our attempts to verify that coding by comparing coding data to information from other sources, such as the NIH Computer Retrieval of Information on Scientific Projects (CRISP), which includes indexing terms for most NIAAA projects. The professional judgment of program staff is involved in deciding whether or not and to what extent a project is relevant to a given topic. These individuals review summary statements, project abstracts, and/or progress reports to decide if the intent of the project is to address alcohol prevention, treatment, or epidemiological issues involving under-age youth. Some cases are clearer than others are and the final decision rests with the scientific staff person who manages the project. The NIAAA includes the full cost of relevant projects unless there is a clear rationale for allocating a portion of the project costs and the costs are severable. For example, NIAAA centers awards support discrete subprojects. The costs for center subprojects that develop or implement an intervention would be included in the ONDCP budget, while costs for subprojects addressing basic research issues would not be included.

The NIAAA maintains information and data on scientific topics, population, and other factors for grants, contracts, and intramural projects at the individual project level in a Parasol database called "INFO."

The INFO database includes administrative and funding data for grant-supported projects. These data are downloaded from the NIH IMPAC enterprise system. One of the IMPAC data fields, current fiscal year funding, is fed from the NIH accounting system to IMPAC for each grant-supported project managed by NIAAA. These data were adjusted in INFO to exclude reimbursements from other entities. Information for projects not captured in Institute IMPAC downloads (contracts, interagency agreements, intramural research and NIAAA-supported projects administered by other organizations) is added to the INFO database. Funding information flows from the NIH accounting system via IMPAC to the INFO database not from INFO to the accounting system or NIH audited financial statements. The INFO is not an accounting system and has not been reviewed by an accountant or auditor.

Administrative and scientific information included in the database includes: Project titles, science area relevance codes and population data, such as human subjects' age, that make it possible to identify projects which examine under-age youth alcoholism and alcohol abuse issues.

Scientific relevance coding may involve some professional judgment as to the focus and probable outcomes of a study on youth. For example, a program officer might assume that a study looking at effects of parental drinking has implications regarding children's drinking behaviors and attitudes or might determine that that epidemiological studies,

which include underage youth, can inform our research on youthful drinking. On the other hand, basic studies such as those looking at the neurobiological effects on adolescents of underage drinking would not be included in these estimates because the link to under-age drinking behaviors is further removed from clinical application. The NIAAA makes this distinction very clearly by excluding projects administered by our Division of Basic Research and those conducted in the intramural research program. Program class codes make these distinctions possible.

Program class codes, which are assigned by Institute or NIH scientists, yield information about relevance to broader science areas such as the drug functions, prevention and treatment, ONDCP goals, and basic versus applied research focus. Program class codes also specify the staff person and Division and branch affiliation for each project. This information makes it possible to estimate staff level of effort and costs by correlating workload (number and types of projects managed) with payroll and other costs recorded in the accounting system. Because staff does not keep track of time spent on each project, staff level of effort is estimated by comparing ONDCP projects managed to their total portfolio and prorating staff salary and other costs accordingly.

Activity codes allow us to generate program statistics such as the number, costs and types of pertinent ONDCP projects awarded each year. Individual project level data are analyzed/summarized/cross walked to various project characteristics (program class, population studied, research topic) to produce goal, functional and other resource calculations. Project costs are derived from and consistent with accounting data for each fiscal year.

The financial systems that we use to develop this accounting report fairly present, in all material respects, aggregated obligations from which we derive drug-related obligation estimates. As part of our on-going program management for all NIH research programs, we periodically review our scientific coding assumptions and estimation methods.

We assert that we have included all activities conducted by the NIH that has a drug-related nexus.

In summary, we use the professional judgement of scientific program officials to decide on the allocation of obligations to drug control activities and between the prevention and treatment goals. We assert that the allocations that result from using this professional judgement are reasonable, accurate, and complete.

We have included in our actual obligation amounts for FY 1999 all transfers and reprogrammings from or transfers and reprogrammings to the NIDA and NIAAA. We included a real transfer of \$9.67 million from ONDCP to NIDA in NIDA's obligations; we excluded real transfers totaling \$1.48 million from NIDA to other NIH or DHHS components from NIDA's obligations. We excluded real transfers totaling \$.54 million from NIAAA to either NIH or DHHS components from NIAAA's obligations.

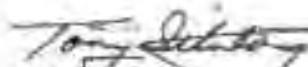
Application of Methodology

We assert that the drug methodology described in the preceding section was the actual methodology used to generate the amounts reflected in this accounting report. This methodology is the same methodology that we used for last year's reporting.

Financial Plan

We assert that the obligation data presented in this accounting report are associated with a financial plan that properly reflects any changes (including reprogrammings or transfers in excess of \$5 million) that occurred during the fiscal year.

If we may be of assistance, please have your staff call Mr. Steven Beckowitz on 496-8115.


Anthony L. Imitag

Attachment

FY 1999 Accounting of Drug Control Funds

Attachment I

NATIONAL INSTITUTES OF HEALTH
Resources for National Drug Control Program Activities
Fiscal Year 1999
(Dollars in Thousands)

Drug Resources by Goal

	NIDA	NIAAA	Total
Goal 1	\$251,146	\$36,297	\$287,443
Goal 2	\$359,915	\$0	\$359,915
Total	\$611,061	\$36,297	\$647,358

Drug Resources by Function

Prevention	\$251,146	\$36,380	\$287,526
Treatment	\$359,915	\$5,917	\$365,832
Total	\$611,061	\$36,297	\$647,358

Drug Resources Personnel Summary

Total FTEs	359	2	361
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June 30, 2000



ADDENDUM: AMENDMENTS TO SAMHSA

Subsequent to the Department's September 18th submission, SAMHSA provided a revised accounting report included in this section. This document is not accompanied by the required OIG review.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Substance Abuse and Mental
Health Services Administration

Center for Mental Health Services
Center for Substance Abuse Prevention
Center for Substance Abuse Treatment
Rockville, MD 20857

AUG 8 2000

MEMORANDUM TO: Director, Office of Programs, Budget, Research and Evaluation
Office of National Drug Control Policy

THROUGH: George Strader
Deputy Chief Financial Officer
Department of Health and Human Services

FROM: Chief Financial Officer
Substance Abuse and Mental Health Services Administration

SUBJECT: Assertions Concerning Annual Accounting of Drug Control Funds

In accordance with the requirements of the Office Of National Drug Control Policy Circular "Annual Accounting of Drug Control Funds," the following assertions are made regarding the attached annual accounting of drug control funds:

Drug Methodology

Estimated obligations of prior year drug control budgetary resources are calculated as follows:

All funding for SAMHSA's Center for Substance Abuse Prevention (CSAP) and Center for Substance Abuse Treatment (CSAT) Knowledge Development and Application (KDA) activities is considered to be 100% drug-related, and is included in its entirety. Estimated obligations equal total CSAP/CSAT KDA budget authority.

All funding for SAMHSA's Center for Substance Abuse Prevention (CSAP) and Center for Substance Abuse Treatment (CSAT) Targeted Capacity Expansion (TCE) activities is considered to be 100% drug-related, and is included in its entirety. Estimated obligations equal total CSAP/CSAT TCE budget authority.

All funding for SAMHSA's Center for Substance Abuse Prevention (CSAP) High Risk Youth (HRY) program is considered to be 100% drug-related, and is included in its entirety. Estimated obligations equal total CSAP HRY budget authority.

Funding for the Substance Abuse Prevention and Treatment Block Grant (SAPTBG), which is administered by the Center for Substance Abuse Treatment (CSAT), is considered drug-related to the extent that those funds are used by the States/territories for prevention and treatment of the

use of illegal drugs, prevention and treatment of alcohol-related drug use, and as used by SAMHSA for technical assistance, data collection, and program evaluation. SAMHSA employs a methodology to estimate drug-related expenses funded by the SAPTBG that is consistent with the remarks required by Public Law 102-321, the ADAMHA Reorganization Act. SAMHSA allocates 71.07% of the SAPT Block Grant for drug and drug-related activities. (See attached detailed explanation of the sizing of SAPTBG funding, Attachment A.)

All funding for SAMHSA's Office of Applied Studies (OAS) substance abuse surveys/data collection activities funded by either the SAPTBG set-aside or with direct funding, is considered to be 100% drug-related, and is included in its entirety. Estimated obligations equal total SAPTBG set-aside budget authority allocated to OAS plus direct funding budget authority for substance abuse surveys/data collection activities. In 1999, the SAMHSA appropriation did not include direct funding budget authority for data collection activities.

Funding for Program Management activities is considered drug-related to the extent that funds are used to support the operations of the Center for Substance Abuse Prevention (CSAP), and the Center for Substance Abuse Treatment (CSAT), and the Office of Applied Studies (OAS). Estimated obligations are based on Program Management budget authority and reflect allocation of program management funds to the Center for Substance Abuse Prevention (CSAP) and the Center for Substance Abuse Treatment (CSAT), and the Office of Applied Studies (OAS), as documented in internal SAMHSA financial records.

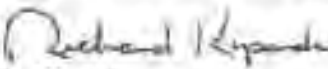
I swear that this methodology produced reasonable, accurate, and complete obligations of drug control budget authority for my jurisdiction. Financial systems used to develop this accounting report fairly present, in all material aspects, aggregate budget authority from which drug-related obligations are derived. Assumptions and estimation methods are subjected to periodic review.

Application of Methodology

I swear that the drug methodology described in the preceding section was the actual methodology used to generate the amounts in this accounting report.

Financial Plan

I swear that the budget authority figures presented in this accounting report are estimated with a financial plan that properly reflects all changes that occurred during the fiscal year, including approved reprogramming of \$1.327 billion from the CSAP/CSAT Knowledge Development and Application Programs to CSAP/CSAT Program Management accounts, the net effect of which was no change to the overall drug control budget.


Richard Kopinski

Chief Financial Officer, SAMHSA

FY 1999 Accounting of Drug Control Funds

**SUBSTANCE ABUSE AND MENTAL HEALTH
SERVICES ADMINISTRATION**
Annual Accounting of Drug Control Funds
Budget Authority- FY 1999 Actual

(Dollars in millions)

Goal 1.....	\$442.9
Goal 2.....	12.1
Goal 3.....	1,029.7
Total.....	\$1,484.7
Drug Resources by Function	
Prevention.....	442.9
Treatment.....	1,041.8
Total.....	\$1,484.7
Drug Resources by Decision Unit	
Knowledge Development and Application Program.....	162.9
Substance Abuse Prevention (Non-add).....	(77.6)
Substance Abuse Treatment (Non-add).....	(115.3)
Targeted Capacity Expansion Program.....	123.3
Substance Abuse Prevention (Non-add).....	(78.2)
Substance Abuse Treatment (Non-add).....	(55.1)
High Risk Youth Program.....	7.0
Substance Abuse Block Grant (SAPTBG).....	1,129.5
Prevention (Non-add).....	(221.8)
Treatment (Non-add).....	(861.5)
Office Of Applied Studies(Non-add).....	(46.3)
Program Management.....	25.0
Total.....	\$1,484.7
Drug Resources Personnel Summary	
Positions:	
Direct.....	276
FTE:	
Direct.....	276
Total SAMHSA Budget.....	\$2,486.8
Drug Percentage.....	59.7%

Attachment A

SUBJECT: Scoring of the Substance Abuse Prevention and Treatment Block Grant (SAPTBG)

Public Law 102-321 (the ADAMHA Reauthorization Act) is still being used as the operative guidance for block grant funding. Proposed reauthorization legislation has been submitted, but has not yet cleared the Congress. In P.L. 102-321, there are several mandatory allocations:

- 5% of the Block Grant ("off the top") is authorized to be used for the SAMHSA set-aside which supports Data Collection, Technical Assistance, the National Data Center, and Program Evaluation, and, of which, 20% must be used for prevention-related set-aside activities. The remaining 95% of the Block Grant is distributed to the States (and Territories), and, at least:
 - 35% must be used for ALCOHOL prevention and treatment activities; and,
 - 35% must be used for OTHER DRUG prevention and treatment activities.
 - The remaining 30% is to be used at State discretion, either for alcohol alone, for drugs alone, or split between alcohol and drug programs. Absent detailed accounting and direct reporting by the States/Territories of actual use of the annual funding received, SAMHSA's methodology for scoring SAPTBG for budget forecasting and accounting purposes assumes that the discretionary amount is split evenly, with 15% going to alcohol programs and 15% going to drug programs. In total then, of the 95% of the block grant distributed to the States and territories, half (47.5%) is scored for alcohol, and half (47.5%) is scored for drugs.
- In addition, other mandatory requirements of the law state that, of the above alcohol and drug distribution, at least:
 - 20% must be used for prevention activities;
 - 5% must be used to expand women's programs;
 - 2% (up to 5%) must be spent on AIDS-related substance abuse programs.

These allocations are *not separate and distinct*; they *overlap* the basic mandates (i.e., these additional mandates are included *within* the overall alcohol and drug prevention and treatment program splits. (The law also requires that States agree to provide for TB counseling and testing services, and that States provide "treatment on demand" for pregnant women and intravenous drug users; however, no set percentages are mandated.)
- Finally, the law also says that up to 5% of the State's allocation may be used for State administration. SAMHSA assumes that all States use the maximum 5% that is allowed.

FY 1999 Accounting of Drug Control Funds

- The following table illustrates how the Substance Abuse Prevention and Treatment Block Grant for the FY 1999 Appropriation was distributed by SAMHSA for the Drug Budget.

<u>Percent of Total Block Grant</u>		<u>FY 1998 Appropriation (\$1,585,000,000)*</u>	
Set-aside (Total)	5.0%		\$ 79,250,000
Prevention:	1.0	\$15,850,000	
Treatment (incl OAS)	4.0	63,400,000	
Sub-Total:	5.0	79,250,000	
Drug (Total)	47.5%		752,875,000
Prevention:	9.5	150,575,000	
Treatment:	35.625	564,650,000	
State Admin:	2.375	37,644,000	
Sub-Total:	47.5	752,875,000	
Alcohol (Total)	47.5%		752,875,000
Alcohol only:	28.97	458,541,000	
Co-Morbid (drug-related):	14.25	225,863,000	
Under Age 21 (illegal use):	4.33	68,472,000	
Sub-Total:	47.5	752,875,000	
TOTALS:	100%	100%	\$1,585,000,000
			\$1,585,000,000

* For purposes of this example, all dollars have been rounded to thousands. In reality, when the OAS program State distribution tables, all allocations are calculated in whole dollars.

- The additional Alcohol splits that SAMHSA uses for budget purposes are:
 - Of the 47.50% alcohol portion from the total Substance Abuse Block Grant dollars available for distribution to the States:
 - a. 28.97 % is for alcohol only.
 - b. 14.25 % is for Co-Morbid (drug and alcohol use).
 - c. 4.33 % is for illegal use of alcohol by persons under age 21.
 - Development of the above percentages grew out of joint discussions with ONDCP and SAMHSA staff early in the history of SAMHSA. Inasmuch as the usage mandates in the SAPT Block Grant from that time remain operational today (i.e., P.L. 102-321 still has not been replaced with new legislation), and to maintain consistency of data from year to year, percentages reflected in the above table are still in use.
 - Note that for budget purposes, SAMHSA assumes that there is 20% for prevention and 80% for treatment (including the State administration) in each of these alcohol program components. Likewise, it is assumed that the overlapping mandates also apply.

- If one sums the percentages that apply only to "drug abuse," including the co-morbid alcohol and drug use and illegal alcohol use by persons under age 21, the result will be 71.07%:

SAMHSA See-aside	5.00%
Drug (Total)	47.50%
Alcohol:	
Co-Morbid	14.25%
Under Age 21	4.32%
TOTAL	71.07% (or, 71.1%)

— It is this percentage, 71.1%, that is often quoted in various SAMHSA funding-related documents and presentations to express the amount of the SAPT Block Grant that is scored for Drug Control Programs. And, it is this percentage that is reflected in the data for SAMHSA's Annual Accounting of Drug Control Funds wherever SAPTBG funding is referenced.



**U.S. Department of Housing
And Urban Development**

FY 1999 Accounting of Drug Control Funds



U. S. Department of Housing and Urban Development
Washington, D.C. 20410-0100

OFFICE OF THE CHIEF FINANCIAL OFFICER

MAY 27 1999

General Barry R. McCaffrey
Director
Office of National Drug Control Policy
Executive Office of the President
Washington, DC 20500

Dear General McCaffrey:

In accordance with Section 1704(d) of Title 21 United States Code, enclosed is the detailed accounting of all fiscal year 1999 Department of Housing and Urban Development (HUD) drug control funds, along with HUD Office of Inspector General's authentication of this accounting. This authentication is consistent with the instructions in ODNCP Circular *Annual Accounting of Drug Control Funds* dated December 17, 1999.

Please do not hesitate to contact me if you have any questions about this information.

Sincerely,

David M. Gibbons
Director
Office of Budget

FY 1999 Accounting of Drug Control Funds



U.S. Department of Housing and Urban Development
Office of Inspector General
451 7th St., S.W.
Washington, D.C. 20410

*U.S.D
f/lz*

May 17 12 49 AM '00

May 15, 2000

Audit Related Memorandum
No. 00-FO-177-0801

MEMORANDUM FOR: David Gibbons, Assistant Chief Financial Officer for Budget, FO

FROM: *James A. Hart*
James A. Hart, Director, Financial Audit Division, GAF

SUBJECT: Independent Accountant's Report on the Department of Housing and Urban Development's Fiscal Year 1999 Detail Accounting Submission Report

In accordance with *The Office of National Drug Control Policy (ONDCP) Reauthorization Act of 1998* and *Office of National Drug Control Policy Circular: Annual Accounting of Drug Control Funds*, dated December 17, 1999, the accompanying report presents the results of our stratified review of the Department of Housing and Urban Development's *Submission of Detailed Accounting of FY 1999 Drug Control Funds*, dated March 31, 2000 and revised May 9, and May 10, 2000.

Our review focused on assessing the Detailed Accounting prepared by the Office of Housing and the Office of Public and Indian Housing, prior year actual obligations, the accompanying disclosures, the financial systems and data supporting the drug methodologies, the estimation methods used, the completeness of the data, the application of the methodologies, and the assertions made regarding the obligation data presented in the Resource Summaries using the criteria indicated above. We were precluded by independence standards from reviewing the Detailed Accounting prepared by the Office Inspector General. In addition, the Office of Inspector General has been given the authority to submit its Detailed Accounting report separately from HUD.

If you have any questions concerning the above or the performance of the review, please contact me at 704-0363.

FY 1999 Accounting of Drug Control Funds



U.S. Department of Housing and Urban Development
Office of Inspector General
451 7th St., S.W.
Washington, D.C. 20410

Audit Related Memorandum
No. 00-FO-177-0801

Office of Inspector General's Independent Accountant's Report on the U.S. Department of Housing and Urban Development's Submission of Detailed Accounting of FY 1999 Drug Control Funds, dated March 31, 2000 and revised May 9, 2000 and May 10, 2000

We have reviewed the accompanying report from the U.S. Department of Housing and Urban Development, entitled *Submission of Detailed Accounting of FY 1999 Drug Control Funds*. This Submission includes a Detailed Accounting of Fiscal Year 1999 Drug Control Funds from the Office of Housing and the Office of Public and Indian Housing. Not included is a separate Submission prepared by the Office of Inspector General. We were precluded by the standards cited below from reviewing the Detailed Accounting prepared by the Office of Inspector General due to a lack of independence. The Office of Inspector General has decided to submit their Detailed Accounting report separately from the Department of Housing and Urban Development's Submission. The Detailed Accounting prepared by the Office of Housing and Office of Public and Indian Housing were the responsibility of Department of Housing and Urban Development's management. They were prepared under the authority of 21 U.S.C. 1704(f), which also requires a review by the Inspector General.

Our review was conducted in accordance with the attestation standards, *Statements for Standards of Attestation Engagements*, established by the American Institute of Certified Public Accountants. The objective of a review is to provide negative assurance on the basis of the work performed as to whether any information came to our attention to indicate that management's assertions are not presented in material respects based on the criteria stated in the Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds*, dated December 17, 1999. A review is substantially less in scope than an examination. The objective of an examination would be the expression of an opinion on HUD's *Submission of Detailed Accounting of FY 1999 Drug Control Funds*. Accordingly, we do not express such an opinion.

We performed review procedures on the *Submission of Detailed Accounting of FY 1999 Drug Control Funds*, for the purpose of expressing a conclusion about the reliability of such assertions made in the Submission. We did not review "Program Descriptions." In general, our review procedures were limited to inquiries and analytical procedures appropriate for our attestation review engagement.

Based on our review, nothing came to our attention that caused us to believe that the accompanying U.S. Department of Housing and Development's *Submission of Detailed Accounting of FY 1999 Drug Control Funds*, dated March 31, 2000 and revised May 9 and May

10, 2000, is not presented in all material respects based on the ONDCP Circular *Annual Accounting of Drug Control Funds*, dated December 17, 1999. Our review identified issues that were not significant enough to affect our conclusion as reported above. These matters were discussed with appropriate Department of Housing and Urban Development officials.

This report is solely intended for the use of the U.S. Congress, Office of National Drug Control Policy, and the Department of Housing and Urban Development.


James A. Heist
Director, Financial Audits Division
May 10, 2000

**DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT**

**OFFICE OF PUBLIC AND INDIAN HOUSING
OFFICE OF PUBLIC AND ASSISTED HOUSING DELIVERY
COMMUNITY SAFETY AND CONSERVATION DIVISION**



**DETAILED ACCOUNTING OF FISCAL YEAR 1999 DRUG
CONTROL FUNDS**

**IN SUPPORT OF THE
*NATIONAL DRUG CONTROL STRATEGY***

**AS REQUIRED BY SECTION 1704(D) OF
TITLE 21 UNITED STATES CODE**

MARCH 31, 2000

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF PUBLIC AND INDIAN HOUSING
OFFICE OF PUBLIC AND ASSISTED HOUSING DELIVERY
COMMUNITY SAFETY AND CONSERVATION DIVISION

DETAILED ACCOUNTING OF FISCAL YEAR 1999 DRUG CONTROL FUNDS

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FY 1999 Accounting of Drug Control Funds

Department of Housing and Urban Development
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

RESOURCE SUMMARY

Drug Resources by Goal:	FY 1999 Actual Obligations in millions (\$)
Goal 1: Educate and enable America's Youth to reject legal drugs, alcohol and tobacco.	159.0
Goal 2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.	172.8
Goal 3: Reduce health and social costs to public of illegal drug use.	4.7
Goal 4: Shield America's air, land and sea.	1.1
Goal 5: Break foreign and domestic drug sources of supply.	1.2
Total	\$ 298.8

Drug Resources by Function:

Corrections	-
Intelligence	-
Intimidation	-
Informational	-
Investigations	2.4
Prevention	148.7
Prosecution	-
Research & Development	-
State & Local Assistance	115.9
Treatment	4.5
Other Program Expenses	19.1
Total	\$ 298.6

PROGRAM DESCRIPTION

The Department of Housing and Urban Development (HUD) is committed to reducing illegal drug use and drug related crime. The Public and Indian Housing Drug Elimination Program (PHDEP) has been authorized since 1988. PHDEP provides funds to public housing authorities and Tribally Designated Housing Entities to support their anti-drug and anti-crime efforts. Grantees use these resources to fight crime by increasing police coverage and security and by providing residents with alternatives to crime and violence. In particular, they have used their PHDEP funding to employ security personnel and investigators; to contract with private security services; to reimburse local

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development Detailed Accounting of Fiscal Year 1999 Drug Control Funds

law enforcement agencies for above-baseline services; to establish volunteer resident patrols; to implement physical improvements to enhance security; and to establish and operate drug prevention, intervention, and treatment programs, as well as youth violence prevention projects. A description of the above anti-drug and anti-crime efforts follows.

Goal 1 of the National Drug Control Strategy is to educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco. The PHDEP grant program, administered by the Department's Office of Public and Indian Housing (PIH), Office of Public and Assisted Housing Delivery, Community Safety and Conservation Division (CSCD), allocates funding on a formula basis to local agencies with severe drug-related problems and with a long-term strategy to reduce crime. PHDEP calls for a comprehensive prevention approach that addresses individual residents and their relationship to families, peers, and communities. To this end, it allows housing authorities to administer programs ranging from youth initiatives to substance abuse education and other social programs.

Youth initiatives recognize youth as an essential resource in solving community problems. Their enlistment can, in itself, be good prevention programming. Youth participate as coaches in recreational programs, peer mentors and leaders in community solution action planning. Related initiatives emphasize training, education, recreation, career planning, employment, substance abuse education and prevention. Youth programming both provides the opportunities, skills and information needed for youth to make appropriate lifestyle choices and offers a detour to drug-related gang activity.

PHDEP prevention activities extend beyond youth programs. Housing authorities utilize PHDEP funding to establish educational opportunities such as computer learning centers enabling residents to pursue educational, vocational and economic goals. PHDEP funds also support the dissemination of information pertaining to drug prevention programs, employment opportunities, and substance abuse counseling.

The PHDEP program further supports Goal 1 by allowing housing authorities to devote PHDEP funding to voluntary tenant patrol activities and to physical improvements. HUD believes that the successful elimination of drug-related crime requires both the commitment and the participation of residents. Voluntary tenant patrols allow residents to participate directly in their housing community's crime prevention effort. Physical improvements aim at enhancing security in housing communities. These improvements include the installation of fences or lighting systems or surveillance equipment and the landscaping and reconfiguration of common areas so as to discourage drug-related crime.

Goal 2 of the National Drug Control Policy is to increase the safety of America's citizens by substantially reducing drug-related crime and violence. The PHDEP grant program is

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development Detailed Accounting of Fiscal Year 1999 Drug Control Funds

designed to meet the needs defined by this goal. Often with a concentration of crime in and around public housing, staff and residents use these resources to increase police coverage and security as well as to provide alternate activities to residents. Eligible activities include reimbursing local law enforcement for additional services, security contracts, investigators, and training residents for volunteer resident programs. Recent appropriation acts have expanded the definition of crime beyond drug-related crime, to include patrols, physical changes to enhance security, allowing housing authorities greater scope in targeting crime and developing successful alternatives. For fiscal year 1999, it is anticipated that 57 percent of the funding awarded will be spent on Law Enforcement and Prevention activities.

The Department's Public Housing Management Reform Act of 1997 made a number of reforms in the Drug Elimination Grants program. Foremost among these is the conversion of the program from a competitive to a formula-allocated program. Formula allocation reduces administrative burdens on PHA and HUD staff. The predictable funding will allow housing authorities to strategically plan the use of their anti-crime funds. In this manner, the Drug Elimination formula grants will empower communities to tailor HUD resources to their needs while operating at maximum administrative efficiency.

HUD also supports the President's "One Strike and You're Out" Policy through the Drug Elimination Grant program. To meet the challenge of maintaining the Nation's public housing developments and to keep the families and children who live there safe, the Department implemented "One Strike and You're Out" in fiscal years 1996 and 1997. As part of a comprehensive strategy to change the social dynamics in public housing, housing authorities are required to design policies on screening and eviction to eliminate individuals with records of illegal drug-related or criminal activity through the security indicator of the Public Housing Management Assessment Program. Many housing authorities are already effectively screening and evicting drug dealers and other criminals from public housing. Fiscal year 1997 responses to a Departmental survey of housing authorities indicated that 75 percent of the responding housing authorities had implemented a "One Strike and You're Out" policy. The reporting housing authorities also indicated that there was a substantial increase in the number of drug and criminal-related evictions and admission denials following the implementation of a "One Strike" policy.

Goal 3 of the National Drug Control Strategy is to reduce health and social costs to the public of illegal drug use. The Public Housing Drug Elimination Program provides grants to housing authorities for the support substance abuse and dependency treatment programs. Funds awarded can be directed to sobriety maintenance, substance-free maintenance support groups, substance abuse counseling, referral treatment services, and short or long range structured aftercare. Additionally, Drug Elimination Grants are used to provide services designed for youth and/or adult drug abusers and recovering addicts including prenatal and postpartum care, specialized family and parental

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development Detailed Accounting of Fiscal Year 1999 Drug Control Funds

counseling, parenting classes or other supportive services such as domestic or youth violence counseling, Retains programs, family/youth counseling, and educational, vocational and employment counseling qualify as eligible activities. Furthermore, grant funding can be distributed for the coordination of services from and to appropriate local substance abuse/treatment agencies, HIV-related agencies, mental health and public health programs.

DISCLOSURES

Drug Methodology

HUD used the latest statistical information available from the Public Housing Drug Elimination Program (PHDEP) National Summary to calculate the drug-related financial statistics. Figures included in this report reflect information derived from the fiscal year 1998 National Summary because these figures represent money obligated for fiscal year 1999. The National Summary includes a breakdown of PHDEP funding by budget line item. These budget line items reflect a compilation of the summary of expenses listed on PHDEP grant applications received from all PHDEP eligible housing authorities. Since HUD's accounting system cannot quantify its obligation by goals and functions, HUD then apportioned the percentages from the National Summary to the actual obligation of \$298,564,674 reported to the Treasury in fiscal year 1999 to arrive at an estimate of the amount obligated to each eligible expense category. HUD matched these expense categories and their associated funding amounts to ONDCP goals and objectives listed on the Performance Measure of Effectiveness.

Investigation

PHDEP grantees can choose to allocate PHDEP funds to employ investigators who investigate drug-related crime occurrences in and around the housing authorities. Eligible housing authorities dedicated 2.43 percent of the total amount of PHDEP funds, or \$7,260,084 of the \$298,564,674 obligated for fiscal year 1999.

Prevention

HUD maintains that 100 percent of the PHDEP funding allocated to the four budget line items, voluntary tenant patrols, physical improvements, drug prevention, and drug intervention, support the prevention accounting submission. Funds allocated to the physical improvement budget line item focus on eliminating drug related crime by enhancing security around the exterior of housing communities. In fiscal year 1999, housing authorities spent 5.73 percent of the total PHDEP funding on physical improvements. PHDEP money dedicated to voluntary tenant patrols focuses on crime prevention, particularly drug-related crimes, through the active involvement and commitment of residents. PHDEP grantees devoted 1.56 percent of the total PHDEP funding to voluntary tenant patrols. PHDEP grantees administer comprehensive drug

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development Detailed Accounting of Fiscal Year 1999 Drug Control Funds

prevention and drug intervention programs that hinge from youth initiatives, such as youth sports programs, peer mentors, and training to substance education and other social programs which help to deter illegal drug use and crime by addressing underlying causes. Housing authorities allocated 38.86 percent of the total PHDEP funding amount to drug prevention programs and 5.98 percent of the total PHDEP funding amount to drug intervention activities according to the fiscal year 1998 National Summary. The above budget line items account for 50.14 percent of PHDEP funding or \$148,706,848 of the \$296,564,674 obligated for fiscal year 1999 grants.

State and Local Assistance

Two budget line items, security and law enforcement, account for the amount shown under the resource summary in section I of this report. PHDEP grantees used 27.35 percent of the total PHDEP funding amount to fund supplemental law enforcement services in order to improve the housing authority's ability to combat drug-related crime. In addition, housing authorities used 12.05 percent of the total PHDEP funding to employ security officers that can perform safety and security services above and beyond those already performed by local law enforcement. Together these budget line items account for 39.43 percent of PHDEP funding or \$116,943,852 of the \$296,564,674 obligated to PHDEP grants.

Drug Treatment

The drug treatment budget line item which allows housing authorities to use PHDEP money for drug treatment activities in their housing communities correlates directly to this accounting submission. It accounts for 1.43 percent of the total amount of PHDEP funds or \$4,428,172 of the \$296,564,674 obligated to the Public Housing Drug Elimination Program.

Other Program Expenses

HUD classifies expenses incurred by housing authorities that support implementation of the PHDEP, but do not provide direct services, as an other program expenses budget line item. Under this budget line item, housing authorities fund PHDEP expenses such as tasks necessary to comply with program regulations and with the financial and audit controls of PHDEP funds. To this end, housing authorities may use PHDEP funding to purchase computers and other necessary office materials. Housing authorities can also utilize funds under this budget line item for PHDEP related staff training and development or conferences. This budget line item does not include administrative costs incurred by HUD for the PHDEP program. 5.45 percent of the total amount of PHDEP funds or \$16,126,717 of the \$296,564,674 obligated to the PHDEP funded other program expenses.

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

Methodological Modifications

HUD has not made any modifications to the methodology used to determine any of its drug-related financial statistics in 1999.

Material Weaknesses or Other Findings

As stated in an earlier section of this report, reports submitted from PHDEP grant recipients factor into the calculation of drug-related obligations included in this report. HUD believes these reports to be the most accurate representation of how housing authorities actually spend PHDEP grants. Beginning July 1, 1999 all grantees under the PHDEP are required to submit their semi-annual performance reports electronically using a new Internet-based system. The new system allows for the standardized collection of performance and measurement of progress towards reaching established goals for their drug elimination program.

The Federal Register requires housing authorities to comply with funding and evaluation standards. Each grantee must demonstrate that it has a fully operational system for monitoring and evaluating its grant-funded activities. The monitoring and evaluating system must collect quantitative evidence of the number of persons and units served, types of services provided, and the impact of such services on the persons served. Also, the monitoring and evaluation system must collect quantitative and qualitative evidence of the impact of grant-funded activities on the public housing or other housing, the community and the surrounding neighborhood.

Reprogrammings or Transfers

There were no reprogrammings or transfers of drug-related budgetary resources in the Department of HUD in fiscal year 1999.

Other Disclosures

In order to more accurately portray activities funded under the budget line item of other expenses, HUD listed the drug treatment line item and the other expenses line item separately in this report.

This report does not reflect HUD-Family or Operation Safe Home program information.

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

ASSERTIONS

Drug Methodology

Data

This report fully reveals the sources for all data used as well as clearly explains the methods utilized to obtain all financial statistics from the data.

Other Estimation Methods

HUD allows its agencies, with prior approval, to deviate from the projected budget line item activities included in their PHDEP plans. Based on professional and program knowledge, HUD estimated the funding differences between PHDEP planned programs and PHDEP actual programs.

Completeness

HUD allocates all drug-related funding through Drug Elimination Grants to qualifying housing authorities. The drug methodology and program description describe drug elimination program activities in their entirety.

Financial Systems

Financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which the drug-related obligation estimates are derived.

Application of Methodology

The methodology disclosed in section II accurately and completely describes the actual methodology used to determine the fiscal year 1999 drug-related financial statistics included in section I of this report.

Financial Plan - Including Reprogrammings or Transfers

All of the obligations included in this report represent estimates based on PHDEP plans submitted by qualifying housing authorities. The HUD accounting system does not allow for a breakdown of PHDEP funding by expense categories. As such, the obligation amounts may change as a result of housing authorities deviating slightly from their PHDEP plans. However, HUD believes these modifications do not exceed \$5 million.

**DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT**

**OFFICE OF HOUSING
OFFICE OF MULTIFAMILY HOUSING PROGRAMS**



**DETAILED ACCOUNTING OF FISCAL YEAR 1999 DRUG
CONTROL FUNDS**

**IN SUPPORT OF THE
*NATIONAL DRUG CONTROL STRATEGY***

**AS REQUIRED BY SECTION 1704(D) OF
TITLE 21 UNITED STATES CODE**

MARCH 31, 2000

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF HOUSING
OFFICE OF MULTIFAMILY HOUSING PROGRAMS
DETAILED ACCOUNTING OF FISCAL YEAR 1999 DRUG CONTROL FUNDS

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FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

RESOURCE SUMMARY

Drug Resources by Goal:	FY 1999 Actual Obligations in millions (\$)
Goal 1: Educate and enable America's Youth to reject illegal drugs, alcohol and tobacco.	7.8
Goal 2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.	.8
Goal 3: Reduce health and social costs to public of illegal drug use.	18.1
Goal 4: Shield America's air, land and sea.	-
Goal 5: Break foreign and domestic drug sources of supply.	-
Total	28.7

Drug Resources by Function:

Corrections	-
Intelligence	-
Interdiction	-
International	-
Investigations	0.4
Prevention	17.4
Prosecution	0.4
Research & Development	-
State & Local Assistance	7.0
Treatment	0.8
Other Program Expenses	0.7
Total	28.7

PROGRAM DESCRIPTION

The Department of Housing and Urban Development (HUD) is committed to reducing illegal drug use and drug related crime. The Multifamily Housing Drug Elimination Grant (DEG) and New Approach Anti-Drug Grant (NAAD) programs have been authorized since 1988 and 1997 respectively. These programs provide funds to privately-owned multifamily assisted housing owners to support their anti-drug and anti-crime efforts. Grantees use these resources to fight crime by increasing police coverage and security and by providing residents with alternatives to crime and violence. In particular, they have used their grant funding to employ security personnel and investigators; to contract

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development Detailed Accounting of Fiscal Year 1999 Drug Control Funds

with private security services; to reimburse local law enforcement agencies for above-baseline services; to establish volunteer resident patrols; to implement physical improvements to enhance security; and to establish and operate drug prevention, intervention, and treatment programs. A description of the above anti-drug and anti-crime efforts follows.

Eligible program costs of the Multifamily Housing's drug elimination grants are as follows:

<u>DEG</u>	<u>NAAD</u>
Physical Improvements to Enhance Security	Increased Law Enforcement
Drug Prevention	Security Services
Drug Intervention	Investigation/Prosecution
Drug Treatment	Capital Improvements to Enhance Security
Other Program Costs	Other Program Costs

Goal 1 of the National Drug Control Strategy is to educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco. The DEG and NAAD programs award funding on a competitive basis to housing developments with severe drug-related problems and with a long-term strategy to reduce crime. The DEG calls for a comprehensive prevention approach that addresses individual residents and their relationship to families, peers, and communities. To this end, the program allows housing owners and managers to administer programs ranging from youth initiatives to substance abuse education and other social programs.

Youth initiatives recognize youth as an essential resource in solving community problems. Their enlistment can, in itself, be good prevention programming. Youth participate as coaches in recreational programs, peer mentors and leaders in community solution action planning. Related initiatives emphasize training, education, recreation, career planning, employment, substance abuse education and prevention. Youth programming both provides the opportunities, skills, and information needed for youth to make appropriate lifestyle choices and offers a deterrent to drug-related gang activity.

DEG prevention activities extend beyond youth programs. Owners and managers use grant funding to establish educational opportunities such as computer learning centers, enabling residents to pursue educational, vocational, and economic goals. DEG funds also support the dissemination of information pertaining to drug prevention programs, employment opportunities, and substance abuse counseling.

Both the DEG and NAAD programs further support Goal 1 by allowing housing owners to devote grant funding to voluntary tenant patrol activities and to physical improvements. HUD believes that the successful elimination of drug-related crime

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development Detailed Accounting of Fiscal Year 1999 Drug Control Funds

requires both the commitment and the participation of residents. Voluntary tenant patrols allow residents to participate directly in their housing community's crime prevention effort. Physical improvements aim at enhancing security in housing communities. These improvements include the installation of fences or lighting systems or surveillance equipment and the landscaping and reconfiguration of common areas so as to discourage drug-related crime.

Goal 2 of the National Drug Control Policy is to increase the safety of America's citizens by substantially reducing drug-related crime and violence. The PHDEP grant program is designed to meet the needs defined by this goal. Often with a concentration of crime in and around public and assisted housing, staff and residents use these resources to increase police coverage and security as well as to provide alternate activities to residents. Eligible activities of the NAAD program include reimbursing local law enforcement for additional services, security contracts, and investigators. The DEG provides funding to train residents for volunteer resident programs. Recent appropriation acts have expanded the definition of crime beyond drug-related crime, to include patrols, physical changes to enhance security, allowing housing owners greater scope in targeting crime and developing successful alternatives. For fiscal year 1999, it is anticipated that 52 percent of the funding awarded will be spent on Law Enforcement and Prevention activities.

HUD also supports the President's "One Strike and You're Out" Policy through the Drug Elimination Grant program. To meet the challenge of maintaining the Nation's multifamily assisted housing developments and to keep the families and children who live there safe, the Office of Multifamily Housing plans to shortly implement "One Strike and You're Out". As part of a comprehensive strategy to change the social dynamics in assisted housing, HUD will require housing owners and managers to design policies to screen and evict individuals with records of illegal drug-related or criminal activity. Many housing owners may already be effectively screening and evicting drug dealers and other criminals consistent with HUD-approved leasing policies.

Goal 3 of the National Drug Control Strategy is to reduce health and social costs to the public resulting from illegal drug use. The DEG provides grants to housing owners for substance abuse and dependency intervention and treatment programs. Funds awarded can be directed to substance-free maintenance support groups, substance abuse counseling, referral treatment services and short or long range structured aftercare. Additionally, Drug Elimination Grants are used to provide services designed for youth and/or adult drug abusers and recovering addicts, including prenatal and postpartum care, specialized family and parental counseling, parenting classes, and domestic or youth violence counseling. Referral programs, family/youth counseling, and educational, vocational, and employment counseling qualify as eligible activities. Furthermore, grant funding can be distributed for the coordination of services from and to appropriate local substance abuse/treatment agencies, HIV-related agencies, mental health and public health programs.

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

DISCLOSURES

Drug Methodology

HUD used the latest statistical information available from HUD's Line of Credit Control System (LOCCS) and Program Accounting System (PAS) to calculate the drug-related financial statistics. Figures included in this report reflect Fiscal Year (FY) 1999 money obligated during FY 1999. LOCCS includes a breakdown of grant funding by budget line item. These budget line items reflect a compilation of anticipated program costs indicated on grantees' budgets. HUD's accounting system cannot quantify its obligation by goals and functions. HUD designated appropriate budget line items to each goal and function according to the actual obligation of \$26,652,351 reported to the Treasury in fiscal year 1999. This enabled HUD to arrive at an estimate of the amount obligated to each eligible expense category. HUD matched these expense categories and their associated funding amounts to ONDCP goals and objectives listed on the Performance Measure of Effectiveness.

Investigations/Prosecution

NAAD grantees can choose to allocate NAAD funds to employ investigators who investigate drug-related crime occurrences in and around the housing developments included in their grant. They may also use funds to provide additional support, particularly, community-based support, to the local Prosecutor's Office.

Eligible housing owners dedicated 3 percent of the combined DEG and NAAD grants amount or \$840,290 of the \$26,652,351 obligated for fiscal year 1999.

Prevention

HUD maintains that 100 percent of the grant funding allocated to the budget line items of physical or capital improvements and drug prevention support the prevention accounting submission. Funds allocated to the physical or capital improvement budget line items focus on eliminating drug-related crime by enhancing security around the exterior of housing communities. Housing owners spent 35 percent of the total combined DEG and NAAD funding on physical or capital improvements. Grantees administer comprehensive drug prevention programs that range from youth initiatives such as youth sports programs, peer mentors, and training to substance education and other social programs which help to deter illegal drug use and crime by addressing underlying causes. Housing owners allocated 29 percent of the total combined DEG and NAAD funding amount to drug prevention programs. DEG money dedicated to voluntary tenant patrols focuses on crime prevention, particularly drug-related crimes, through the active involvement and commitment of residents. Support and training of these tenant patrols are included in the drug prevention budget line item. The above

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

budget line items account for 65.3 percent of combined DEG and NAAD funding or \$17,402,522 of the \$26,652,351 obligated for fiscal year 1999 grants.

State and Local Assistance

Two budget line items, security and law enforcement, account for the amount shown under the resource summary in section I of this report. NAAD grantees used 20 percent of the total combined DEG and NAAD funding amount to fund supplemental law enforcement services in order to improve the housing developments' and surrounding neighborhood's ability to combat drug-related crime. In addition, housing owners used six percent of the total combined funding to employ security officers that can perform safety and security services above and beyond those already performed by local law enforcement. Together these budget line items account for 26.4 percent of total combined DEG and NAAD funding or \$7,023,860 of the \$26,652,351 obligated in FY 1999.

Drug Treatment

The drug intervention and treatment budget line items which allow housing owners and managers to use DEG money for drug intervention and treatment activities in their housing communities correlates directly to this accounting submission. It accounts for 2.8 percent of the total combined grant funds or \$742,250 of the \$26,652,351 obligated.

Other Program Expenses

HUD classifies expenses incurred by housing owners that support implementation of the DEG and NAAD, but do not provide direct services, as an other program expense budget line item. Under this budget line item, grantees fund grant expenses such as tasks necessary to comply with program regulations and with the financial and audit controls of grant funds. To this end, housing owners may use grant funding to purchase computers and other necessary office materials. Grantees can also utilize funds under this budget line item for related staff training and development or conferences. This budget line item does not include administrative costs incurred by HUD for the DEG or NAAD programs. Grantees anticipated spending 2.5 percent of the total combined grant amounts or \$643,390 of the \$26,652,351 obligated to these grants in FY 1999.

Methodological Modifications

HUD has not made any modifications to the methodology used to determine any of its drug-related financial statistics in 1999.

FY 1999 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

Material Weaknesses or Other Findings

As stated in an earlier section of this report, reports obtained from HUD's LOCCS and PAS systems determine the calculation of drug-related obligations included in this report. HUD believes these reports to be the most accurate representation of how housing owners and managers actually spend DEG and NAAD grants.

Reprogramming or Transfers

There was no reprogramming or transfer of drug elimination grant funds in fiscal year 1999.

Other Disclosures

There are no other disclosures to report regarding the DEG and NAAD activities funded under the budget line items included in this report.

ASSERTIONS

Drug Methodology

Data

This report fully reveals the sources for all data used as well as clearly explains the methods utilized to obtain all financial statistics from the data.

Other Estimation Methods

HUD allows its agencies, with prior approval, to deviate from the projected budget line item activities included in their grants' plans. Based on professional and program knowledge, HUD estimated the funding differences between planned programs and actual expenses.

Completeness

HUD allocates all drug-related funding through Drug Elimination Grants to qualifying housing owners. The drug methodology and program description describe drug elimination program activities in their entirety.

Financial Systems

Financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which the drug-related obligation estimates are derived.

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 1999 Drug Control Funds

Application of Methodology

The methodology disclosed in section II accurately and completely describes the actual methodology used to determine the fiscal year 1999 drug-related financial statistics included in section I of this report.

Financial Plan - Including Reprogrammings or Transfers

All of the obligations included in this report represent estimates based on DEG and NAAD plans submitted by qualifying housing owners. There was no reprogramming or transfer of funds in fiscal year 1999.

FY 1999 Accounting of Drug Control Funds



U.S. Department of Housing and Urban Development
Office of Inspector General
451 7th St., S.W.
Washington, D.C. 20410

May 18 2000

General Barry McCaffrey
Director
Office of National Drug Control Policy
Executive Office of the President
Washington, D.C. 20500

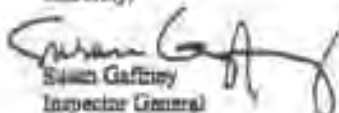
Dear General McCaffrey:

In accordance with ONDCF Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999, the Office of Inspector General (OIG) is submitting an alternative report on our drug-related obligations instead of the detailed report required under Section 1704(d) of Title 21 United States Code. Because our fiscal year 1999 obligations were only \$16.6 million (well below the \$50 million threshold for a detailed report), I believe that full compliance with the Circular would constitute an unreasonable reporting burden.

This report provides information on our fiscal year 1999 drug control funds. The OIG receives these funds from the Department of Housing and Urban Development's Drug Elimination Grant Program and uses them to support our Operation Safe Home Program. As discussed with your staff, my office is submitting this report separately from the Department. This report does not contain the required Inspector General authentication since we are reporting on our use of drug funds. The Department's report, which has been submitted under separate cover, will contain our authentication of their drug control obligations.

If you have any questions, please contact Mr. Robert J. Martin, Assistant Inspector General for Management and Policy at 202-708-0005.

Sincerely,


Susan Gaffney
Inspector General

Enclosure

**OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT**



**ACCOUNTING OF FISCAL YEAR 1999 DRUG
CONTROL FUNDS**

**IN SUPPORT OF THE
NATIONAL DRUG CONTROL STRATEGY**

**AS REQUIRED BY SECTION 1704(D) OF
TITLE 21 UNITED STATES CODE**

MAY 15, 2000

FY 1999 Accounting of Drug Control Funds

Office of Inspector General Accounting of Fiscal Year 1999 Drug Control Funds

FY 1999
Actual Obligations
In Millions

Drug Resources by Goal:

GOAL 1: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.	16.6
--	------

Drug Resources by Function:

Investigations	10.0
State and Local Assistance	6.6

PROGRAM DESCRIPTION

Goal 1 of the National Drug Strategy calls for increasing the safety of America's citizens by substantially reducing drug related crime and violence. As part of Operation Safe Home, the HUD OIG has been combating violent crime in public and assisted housing since 1994. Our goals are reductions in crime rates and safer environments.

Our efforts to combat violent crime in public and assisted housing are undertaken in coordination with various federal, state, and local law enforcement task forces. In addition to law enforcement personnel from states, counties, cities and housing authorities, the following Federal agencies are primary partners in Operation Safe Home: the Federal Bureau of Investigation, the Drug Enforcement Administration, the Bureau of Alcohol, Tobacco, and Firearms, the U.S. Customs Service, the U.S. Marshals Service, the U.S. Postal Inspection Service, the U.S. Secret Service, the Immigration and Naturalization Service, the Internal Revenue Service and the Department of Justice.

About \$10 million of these funds were used to fund the salaries and operating budgets of OIG law enforcement agents in carrying out our violent crime activities (surveillance, undercover operations, drug raids, coordination with other Federal law enforcement agencies, etc.). The remaining funds, \$6.6 million, were used to support local law enforcement activities within HUD housing projects and the task force activities mentioned above.



U.S. Department of the Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20540



FEB 23 2000

Mr. David J. Rivait *DJR*
Chief, Budget Branch
Executive Office of the President
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Rivait:

In accordance with the Office of National Drug Control Policy (ONDCP) Circular titled Annual Accounting of Drug Control Funds, dated December 17, 1999, I am pleased to enclose FY 1999 annual reports for the National Park Service, U.S. Fish and Wildlife Service, Bureau of Land Management, and the Bureau of Indian Affairs.

The Department's certification of the FY 1999 National Drug Control Program obligations is based on the respective certifications provided by the Chief Financial Officers in the four bureaus identified above.

As you know, the annual Drug Control Program obligations in each of the four bureaus falls well below the \$50 million threshold for full reporting identified in the ONDCP Circular. Accordingly, the Department's Inspector General and I have concluded that compliance with the full reporting requirements described in the ONDCP Circular would constitute an unreasonable burden for the Department. In accordance with the ONDCP Circular, the required statement to this effect is provided in the enclosure.

If you wish to further discuss our FY 1999 submission, please feel free to contact Ted Warynski, Deputy Director of Financial Management, at (202) 208-4701.

Sincerely,

John Berry
John Berry

Assistant Secretary - Policy, Management and Budget,
and Chief Financial Officer

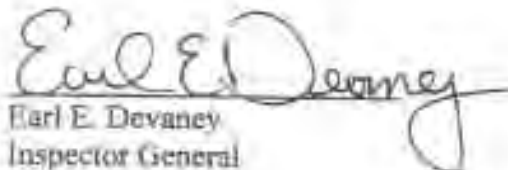
Enclosure(s)

Department of the Interior
Supporting Statement Required by
Section 7 of
ONDCP Circular: Annual Accounting of Drug Control Funds

The Undersigned have concluded that the Full Annual Reporting Requirement described in the ONDCP Circular would constitute an unreasonable burden for the Department of the Interior.

This ___th day of February, 2000


John Berry
Assistant Secretary Policy Management and Budget
and Chief Financial Officer


Earl E. Devaney
Inspector General



United States Department of the Interior

NATIONAL PARK SERVICE
P.O. Box 37127
Washington, D. C. 20013-7127

0 287

MEMORANDUM

To: Director of Budget
Department of the Interior

From: C. Bruce Sheaffer *[Signature]*
Chief Financial Officer

Subject: Certification of the National Park Service's National Drug Control Program
Obligations for Fiscal Year 1999

In response to your request dated January 7, 2000, we have provided a table showing the National Park Service's (NPS) obligations incurred in Fiscal Year 1999 for our portion of the National Drug Control Program. The NPS has established a series of Primary Work Elements (PWE) as part of our accounting process to capture drug-related expenditures. These PWE's correspond to the NPS functional budget structure rather than the various categories established for reporting drug-related expenditures. Therefore, while the total obligations are correct at the total level, the NPS cannot certify its expenditures by the function and goals requested. However, estimates of expenditures for each applicable function and goal are provided.

I certify that the information provided in the attached table accurately reflects the total obligations incurred by the NPS for the National Drug Control Program in FY 1999.

If you have any questions please contact James Gianmo, Budget Officer (202) 208-4280 or Kathy Poole, Budget Analyst (202) 208-4250.

Attachment

cc: Kathy Poole

FY 1999 Accounting of Drug Control Funds

DEPARTMENT OF THE INTERIOR
 NATIONAL PARK SERVICE
 (Obligations in Thousands)

	FY 1999 <u>Actual</u>
I Drug Resources by Strategic Goal	
Goal 1	127
Goal 2	615
Goal 3	280
Goal 4	1,503
Goal 5	3,213
Total Resources by Goal	7,778
II Drug Resources by Function	
Interdiction	1,503
Investigations	5,590
Prevention	367
Prosecution	232
Total Resources by Function	7,778
III Drug Resources by Budget Decision Unit	
Park Management	7,462
External Administrative Costs	316
Total Resources by Decision Unit	7,778

1/1999



United States Department of the Interior

FISH AND WILDLIFE SERVICE

Washington, D.C. 20240



The information provided is an estimate of obligations incurred by the U.S. Fish and Wildlife Service for National Drug Control Programs in FY 1999. The Service does not account for national drug control activity separately within its accounting system. Drug control activities are incidental to the Service's natural resource conservation operations. As such, obligations for drug control activities are recorded within budget subactivities funding natural resource conservation activities.

A handwritten signature in black ink, appearing to read "Paula Heron".

Act Chief, Financial Officer
U.S. Fish and Wildlife Service

Anticomm

117 9 201

FY 1999 Accounting of Drug Control Funds

DEPARTMENT OF THE INTERIOR	
FY 1999 Annual Accounting of Drug Control Funds*	
For the Office of National Drug Control Policy (ONDCP)	
(FY 1999 Obligations in Thousands)	
	FY 1999
Bureau: Fish and Wildlife Service	Actual
I. Drug Resources by Strategic Goal	
Goal #1: Educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco.	
Goal #2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.	
Goal #3: Reduce health and social costs to the public of illegal drug use.	
Goal #4: Shield America's air, land, and sea frontiers from the drug threat.	625
Goal #5: Break foreign and domestic sources of supply.	375
Total Resources by Goal	1,000
II. Drug Resources by Function (see attached listing)	
Corrections	
Intelligence	
Interdiction	650
International	
Investigations	175
Prevention	
Prosecution	75
Research and Development	
State and Local	100
Treatment	
Total Resources by Function	1,000
III. Drug Resources by Budget Decision Unit (unique to each bureau)	
Example:	
FWS - Law Enforcement and Refuge Management	1,000
Total by Decision Unit	1,000
	(7/13/99)
*ONDCP Circular, December 17, 1999, Annual Accounting of Drug Control Funds	
Note: The totals for all three categories will be equal to one another.	



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Washington, D.C. 20240
http://www.blm.gov

I B

In Reply Refer To:
1330 (880), 9260 (370)

MEMORANDUM

To: Director of Budget
Department of the Interior

From: Robert E. Doyle, Jr.
Chief Financial Officer

Subject: Certification of the Bureau of Land Management's National Drug Control
Program Obligations for Fiscal Year 1999

In response to your FAXed request dated January 12, 2000, attached please find the Bureau of Land Management's (BLM) completed Accounting Table of obligations incurred in Fiscal Year (FY) 1999 for our portion of the National Drug Control Program. The BLM has established a special project code "DRUG" to use with our Management Information System to track all drug-related expenditures. The BLM's Accounting Table summarizes these obligations. Because the BLM uses only one code to record all of its Drug Program expenditures, the agency cannot certify its expenditures by function, as requested. However, estimates of expenditures for each applicable function are provided.

I certify that the information provided in the attached table accurately reflects the total obligations incurred by the BLM for the National Drug Control Program in FY 1999.

If you have any questions please contact Larry Benna, Budget Officer (202) 452-7745 or Kristin Basl, Program Analyst (202) 452-7714.

Attachment

RE: W&I Johnson (WC-370)

FY 1999 Accounting of Drug Control Funds

DEPARTMENT OF THE INTERIOR		
FY 1999 Annual Accounting of Drug Control Funds*		
For the Office of National Drug Control Policy (ONDCP)		
(FY 1999 Obligations in Thousands)		
Bureau:	BUREAU OF LAND MANAGEMENT	FY 1999 Actual
I. Drug Resources by Strategic Goal		
Goal #1:	Educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco.	
Goal #2:	Increase the safety of America's citizens by substantially reducing drug-related crime and violence.	
Goal #3:	Reduce health and social costs to the public of illegal drug use.	
Goal #4:	Shield America's air, land, and sea frontiers from the drug threat.	
Goal #5:	Break foreign and domestic sources of supply.	\$6,569
Total Resources by Goal		\$6,569
II. Drug Resources by Function (see attached listing)**		
Corrections		
Intelligence		\$200
Interdiction		\$200
International		
Investigations		\$5,569
Prevention		
Prosecution		
Research and Development		
State and Local		\$600
Treatment		
Total Resources by Function		\$6,569
III. Drug Resources by Budget Decision Unit (unique to each bureau)		
BLM - Resource Protection and Law Enforcement		\$3,683
BLM - Other Benefiting Subactivities		\$2,881
BLM - General Administration		\$5
Total by Decision Unit		\$6,569
(11/1/2000)		
*ONDCP Circular, December 17, 1999, Annual Accounting of Drug Control Funds Note. The totals for all three categories will be equal to one another.		
**Estimated		

FY 1999 Accounting of Drug Control Funds



United States Department of the Interior

BUREAU OF INDIAN AFFAIRS
Washington, D.C. 20240

As directed to:

FY 1999 Annual Accounting of Drug Control Funds
For the Office of National Drug Control Policy (ONDCP)
(Obligations in Thousands)

BUREAU OF INDIAN AFFAIRS	FY 1999 <u>Actual</u>
I. Drug Resources by Strategic Goal:	
Goal #1: Educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco.	0
Goal #2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.	16,615
Goal #3: Reduce health and social costs to the public of illegal drug use.	245
Goal #4: Shield America's air, land, and sea frontiers from the drug threat.	663
Goal #5: Break foreign and domestic sources of supply.	<u>0</u>
Total Resources by Goal	17,523
II. Drug Resources by Function:	
Corrections	1,215
Interdiction	163
Investigations	11,394
Prevention	245
Research and Development	1,278
State and Local Assistance	<u>1,228</u>
Total Resources by Function	17,523
III. Drug Resources by Budget Decision Unit:	
Tribal Services (Judicial and Social)	979
Law Enforcement	16,299
General Administration	<u>245</u>
Total by Decision Unit	17,523

I certify that the above information accurately reflects the estimated obligations incurred by the Bureau of Indian Affairs for National Drug Control Programs in 1999.

Date: 2/24/00


 Deborah J. Maddox
 Chief Financial Officer
 Bureau of Indian Affairs



U.S. DEPARTMENT OF JUSTICE

FY 1999 Accounting of Drug Control Funds



U. S. Department of Justice

Office of the Inspector General

SEP 6 2000

M. Ross Deck
Acting Director
Office of Programs, Budget,
Research and Evaluation
Office of National Drug Control Policy

Dear Mr. Deck:

This letter transmits the FY 1999 attestation review reports of the 13 components of the United States Department of Justice that receive drug control funds. The attestation review report and annual detailed accounting of funds expended by each drug control program agency is required by 21 U.S.C. § 1704(d), as implemented by Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds, dated December 17, 1998.

If you have any questions, please contact me on (202) 616-4633 or Marilyn A. Kessinger, Director Financial Statement Audit Office on (202) 616-4660.

Sincerely,

A handwritten signature in black ink, appearing to read "Roy E. Zimmerman".

Roy E. Zimmerman
Assistant Inspector General
for Audit

Enclosures

cc: Stephen R. Colgate
Chief Financial Officer
Assistant Attorney General
For Administration



Office of the Inspector General
United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

PriceWaterhouseCoopers LLP
1815 South Park Avenue Drive
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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Assets Forfeiture Fund (AFF) for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of AFF prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2000
Arlington, Virginia



U.S. Department of Justice

Washington, D.C. 20530

Management's Assurance Statement
For the Fiscal Year Ended September 30, 1999

On the basis of the Asset Forfeiture Management Staff's (AFMS) management control program, we assert that the Assets Forfeiture Fund (AFF) system of accounting, use of estimates, and system of internal control provide reasonable assurance that:

1. The methodology used by the AFMS to develop the Table of Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*, and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from the financial records of the AFF and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by the AFF that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from AFF's financial management data processing systems.

We have documented the methodology used by AFMS to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Annual Accounting of Drug Control Funds*. AFMS' drug control methodology has been consistently applied from the previous year.


Michael A. Pezet, Director
Asset Forfeiture Management Staff

5/18/02
Date

FY 1999 Accounting of Drug Control Funds

Department of Justice
 Assets Forfeiture Fund
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 1999

Dollars in Thousands	Actual 1999 Obligations ¹
Drug Obligations by Goal	
Goal 2	564,319
Goal 5	8,161
Total	\$ 570,480
Drug Obligations by Function	
Federal, state and local assistance	\$ 272,208
Investigative	284,872
Prosecutive	12,239
International	1,161
Total	\$ 570,480
Drug Obligations by Decision Unit	
Mandatory Program Operation Expenses, Personnel, Indefinite Authority	\$ 549,410
Investigative Expenses, Definite Authority	21,070
Total	\$ 570,480
Drug Resource Personnel Summary	
Total FTEs (direct only)	0
Information	
Total Agency Obligations	\$ 570,480
Drug Percentage	100%

^{1/} The data presented in this table differs from the data presented in the ONDCP Budget Summary in that the Budget Summary is based upon budget authority.

Disclosure No. 1 – Drug Control Methodology The Comprehensive Crime Control Act of 1984 established the Justice Department's Assets Forfeiture Fund (AFF) into which forfeited cash and the proceeds of the sale of forfeited properties are deposited. The mission of the AFF is to disrupt, damage and dismantle criminal organizations, through the use of civil and criminal forfeiture, by removing those assets that are essential to the operation of those criminal organizations, and to punish the criminals involved by denying them use of the proceeds of their crimes.

The Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Annual Accounting of Drug Control Funds, dated December 17, 1999 and (b) Budget Instructions and Certification Procedures, dated May 5, 1999. The table represents obligations net of reimbursements incurred by the AFF for drug control purposes.

AFF obligations are considered to have a 100% drug-related nexus. The use of these funds, however, is not limited by statute or policy to drug cases or matters. Obligations are supported by data obtained from the Justice Management Division's Financial Management Information System (FMIS), data from the U.S. Marshall Service's (USMS) Standardized Tracking and Reporting System (STARS) and Financial Management System (FMS) feed into FMIS. FMIS is a computerized, general purpose accounting and reporting facility that supports the financial operations of the Department. STARS is the USMS headquarters financial management system and FMS is the USMS field offices' financial management system.

Data - All obligation accounting information for the AFF is derived from FMIS, STARS, and FMS.

Other Estimation Methods - None.

Financial Systems - FMIS is the financial system that provides AFF obligation data. Obligations that are derived by this system can also be reconciled with the enacted appropriations and carryover balances.

With respect to the table of Drug Control Obligations, amounts were calculated as follows:

- a. Goal 2 - By using AFF obligation data gathered from FMIS, the total comprises (1) obligations for Federal, state and local assistance sharing; (2) obligations for investigative expenses of the Drug Enforcement Administration, Federal Bureau of Investigation, Immigration and Naturalization Service, U. S. Postal Service, U. S. Park Police, Food and Drug Administration, and U. S. Department of Agriculture, and (3) obligations for prosecutive expenses of the Criminal Division and U.S. Attorney's Office.

The functions under Goal 2 include: (1) Federal, state and local assistance, (2) investigative expenses, and (3) prosecutive expenses - Federal, state and local

assistance includes expenses for equitable sharing and joint law enforcement operations. The investigative and prosecutive functions include categories of expenses such as special contract services, awards for information leading to a forfeiture, automated data processing, and training and printing. Also included are awards for information, purchase of evidence, and equipping of conveyances. By using obligation data gathered from FMIS, the percentage of Goal 2 obligations is derived by dividing them by the total obligations which equals 99 percent.

- e. Goal 5 - The functions under Goal 5 include (1) international equitable sharing and (2) state and local assistance for the Domestic Cannabis Eradication/Suppression Program. By using obligation data gathered from FMIS, the percentage of Goal 5 obligations is derived by dividing them by the total obligations which equals one percent.
- f. Decision unit - The AFF comprises two decision units. First, there are program operation expenses or mandatory expenses, funded from permanent, indefinite authority. Monies are used to recognize the equity of innocent third parties and lien holders, and to recognize the efforts of state and local law enforcement agencies that helped produce the forfeitures. Program expenses typically include costs of seizing, evaluating, inventorying, maintaining, protecting, advertising, forfeiting, and disposing of property seized for forfeitures. Also included are overtime expenses and other costs of state and local law enforcement officers engaged in joint operations with Federal law enforcement agencies participating in the Fund. The percentage of indefinite authority expense obligations is derived by dividing their total by the total amount of obligations which is equal to 96 percent.

Secondly, there are authorized investigative expenses, funded from definite authority. Included are payments for awards and evidence, equipping of conveyances, and investigative expenses leading to forfeitures. The percentage of definite authority expense obligations is derived by dividing their total by the total amount of obligations which is equal to four percent.

Since AFF obligations are considered to have a 100% drug-related nexus, the drug methodology percentage consists of the total obligations of each of the decision units divided by the total obligation amount which results in the percentage attributed to each.

- g. FTEs - There are no FTEs under the AFF. Personnel expenses for the Asset Forfeiture Management Staff (AFMS), Justice Management Division, are funded under the Working Capital Fund and reimbursed by the AFF. AFMS is responsible for the administrative oversight of the AFF.
- h. Information - The data presented in the Table of Drug Control Obligations differs from the data presented in the ONDCP Budget Summary in that the Budget Summary is based upon budget authority data. All monies available for

obligation come from the AFF, a permanent, indefinite fund. To the extent that funds are available, a portion of the Fund is appropriated annually for agency investigative expenses.

Disclosure No 2 – Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified. Management has no plans to change this methodology for fiscal year 2000 reporting.

Disclosure No 3 – Material Weaknesses and Other Findings

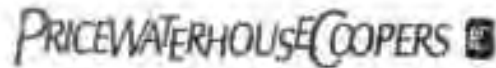
There are no material weaknesses or other findings relating to the accounting for obligations that would affect the amounts reported in the table. There are findings of weaknesses reported with respect to the management information system that stores and retrieves data necessary to complete the table. Sources reviewed included: (a) the auditors' reports on the AFF financial statements, internal controls, and compliance with laws and regulations for Fiscal Year 1996 to present; (b) GAO and Office of the Inspector General Reports for Fiscal Year 1996 to present; and (c) the Department of Justice's Annual Accountability Report for Fiscal Year 1999, and the Attorney General's annual Federal Managers Financial Improvement Act certifications for Fiscal Year 1998 to present.

Disclosure No 4 – Reprogrammings or Transfers

There were no AFF reprogrammings or transfers.

Financial Plan - There were no reprogramming or transfer changes to the financial plan affecting obligation data.

In FY 1999 the AFF had \$885,762,082 in available budget authority consisting of \$276,777,729 as the unobligated balance brought forward on October 1 and \$608,984,353 in revenues.



Office of the Inspector General
United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Executive Office of the United States Attorney (EOUSA) for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of EOUSA prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 23, 2000
Arlington, Virginia

FY 1999 Accounting of Drug Control Funds



U.S. Department of Justice

Executive Office for United States Attorneys

Revenue Management and Planning Staff

June 2001, *Revenue Management Planning*
400 F Street, NW
Washington, DC 20535

(202) 616-6222
FAX (202) 616-6247

Management's Assurance Statement For the Fiscal Year Ended September 30, 1999

On the basis of the United States Attorneys (USAs) management control program, we assert that the USA's system of accounting, use of estimates, and system of internal control provide reasonable assurance that:

1. The methodology used by the USAs to develop the Table of Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*, and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from the financial and programmatic records of the USAs and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by the USAs that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from USA's financial and program management data processing systems.

We have documented the methodology used by USAs to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Annual Accounting of Drug Control Funds*. USA's drug control methodology has been consistently applied from the previous year, except as noted in Disclosure No. 2, and there have been no reprogrammings or transfers that have not been properly disclosed. USA's operations include programs that are not related to drug control activities, or include drug control obligations that are

FY 1999 Accounting of Drug Control Funds

inconsequential to the program's activities. Accordingly, these amounts are not reflected in the Table of Obligations or accompanying disclosures.

Charlette Saunders

USA Official Responsible for Assertion
Frank M. Kalder, Deputy Director
Resource Management and Planning

5-17-00
Date

FY 1999 Accounting of Drug Control Funds

Department of Justice
 United States Attorneys
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 1999

Dollars in Thousands	Actual 1999 Obligations
Drug Obligations by Goal	
Objective One	193,560
Drug Obligations by Function	
Prosecutions	193,560
Drug Obligations by Decision Unit	
Criminal Litigation	160,186
Legal Education	840
Management & Administration	6,534
Total	193,560
Drug Resources Personnel Summary	
Total FTEs	1,582
Information	
Total Agency Budget	1,090,378
Drug Percentage	17.75%

Disclosure No 1 - Drug Control Methodology -

The United States Attorneys (USAs) are the principal litigators for the Federal Government, operating from 94 district offices. The USAs support the federal drug control priorities under Goal 2 (reduce drug-related crime) by promoting programs that reduce drug-related crime and violence, as well as programs that investigate and prosecute illegal drug manufacturers and traffickers. The USAs investigate, prepare, and prosecute all federal violations of controlled substances, money laundering, drug trafficking, tax evasion, and violent and organized crime.

The Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Annual Accounting of Drug Control Funds, dated December 17, 1999 and (b) Budget Instructions and Certification Procedures, dated May 5, 1999. The table represents obligations incurred by the United States Attorneys for drug control purposes. The United States Attorneys receive drug control funds for prosecution efforts.

The United States Attorneys' strategy includes the disruption and dismantling of major drug organizations using a coordinated approach - to benefit from the expertise and criminal intelligence of federal/state/local law enforcement officials; using more sophisticated techniques to target the most serious drug traffickers; and making full use of financial investigative techniques to identify and convict drug traffickers.

The United States Attorneys' drug efforts include those workyears associated with the narcotics program plus half of the workyears for Violent Crime and Organized Crime. The caseload in these programs frequently involves narcotics although it is not the lead charge. A proportional share of other decision units which indirectly support the prosecution of drug violators are also included.

The United States Attorneys have adopted the Deputy Attorney General's desire to use OCDETF investigations as a benchmark for cooperative federal narcotics enforcement efforts. The Deputy Attorney General directed the United States Attorneys to complete a review of every non-OCDETF narcotics, organized crime, public corruption, money laundering, Safe Streets, gang and violent crime case to determine whether any of them should be designated an OCDETF case and whether any single-agency narcotics case could be enhanced by the participation of additional agencies. The emphasis expressed within the Department on OCDETF has resulted in increased personnel usage. The United States Attorneys have included the growth in resources utilized for OCDETF from FY 1997 as part of our ONDCP actuals. An enhancement has not been enacted for the United States Attorneys' OCDETF program since FY 1992.

Methodology

The United States Attorneys use a variety of estimation methodologies to account for obligations. Estimates are supported by data obtained from the Financial Management Information System (FMIS), which provides obligation data, and United States Attorneys'

Monthly Resource Summary Report system (USA-5), which provides time usage information. The amount of obligations with a drug-related nexus is calculated by multiplying the amount of time associated with narcotics by the average cost of a full time equivalent in FY 1999.

The United States Attorneys have derived a formula for Narcotics which includes the following:

- The Narcotics (Non-OCDETF) total Perm. workyears from the USA-5.
- Half of the Organized Crime and Violent Crime total Perm. workyears from the USA-5. Organized Crime and violent crime cases frequently include a narcotics offense although it is not the primary violation. Organized criminals are involved with the laundering of funds through legitimate businesses as well as the trafficking of narcotics. Many defendants who violate federal firearms statutes are involved in narcotics trafficking or arrested under the influence of a narcotic. Violent street gangs frequently are responsible for trafficking narcotics using firearms in the commission of their crimes.
- Growth in the OCDETF program since 1997 as discussed above.
- With the total of the items discussed above, a pro-rated share of the Management & Administration total Perm. workyears is added. The Management & Administration line on the USA-5 is used for those individuals whose efforts benefit multiple program areas where there would be difficulty in easily attributing time involved to a particular program (example: Criminal Chief, system manager).

Data - All accounting information used for the United States Attorneys comes from the Financial Management Information System (FMIS). FMIS is the financial system that provides the United States Attorneys obligation data.

Total FTE - The total FTE data came from the United States Attorneys' Monthly Resource Summary Report system (USA-5). The USA-5 summarizes the use of personnel resources on a monthly basis. The information collected from this report is used for budget formulation and justification, responding to ad hoc inquiries concerning the allocation of congressionally appropriated resources.

Financial Systems - The FMIS is the financial system that provides the USA obligation data. Obligations that are derived by this system can also be reconciled with the enacted appropriations and carryover balances.

Total of Drug obligations

Total actual obligations for FY 1999 were divided by the total actual workyears used on behalf of the program to come up with a average cost per workyear. The workyear number used in the calculation of the average cost per workyear was from the Department of Justice's workyear status report. Total availability, which is net of reimbursements, equals the enacted budget authority amount.

Functions

The United States Attorneys resources are recorded entirely under functional area one, the Criminal Justice system, specifically prosecution. Although the United States Attorneys do participate on a small scale in other areas, such as drug prevention, the amount of resources used are not as easily identifiable. The USAs support the federal drug control priorities under Goal 2 by promoting programs that reduce drug-related crime and violence, as well as programs that investigate and prosecute illegal drug manufacturers and traffickers.

Decision Units

Criminal Decision Unit - The United States Attorneys offices handle approximately 95% of the criminal cases prosecuted by the Department of Justice. The Narcotics, violent crime, and Organized Crime programs all fall under the criminal decision unit. In FY 1999, 32% of the total criminal case filings were for Narcotics (OCDETF & Non-OCDETF). The majority of the cost for the Narcotics program are captured in the Criminal decision unit.

Office of Legal Education - The Office of Legal Education (OLE) develops, conducts, and authorizes the training of all Federal legal personnel. OLE is the primary source of instruction for Assistant United States Attorneys from the United States Attorneys' offices. The courses given relating to Narcotics include such topics as Narcotics Basic and Advanced, Money Laundering and Asset Forfeiture. Many other courses have segments that address narcotics include Criminal Federal Practice and Criminal Trial Advocacy. The cost associated with the Office of Legal Education will fund approximately 10 classes.

Management and Administration - The Management and Administration (M&A) Decision unit encompasses the Executive Office for United States Attorneys. M&A provides management and policy assistance to the United States Attorneys in direct support of their litigation responsibilities. Since Non-OCDETF Narcotics represents 17% of the total criminal program workload, that same percentage was used to come up with a share of Management & Administration.

Disclosure No. 2 Modifications to Drug Control Methodology

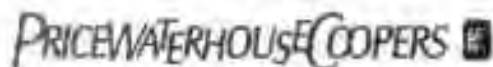
The overall methodology to calculate drug control obligations has not been modified since the presentation of the actual data for the *National Drug Control Strategy FY 2001 Budget Summary*. However, the United States Attorneys have included the growth in resources utilized for OCDETF from FY 1997 as part of our ONDCP actuals for FY 1999, and we will continue to include this increment in future years reports. An enhancement has not been enacted for the United States Attorneys' OCDETF program since FY 1992.

Disclosure No. 3 Material Weaknesses and Other Findings

There are no material weaknesses or other findings relating to the accounting for obligations with respect to management information systems that store and retrieve data necessary to complete the table. There is a reportable condition relating to the accounting for obligations in the Offices, Boards and Divisions' (OBDs') FY 1999 Report of Independent Accountants on Internal Controls that notes errors in the status of accounts payable and related obligations (undelivered orders) at various OBD components, of which EOUSA is one. However, we do not believe that this could materially affect the amounts reported in the table because the majority of the errors were status errors between delivered and undelivered and not errors in obligations incurred.

Disclosure No. 4 Reprogrammings or Transfers

There were no unobligated balances brought forward, reprogrammings or transfers approved that affected the information in the table of drug control obligations.



Office of the Inspector General
United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Bureau of Prisons (BOP) for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of BOP prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2000
Arlington, Virginia



U.S. Department of Justice

Federal Bureau of Prisons

**Bureau of Prisons
Management's Assurance Statement
For the Fiscal Year Ended September 30, 1999**

On the basis of the Bureau of Prisons (BOP) management control program, we assert that the BOP's system of accounting, use of estimates, and system of internal controls provide reasonable assurance that:

1. The methodology used by the BOP to develop the Table of Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, Annual Accounting of Drug Control Funds, and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from the financial and programmatic record of the BOP and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by the BOP that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from BOP financial and program management data processing systems.

We have documented the methodology used by BOP to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, Annual Accounting of Drug Control Funds. BOP drug control methodology has been consistently applied from the previous year (except for drug 4) and reprogramming and transfers have been properly disclosed. BOP operations also includes programs that are not directly related to drug control.

FY 1999 Accounting of Drug Control Funds

activities, or include drug control obligations that are inconsequential to the program's activities. Accordingly, these amounts are not reflected in the Table of Obligations or accompanying disclosures.


Bruce E. Sasser
Assistant Director
For Administration


Date

FY 1999 Accounting of Drug Control Funds

Bureau of Prisons
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 1999
 (Dollars in thousands)

	<u>Actual 1999 Obligations</u>
Drug Obligations by Goal	
Goal 1	1,072,022
TOTAL	2,072,022
Drug Obligations by Function	
Corrections	2,040,011
Treatment	32,011
TOTAL	2,072,022
Drug Obligations by Decision Unit	
Inmate Care and Programs	593,278
Institution Security and Administration	798,951
Contract Confinement	130,405
Management and Administration	71,384
New Construction	384,098
Modernization and Repair	63,473
Crime Bill: Inmate Care and Programs	30,533
TOTAL	2,072,022
Drug Resources Personnel Summary	
Total FTEs (Direct Only)	16,604
Information	
Total Agency Obligations	3,574,020
Drug Percentage	58%

Disclosure No. 1 - Drug Control Methodology: The mission of the BOP is to protect society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, and which provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

The Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars: (a) Annual Accounting of Drug Control Funds, dated December 17, 1999; and (b) Budget Instructions and Certification Procedures, dated May 5, 1999. The table represents obligations incurred by the BOP for drug control purposes. The amounts are net of all reimbursable agreements. The BOP receives drug control funds mainly for the purpose of corrections and treatment.

BOP uses a variety of estimation methodologies to account for obligations to drug-related nexus. Estimates are supported by data obtained from the Financial Management Information System (FMIS), which provides BOP obligation data, and from SENTRY, which provides inmate population and data. In general, the amount of obligations with a drug-related nexus is calculated by applying a factor (a percentage of time or an activity that relates to drug control) to the amount of obligations incurred by a fund or group of funds.

Data - All accounting information for the BOP is derived from the FMIS. BOP inmate population and activity information is supplied by the SENTRY data system. The percentage of the inmate population incarcerated for the drug related crimes was derived from the BOP's key indicators data base, which is updated monthly. Year end percentages for institution population and contract population were then applied to the FY 1999 actual obligations to arrive at the FY 1999 Drug Budget. Drug treatment programs are reported as one hundred percent since the entire focus is drug related.

Other Estimation Methods - For the new construction budget, population projections for the out years are derived from the BOP micro-simulation population model. The model uses actual court data to project future populations. These projections are used to develop new prison capacity requests and estimate impacts in various scenarios.

Financial System - The FMIS is the financial system managed by the Department of Justice that provides BOP obligation data. Obligations that are derived by this system can also be reconciled with the enacted appropriations and carryover balances.

FY 1999 Accounting of Drug Control Funds

With respect to the table of Drug Control Obligations, amounts were calculated as follows:

a. Goal 2 - By using BOP obligation data gathered from FMIS, the drug methodology percentage was applied to each decision unit and totaled for the goal amount.

b. Corrections Function - Using BOP obligation data from FMIS, the drug methodology percentage was applied to each decision unit within the Corrections Function and totaled for the corrections amount.

c. Treatment Function - Using BOP obligation data from FMIS, the drug methodology percentage of 100 percent for drug treatment obligations was applied to derive the treatment amount.

d. Decision Unit - Using BOP obligation data from FMIS, the drug methodology percentages were applied to each decision unit for the decision unit amount. (See attached FY 1999 Drug Resources Table)

e. Workyears (FTEs) - Using BOP FTE data from FMIS (as originated by the H-F-C personnel payroll system and downloaded into the FMIS), the drug methodology percentages were applied to each decision unit.

f. Additional Information - None

Disclosure No. 2: Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified (except for drug W). Management has no plans to change this methodology (except for drug W) for fiscal year 2000 reporting.

Disclosure No. 3: Material Weaknesses and other Findings

There are no material weaknesses or other findings relating to the accounting for obligations with respect to management information systems that store and retrieve data necessary to complete the table. There is a reportable condition relating to the accounting for obligations in the BOP FY 1999 Report of Independent Accountants on Internal Controls that identified errors in the status of accounts payable and related obligations (undelivered orders). However, we do not believe that this could materially affect the amounts reported in the table because the majority of the errors were mis-classifications between delivered and undelivered orders and not errors in obligations incurred. Sources reviewed included: (a) the auditors' reports on the BOP financial statements, internal controls, and compliance with laws and regulations; (b) Office of the Inspector General Reports; and (c) the Department of Justice Annual Accountability Report, which

includes the Attorney General's annual Federal Managers Financial Improvement Act certifications.

Disclosure No 4. Reprogrammings or Transfers

See attached Reprogramming Table

Financial Plan -including Reprogrammings or Transfers - Reprogrammings and Transfers have been calculated using the appropriate drug methodology percentage for each transaction. BOP's FY 1999 obligations include all approved Reprogrammings and Transfers.

Disclosure No 5. Other Disclosures

None

Attachments

FY 1999 Accounting of Drug Control Funds

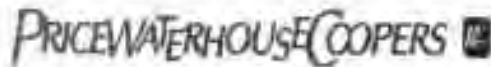
Federal Prison System
Drug Related Resources
Reprogramming and Transfers
FY 1999
(Dollars in thousands)

Drug Resources by Goal	Unobligated Balances Brought Forward	Enacted BA	Reprogramming**	Transfers***		Total Drug Resources Availability
				In	Out	
Goal 2*	509,478	1,907,751	(760)	24,169	(23,838)	2,416,800
Drug Obligations by Function						
Corrections	500,630	1,861,252	(760)	24,169	(23,838)	2,361,453
Treatment	8,848	26,499	0	0	0	35,347
Total*	509,478	1,907,751	(760)	24,169	(23,838)	2,416,800
Drug Obligations by Decision Unit						
Inmate Care and Programs	22,382	816,918	(5,510)	0	(14,268)	819,500
Institution Security and Administration	33,711	812,782	0	116	(4,840)	841,969
Contract Confinement	2,200	127,531	4,750	0	0	134,481
Management and Administration	45	82,415	0	0	(4,930)	77,530
New Construction	361,289	190,548	0	12,685	0	564,521
Modernization and Repairs	81,024	51,090	0	11,388	0	143,452
Crime Bill: Inmate Care and Programs	8,848	26,499	0	0	0	35,347
Total Drug Related**	509,478	1,907,751	(760)	24,169	(23,838)	2,416,800
Total Availability	882,052	3,259,650	0	41,300	(41,100)	4,161,802

* These resources are calculated using the BOP drug methodology. Overall FY 1998 actual drug percentage is 56%, revised from an earlier projection of 62.3%.

** Reprogramming includes \$9.5 million transfer from Inmate Care Decision Unit to Contract Confinement Decision Unit

*** Transfer includes \$41.7 million to Buildings and Facilities Appropriation and \$200 thousand from Y2K Fund



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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Office of Community Oriented Policing Services (COPS) for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of COPS prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2000
Arlington, Virginia



U.S. Department of Justice
Office of Community Oriented Policing Services

1100 Vermont Avenue, NW
Washington, D.C. 20535

Management's Assurance Statement
For the Fiscal Year Ended September 30, 1999

On the basis of the Office of Community Oriented Policing Services (COPS) management control program, we assert that the COPS system of accounting, use of estimates, and system of internal control provide reasonable assurance that:

1. The methodology used by COPS to develop the Table of Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds* and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from the financial and programmatic records of COPS and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by COPS that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from COPS financial and program management data processing systems.

We have documented the methodology used by COPS to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Annual Accounting of Drug Control Funds*. COPS drug control methodology has been consistently applied from the previous year.


Joe Norris, COPS Executive Officer

9/17/99
Date

FY 1999 Accounting of Drug Control Funds

Department of Justice
 Community Oriented Policing Services
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 1999

Resource Elements	Drug Obligations
Drug Resources by Goal	
Goal 1, Objective 1	\$ 66,721
Goal 2, Objective 1	350,332
Total	<u>\$ 417,053</u>
Drug Resources by Function	
Prevention	\$ 66,721
State and Local Assistance	350,332
Total	<u>\$ 417,053</u>
Drug Resources by Decision Unit¹	
Public Safety and Community Policing Groups	\$ 331,641
Police Corps	27,573
Crime Fighting Technologies	26,400
Community Crime Prevention Efforts	0
Community Based Prosecutors	1,030
Management and Administration	10,387
Total	<u>\$ 417,031</u>
Drug Resources Personnel Summary	
Total FTEs (direct only)	76
Information	
Total Agency Obligations	\$ 1,363,798
Drug Percentage	33%

¹ See Disclosure No. 1 (e) for explanation of Decision Unit Resources

The mission of the Office of Community Oriented Policing Services (COPS) is to significantly improve public safety in neighborhoods and communities throughout the country, through partnerships with communities, policing agencies, and other public and private organizations.

Disclosure No. 1 – Drug Control Methodology

The methodology employed to estimate the proportion of total COPS resources was jointly developed by the Department of Justice (DOJ) and the Office of National Drug Control Policy (ONDCP) based on the assumption that approximately one-third of the funding supports drug-related functions. COPS drug-related program resources fund a significant amount of law enforcement activities directed toward drug infested neighborhoods, drug trafficking-related problems, and drug prevention efforts. COPS drug-related reported obligations are derived from the Office's direct budget authority and are net of reimbursables.

The Table of Drug Control Obligations was prepared in accordance with the following ONDCP circulars (a) Annual Accounting of Drug Control Funds, dated December 17, 1999 and (b) Budget Instructions and Certification Procedures, dated May 3, 1999. The Table represents obligations incurred by COPS for drug control purposes. COPS receives drug control funds mainly for the purpose of prevention and treatment.

COPS primary method of estimation to account for the obligations to drug-related programs is supported by data obtained from the Financial Management Information System (FMIS). In general, the amount of obligations with a drug-related nexus is calculated by applying a factor (33 percent of an activity that relates to drug control) to the amount of obligations incurred by a fund or group of funds.

Data – All accounting information for COPS is derived from the Financial Management Information System (FMIS). The estimated proportion of total resources for drug-related programs is 33 percent.

Financial Systems – The FMIS is the financial system that provides COPS obligation data. Obligations that are derived by this system can also be reconciled with the enacted appropriations and carryover balances.

With respect to the Table of Drug Control Obligations, amounts were calculated as follows:

- a. Goal 1 – Using COPS obligation data from FMIS, the drug methodology of 33 percent was applied to COPS Safe School program initiatives and School Resource Officer hiring program and totaled for the goal amount.
- b. Goal 2 – Using COPS obligation data from FMIS, the COPS drug methodology of 33 percent was applied to all remaining COPS drug control programs and totaled for the goal amount.

FY 1999 Accounting of Drug Control Funds

- f. **Prevention Function** – Using COPS obligation data from FMIS, the drug methodology of 33 percent was applied to COPS Safe School Initiatives and School Resource Officer Hiring program and totaled for the Prevention Function amount.
- g. **State and Local Assistance Function** – Using COPS obligation data from FMIS, the COPS drug methodology of 33 percent was applied to each program within the State and Local Assistance Function and totaled for the function amounts.
- e. **Decision Unit** – Using COPS obligation data from FMIS, the drug methodology of 33 percent was applied to each drug control related program and totaled for each decision unit amount. Each COPS program is identified by an account classification code in FMIS. COPS assigns each account classification code in FMIS to a specific decision unit. The 33 percent drug methodology was applied to all of the following decision units in FY 1999: Public Safety and Community Policing Grants, Police Corps, Crime Fighting Technologies, Community Based Prosecutors, and Management and Administration. Below is a breakdown of account classification codes by decision unit.
 - * *Public Safety and Community Policing Grants*: 220201-22020103, 220202, 22020208, 22020210, 220203-22020303, 2203-220302, 2204
 - * *Police Corps*: 2204, 220401
 - * *Crime Fighting Technologies*: 22020201
 - * *Community Based Prosecutors*: 22020209
 - * *Management and Administration*: 2201, 220101-220114
- f. **FTEs** – COPS obtains FTE data from the Workyear Status Report. This report is created every pay period by JED from data obtained from FMIS, which originates from the National Finance Center (NFC). The 33 percent drug methodology was applied to the average FY 1999 COPS FTE level to calculate the total drug control FTE.

Disclosure No. 2 – Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified. Management has no plans to change this methodology for fiscal year 2000 reporting.

Disclosure No. 3 – Material Weaknesses and Other Findings

There are no material weaknesses or other findings relating to the accounting for obligations with respect to management information systems that store and retrieve data necessary to complete the table. There is a reportable condition relating to the accounting for obligations in the Offices, Boards and Divisions' (OBODs') FY 1999 Reports of Independent Accountants on Internal Controls that identified errors in the status of accounts payable and related obligations (undelivered orders) as versus OBD assignments, of which COPS is one. However, we do not believe that this could

materially effect the amounts reported in the table because the majority of the errors were timing errors between delivered and undelivered and not errors in obligations incurred. There is also a reportable condition relating to the processing of grant data in the Offices, Boards and Divisions' (OBDs') FY 1999 Report of Independent Accountants on Internal Controls that identified errors in accrual calculations. However, since this condition does not impact the budgetary accounting, we do not believe that this could materially effect the amounts reported in the table either.

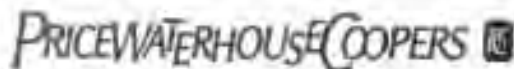
Sources reviewed included: (a) the auditors' reports on CDPS financial statements; (b) Office of the Inspector General Reports; and (c) the Department of Justice's Annual Accountability Report, which includes the Attorney General's annual Federal Managers' Financial Improvement Act certifications.

FY 1999 Accounting of Drug Control Funds

Community Oriented Policing Services (COPS)
Reprogramming and Transfers
FY 1999
(Dollar in Thousands)

Table Line Item	Unobligated Balances Brought Forward	Enacted BAs	Reprogrammings	Transfers		Total Availability
				In	Out	
Drug Resources by Goal						
Goal 1, Objective 1	\$ -	\$ 61,050				\$ 61,050
Goal 2, Objective 1	\$ 30,216	\$ 410,850				\$ 441,066
Total	\$ 30,216	\$ 471,900	\$ -	\$ -	\$ -	\$ 502,116
Drug Resources by Function						
Prevention	\$ -	\$ 61,050				\$ 61,050
State and Local Assistance	\$ 30,216	\$ 410,850				\$ 441,066
Total	\$ 30,216	\$ 471,900	\$ -	\$ -	\$ -	\$ 502,116
Drug Resources by District Unit:						
Public Safety and Community Policing Grants	\$ 4,374	\$ 437,432				\$ 441,806
Police Corps	\$ 17,604	\$ 9,900				\$ 27,504
Crime Fighting Technologies	\$ 26,800	\$ 0				\$ 26,800
Community Crime Prevention Efforts	\$ 0	\$ 0				\$ 0
Community Based Prosecution Management and Administration	\$ 1,638	\$ 0				\$ 1,638
Total	\$ 50,216	\$ 471,900	\$ -	\$ -	\$ -	\$ 502,116

The Unobligated Balances Brought Forward and Enacted Budget Authority were calculated using COPS FINS drug methodology. COPS did not fund reprogrammings or transfers in community FY 1999 Availability.



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United States Department of Justice

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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Criminal Division for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of the Criminal Division prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 23, 2000
Arlington, Virginia

FY 1999 Accounting of Drug Control Funds



U.S. Department of Justice

Criminal Division

WASHINGTON, D. C. 20530

Management's Assurance Statement For the Fiscal Year Ended September 30, 1999

On the basis of the Criminal Division (CRM) management control program, we assert that CRM's system of accounting, use of estimates, and system of internal control provide reasonable assurance that:

1. The methodology used by CRM to develop the Table of Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*, and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from the financial and programmatic records of CRM and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, in the best of our knowledge, identified all obligations incurred by CRM that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from CRM's financial and program management data processing systems.

We have documented the methodology used by CRM to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Annual Accounting of Drug Control Funds*. CRM's drug control methodology has been consistently applied from the previous year. CRM's operations include programs that are not related to drug control activities, or include drug control obligations that are inconsequential to the program's activities. Accordingly, these amounts are not reflected in the Table or accompanying disclosures.

Eugene Frye
Chief, Budget, Fiscal and Procurement Staff
Office of Administration
Criminal Division

5/16/00
Date

FY 1999 Accounting of Drug Control Funds

Department of Justice
Criminal Division
Table of Drug Control Obligations
For the Fiscal Year Ending September 30, 1999

Dollars in Thousands	Actual 1999 Obligations
Drug Obligations by Goal	
Goal 5	\$30,448
Total	\$30,448
Drug Obligations by Functions	
Prosecutions	\$26,643
International	\$3,805
Total	\$30,448
Drug Obligations By Decision Unit	
Organized Crime and Narcotics	\$9,724
International	\$3,805
Litigation Support	\$13,046
Management and Administration	\$7,873
Total	\$30,448
Drug Resources Personnel Summary	
Total FTEs (direct only)	225
Information	
Total Division Obligations	\$103,348
Drug Percentage	29.5%

The accompanying disclosures are an integral part of the Table of Drug Control Obligations.

Disclosure No. 1 - Drug Control Methodology The mission of the Criminal Division is to develop, enforce, and supervise the application of all federal criminal laws except those specifically assigned to other divisions. In addition to its direct litigation responsibilities, the Division also formulates and implements criminal enforcement policy and provides advice and assistance.

The Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Annual Accounting of Drug Control Funds, dated December 17, 1999 and (b) Budget Instructions and Certification Procedures, dated May 5, 1999. The table represents obligations incurred by the Criminal Division for drug control purposes. CRM receives drug control funds mainly for the purpose of prosecutions. The amounts disclosed are net of all reimbursable agreements.

CRM uses an estimation methodology to account for obligations involving drug-related matters. Estimates are supported by data obtained from the Financial Management Information System (FMIS), which provides CRM obligation data. In general, the amount of obligations with a drug-related nexus is calculated by applying a factor (the percentage of time spent by each Section and Office on drug-related issues) to budgeted amounts per Section/Office based on the FY 1999 actual total.

Data - All accounting information for CRM is based on the FY 1999 actual budget which is derived from obligation data gathered from the FMIS. The percentage of time spent by each Section and Office on drug-related issues is determined by management in each Section/Office within the Criminal Division. These percentages are applied to budgeted amounts for each Section/Office based on the FY 1999 actual total.

Other Estimation Methods - Because CRM utilizes the above-mentioned estimation method, it does not have other estimation methods in report.

Financial System - The FMIS is the financial system that provides CRM obligation data. Obligations that are derived by this system can be reconciled by the related appropriations and carryover balances.

With respect to the table of Drug Control Obligations, amounts were calculated as follows:

- a. Goal 5 - By using budgeted dollar amounts based on the FY 1999 actual budget which is derived from obligation data gathered from FMIS, the drug methodology percentage was applied to each Section/Office and totaled for the goal amount.
- b. Prosecutions Function - By using budgeted dollar amounts based on the FY 1999 actual budget which is derived from obligation data gathered from FMIS, the drug methodology percentage was applied to each Section/Office in the following Decision Units: Organized Crime and Narcotics, Litigation Support, and Management and Administration. Dollars were totaled for the Prosecutions function amount.
- c. International Function - By using budgeted dollar amounts based on the FY 1999 actual budget which is derived from obligation data gathered from FMIS, the drug methodology percentage was applied to each Section/Office in the International Decision Unit. Dollars were totaled for the International function amount.

FY 1999 Accounting of Drug Control Funds

- d. **Decision Unit** - By using budgeted dollar amounts based on the FY 1999 actual budget which is derived from obligation data gathered from FMIS, a drug methodology percentage was applied to each Section/Office within each Decision Unit and totaled by Decision Unit. This percentage was determined by management in each Section/Office. Management was contacted by the Office of Administration via email and the telephone at the beginning of the budget cycle. Management estimated the percentage of their time that would be dedicated to drug-related work for the fiscal year.

The following are each Decision Unit's percentages of CRM's total drug resources:

• Organized Crime and Narcotics -	32%
• International -	12%
• Litigation Support -	43%
• Management and Administration -	13%
	100%

- e. **FTEs** - By using FTE data based on the FY 1999 actual budget which is derived from FTE data gathered from FMIS, the drug methodology percentage of 29.5% was applied for the total drug FTE amount.

Disclosure No. 2 - Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified. Management has no plans to change this methodology for fiscal year 2000 reporting.

Disclosure No. 3 - Material Weaknesses and Other Findings

There are no material weaknesses or other findings relating to the accounting for obligations with the respect to management information system that store and retrieve data necessary to complete the table. There is a reportable condition relating to the accounting for obligations in the Offices, Boards and Divisions' (OBDs') FY 1999 Report of Independent Accountants on Internal Controls that identified errors in the status of accounts payable and related obligations (undelivered orders) at various OBD components, of which CRIMINAL is one. However, we do not believe that this could materially effect the amounts reported in the table because the majority of the errors were status errors between delivered and undelivered and not errors in obligations incurred. Sources reviewed included: (a) the auditor's reports on CRM financial statements, internal controls, and compliance with laws and regulations; (b) Office of the Inspector General Reports; and (c) the Department of Justice's Annual Accountability Report, which includes the Attorney General's annual Federal Managers Improvement Act certifications.

The Department (including CRM) recently received a clean audit opinion for FY 1999. CRM was given an "excellent" rating for its FY 1999 audit work.

Disclosure No. 4 - Reappropriations or Transfers

CRM did not have any drug-related reappropriations or transfers for FY 1999. (CRM did have multi-year accounts for FY 1999, but none were drug-related)

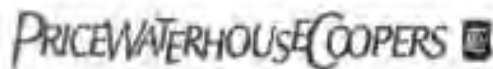
For FY 1999, CRM's drug-related budget authority was \$30,448,000.

Disclosure No. 5 - Other Disclosures

ICDE Resources: \$2.308 billion

This money supports the Organized Crime Drug Enforcement Task Forces (OCDETF) and is reported by the Executive Office for OCDETF in their submission to ONDCP.

CRM asserts that the information presented in the Table of Drug Control Obligations fairly presents the drug control obligations for CRM.



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United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Drug Enforcement Administration (DEA) for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of DEA prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 3.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2000
Arlington, Virginia



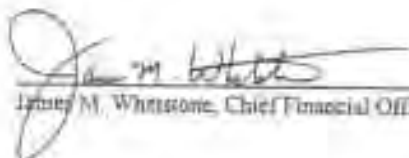
U. S. Department of Justice
Drug Enforcement Administration

Management's Assurance Statement
For the Fiscal Year ended September 30, 1999

On the basis of the Drug Enforcement Administration's (DEA's) management control program, we assert that the DEA system of accounting, use of estimates, and system of internal control provide reasonable assurance that:

1. The methodology used by the DEA to develop the Table of FY99 Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*, and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from the financial and programmatic records of the DEA and represent FY99 obligations of drug control funds.
3. Estimates used to report the FY99 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by the DEA that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from DEA's financial and program management data processing systems.

We have documented the methodology used by DEA to identify and accumulate FY99 drug control obligations in the Table and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Annual Accounting of Drug Control Funds*. DEA's drug control methodology has been consistently applied from the previous year and there have been reprogrammings or transfers that have been properly disclosed. All of DEA's operations and programs are related to drug control activities and are reflected in the accompanying obligation data.


James M. Whitstone, Chief Financial Officer

5-18-99
Date

FY 1999 Accounting of Drug Control Funds

**Department of Justice
Drug Enforcement Administration
Table of FY99 Obligations
(Dollars in Thousands)**

	FY99 Obligations
Drug Obligations by Goal:	
Goal 1	\$ 2,379
Goal 2	623,010
Goal 4	428,179
Goal 5	348,412
Total	\$ 1,402,980
Drug Obligations by Function:	
Intelligence	\$ 126,554
Operational	256,348
Investigation	889,147
Procurement	3,279
Research and Development	4,884
State & Local Assistance	13,699
Total	\$ 1,402,980
Drug Obligations by District Unit:	
ATF	\$ 93,822
Drug and Chemical Diversion Control	7,428
Domestic Enforcement	383,239
Foreign Cooperative Investigations	173,244
Intelligence	89,780
Laboratory Services	39,121
Management and Administration	139,824
Research, Engineering, and Technical Operations	118,651
State and Local Task Forces	178,994
Training	25,999
Construction	4,879
Domestic Cultural Fee Account	71,794
Total	\$ 1,402,980
Drug Resources Personnel Summary	
Total FTEs (Direct Only)	2,561
Summary Information	
Total Agency Obligations	\$ 1,402,980
Drug Penalties	186.0%

Disclosure 1: Drug Control Methodology

The mission of the Drug Enforcement Administration (DEA) is to enforce the controlled substances laws and regulations of the United States and to bring to the criminal and civil justice system of the United States or any other competent jurisdiction, those organizations, and principal members of organizations, involved in the growing, manufacture, or distribution of controlled substances appearing in or destined for illicit traffic in the United States, and to recommend and support nonenforcement programs aimed at reducing the availability of illicit controlled substances on the domestic and international markets. In carrying out its mission, DEA is the lead agency responsible for the development of overall Federal drug enforcement strategy, programs, planning, and evaluation. DEA's primary responsibilities include:

- Investigation and preparation for prosecution of major violations of controlled substances laws operating at interstate and international levels;
- Management of a national drug intelligence system in cooperation with Federal, state, local, and foreign officials to collect, analyze, and disseminate strategic and operational drug intelligence information;
- Seizure and forfeiture of assets derived from, traceable to, or intended to be used for illicit drug trafficking;
- Enforcement of the provisions of the Controlled Substances Act as they pertain to the manufacture, distribution, and dispensing of legally produced controlled substances;
- Coordination and cooperation with Federal, state and local law enforcement officials on mutual drug enforcement efforts and enhancement of such efforts through exploitation of potential interstate and international investigations beyond local or limited Federal jurisdictions and resources;
- Coordination and cooperation with other Federal, state, and local agencies, and with foreign governments, in programs designed to reduce the availability of illicit abuse-type drugs on the United States market through nonenforcement methods such as crop eradication, crop substitution, and training of foreign officials;
- Responsibility, under the policy guidance of the Secretary of State and U.S. Ambassadors, for all programs associated with drug law enforcement counterparts in foreign countries; and
- Liaison with the United Nations, Interpol, and other organizations on matters relating to international drug control programs.

The accompanying Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circular (a) Annual Accounting of Drug Control Funds, dated December 17, 1999, and (b) Budget Instructions and Certification

Procedure, dated May 5, 1999. The table represents obligations incurred by the DEA for drug control purposes and reflects 100 percent of the DEA's mission. The table does not show indirect funds used to support reimbursable activity.

DEA used a method supported by the ONDCP for the estimation of obligations by goal. Specifically, each program was evaluated to determine the ONDCP goal it supports, and the corresponding obligations (direct and indirect) were processed accordingly. This method is consistent with the approach used in the preparation of previous reports to ONDCP. The accompanying documents include DEA's Annual Accounting of Drug Control Funds for FY99 and several supporting documents. Note that DEA does not track obligations and expenditures by ONDCP function or goal. In the absence of such capability, estimates have occasionally been furnished, as indicated, and no corresponding documentation has been generated.

The ONDCP goals supported by DEA are as follows:

Goal 1 - Educate and enable America's youth to reject illegal drugs. For DEA, this goal is directly related to the Demand Reduction Program.

Goal 2 - Increase the safety of America's citizens by substantially reducing drug related crime and violence. This goal relates specifically to the enforcement aspects of the domestic enforcement and state and local task force programs areas, including the Regional Enforcement Teams (RETs) and Mobile Enforcement Teams (METs).

Goal 4 - Shield America's air, land, and sea frontiers from the drug threat. This goal relates to the Southwest Border Initiative, Caribbean Initiative, efforts in Mexico, and the Vessel Line Program.

Goal 5 - Break foreign and domestic sources of supply. This goal directly relates to the foreign cooperative investigative programs, marijuana eradication, and methamphetamine laboratory clean-up efforts.

Data. All accounting data for the DEA is maintained in the Federal Financial System (FFS). FFS tracks obligation and expenditure data by a variety of attributes, including fund type, allowance center, decision unit and object class. It does not track activity by ONDCP function or ONDCP goal. One hundred percent of DEA's efforts are related to drug enforcement.

Other Estimation Methods. None.

Financial Systems. FFS is the information system DEA uses to track obligations and expenditures. Obligations derived from this system can also be reconciled against enacted appropriations and carryover balances. Because FFS does not track obligation and expenditure data by ONDCP function or ONDCP goal, the following methods were applied:

- 1. Goal 1 - FY99 obligations associated directly with DEA's Demand Reduction Program were attributed to Goal 1. For FY99, this total was estimated to be \$3,779 million.

FY 1999 Accounting of Drug Control Funds

- b. *Goal 2.* Goal 2 was estimated by multiplying all obligations not incurred for Goal 1 or Goal 4 by the ratio of (a) the sum of obligations for Domestic Enforcement, Diversion Control, State and Local Support, and Marijuana enforcement efforts to (b) the sum of obligations for Diversion Control, Foreign Cooperative Investigation, State and Local Support, and Methamphetamine enforcement.
- c. *Goal 4.* FY99 obligations associated with DEA's Southwest Border, Caribbean, Mexican and Vernal Unit enforcement efforts, including a portion of such overhead activities as ADP and training, were attributed to Goal 4. For FY99, this total was \$429.179 million.
- d. *Goal 5.* Goal 5 was estimated by multiplying all obligations not incurred for Goal 1 or Goal 3 by the ratio of (a) the sum of obligations for Foreign Cooperative Investigation and Methamphetamine and Marijuana enforcement efforts to (b) the sum of obligations for Domestic Enforcement, Diversion Control, Foreign Cooperative Investigation, State and Local Support, and Methamphetamine enforcement.
- e. *Intelligence Function.* FY99 obligations associated with DEA's intelligence efforts, including a portion of such overhead activities as ADP and training, were estimated at \$136.524 million.
- f. *International Function.* FY99 obligations associated with DEA's international efforts, including a portion of such overhead activities as ADP and training, were estimated at \$256.348 million.
- g. *Investigations Function.* FY99 obligations associated with DEA's investigations efforts, including a portion of such overhead activities as ADP and training, were estimated at \$889.146 million.
- h. *Prevention Function.* FY99 obligations associated directly with DEA's demand reduction efforts were estimated at \$3.379 million.
- i. *Research and Development Function.* FY99 obligations associated with DEA's research and development efforts, including a portion of such overhead activities as ADP and training, were estimated at \$4.894 million.
- j. *State & Local Assistance Function.* FY99 obligations associated with DEA's state and local assistance efforts, including a portion of such overhead activities as ADP and training, were estimated at \$13.690 million.
- k. *Decision Units.* One hundred percent of the obligations total for each decision unit was associated with drug enforcement. This total is reported as tracked in PFS.
- l. *FTEs.* One hundred percent of all DEA FTEs are dedicated to drug enforcement efforts. DEA's FTE total for FY99 was 7,565.
- m. *Summary Information.* One hundred percent of all DEA obligations are incurred for drug enforcement purposes.

Discourse 2: Modification of Drug Enforcement Accounting Method

The DEA's method for tracking drug enforcement funds has not been modified. As DEA develops and implements a system for tracking DEA activity, not just by decision unit, but also by goal and function, accounting procedures will be modified accordingly.

Disclosure 3: Material Weaknesses and Other Findings

The most recent external audit of DEA's FY99 financial statements was conducted by the accounting firm KPMG and has revealed the following material weaknesses. In our opinion, the weaknesses identified below would not materially affect the obligations reported herewith because these weaknesses do not significantly jeopardize the accuracy of obligation data.

1. An accumulation of uncleared monthly Treasury fund balances.
2. Untimely property system reporting.
3. Inefficient financial reporting procedures.
4. Room for improvement of information system controls and monitoring.

The DEA has identified and undertaken appropriate corrective action in response to the above findings.

Disclosure 4: Reprogramming and Transfers

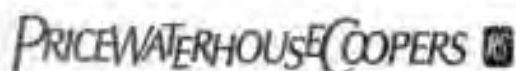
The reprogrammings and transfers shown in the attached table include all such approved transactions for FY99.

Disclosure 5: Other Disclosures

None.

Department of Justice
Drug Enforcement Administration
Table of FY99 Reprogramming and Transfers
(Dollars in Thousands)

Drug Account by Code	Unobligated Resources					Total Availability
	Balance Forward	Fiscal Budget Authority	Reprogrammed	Transfers to	Transfers Out	
Goal 1	749	3,305	-	0	(53)	3,522
Goal 2	27,930	629,498	-	12,003	(9,339)	651,106
Goal 3	38,990	427,499	-	8,744	(6,421)	468,812
Goal 5	30,940	247,430	-	4,081	(3,716)	299,005
Total	97,609	1,298,723	-	26,568	(19,309)	1,307,206
Drug Resources by Function:						
Intelligence (Intramural)	9,612	135,974	-	2,781	(2,942)	142,725
Investigation	11,209	253,314	-	5,223	(3,833)	267,901
Prevention	79,138	881,361	-	18,172	(13,362)	929,529
Research and Development	199	3,363	-	0	(9)	3,352
State & Local Assistance	316	4,874	-	100	(79)	3,118
Total	91,274	1,288,726	-	26,276	(209)	1,313,293
Drug Resources by Division (Unit):						
ADP	137	82,526	(3,244)	8,201	-	89,719
Drug and Chemical Diversion Control		11,413	(2,699)	-	-	8,714
Domestic Enforcement		386,997	(54,288)	(2,963)	-	329,746
Foreign Cooperative Investigations	18,804	193,934	(10,239)	-	(5,000)	207,499
Intelligence		62,894	(6,056)	2,700	-	59,538
Laboratory Services	43	40,077	2,223	926	-	44,272
Management and Administration		84,322	49,708	1,774	-	135,804
Research, Engineering, and Technical Operations		169,346	(8,358)	-	(3,708)	157,280
State and Local Task Force	1,040	(31,673)	4,360	-	-	17,727
Training		18,271	4,284	-	-	22,555
Comptroller	12,233	3,000	-	-	(3,000)	12,233
Diversion Control Fee Account	24,249	38,376	-	-	(33,000)	29,625
Total	57,643	1,298,723	-	26,266	(19,268)	1,313,293



Office of the Inspector General
United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Federal Bureau of Investigation (FBI) for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of FBI prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2000
Arlington, Virginia

FY 1999 Accounting of Drug Control Funds



U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

Drug Control Obligations Fiscal Year 1999

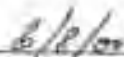
Management Assurance Statement For Fiscal Year Ended September 30, 1999

On the basis of the Federal Bureau of Investigation (FBI) management control program, we assert that the FBI system of accounting, use of estimates, and system of internal controls provide reasonable assurance that:

- The methodology used by the FBI to develop the Table of Drug Control Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, Annual Accounting of Drug Control Funds, and is completely documented in the disclosure accompanying the Table.
- The Table and related disclosures were prepared from the financial and programmatic records of the FBI and represent fiscal year 1999 obligations of drug control funds.
- Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
- We have, to the best of our knowledge, identified all obligations incurred by the FBI that are related to drug control activities.
- Data used to accumulate or estimate drug control obligations were derived from FBI financial and program management data processing systems.

We have documented the methodology used by the FBI to identify and accumulate fiscal year 1999 drug control obligations in the Table of Drug Control Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, Annual Accounting of Drug Control Funds. FBI drug control methodology has been consistently applied from the previous year and there have been reprogrammings or transfers that have been properly disclosed. FBI operations include programs that are not related to drug control activities, or include drug control obligations that are inconsequential to the program's activities. Accordingly, these amounts are not reflected in the Table of Drug Control Obligations or accompanying disclosures.


William J. Stoltz, Assistant Director, Finance Division


Date 6/2/99

FY 1999 Accounting of Drug Control Funds

Department of Justice
 Federal Bureau of Investigation
 Table of Drug Control Obligations
 for Fiscal Year Ending September 30, 1999
 (Dollars in Thousands)

	1999 <u>Actual</u>
Drug Resources by Goal:	
Goal 2:	\$ 117,873
Goal 4	76,618
Goal 5	394,875
Total	\$ 589,366
Drug Resources by Function	
Investigations	\$ 519,281
Intelligence	34,275
International	9,246
Research and Development	26,564
Total	\$ 589,366
Drug Resources by Decision Unit	
Organized Criminal Ent	\$ 311,567
White-Collar Crime	69,261
Violent Crimes	80,233
Training, Recruitment & Appl.	23,060
Forensic Services	12,207
Information Management, Automation & Telecomm.	24,538
Tech. Field Supr & Serv. *	17,450
Criminal Justice Services	12,130
Management & Administration	28,920
Subtotal	\$ 579,366
Carrier Compliance **	10,000
Total	\$ 589,366
Drug Resources Personnel Summary	
Total FTE (Direct Only)	3,711
Information:	
Total Agency Budget	\$ 2,956,724
<u>Drug Percentage</u>	<u>19.9%</u>

08/14/2000, 08:45 AM

Disclosure #1. - Drug Control Methodology

Mission and Background:

The FBI is the principal investigative agency of the Department of Justice with a multi-jurisdictional mission. The Attorney General has delegated to the FBI general investigative responsibility over criminal violations that are not expressly delegated to other agencies. The FBI has been directed through various Executive Orders or Presidential directives to gather information about activities relating to national security. In 1982, the Attorney General assigned concurrent jurisdiction for the enforcement of Controlled Substances Act to the FBI and the Drug Enforcement Administration. This range of activities form the core of the FBI's investigative mission.

The FBI budget is structured around 10 Decision Units, which represent a discrete programmatic and functional view of the FBI. Of the 10 Decision Units, 9 are an integral part of the FBI's efforts to identify, dismantle and disrupt major international organized criminal enterprises engaged in drug-related activities. Although the FBI does not have specifically identified drug funding, a methodology that estimates the level of resources expended on the drug-related investigations has been adopted. The term "drug related" denotes any investigative or support program that impacts the FBI's efforts to reduce drug trafficking and related criminal enterprises.

For the purposes of the FBI's Drug Control Budget, the Organized Criminal Enterprises and the Violent Crimes Decision Units are considered the primary decision units dedicated to drug-related enforcement. The remaining decision units provide supporting roles in the drug-related enforcement.

Drug-Related Investigative Decision Units:

- Organized Criminal Enterprises (OCE)
- Violent Crimes (VC)

Drug-Related Support Decision Units:

- White Collar Crime (WCC)
- Forensic Services (FS)
- Information Management, Automation, and Telecommunications (IMAT)
- Technical Field Support and Services (TFS&S)
- Training, Recruitment, and Applicant (TRA)
- Criminal Justice Services (CJS)
- Management and Administration (M&A)

During investigations, the FBI targets the entire criminal organization involved in drug trafficking and all its criminal enterprises. For example, the FBI may be investigating a Russian Criminal Organization that is engaged in a number of different criminal enterprises, including drug trafficking, loan sharking, health care fraud, money laundering, murder, extortion, etc. The principal criminal predicate to be pursued in such an investigation would be determined through coordination between the FBI Special Agent in Charge, FBI case agent and the U.S. Attorney's Office. The FBI personnel working this case would track their time to the principal criminal

predicate offenses through the use of a specific classification indicator which is part of the Time Utilization and Record Keeping (TURK) system.¹

Drug Control Methodology:

The Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Annual Accounting of Drug Control Funds, dated December 17, 1999, and (b) Budget Instructions and Certification Procedures, dated May 3, 1999. The Table of Drug Control Obligations represents obligations incurred by the FBI for drug control purposes. The FBI receives drug control funds mainly for the purposes of disrupting and dismantling major organized criminal enterprises involved in drug trafficking through the arrest, prosecution and incarceration of their leaders.

Financial Systems - The FBI has two financial systems that determine the basis of actual Drug Control data. The Budget Formulation Application (BFA) tracks the essential appropriations approved by Congress. The FBI reviews the appropriations language and accompanying reports to ensure that the funding levels in the BFA reflect congressional earmarks and other specific guidance. The Congressional action is then incorporated into the development of the FBI's financial plan and entered into the FBI's Financial Management System (FMS) for funds control purposes.

Data - All accounting information is derived from the FMS and is the basis of the actual obligations reported in Drug Control Obligation Chart. The FMS is structured by geographic location, with some distinct cost center codes assigned to each FBI Headquarters unit, field office, etc. Generally, the FMS does not capture programmatic spending. Therefore, the FBI has established a formal program costing methodology by which to convert actual expense and obligation data in the FMS to a programmatic format for budget reporting purposes at the end of each fiscal year.

This process takes actual expenses and obligation data tracked in FMS by geographic location and links the cost center codes, shared by both the BFA and the FMS. These cost codes help identify the appropriate Decision Unit or program against which funds are expended/obligated. The program costing process imports data directly from the General Ledger module of the FMS into an off-line financial database. The data are processed through a series of decision logic tables and costs distributed by program. The Drug Control budget figures are developed from the data generated in the program costing process.

¹ The TURK system tracks investigative time distribution by program in all FBI field offices. The TURK classifications are determined by a range of criminal violations including specific laws such as the Civil Rights Act of 1964; classifications based on a general crime pattern, such as Public Corruption or Money Laundering; and classifications related to organized criminal enterprises based on geographical origin, such as Mexican Organizations.

Estimation Methodologies:

The FBI uses three estimation methodologies to account for obligations with a drug-related nexus. The first methodology uses data from the TURK system to estimate the level of effort expended on drug-related activities in the OCE and VC Decision Units. The second estimation methodology determines the drug-related portion of the supporting Decision Units by applying a factor (percentage of time that is required to support the drug-related activities) to the amount of obligations and full-time equivalent (FTE) used by each supporting Decision Unit. The third method involves a tracking system for Research and Development (R&D) drug-related projects in the TFS&S Decision Unit.

With respect to the Table of Drug Control Obligations report, the drug-related portions of the Decision Units are first calculated. After the Decision Unit totals are calculated, the FBI applies the total drug-related dollars and FTEs to each goal and function as described in detail after the Decision Unit methodology. The resources included in the FBI's Drug Control Obligations report are not all reimbursable and construction funding.

I. Drug-Related Resources by Decision Unit and FTE:

The following is a detailed description of the seven steps applied to calculate the level of drug-related resources by the nine Decision Units: OCE, VC, WOC, FS, IMAT, TFS&S, IRA, CIS and MRA:

Step 1: Remove Nondrug-Related Cost Centers:

- As stated, the FBI's Drug Control Budget includes resources in 9 of the 10 Decision Units within the FBI budget structure. The 9 Decision Units have a total of 46 cost centers, of which 9 are excluded from the FBI's Drug Control Methodology because they do not contain drug-related resources.

Step 2: Drug-related resources in the OCE Decision Unit:

- The drug-related percentage in the OCE Decision Unit is determined by performing four steps. Data that tracks the total number of hours worked by field agents on drug-related classifications within the OCE program is extracted from the TURK system.
- The second step is to calculate the number of hours worked beyond the level reimbursed through the Interagency Crime and Drug Enforcement Act by using the TURK data.
- In the third step, results of the two previous steps are added together and divided by the total number of hours TURKed in the OCE program to generate the drug-related percentage. For FY1999, the drug percentage for the OCE Decision Unit is 77 percent.

- In the final step, apply the percentage calculated above to the obligations and FTEs of the OCE Decision Unit. The results of this calculation determine the drug-related resources within the OCE Decision Unit.

Step 2: Drug-related resources within the supporting Decision Units:

- To derive the percentage of drug-related resources within the support Decision Units, the percentage of OCE drug-related FTE calculated in Step 1 is divided by the total number of field agent FTE to generate a percentage. The FY 1999 drug percentage for the support Decision Units is 17 percent. The results of that calculation are applied to the obligations and FTE of the following Decision Units:

White Collar Crime
Information Management, Automation, and Telecommunications
Training, Recruitment and Applicant
Forensic Services
Criminal Justice Services
Management and Administration

Step 4: Drug-related investigations in the Technical Field Support and Services (TFS&S) Decision Unit:

- To derive the percentage of drug-related resources that apply to the TFS&S Decision Unit, the methodology in Step 2 is applied with a slight modification.
- First, the resources expended on specific drug-related R&D projects are subtracted from the total resources expended within the TFS&S Decision Unit.
- To derive the level of drug-related resources within the TFS&S Decision Unit the percentage calculated in Step 2 is applied to the adjusted TFS&S level. The drug percentage applied to the TFS&S Decision Unit is 17 percent.
- The result of the previous steps are then added to the R&D resources to determine the total drug-related obligations in the TFS&S Decision Unit.

Step 5: To Calculate the level of drug-related resources within the Violent Crime Decision Unit (VC):

- To derive the percentage of drug-related resources in the VC Decision Unit a total of four steps are necessary. First, the total number of field agent hours related to the drug-related gang matters and drug-related homicides is calculated.
- Secondly, the total number of field hours related to fugitive and interstate theft matters is reviewed by FBI Headquarters Managers. Based on management review of such cases, a percentage of those matters that are drug-related is

estimated.

- In the third step the results of these two steps are added together and divided by the total number of hours worked in the VC Decision Unit to generate a percentage. For FY 1999, the drug percentage of the VC Decision Unit is estimated at 19 percent.
- The fourth step involves applying the percentage calculated above to the obligations and FTE of the VC Decision Unit to determine the level of resources within the Violent Crimes program that is drug-related.

Step 6: Drug-Related Resources in the Telecommunications Carrier Compliance Fund (TCCF):

- The TCCF began in 1997 as an initiative to maintain law enforcement's ability to lawfully conduct court-authorized electronic surveillance and use it as an investigative tool to reduce violent crime, including organized crime and gang-related violence; to reduce the availability and abuse of illegal drugs through traditional and innovative enforcement efforts; and to reduce espionage and terrorism sponsored by both foreign and domestic groups in the United States and abroad, especially when directed at United States citizens and/or institutions.
- The Administrative Office of the United States Courts reports that a total of 1,186 federal, state, and local law enforcement applications related to criminal investigations for the interception of wire, oral, or electronic communications (wiretaps) were authorized by the courts. Of this total, approximately 50 percent is drug related; therefore, the 50 percent is applied to the TCCF obligations to develop the drug-related resources.

Step 7: Total Drug-Related Resources within the FBI:

- The results of steps 1 - 6 are added together to determine the total drug-related resources presented in the FBI's Drug Control Obligation chart.

II. Drug-Related Resources by Function:

OND/CP has categorized all Drug Control spending into both functions and goals. Of the seven functions identified by ONDCP, the FBI's Drug Control spending supports four: investigations, intelligence, international and research and development (R&D).

The FBI's total drug-related resources as they support the four functions are determined by the following steps:

- **Intelligence** - By using data in the TURK system, the FBI can separate the time utilized on drug-related intelligence activities within the OCE, WCC and VC Decision Units. The total hours supporting intelligence gathering activities are divided by the total drug-related hours and converted into a percentage.
- This percentage is then multiplied by the support staffing ratio of .67 which is a ratio that was developed to compute the level of support personnel assisting agents in their activities (.67 support to every 1 agent). The support staffing ratio was applied in this application due to the critical role analytical, clerical and technical support personnel provide to the agents performing intelligence functions in the field. This drug-related intelligence percentage, increased to include the support personnel's time, is then applied to the total drug-related total for each investigative decision unit (OCE, WCC and VC). The total of this function represents the amount of resources dedicated to the intelligence function.
- **International** - The FBI's drug-related resources that support the International function are determined by separating out the international obligations from the total obligations in each decision unit. In OCE, there are two cost centers that apply specifically to international resources, the OCE Legal Attache Program (Legal) and the Resolution-6 Program. All resources in the Resolution-6 program are considered drug-related as they apply in the resources working jointly in the overseas offices of the Drug Enforcement Administration.
- The drug-related percentage that was applied to the OCE Decision Unit is applied to the OCE Legal obligations. The product of this calculation is added to the Resolution-6 obligations and used for the total drug-related resources supporting the International function in the OCE Decision Unit.
- In VC, there is one cost center that applies to international resources, the Fugitive Legal. The drug-related percentage that was applied to the VC Decision Unit is applied to the Fugitive Legal obligations. The product of this calculation represents the total drug-related resources supporting the International function in the VC Decision Unit.
- The product of the above calculations are added together and represent the total supporting the FBI's drug-related international function.
- **Research and Development** - Within the TFS&S Decision Unit, the FBI specifically tracks the development efforts, engineering services, and tactical engineering directly related to drug-related activities.
- **Investigation** - As previously stated, the FBI is the principal investigative agency of the Department of Justice. Investigation represents the primary function of the FBI's involvement in drug-related crimes. The resources devoted to investigations are calculated by subtracting the resources dedicated to the

Intelligence, International and R&D Functions from the total drug-related resources.

III. Drug-Related Resources by Goal:

The FBI Drug Control Budget supports Goal 2, "Increase the safety of America's citizens by substantially reducing drug-related crime and violence"; Goal 4, "Shield American's air, land, and sea frontiers from the drug threat"; and Goal 5, "Break foreign and domestic drug sources of supply," of the National Drug Control Strategy. The drug-related resources supporting each of the Goals were determined by applying the following steps:

- **Goal 2** - By using the TURK data by classification, the FBI can capture the number of drug-related hours worked on matters that support Goal 2. They include the following matters: Drug-related money laundering (ML), drug-related asset forfeiture (AF) matters, and drug-related violent crime (VC) matters. The number of hours spent on these matters is added together and divided by the total number of drug-related hours. The percentage developed from this calculation is applied to the total number of drug-related resources.
- **Goal 4** - By using the TURK data by field office, the FBI can capture the personnel working drug-related matters supporting Goal 4. They include personnel working drug-related matters in the FBI's Southwest Border (SWB) offices. The number of drug-related field agent FTE utilized on the SWB is divided by the total number of drug-related field agent FTE as determined by the drug control budget. The percentage developed from this calculation is applied to the total number of drug-related resources in each division unit and totaled for the amount supporting Goal 4.
- **Goal 5** - The principal goal of the FBI's Organized Crime Drug Program is to identify, disrupt and dismantle organized criminal enterprises engaged in drug trafficking organizations. Goal 5 represents the primary focus of the FBI's involvement in drug-related crimes. The resources devoted to Goal 5 are calculated by subtracting the total resources dedicated to Goal 2 and Goal 4 from the total drug-related resources.

Disclosure No 2. - Modifications to Drug Control Methodology:

In 1999, the FBI's Drug Control Budget methodology was changed to more accurately reflect the FBI's drug enforcement efforts. This change was approved by the Office of National Drug Control Policy (ONDCP) in the FBI's Drug Control Submission during the 2000 Spring Planning Estimates (SPE) to the Department of Justice. In the past, the FBI had relied on Bureau of Justice Statistics (BJS) data that stated 60 percent of all violent crimes are drug related. However, because many of the crimes reported to BJS are not federal in nature, the FBI believes applying this percentage to the total of FBI Violent Crime resources overstates the level of FBI Violent Crime resources applied to drug-related investigations. The new methodology utilizes the FBI's field TURK system to better account for the drug-related resources in the Violent

Crimes Decision Unit. This change in the drug control resources reflects a change in methodology rather than a reduction in drug enforcement efforts and has no impact on the level of FBI resources devoted to drug enforcement.

The effect of this change, as reported in the FBI's SPE Submission to ONDCP, resulted in an adjustment to the 1999 Fiscal figures of \$231.6 million less than the amount reported in the 2000 Budget Summary.¹ This reduction reflects a technical adjustment only; it has no impact on the actual level of FBI resources devoted to drug enforcement. The effect on the amount reported for other years is a similar order of magnitude and has been adjusted to report FBI budget data on a consistent basis. Management has no plans to change the methodology for FY2000. However, during each submission phase to ONDCP, the FBI continues to validate its drug-control costing methodology to ensure the most accurate estimates of cross-program activities are provided.

Disclosure No. 3 - Material Weaknesses and Other Findings:

There are no material weaknesses or other findings related to the accounting or obligations that would affect the amounts reported in the table. There were no any weaknesses or findings reported with respect to management information systems that store and retrieve data necessary to complete the drug control table. Systems reviewed include: (a) the auditor's reports on the FBI financial statements, internal controls, and compliance with law and regulations; (b) Office of Inspector General Reports; and (c) the Department of Justice's Annual Accountability Report, which includes the Attorney General's Annual Federal Managers Financial Integrity Act certifications.

Disclosure No. 4 - Reappropriations or Transfers:

In 1999, the FBI did not have a reappropriation that met ONDCP's reappropriation threshold. Transfers and unobligated balances carried forward have been calculated using the appropriate drug methodology percentage. The FBI's FY 1999 obligations include all approved transfers. See attached chart for details.

Disclosure No. 5 - Other Disclosures:

During the development of the Drug Control Obligation Management Assurance Statement the FBI realized that it underreported its total obligations by \$23.44 million or 4 percent. This underreporting is the result of a technical error in calculating the drug-related resources within the TFRS Decision Unit. Also, the Carrier Compliance Appropriation changed after the Congressional Submission to ONDCP. The current Drug-related total for Carrier Compliance is \$8,710,000 rather than \$10,000,000.

¹ Due to the change in FBI's drug control methodology the 1999 Fiscal level was reduced from the 2000 Budget Summary to the FY 1999 ONDCP Budget Summary by 229, or \$241.4 million. This change in methodology resulted in a \$23.6 million difference between the FY99 Control cost (FY Actual) listed in the 2000 Budget Summary and the FY 1999 ONDCP Budget Summary (p. 14).

FY 1999 Accounting of Drug Control Funds

Federal Bureau of Investigation
Reprogrammings and Transfers
FY 1999
(DOLLARS IN THOUSANDS)

Table Line Item	Unobligated Balanced Brought Forward	Enacted BA *	Reprogrammings	Transfers In	Transfers Out	Total Availability
Drug-Related Resources by Goal						
Goal 2	\$2,807	\$128,287	\$0	\$1,000	\$0	\$131,094
Goal 4	1,094	83,287	0	850	0	85,731
Goal 5	8,732	429,763	0	3,352	0	441,845
Total	\$13,033	\$641,437	\$0	\$5,000	\$0	\$659,470
Drug-Related Obligations by Function						
Investigations	\$11,737	\$570,575	\$0	\$4,503	\$0	\$586,814
Intelligence	649	34,235	0	249	0	35,132
International	204	10,063	0	78	0	10,345
Research and Development	443	26,524	0	170	0	27,137
Total	\$13,033	\$641,437	\$0	\$5,000	\$0	\$659,470
Drug-Related Obligations by Discipline Unit						
Organized Criminal Enterprises	\$2,842	\$305,386	\$0	\$5,000	\$0	\$313,038
White Collar Crime	0	73,523	0	0	0	73,523
Violent Crimes	3,483	117,119	0	0	0	120,602
Training, Recruitment and Applications	322	18,681	0	0	0	19,203
Forensic Services	2,028	20,764	0	0	0	22,812
Information Management, Automation and Telecommunications	505	24,851	0	0	0	25,457
Technical Field Support & Services	1,481	34,503	0	0	0	35,984
Criminal Justice Services	2,492	19,610	0	0	0	22,292
Management and Administration	0	26,565	0	0	0	26,565
Total	\$13,033	\$641,437	\$0	\$5,000	\$0	\$659,470

The reprogrammings and Transfers were calculated using the FBI Drug Methodology
 * Due to the change in FBI's drug control methodology the 1998 Enacted level was reduced from the \$873.0 million reported in the FY 1998 OMDCP Budget Summary (p. 126) to \$641.4 million. This change in methodology resulted in a \$231.6 million difference between the 1999 Enacted and 1998 Actual instead of the \$203.6 million that was reported in the FY 2001 OMDCP Budget Summary (p. 141).



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United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Immigration and Naturalization Service (INS) for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of INS prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 15, 2000
Arlington, Virginia

FY 1999 Accounting of Drug Control Funds



U.S. Department of Justice
Immigration and Naturalization Service

Office of the Executive Associate Commissioner


425 I Street NW
Washington, DC 20538

Management's Assurance Statement For the Fiscal Year Ended September 30, 1999

On the basis of the Immigration and Naturalization Service (INS) management control program, we assert that the INS' system of accounting, use of estimates, and system of internal control provide reasonable assurance that:

1. The methodology used by the INS to develop the Table of Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, Annual Accounting of Drug Control Funds, and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from the financial and programmatic records of the INS and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by the INS that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from INS' financial and program management data processing systems.

We have documented the methodology used by INS to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, Annual Accounting of Drug Control Funds. INS' drug control methodology has been consistently applied from the previous year and there have been reprogrammings or transfers that have been properly disclosed. INS' operations include programs that are not related to drug control activities, or include drug control obligations that are inconsequential to the program's activities. Accordingly, these amounts are not reflected in the Table of Obligations or accompanying disclosures.


George A. Schillinger, III
Executive Associate Commissioner
Office of Management

13 Jun 00
Date

FY 1999 Accounting of Drug Control Funds

Department of Justice
Immigration and Naturalization Service
Table of Drug Control Obligations
For the Fiscal Year Ending September 30, 1999

Dollars in Thousands	Actual 1999 Obligations
Drug Obligations by Goal	
Goal 2	\$178,575
Goal 4	\$179,215
Goal 5	\$70,937
Total	\$428,727
Drug Obligations by Function	
Interdiction	\$179,215
Investigations	\$68,438
Intelligence	\$2,499
Corrections	\$178,575
Total	\$428,727
Drug Obligations by Decision Unit - Salaries and Expenses	
Inspections	\$23,636
Border Patrol	\$98,074
Investigations	\$54,580
Detention and Deportation	\$72,849
Intelligence	\$2,499
Training	\$1,853
Data & Communications Systems	\$1,837
Total	\$295,108
Drug Obligations by Decision Unit - Crime Control Act	
Inspections	\$1,888
Border Patrol	\$48,440
Investigations	\$13,878
Detention and Deportation	\$89,490
Training	\$374
Data & Communications Systems	\$3,305
Total	\$137,383
Drug Obligations by Decision Unit - Breached Bond Detention Fund	
Detention and Deportation	\$36,236
Total	\$36,236
Drug Resources Personnel Summary	
Total FTEs (direct only)	3,011
Information	
Total Agency Obligations	\$2,794,381
Drug Percentage	16%

The accompanying decision units are an integral part of the Table of Drug Control Obligations.

FY 1999 Accounting of Drug Control Funds

Disclaimer No 1 - Drug Control Methodology:

The INS is responsible for the admission, control and removal of aliens within the United States. As an ancillary activity, the INS detects and apprehends drug smugglers and illegal aliens used to transport drugs at or near the border between ports-of-entry. The INS also cooperates with other Federal agencies in locating, apprehending, and removing alien drug traffickers at ports-of-entry and within the interior of the United States, and in escorting alien witnesses in the United States to testify in drug trials.

The drug control level of effort percentages for INS' programs were originally established in FY 1987 in consultation with program experts and analysts assigned to the programs. The basis for the percentage estimate was the expertise of the individuals surveyed by the Office of Budget and subsequently responding to the survey. In FY 1990, the drug control level of effort percentages were revised as part of a review conducted by the Justice Management Division Budget Staff in consultation with the INS Office of Budget. Since that time, the values have remained unchanged.

The percentage used to develop the drug budget for the INS reflects estimated workyears devoted to INS' drug missions. The drug related percentages currently in use were developed as part of a cooperative effort between experienced program analysts for key enforcement related programs and members of the Service's and Department of Justice budget staffs.

- * The two largest components of the INS drug program, in terms of total resources, are the Border Patrol program and Detention and Deportation program activities. The INS calculates 15 percent of Border Patrol program and 25 percent of Detention and Deportation program resources as drug-related. In addition, INS includes resources for Investigations (24 percent), Inspections (15 percent), Intelligence (26 percent), Training (15 percent), Data and Communications (2 percent), and Research and Development (73 percent) in support of its border enforcement mission. In addition, beginning with FY 1998, INS began scoring its Breached Bond/Detention Fund amount as a drug-related account. This reflects the merger of the Immigration Detention account, authorized in the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, P.L. 104-208, with the Breached Bond/Detention Fund account.

Data - All accounting information for the INS is derived from the Financial Accounting and Control System (FACS) and Federal Financial Management System (FFMS) databases. Obligations related to drug control are derived by applying program percentages to obligations reported from the accounting databases net of all reimbursable agreements.

Financial Systems - The FACS and FFMS systems provide INS with obligation data. Obligations that are derived from these systems can also be reconciled with the enacted

appropriations and carryover balances.

- INS's programs are identified below by the National Drug Control Strategy Goal they support:

Goal 2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.

- The Detention and Deportation program is a critical element in the structure of INS and an important component of its drug program. Its functions are to detain, exclude, remove, parole and deport aliens. This includes the detention and deportation of aliens caught smuggling drugs into the United States or convicted of drug control-related criminal activity.

Goal 4: Shield America's air, land, and sea frontiers from the drug threat.

- The Border Patrol program, representing the principal enforcement component of the INS, is responsible for interdicting drug traffickers along our land borders. The Border Patrol currently has over 7,275 agents that have been cross-designated with Title 21 drug authority by the Drug Enforcement Administration for the purpose of conducting drug search and seizures along the border.
- The Inspections program enforces and administers the immigration and nationality laws with respect to the inspection of all persons seeking admission into the United States. The program is coordinated with the Department of State, the U.S. Customs Service, the Department of Agriculture and local port authorities.
- The INS' research and development efforts are geared toward improving its capability to detect and apprehend illegal entrants. This includes efforts to improve detection using ground sensors, low-light-level television cameras, and other similar devices.
- The Training program develops and maintains a professional INS workforce through the delivery of quality basic, specialized, managerial, and employee development training.

Goal 5: Break foreign and domestic drug sources of supply.

- The Investigations program is responsible for investigating and apprehending aliens who commit major criminal offenses – with emphasis on international criminal alien organizations involved in narcotics trafficking, subversion, terrorism, alien smuggling, and other serious or violent criminal activities.

prosecuting aliens who illegally apply for and collect benefits from government entitlement programs; and, preventing the filing of fraudulent claims.

- The intelligence program provides strategic and tactical intelligence support to INS offices enforcing the provisions of the Immigration and Nationality Act, and assists other Federal agencies in addressing national security issues.

Disclosure No 2. - Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified. Management has no plans to change this methodology for fiscal year 2000 reporting.

Disclosure No 3. - Material Weaknesses and Other Findings

There are no material weaknesses or other findings relating to the accounting for obligations that would affect either the amounts reported in the table, or where there are weaknesses or findings reported with respect to management information systems that store and retrieve data necessary to complete the table. There are no material weaknesses or other findings relating to the accounting for obligations with respect to management information systems that store and retrieve data necessary to complete the table. There is a reportable condition relating to the accounting for obligations in the Immigration and Naturalization Service's (INS) FY 1999 Report of Independent Accountants on Internal Controls that identified errors in the status of accounts payable and related obligations (undelivered orders). However, we do not believe that this could materially affect the amounts reported in the table because the majority of the errors were status errors between delivered and undelivered and not errors in obligations incurred. Sources reviewed included: (a) the auditors' reports on the INS financial statements, internal controls, and compliance with laws and regulations; (b) Office of the Inspector General Reports; and (c) the Department of Justice's Annual Accountability Report, which includes the Attorney General's annual Federal Managers Financial Improvement Act certifications.

FY 1999 Accounting of Drug Control Funds

Department of Justice
 Investigation and Naturalization Service
 Reprogrammings and Transfers
 FY 1999
 (Dollars in thousands)

Table Line Item	Unobligated Balance Brought Forward	Enacted BA	Reprogrammings	Transfers To	Transfers Out	Total Availability
Drug Resources by Goal						
Goal 2	24,512	161,933	--	222	--	186,447
Goal 4	10,229	183,158	--	90	--	193,659
Goal 5	361	71,748	--	312	--	72,109
Total	35,152	416,841	--	--	--	452,305
Drug Obligations by Function						
Intelligence	1,138	182,626	--	222	--	183,986
Investigations	361	59,239	--	90	--	69,710
Intelligence	--	2,489	--	--	--	2,489
Research and Development	9,141	538	--	--	--	9,679
Corrections	24,512	161,933	--	--	--	186,447
Total	35,152	416,841	--	312	--	452,305
Drug Obligations by District Unit						
Inspections	--	23,879	--	--	--	23,879
Border Patrol	449	101,345	--	322	--	102,816
Investigations	361	35,742	--	90	--	36,193
Detention and Deportation	24,512	57,091	--	--	--	77,603
Intelligence	--	2,489	--	--	--	2,489
Territory	39	2,284	--	--	--	2,323
Trust and Communications Systems	9,301	1,936	--	--	--	11,237
Border Bond Detention Fund	--	43,086	--	--	--	43,086
Cross-Bill	--	132,993	--	--	--	132,993
Total	35,152	416,841	--	312	--	452,305

Note: The Unobligated Balance Brought Forward and Transfers were calculated using the DHS drug program percentages



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United States Department of Justice

Assistant Attorney General for Administration
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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's U.S. National Central Bureau (INTERPOL) for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with the attention 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of INTERPOL prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further detailed in Disclosure No. 1.

This report is issued solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2000
Arlington, Virginia

FY 1999 Accounting of Drug Control Funds



U. S. Department of Justice

National Central Bureau - INTERPOL

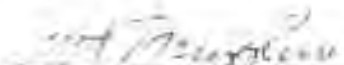
Washington, D.C. 20535

Management's Assurance Statement
For the Fiscal Year Ended September 30, 1999

On the basis of the United States National Central Bureau (USNCB) International Crime Police Organization (INTERPOL) management control program, we assert that USNCB system of accounting, use of estimates, and system of internal control provide reasonable assurance that:

1. The methodology used by the USNCB to develop the Table of Obligations is consistent, in all material respects with the guidance of the Office of National Drug Control Funds, Policy (ONDCFP) Circular, Annual Accounting of Drug Control Funds, and is completely documented in the disclosures accompanying the table.
2. The Table and related disclosures were prepared from the financial and programmatic records of the USNCB and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by the USNCB that are related to drug control activities.
5. Data used to summarize or estimate drug control obligations were derived from USNCB financial and program management data processing systems.

We have documented the methodology used by USNCB to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCFP's Circular, Annual Accounting of Drug Control Funds. USNCB drug control methodology has been consistently applied from the previous year and there have been reprogramming of transfers that have been properly disclosed. USNCB operations include programs that are not related to drug control activities, or include drug control obligations that are inconsequential to the program's activities. Accordingly, these amounts are not reflected in the Table of Obligations or accompanying disclosures.


Robert T. Miyashiro, Assistant Chief
Administrative Service Division


Date

FY 1999 Accounting of Drug Control Funds

DEPARTMENT OF JUSTICE
 INTERPOL - U.S. NATIONAL CENTRAL BUREAU (USNCB)
 TABLE OF DRUG CONTROL OBLIGATIONS
 FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1999

Dollars in Thousands	Actual 1999 Obligations
Drug Obligations by Goal	
Goal 5	\$194
Total	\$194
Drug Obligations by Functions	
International	\$194
Total	\$194
Drug Obligations by Decision Unit	
Drug-related Activity	\$194
Total	\$194
Drug Resources Personnel Summary	
Total FTEs (direct only)	2
Information	
Total Agency Obligations	\$7,068
Drug Percentage	2.74%

The accompanying disclosures are an integral part of the Table of Drug Control Obligations.

Disclosure No. 1 - Drug Control Methodology

The mission of the USNCB as the United States' representative to the International Criminal Police Organization (INTERPOL), the United States National Central Bureau (USNCB) coordinates the exchange of criminal information among the 178 INTERPOL member countries and U.S. law enforcement at the Federal, State, and local levels.

The Table of Drug Control obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Annual Accounting of Drug Control Funds, dated December 17, 1999 and (b) Budget Instructions and Certification Procedures, dated May 5, 1999. The table represents obligations incurred by the United States National Central Bureau for drug control purposes. The USNCB Drug fund provides for daily communications on drug investigative matters with federal, state, and local U.S. law enforcement agencies, INTERPOL General Secretariat and INTERPOL member countries. The INTERPOL channel is often the only means of communications to seek international assistance and cooperation on drug investigations.

USNCB uses a estimation methodology to account for obligations to a drug-related needs.

Data - All accounting information for the USNCB is derived from the Financial Management Information System (FMIS). The FY 1999 actual obligations are based on the proportional resources obligated by the USNCB relative to Drug Division Staff to arrive at the FY 1999 Drug Budget.

Other Estimation Methods - There was no other estimation methods used.

Financial Systems - The FMIS is the financial system that provides USNCB obligation data. Obligations that are derived by this system can also be reconciled with the enacted appropriations.

With respect to the table of Drug Control Obligations, amounts were calculated as follows:

- a. Goal 5 - By using USNCB obligation data gathered from FMIS, the drug methodology percentage was applied to each decision unit and totaled for the goal amount.
- b. International Functions - Using USNCB obligation data from FMIS, the drug methodology percentage was applied to each decision unit within the International Functions and totaled for the international amount.
- c. Decision unit - Using USNCB obligation data from FMIS, the drug methodology percentage of 2.74% was applied to the drug decision unit. The drug-related activities decision unit equal 100% of Interpol's total drug resources.
- d. FTEs - Using USNCB FTE data from FMIS, the drug methodology percentage of 2.74% was applied for the drug FTE amount.

FY 1999 Accounting of Drug Control Funds

USNCB's allotment authorization include appropriated funds and receivable reimbursable agreements:

Disclosure No. 2 - Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified. Management has no plans to change this methodology for fiscal year 2000 reporting.

Disclosure No. 3 - Material Weaknesses and other Findings

There are no Material Weaknesses or other findings relating to the accounting for obligations that would affect either the amounts reported in the table, or where there are any weaknesses or findings reported with respect to management information systems that store and retrieve data necessary to complete the table. There is a reportable condition relating to the accounting for obligations in the Offices, Boards, and Divisions' (OBDs') FY 1999 Report of Independent Accountants on Internal Controls that identified errors in the status of accounts payable and related obligations (undelivered orders) at various OBD components of which USNCB is one. However, we do not believe that this could materially affect the amount reported to the table because the majority of the errors were status errors between the delivered and undelivered and not errors in obligations incurred.

Sources reviewed included: (a) the auditors' reports on the USNCB financial statements, internal controls, and compliance with laws and regulations; (b) Office of the Inspector General Reports; and (c) the Department of Justice's Annual Accountability Report, which includes the Attorney General's annual Federal Manager Financial Improvement Act Certifications.

Disclosure No. 4 - Reappropriations or Transfers

There are no reappropriations or transfers.

Disclosure No. 5 - Other Disclosures

The FY 1999 drug related obligations of \$194,000 are derived from the total USNCB obligations. The Drug Program's Staff FTEs (2) are divided by all USNCB permanent staff and assigned from participating Federal agencies and the Maryland State Police to acquire the average percentage for drug related costs. The average percentage is then multiplied by USNCB obligation for Fiscal Year 1999 to obtain the related drug obligations amount of \$194,000.



Office of the Inspector General
United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Office of Justice Programs (OJP) for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of OJP prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 23, 2000
Arlington, Virginia



U.S. Department of Justice

Office of Justice Programs

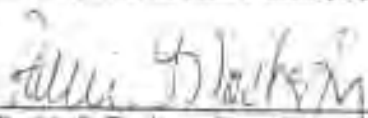
Worksheet: OJP 2023

Office of Justice Programs
Management's Assurance Statement
for Fiscal Year Ended September 30, 1999

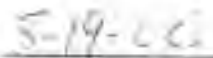
On the basis of the Office of Justice Programs (OJP) internal control measures, we assert that OJP's system of accounting and use of estimates provide reasonable assurance that:

1. The methodology used by OJP to develop the Table of Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*, and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from OJP financial and programmatic records of OJP and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by OJP that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from OJP financial and program management/tracking systems.

We have documented the methodology used by OJP to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Annual Accounting of Drug Control Funds*. OJP's drug control methodology has been consistently applied from the previous year and there have been no reprogrammings or transfers that have not been properly disclosed. OJP's operations include programs that are not related to drug control activities, or include drug control obligations that are inconsequential to the program activities. Accordingly, these amounts are not reflected in the Table or accompanying disclosures.



Patricia G. Thackston, Director
Office of Budget and Management Services
OJP Official Responsible for Assertion



Date

FY 1999 Accounting of Drug Control Funds

OFFICE OF JUSTICE PROGRAMS
 For the Fiscal Year Ending September 30, 1999
 (In thousands of dollars)

	1999 Actual Obligations
Drug Obligations by Goal:	
Goal 1	890,218
Goal 2	145,018
Goal 3 (Drug Free Workplace Program)	20
Goal 4	0
Goal 5	0
Total	1,035,256
Drug Obligations by Function:	
Corrections	61,070
Immigration	0
Intelligence	0
Statistical	0
Investigations	0
Prevention (Goal 1)	90,218
Prosecution	0
Research & Development	10,648
State & Local Assistance	852,440
Treatment	108,922
Total	1,035,256
Prevention function resources are devoted solely to Goal 1.	
Drug Obligations by Decision Unit:	
Recid. Evaluation & Detent Programs	10,409
Criminal Justice Statistical Programs	1,348
Regional Information Sharing System	12,930
Anti-Drug Abuse, State Farm Grants	404,021
Anti-Drug Abuse, State Det. Grants	34,541
Juvenile Justice Programs	7,772
Title V - at Risk - Treat Team	1,218
Juvenile Underage Drinking Prevention Program	20,086
Juvenile Drug Prevention Program	680
Executive Office for Weed & Seed	10,591
Law Enforcement Prosecution Grant Prog	95,101
Rural Domestic Violence Program	3,123
Encouraging Arrest Policies	5,877
Drug Courts Program	39,273
State Courtroom Grants	99,859
Local Law Enforcement Grant Program	131,572
Residential Substance Abuse Treatment	90,668
Criminal Records Upgrade	1,367
Juvenile Justice Incentive Grant Program	36,803
Indian Tribal Court Incentive	90
Grant & Admin. Grant	71,520
Grant & Admin. State and Local	1,196
Total	1,035,256
Resources from Forfeiture Funds	0,500
Drug Personnel Personnel Summary:	
Total FTE	155
Information:	
Total Agency Obligations	1,035,730
Drug Percentage	24.4%

NOTE: Reallocations from other federal agencies are not included in obligations.

Disclosure 1: Drug Control Methodology

OJP's mission is to provide federal leadership in developing the Nation's capacity to prevent and control crime, administer justice and assist crime victims. OJP resources are primarily targeted to providing assistance to state, local and tribal governments. In executing its mission, OJP dedicates a significant level of resources to drug-related program activities, which focus on breaking the cycle of drug abuse and crime including: drug testing and treatment, provision of graduated sanctions, drug prevention and education, and research.

The Table of Drug Control Obligations was prepared in accordance with the following ONDCP Circulars: (1) Annual Accounting of Drug Control Funds, December 17, 1999 and (2) Budget Instructions and Certification Procedures, May 5, 1999.

The budget staff of OJP's Office of Budget and Management Services (OBMS) is responsible for the development of the annual OJP ONDCP Budget. In developing the drug budget amounts, annually OBMS staff has consulted with program staff on how to most appropriately account for drug-related resources by decision unit, function and goal. Except for a very few instances, this structure has remained consistent from year-to-year (NOTE: No major changes to the existing structure occurred in 1999). In addition, for those programs that are not 100 percent drug-related, OBMS staff has worked with program staff to determine what portion of a program's activities support ONDCP's drug strategy, mission and goals.

In determining the level of resources used in support of OJP's drug-related program activities, OJP uses a combination of two methods: (1) for programs including specific drug-related program activities, a factor (percentage of time/resources dedicated) is applied to actual obligations and (2) for program activities not specifically drug-related, program offices track and report on actual obligations.

- **Total Obligations** are gathered from OJP's Integrated Financial Management Information System (IFMIS).
- **Specific Drug-Related Program Activity Data**. The drug-related resources for those programs are calculated by applying a factor, previously determined by each administering program office, to the actual obligation amount gathered from IFMIS. For example, 80 percent of the resources obligated annually under the Byrne Formula Grant Program are considered drug-related.
- **Non-Specific Drug-Related Program Activity Data**. The drug-related resources are derived by the administering program office. Amounts are determined using a variety of systems including IFMIS, OJP's Program Accountability Library (PAL) and program offices' internal tracking systems.
- **Management and Administration (M&A) Data**. Drug-related M&A is calculated based on the relative percentage of program drug-related obligations applied against total obligations for M&A.

Overall, OJP's program activities support goals 1, 2 and 3 of the National Drug Control Strategy. Functionally, OJP's program activities fall under the following categories: corrections, prevention, research and development, state and local assistance, and treatment. The method used to allocate OJP funds to each goal and function was derived through an analysis of individual program missions and goals and by surveying program staff. A deliberate effort was made to accurately account for program activities, which resulted in some program obligations falling under multiple goals and functions. Attachment A identifies by program: (1) the percentage deemed drug-related and (2) how a particular program's drug-related obligations are categorized by goal and function.

With respect for the Table of Drug Control Obligations, amounts were calculated as follows:

Goal 1, 2 and 3:	Using obligation data as reported from IFMIS and program offices, the appropriate drug-related percentage was applied to each program/decision unit line item and totaled by goal.
Function:	Using obligation data as reported from IFMIS and program offices, the appropriate drug-related percentage was applied to each program/decision unit line item and totaled by function.
Decision Unit:	Using obligation data as reported from IFMIS and program offices, the appropriate drug-related percentage was applied to each program/decision unit line item and totaled.
Full-Time Equivalent:	Full-Time Equivalent (FTE) data originates from the National Finance Center, but is obtained by OJP through the Department of Justice, Justice Management Division Data Center. The same percentage that is applied to calculate FTE, is also applied to the M&A obligations.

Disclosure 2: Modifications in Drug Control Methodology

The methodology to calculate drug-related obligations was not modified during 1999. However, during 2000, OJP plans to revise the existing methodology used to calculate drug-related M&A to more accurately reflect how M&A funds relate to program obligations. Additionally, with regard to treatment for M&A, KPMG (OJP's independent financial auditor) has recommended that OJP via OBMS re-examine the method currently employed to identify M&A on the Statement of Net Cost. As a result, OBMS staff is currently working with staff from OJP's Office of the Comptroller and KPMG to develop and implement a new methodology to more appropriately track, account and report M&A. Once a new methodology is agreed upon, OBMS will use it to satisfy the M&A requirements of both the annual drug budget and the Statement of Net Cost.

Disclosure 3: Material Weaknesses and Other Findings

The FY 1999 Financial Statement Audit Report found no material weaknesses or other findings related to the accounting for obligations that would effect either the amounts reported in the table or with respect to management information systems that store and retrieve data necessary to complete the table.

Disclosure 4: Reprogrammings or Transfers

Non applicable.

Disclosure 5: Other Disclosures

During 2000, OJP plans to examine the existing methodology used to calculate drug-related M&A to more accurately reflect how M&A funds relate to program obligations (See Disclosure 2 - Modifications to Drug Control Methodology.)

FY 1999 Accounting of Drug Control Funds

Office of Justice Programs
Reprogrammings and Transfers
FY 1999
(In thousands)

Table Line Item	Unobl Bal Forward*	Enacted BA	Reprogrammings	Transfers		Total Availability
				In	Out	
Drug Resources by Goal:						
Goal 1	3,285	116,242	0	0	0	119,527
Goal 2	48,233	883,340	0	0	0	931,473
Goal 3	0	28	0	0	0	28
Total	51,498	999,598	0	0	0	1,051,008
Drug Obligations by Function:						
State and Local Assistance	43,814	702,571				746,385
Research and Development	0	18,124				18,124
Prevention	3,265	116,242				119,507
Treatment	3,580	109,232				112,814
Investigation	0	0				0
Prosecution	0	0				0
Corrections	897	51,329				52,226
Total	51,498	999,598	0	0	0	1,051,008
Drug Obligations by Decision Unit:						
Reson. Evaluation & Demo Programs	0	17,650				17,650
Criminal Justice Statistical Programs	0	1,706				1,706
Regional Information Sharing System	24	18,000				18,024
Anti-Drug Abuse, Byrne Form Grants	1,437	404,000				405,437
Anti-Drug Abuse, Byrne Disc Grants	12,400	42,500				54,900
Juvenile Justice Programs	0	8,028				8,028
Title V - Tribal Youth	0	10,000				10,000
Title V - Underage Drinking Prevention Prog	0	25,000				25,000
Juvenile Drug Prevention Program	0	10,000				10,000
Executive Office for Weed & Seed	2,062	16,223				18,285
Law Enfor & Prosecution Grant Prog	0	40,528				40,528
Rural Domestic Violence Program	820	4,900				5,720
Encouraging Arrest Policies	709	6,994				7,703
Drug Courts Program	506	28,203				28,709
State Corrections Grants	830	51,843				52,673
Local Law Enfor Block Grant Program	28,028	174,276				202,304
Residential Substance Abuse Treatment	2,176	61,744				63,920
Criminal Records Upgrade	266	2,205				2,471
Juvenile Accountability Incentive Block Program	849	36,753				37,602
Tribal Court Initiative	0	1,633				1,633
Mgmt & Admin, Direct	178	14,872				15,050
Mgmt & Admin, S&L	277	11,281				11,558
Total	51,498	999,598	0	0	0	1,051,008

* Does not include Federal reimbursement unobligated dollars.

FY 1999 Accounting of Drug Control Funds

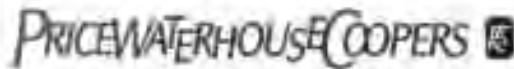
Attachment A

Office of Justice Programs Drug Related Expenditures by Goal, Function and Division (M) Fiscal Year 1999

Division (M)	% Drug Related	Goal 1		Goal 2			Total
		Prevention	Enforcement	R & D	Treatment	Correction	
Rural Courts Grant Program	30%	10%	8%	-	10%	-	100%
Rural Courtroom Grant Program	30%	10%	8%	-	10%	-	100%
Title V - Entering Challenge Drinking Laws	100%	100%	-	-	-	-	100%
Drug Demonstration Program	100%	100%	-	-	-	-	100%
Head and Seed Program	30%	30%	10%	-	-	-	100%
VMWA - Law Enforcement and Prosecution Grant Program	20%	-	100%	-	-	-	100%
VMWA - Rural Domestic Violence Program	20%	-	100%	-	-	-	100%
VMWA - Encouraging Arrest Policies Grant Program	20%	-	100%	-	-	-	100%
Drug Courts Program	100%	-	100%	-	-	-	100%
State Corrections Grants Program	10%	-	-	-	-	100%	100%
Local Law Enforcement Block Grants Program	34%	-	100%	-	-	-	100%
Residential Substance Abuse Treatment (RSAT) Program	100%	-	-	-	100%	-	100%
Criminal Records Upgrade Program	5%	-	100%	-	-	-	100%
Juvenile Accountability Incentive Block Grants (JAIBG)	1%	-	100%	-	-	-	100%
Indian Tribal Courts Program	13%	-	100%	-	-	-	100%
Arrested Drug Abuse Monitoring (ADAM) Program	100%	-	-	100%	-	-	100%
Regional Information Sharing System (RISS)	30%	-	-	-	-	-	100%
Research, Evaluation and Demonstration Programs	-	-	-	100%	-	-	100%
Criminal Justice Statistical Programs	-	30%	8%	-	-	-	100%
Private Justice Programs	-	100%	-	-	-	-	100%
Title V - Tribal Youth	-	100%	-	-	-	-	100%
Management and Administration, Civil (Appropriation N)	-	1%	7%	2%	3%	3%	100%
Management and Administration, SAL (Appropriation N)	-	1%	7%	2%	3%	3%	100%

Goal 2 includes amount for OJP's Drug-Free Workplace Program. This amount is reduced from Goal 2.

01/14/02



Office of the Inspector General
United States Department of Justice

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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Interagency Crime Drug Enforcement - Organized Crime and Drug Enforcement Task Forces (OCDETF) for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of OCDETF prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2000
Arlington, Virginia

FY 1999 Accounting of Drug Control Funds



U.S. Department of Justice

Criminal Division

Executive Office for the
Organized Crime Drug Enforcement Task Forces

Washington, DC 20530

May 16, 2000

Management's Assurance Statement
For the Fiscal Year Ended September 30, 1999

On the basis of the Organized Crime Drug Enforcement Task Forces (OCDETF) management control program, we assert that the OCDETF system of accounting, use of estimates, and system of internal control provide reasonable assurance that:

1. The methodology used by OCDETF to develop the Table of Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*, and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from the financial and programmatic records of OCDETF and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by OCDETF that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from OCDETF financial and program management data processing systems.

We have documented the methodology used by OCDETF to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Annual Accounting of Drug Control Funds*. The OCDETF drug control methodology has been consistently applied from the previous year and there have been no reprogrammings or transfers that have not been properly disclosed.


John Grybicki
Assistant Director for Financial Management

FY 1999 Accounting of Drug Control Funds

Department of Justice
 Interagency Crime and Drug Enforcement
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 1999

Dollars in Thousands	Actual 1999 obligations
Drug Obligations by Goal	
Goal 3	\$136,454
Goal 5	178,278
Total	<u>\$304,732</u>
Drug Obligations by Function	
Investigation	\$206,454
Prosecution	81,384
Intelligence	14,294
Total	<u>\$304,732</u>
Drug Obligations by Decision Unit	
Law Enforcement	
Drug Enforcement Administration	\$87,364
Federal Bureau of Investigation	96,663
Immigration & Naturalization Service	10,718
U.S. Marshals Service	1,421
Subtotal	<u>\$206,167</u>
Drug Intelligence	
Drug Enforcement Administration	\$2,228
Federal Bureau of Investigation	12,166
Subtotal	<u>\$14,394</u>
Prosecution	
U.S. Attorneys	\$79,832
Criminal Division	759
Tax Division	1,250
Subtotal	<u>\$81,841</u>
Administrative Support	
Executive Office for OIG/DEA	\$2,367
Total	<u>\$304,732</u>
Drug Resources Personnel Summary:	
Total FTEs (all reimbursable)	2,960
Information:	
Total Agency Obligations	\$304,732
Drug Percentage	100%

The accompanying narratives are an integral part of the Table of Drug Control Obligations.

Disclosure No. 1 - Drug Control Methodology

The Interagency Crime and Drug Enforcement (ICDE) appropriation provides resources in support of Department of Justice agencies that participate in the Organized Crime Drug Enforcement Task Forces (OCDETF). Given this, the resources are considered to be 100% drug related.

The Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Annual Accounting of Drug Control Funds, dated December 17, 1999 and (b) Budget Instructions and Certification Procedures, dated May 5, 1999. The table represents obligations incurred by the Organized Crime Drug Enforcement Task Forces (OCDETF) for drug control purposes. All amounts are net of reimbursable agreements.

Data - All accounting information for OCDETF is derived from the Financial Management Information System (FMIS). OCDETF programs are reported as 100 percent since the entire focus is drug related.

Other Estimation Method - The OCDETF Program directly responds to two goals of the National Drug Control Strategy—Goal 2 - Increase the safety of America's citizens by substantially reducing drug-related crime and violence; and Goal 5 - Break foreign and domestic drug sources of supply. The prosecution function is fully devoted to Goal 2. The investigations and intelligence functions are split between Goal 2 (estimated at 20%) and Goal 5 (estimated at 80%).

Financial System - FMIS is the financial system that provides all OCDETF obligation data. Obligations that are derived by this system can also be reconciled with the enacted appropriations and carryover balances.

With respect to the table of Drug Control Obligations, amounts were calculated as follows:

- a. Goal 2 - By using OCDETF obligation data gathered from FMIS, the drug methodology percentage was applied to each decision unit and totaled for the goal amount.
- b. Goal 5 - By using OCDETF obligation data gathered from FMIS, the drug methodology percentage was applied to each decision unit and totaled for the goal amount.
- c. Investigations Function - Using OCDETF obligation data from FMIS, the drug methodology percentage (100%) was applied to each decision unit within the Investigations Function and was totaled for the investigations amount.
- d. Prosecutions Function - Using OCDETF obligation data from FMIS, the drug methodology percentage (100%) was applied to each decision unit within the Prosecutions Function and was totaled for the prosecutions amount.

FY 1999 Accounting of Drug Control Funds

- e. **Intelligence Function** - Using OCDETF obligation data from FMIS, the drug methodology percentage (100%) was applied to each decision unit within the Intelligence Function and was totaled for the intelligence amount.
- f. **FTEs** - The reimbursable FTE levels reported by OCDETF participating agencies are reflected in the table as being 100% drug related. The estimates of the reimbursable workyears were derived by determining the estimated permanent positions and workyears for each agency in each program area. The total workyears were 2,960.

Disclosure No. 2 - Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified. Management has no plans to change this methodology for fiscal year 2000 reporting.

Disclosure No. 3 - Material Weaknesses and Other Findings

There are no material weaknesses or other findings relating to the accounting for obligations that would effect either the amounts reported in the table, or where there are weaknesses or findings reported with respect to management information systems that store and retrieve data necessary to complete the table. There is a reportable condition relating to the accounting for obligations in the Offices, Boards and Divisions' (OBDs') FY 1999 Report of Independent Accountants on Internal Controls that identified errors in the status of accounts payable and related obligations (undelivered orders) at various OBD components, of which OCDETF is one. However, we do not believe that this could materially effect the amounts reported in the table because the majority of the errors were status errors between delivered and undelivered and not errors in obligations incurred. Sources reviewed included: (a) the auditors' reports on the OCDETF financial statements, internal controls, and compliance with laws and regulations; (b) Office of the Inspector General Reports; and (c) the Department of Justice's Annual Accountability Report, which includes the Attorney General's annual Federal Managers Financial Improvement Act certifications.

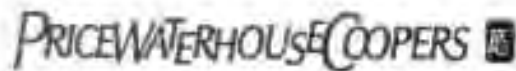
Disclosure No. 4 - Reprogrammings or Transfers

No reprogrammings or transfers occurred in FY 1999. Total availability consists of enacted budget authority plus unobligated balances brought forward. OCDETF FY 1999 obligations include all approved Reprogrammings and Transfers.

FY 1999 Accounting of Drug Control Funds

Department of Justice
 Interagency Crime and Drug Enforcement
 Reprogrammings and Transfers
 FY 1999
 (Dollars in thousands)

Table Line Item	Unobligated Balances Brought Forward	Enacted BA	Reprogrammings	Transfers	Total Availability
Drug Resources by Goal					
Goal 2	\$144	\$126,310	...	...	126,454
Goal 5	574	177,704	...	...	178,278
Total	718	304,014	...	...	304,732
Drug Resources by Function					
Investigation	718	307,736	...	...	308,454
Prosecution		81,884	...	...	81,884
Intelligence		14,394	...	...	14,394
Total	718	304,014	...	...	304,732
Drug Resources by Decision Unit					
Law Enforcement:					
Drug Enforcement Administration		97,384	...	...	97,384
Federal Bureau of Investigation		96,663	...	...	96,663
Immigration & Naturalization Service		10,719	...	...	10,719
U.S. Marshals Service		1,421	...	...	1,421
Subtotal		306,187	...	...	306,187
Drug Intelligence:					
Drug Enforcement Administration		2,228	...	...	2,228
Federal Bureau of Investigation		12,166	...	...	12,166
Subtotal		14,394	...	...	14,394
Prosecution:					
U.S. Attorneys		79,832	...	...	79,832
Criminal Division		759	...	...	759
Tax Division		1,293	...	...	1,293
Subtotal		81,884	...	...	81,884
Administrative Support:					
Executive Office for OCDEF	718	1,349	...	...	2,067
Total	\$718	\$304,014	\$304,732



Office of the Inspector General
United States Department of Justice

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REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Tax Division for the fiscal year ended September 30, 1999. This table and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Table of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of the Tax Division prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Table of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Table of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2000
Arlington, Virginia

FY 1999 Accounting of Drug Control Funds



U.S. Department of Justice

Tax Division

Please reply to: Office of Management and Administration
P.O. Box 311
Ben Franklin Station
Washington, D.C. 20044

Facsimile No. (202) 616-1973
Telephone No. (202) 616-0010

Management's Assurance Statement
For the Fiscal Year Ended September 30, 1999

On the basis of the Tax Division's management control program, we assert that the Division's system of accounting, use of estimates, and system of internal control provide reasonable assurance that:

1. The methodology used by the Tax Division to develop the Table of Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*, and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from the financial and programmatic records of the Tax Division and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by the Tax Division that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from Tax Division's financial and program management data processing systems.

We have documented the methodology used to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Annual Accounting of Drug Control Funds*. Our drug control methodology has been consistently applied from the previous year. Since all our obligations fall within a single decision unit and single ONDCP goal, our expenditures were not subject to reprogramming notification provisions. The Tax Division's operations include programs that are not related to drug control activities or include drug control obligations that are inconsequential to the program's activities. Accordingly, these amounts are not reflected in the Table or accompanying disclosures.


Joseph E. Young
Executive Officer
Official Responsible for Assertion

5/17/00
Date

FY 1999 Accounting of Drug Control Funds

Department of Justice
 Tax Division
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 1999

Dollars in Thousands	Actual 1999 obligations
Drug Obligations by Goal	
Goal 2: Reduce Drug-Related Crime and Violence	\$ 192
Total	<u>\$ 192</u>
Drug Obligations by Function	
Objective: Prosecute the leaders of illegal drug syndicates	\$ 192
Total	<u>\$ 192</u>
Drug Obligations by Decision Unit	
Criminal Prosecution	\$ 192
Total	<u>\$ 192</u>
Drug Resources Personnel Summary	
Total FTEs (direct only)	2
Information	
Total Agency Obligations (non-ICDE)	\$ 65,863
Drug Percentage (non-ICDE)	0.3%

The accompanying disclosures are an integral part of the Table of Drug Control Obligations.

FY 1999 Accounting of Drug Control Funds

Disclosure No. 1 - Drug Control Methodology Attorneys in the Tax Division's Criminal Enforcement Section investigate and prosecute individuals and entities that attempt to commit tax evasion, willfully fail to file tax returns, file false tax returns, and otherwise attempt to interfere with the administration of the tax laws. They also investigate and prosecute tax violations occurring in the context of criminal conduct such as financial institution fraud, narcotics trafficking, bankruptcy fraud, and domestic and international tax conspiracies. The Division seeks to promote a balanced program of criminal tax enforcement by investigating criminal conduct nationwide in a variety of industry and occupational market segments.

The Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars: (a) Annual Accounting of Drug Control Funds, dated December 17, 1999 and (b) Budget Instructions and Certification Procedures, dated May 5, 1999. The table represents obligations incurred by the Tax division for drug control purposes. The Tax Division reserves drug control funds mainly for the purpose of prosecuting drug offenders.

The Tax Division estimates its obligations using data from the Financial Management Information System, (FMIS) which provides obligation data, and from TaxDoc, which provides information on time spent on prosecution activity, including drug related prosecutions.

Data - All accounting information for the Tax Division is derived from the FMIS. Attorney prosecution hours are supplied by TaxDoc. Year end percentages for drug related prosecutions were applied to the FY 1999 actual obligations to arrive at the FY 1999 Drug Budget.

Financial Systems - The FMIS is the financial system that provides the Tax Division obligation data. Obligations that are derived by this system can also be reconciled with the enacted appropriations and carryover balances.

With respect to the table of Drug Control Obligations, amounts were calculated as follows:

- A. Goal Distribution - 100% of the amount derived was attributed to Goal 2 - Reduce Drug Related Crime and Violence.
- B. Decision Unit - 100% of the amount derived was applied to the Criminal Enforcement decision unit.
- C. FTEs - FTE flag was calculated based on case related attorney hours reported in TaxDoc. Ratios were estimated for non-case related attorney hours and non-attorney hours and applied to the case related attorney hours in order to determine total hours and resulting FTE of two.

FY 1999 Accounting of Drug Control Funds

Disclosure No. 2 - Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified. Management has no plans to change this methodology for fiscal year 2000 reporting.

Disclosure No. 3 - Material Weaknesses and Other Findings

There are no material weaknesses or other finding relating to the accounting for obligations with respect to management information systems that store and retrieve data necessary to complete the table. There is a reportable condition relating to the accounting for obligations in the Offices, Boards and Divisions' (OBDs') FY 1999 Report of Independent Accountants on Internal Controls that identified errors in the status of accounts payable and related obligations (undelivered orders) at various OBD components, of which Tax is one. However, we do not believe that this could materially affect the amounts reported in the table because the majority of the errors were status errors between delivered and undelivered and not errors in obligations incurred.

Disclosure No. 4 - Reappropriations or Transfers

No funds were reprogrammed during FY 1999.



Office of the Inspector General
United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

PriceWaterhouseCoopers LLP
1815 North Ford Avenue
Arlington, VA 22209-3199
Telephone (703) 741-1000
Facsimile (703) 741-1818

REPORT OF INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying Tables of Drug Control Obligations and related disclosures of the United States Department of Justice's United States Marshals Service (USMS) Salaries and Expense Fund and its Federal Prisoner Detention Fund for the fiscal year ended September 30, 1999. These tables and related disclosures are the responsibility of management.

Our review was conducted in accordance with 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 the Tables of Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Management of the USMS prepared the Tables of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds*. The Tables of Drug Control Obligations and related disclosures prepared in accordance with ONDCP's Circular may differ materially from presentations prepared in conformity with generally accepted accounting principles.

Based on our review, nothing came to our attention that caused us to believe that the accompanying Tables of Drug Control Obligations and related disclosures are not presented in all material respects in conformity with the ONDCP's Circular, *Annual Accounting of Drug Control Funds*, as further described in Disclosure No. 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorney General for Administration, the ONDCP and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

August 23, 2000
Arlington, Virginia

FY 1999 Accounting of Drug Control Funds



U.S. Department of Justice

United States Marshals Service

Version 4.0 (2004)

Management's Assurance Statement For the Fiscal Year Ended September 30, 1999

On the basis of the United States Marshals (USMS) management control program, we assert that the USMS' system of accounting, use of estimates, and system of internal control provide reasonable assurance that:

1. The methodology used by the USMS to develop the Table of Obligations (Table) is consistent, in all material respects, with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, Annual Accounting of Drug Control Funds, and is completely documented in the disclosures accompanying the Table.
2. The Table and related disclosures were prepared from the financial and programmatic records of the USMS and represent fiscal year 1999 obligations of drug control funds.
3. Estimates used to report the fiscal year 1999 drug control obligations are adequately presented in the Table and accompanying disclosures.
4. We have, to the best of our knowledge, identified all obligations incurred by the USMS that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from USMS' financial and program management data processing systems.

We have documented the methodology used by USMS to identify and accumulate fiscal year 1999 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, Annual Accounting of Drug Control Funds. USMS' drug control methodology has been consistently applied from the previous year and there have been reprogrammings or transfers that have been properly disclosed. USMS' operations include programs that are not related to drug control activities, or include drug control obligations that are inconsequential to the program's activities. Accordingly, these amounts are not reflected in the Table of Obligations or accompanying disclosures.


Edward Dolan,
Acting Comptroller

5/17/2000
Date

FY 1999 Accounting of Drug Control Funds

Department of Justice
 United States Marshals Service
 Salaries and Expenses
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 1999

Revised
05/28/00

Dollars in Thousands	Actual 1999 obligations
Drug Obligations by Goal	
Goal 2	\$ 2,824
Goal 5	\$ 279,589
Total	<u>\$ 282,413</u>
Drug Obligations by Function	
International	\$ 2,824
Investigations	51,399
Prosecution	228,190
Total	<u>\$ 282,413</u>
Drug Obligations by Decision Unit	
Protection of the Judiciary	\$ 178,116
Prisoner Transportation	22,280
Fugitive Apprehension	47,709
Seized Asset Management	17,694
DC Superior Court	13,818
Service of Legal Process	2,576
Training Academy	63
ADP & Telecommunications	0
Management and Administration	46
Total	<u>\$ 282,413</u>
Drug Resources Personnel Summary	
Total FTEs (direct only)	2,174
Information	
Total Agency Obligations	\$ 504,779
Drug Percentage	55.95%

The accompanying memoranda are an integral part of the Table of Drug Control Obligations.

FY 1999 Accounting of Drug Control Funds

Department of Justice
 United States Marshals Service
 Federal Prisoner Detention
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 1999

Dollars in Thousands	Actual 1999 obligations
Drug Obligations by Goal	
Goal 2	\$ 279,920
	<u>\$ 279,920</u>
Drug Obligations by Function	
Corrections	\$ 279,920
Total	<u>\$ 279,920</u>
Drug Obligations by Decision Unit	
Care of US Prisoners	\$ 279,920
Total	<u>\$ 279,920</u>
Drug Resources Personnel Summary	
Total FTEs (direct only)	0
Information	
Total Agency Obligations	\$ 460,395
Drug Percentage	60.8%

The accompanying disclosures are an integral part of the Table of Drug Control Obligations.

Disclosure No. 1 - Drug Control Methodology The mission of the USMS is to protect the federal courts and ensure the effective operation of the judicial system. The USMS is responsible for: the protection of the federal judicial system, including judges, witnesses, and defendants; apprehension of violent fugitives; execution of court orders, including the seizure, maintenance, and disposal of assets; and the secure confinement, transportation, and production of prisoners.

The Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars: (a) Annual Accounting of Drug Control Funds, dated December 17, 1998, and (b) Budget Instructions and Certification Procedures, dated May 5, 1999. The table represents obligations incurred by the United States Marshals Service for drug control purposes.

USMS uses an estimation methodology to account for drug-related obligations. Estimates are supported by data obtained from the Standardized Tracking, Accounting, and Reporting System (STARS), which provides USMS obligation data for the Salaries and Expenses (S&E) Appropriation, and the Prisoner Tracking System (PTS), which provides prisoner historical information for the Federal Prisoner Detention (FPD) Appropriation.

Data - The USMS uses a variety of data resources to obtain drug-related information. USMS prisoner data is supplied by the Prisoner Tracking System (PTS). USMS retrieves Class I warrant information from the Warrant Information Network (WIN) for international and investigative data. The Department of Justice Consolidate Asset Tracking System (CATS) is used to capture information on seized assets and forfeiture of property. USMS receives defendant data from the ADUSC on drug-related charges. This information is provided to USMS on request.

Financial Systems - STARS is the USMS financial system that provides USMS obligation data. Obligations that are derived from this system can also be reconciled with the enacted appropriations and carryover balances.

With respect to the table of Drug Control Obligations, amounts were calculated as follows:

- i. Goal 2 and 5 - By using USMS obligation data gathered from STARS, the drug methodology percentage was applied to each decision unit and totaled for the goal amount. Although, the USMS has six appropriations, only two appropriations have drug-related activities: 1) Salaries and Expenses (S&E) which consist of both Goals 2 & 5, and 2) Federal Prisoner Detention (FPD), which consists of Goal 2 only. In FY 1999, \$129 million of the USMS

obligations related to Court Security, and Construction were not included in the table of drug control obligations because, in the opinion of management, these amounts do not have a drug related nexus.

- b. Salaries and Expenses and Federal Prisoner Detention obligations reported are net of reimbursable obligations. Obligations are tracked by the Report on Budget Execution (SF 133).
- c. International Function - Using USMS S&E obligation data from STARS and warrant information from WIN, the drug methodology percentages of 1% was applied to the total warrants to arrive at the drug related amount.
- d. Investigations Function - Using USMS S&E obligation data from STARS and warrant information from WIN, the drug methodology percentage of 18.2% for warrant obligations was applied to derive at the drug related amount.
- e. Prosecution Function - Using USMS S&E obligation data from STARS, the drug methodology percentage of 80.80% for warrant obligations was applied to arrive at the drug related amount.
- f. Corrections Function - Using USMS FPD obligation data from STARS, the drug methodology percentage of 80.80% was applied to receive the drug-related amount. FPD only has one decision unit.
- g. Decision unit - Using USMS obligation data from STARS, the drug methodology percentages were applied to each decision unit for the decision unit amount.

Protection of Judicial Process

- * The 63.21% represents of the total number of defendants tried in federal criminal proceedings.

Prisoner Transportation

- 51.05% represents the total number of prisoners transported on drug-related charges

Fugitive Apprehension

- * In FY 99, 66.49% of the total Class I warrants received were drug-related.

Seized Assets Management

- * Seized Assets drug percentage for FY 1999 is 70%

D.C. Superior Court

- * The percentage of prisoners produced on drug-related charges was 70%.

Service of Legal Process

- The USMS handles 13.33% of drug-related civil processes.

Training Academy

- The drug-related percentage is 1.3% of the total time devoted by the Training Academy on drug-related topics.

ADP Telecommunications

- This decision unit has no drug-related portion.

Management & Administration

- Human Resources Management Division estimated that 0.23% of the M&A program was allocated for drug-testing.

Care of U.S. Prisoners

- This percentage was derived from the number of sentenced prisoners in the Bureau of Prisons (BOP), of which 60.80% were drug-related.
- h. FTEs – USMS S&E FTE data is calculated based on obligation data from STARS. The drug methodology percentage of 62% was applied for the total drug FTE amount since this percentage represents the overall portion of drug-related resources in the S&E appropriation.
- i. Information – Not applicable.

Disclosure No 2 – Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified. Management has no plans to change this methodology for fiscal year 2000 reporting.

Disclosure No 3 – Material Weaknesses and Other Findings

During the USMS' fiscal year 1999 audit, Urban, Kahn & Werlin (UK&W) identified a number of weaknesses in the USMS' financial accounting and reconciliation processes. These weaknesses represent a significant deficiency in the financial accounting control system which could adversely impact the USMS' ability to record, process and report its financial transactions timely and accurately. The weaknesses noted include: insufficient evidence of monthly Fund Balance with Treasury (FBWT) reconciliation; and insufficient reconciliations for intragovernmental accounts receivable.

Disclosure No 4 – Reprogrammings or Transfers

The USMS did not have any reprogrammings in FY 1999. However, Transfers have been calculated using the appropriate drug methodology percentage for each transaction. The USMS' FY 1999 obligations include all approved Transfers.

Disclosure No 5 – Other Disclosures

The attached tables provide all the information necessary to display USMS drug-related resources obligations in S&E and FPD. No additional disclosures are provided at this time.

FY 1999 Accounting of Drug Control Funds

United States Marshals Service
Salaries and Expenses
Reprogrammings and Transfers
FY 1999
(Dollars in thousands)

Revised 8/2/00

Table Line Item	Unobligated Balances Brought forward	Enacted BA	Reprogram- mings	Transfers		Total Availability
				In	Out	
Drug Resources by Goal						
Goal 2	1,843	278,187		911		280,741
Goal 5	17	2,810		0		2,836
Total	1,860	280,987		920		283,576
Drug Obligations by Function:						
A) Investigations	302	51,141		167		51,141
B) Prosecutorial	1,341	227,046		743		229,130
C) International	17	2,810		10		2,810
Total	1,660	280,987		920		283,576
Drug Obligations by Decision Unit						
Protection of the Judiciary	1,860	177,819				179,278
Prisoner Transportation		22,290				22,290
Fugitive Apprehension		46,780				47,709
Seized Asset Management		17,894		920		17,894
DC Superior Court		13,919				13,919
Service of Legal Process		2,576				2,576
Training Academy		63				63
ADP & Telecommunications						700
Management and Administration		49				49
Total	1,860	280,987		920		283,576

The Transfers were calculated using the USMS drug methodology.

FY 1999 Accounting of Drug Control Funds

United States Marshals Service
Federal Prisoner Detention
FY 1999
(Dollars in thousands)

Table Line Item	Unobligated Balances Brought forward	Enacted BA	Reprogram- mings	Transfers		Total Availability
				In	Out	
Drug Resources by Goal						
Total	\$16,462	258,400		18,734		293,596
Goal 1	16,462	258,400		18,734		293,596
Drug Obligations by Function						
Corrections	18,452	250,400		18,734		287,586
Total	18,452	250,400		18,734		287,586
Drug Obligations by Decision Unit						
Cans of US Prisoners	18,462	250,400		18,734		293,596
Total	18,462	250,400		18,734		293,596

The Transfers were calculated using the USMS drug methodology.



U.S. Department of Labor

FY 1999 Accounting of Drug Control Funds

U.S. Department of Labor

Office of the Chief Financial Officer
Washington, D.C. 20210



APR 20 2000

Mr. David J. Rivalt
Chief, Budget Branch
Executive Office of the President
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Rivalt:

In accordance with 21 U.S.C. 1704(d), enclosed please find the Assistant Inspector General's authentication of the *Detailed Accounting Submission of Fiscal Year 1999 Drug Control Funds* for the U.S. Department of Labor, consistent with the instructions provided in ONDCP Circular: *Annual Accounting of Drug Control Funds*, dated December 17, 1999.

Based on their review, the Inspector General found no reason to believe that management's assertions lack conformity with ONDCP requirements.

If you have any questions, please contact Lorraine Rohlik, on 219-7683, extension 183.

Sincerely,


Kenneth M. Brennan
Chief Financial Officer

Enclosure

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20317



**ASSISTANT INSPECTOR GENERAL'S REPORT
ON THE U.S. DEPARTMENT OF LABOR'S DETAILED ACCOUNTING SUBMISSION OF
FISCAL YEAR 1999 DRUG CONTROL FUNDS**

**KENNETH M. BRESNAHAN
CHIEF FINANCIAL OFFICER
U.S. DEPARTMENT OF LABOR
WASHINGTON, D.C. 20210**

We have reviewed the accompanying U.S. Department of Labor (DOL) *Detailed Accounting Submission of Fiscal Year 1999 Drug Control Funds*. This submission is the responsibility of DOL management and was prepared under the authority of 21 U.S.C. § 1704(d), which also requires a review by the Inspector General.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The objective of a review is to provide negative assurance as to whether any information came to our attention on the basis of the work performed to indicate that management's assertions are not presented in conformity with ONDCP Circular *Annual Accounting of Drug Control Funds*, dated December 17, 1999. A review is substantially less in scope than an examination. The objective of an examination is the expression of an opinion on the *Detailed Accounting of Fiscal Year 1999 Drug Control Funds*. Accordingly, we do not express such an opinion.

We performed our review procedures on the Resume Summary, Methodology, and Budget Summary sections of the *Detailed Accounting Submission*. We did not review the Program Summary section. Our review procedures were limited to inquiries of management and analytical procedures appropriate for our attestation review.

Approximately 99 percent of DOL's drug control funds are administered by the Employment and Training Administration (ETA). As a result of implementation of the Workforce Investment Act (WIA), ETA plans to reveal its program determination methodology for the Fiscal Year 2001. However, the program determination methodology used for the purposes of this submission are consistent with prior years as applied to WIA.

-2-

Based on our review, nothing came to our attention that caused us to believe that management's assertions as presented in the accompanying U.S. Department of Labor *Detailed Accounting Submission of Fiscal Year 1999 Drug Control Funds* are not presented conformity with ONDCP Circular: *Annual Accounting of Drug Control Funds*, dated December 17, 1999.

This report is intended solely for the use of the United States Congress, the Office of National Drug Control Policy, and the U.S. Department of Labor. This report is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


JOHN J. PETER
Assistant Inspector General for Audit

March 24, 2000

FY 1999 Accounting of Drug Control Funds

DEPARTMENT OF LABOR

I. RESOURCE SUMMARY

(Budget Authority in Millions)

	1998 Actual	2000 Enacted	2001 Revised
Drug Resources by Goal			
Goal 1	\$16,311	\$26,256	\$37,169
Goal 2	<u>38,728</u>	<u>38,144</u>	<u>38,459</u>
Total	\$55,039	\$74,800	\$75,668
Drug Resources by Function			
Personnel	\$55,039	\$74,800	\$75,668
Total	\$55,039	\$74,800	\$75,668
Drug Resources by Decision Unit			
Employment and Training Administration	\$54,301	\$74,256	\$75,109
Departmental Management	<u>532</u>	<u>544</u>	<u>559</u>
Total	\$55,039	\$74,800	\$75,668
Drug Resources Personnel Summary			
Total FTEs (discriminatory))))
Drug Resources Personnel Summary			
Total FTEs (discriminatory))))
Information			
Total Agency Budget	\$40,046,538	\$11,216,901	\$12,403,726
Drug Percentage	0.33%	0.67%	0.64%

II. METHODOLOGY

Adult and Youth Employment and Training drug resource levels are derived by estimating the drug incidence among likely Job Training Partnership Act (JTPA) and Workforce Investment Act (WIA) participants using data from the 1995 National Household Survey, and applying the average program cost per participant to estimate the total substance abuse prevention costs for the Adult and Youth programs. Each year, the participant unit costs and number of participants are updated to reflect the latest actual data; thus, total budget estimates may fluctuate based on these revisions. The Job Training Partnership Act is repealed in FY 2000 by the Workforce Investment Act, which also contains Adult and Youth programs. Participation in these job training programs is recognized as not only a means to gaining employment but also as a means to deter drug and alcohol abuse. Due to changes triggered by WIA, DOL will be revising the program determination methodology for FY 2001, but for now the current budget is based on previously determined methodology as applied to WIA.

The Job Corps Program administers the Alcohol and Other Drugs of Abuse (AODA) component which consists of a comprehensive drug prevention and intervention program for all Job Corps

participants. Estimated Job Corps cost formulations are based on estimated expenses for routine drug testing, counseling, education, and referral, if necessary, to serve the budgeted number of students.

Funding in the Departmental Management account is necessary to support the continued operation of DOI's internal required Drug-Free Workplace program and maintenance of its outreach and information dissemination activities known as the *Working Partners for an Alcohol and Drug-free Workplace* program. Funding levels were determined based on the Department's previous experience with these programs.

III. PROGRAM SUMMARY

The Employment and Training Administration (ETA) administers the Adult and Youth Employment and Training Grants under the Job Training Partnership Act (1999) and will administer the Workforce Investment Act Adult and Youth Activities which replace the JTPA programs in program year 2000. There will be several States that implement the WIA in program year 1999. These programs require individual assessments and specifically encourage outreach activities aimed at individuals who face severe barriers to employment, such as drug and alcohol abuse. Program activities include coordination with other community service organizations, such as drug and alcohol abuse prevention and treatment programs. The Job Corps also administers the Alcohol and Other Drugs of Abuse (AODA) component to screen trainees for drug and alcohol problems and provide prevention and intervention services.

Job Corps has had an active program of alcohol and drug testing and counseling since January 1992. The AODA component is considered an important step in identifying alcohol and substance abusers and assisting them in combating their abuse problem. Emphasis is placed on short-term intervention and counseling and referral to treatment when needed. Job Corps enforces a "Zero Tolerance for Violence and Drugs" policy. Applicants are required to sign a drug free certification and a contract committing to abide by this policy. Refusal to sign this contract precludes entry into the program.

Job Corps has redirected its efforts in providing services to students with substance abuse problems. Emphasis is placed on short-term intervention and counseling, shifting from a medical to a behavioral approach.

Presently, services provided in Job Corps related to substance abuse are sufficient to cope with the problems of the vast majority of the students while they are in training. These services consist of both short-term individual and group counseling for those students who test positive for alcohol and other illicit drugs. However, when more intensive and long-term treatment is required, the student is separated and returned home with a referral to an appropriate health

facility for treatment. Job Corps is not designed to administer such long-term treatment.

The ETA also has responsibility for the new \$2 billion Welfare-to-Work (WTW) initiative. WTW targets welfare recipients who face multiple labor market deficiencies—such as school dropouts, substance abusers, and those with a poor work history—and who are long-term welfare recipients (30 months or more) or who face termination from Temporary Assistance for Needy Families (TANF) within 12 months. Some of these funds will be used for substance abuse education, counseling, and non-medical treatment.

ETA is also funding projects such as the Federal Bonding Program (FBP), which enables former substance abusers and others with a criminal background to qualify for fidelity bonding at no cost to the employer or employee.

DOL funds its Drug-Free Workplace Program which includes employee education, supervisory training, employee drug testing, and an employee assistance program (EAP) for Department employees and their family members.

DOL's Office of the Assistant Secretary for Policy (ASP) operates an outreach and information dissemination program to assist employers and labor unions to establish workplace substance abuse policies and prevention and intervention programs. This effort, known as *Working Partners for an Alcohol- and Drug-free Workplace* includes the Small Business Initiative (SBI) and the Substance Abuse Information Database (SAID). The *Working Partners* program raises awareness about the negative impact of substance abuse on workplace safety, health and productivity and provides the tools with which to address it. SBI enlists national trade and professional associations to distribute industry-specific information developed by DOL to their members and to encourage and support organizations in the private and non-federal sectors to implement programs. SAID is an on-line, searchable collection of documents that are useful in developing workplace prevention programs including sample policies, training and educational materials, and information on applicable federal and state laws and regulations and contact information for local resources.

IV. BUDGET SUMMARY

2001 Request

Goal 1: Educate and enable America's youth to resist illegal drugs as well as the use of alcohol and tobacco.

The total drug control request for Goal 1 activities for FY 2001 is \$57,109 million.

While the Employment and Training Administration (ETA) and its program operators do not operate drug prevention or treatment programs, the JTPA and WIA allows and encourages certain activities concerned with substance abuse prevention but in most areas does not mandate such activities. Decisions on which participants are provided what types of services under JTPA or WIA are reserved to states and localities. The Workforce Investment Act is fully implemented in FY 2001. In that program year, youth activities for year-round and summer jobs are consolidated. Grantees must spend 30 percent of the youth funds on out-of-school youth. Thus, the substance abuse budget for this component increases above 2000 for that reason. More at-risk youth will be served.

Job Corps has had an active program of alcohol and drug testing and counseling since January 1992. The Job Corps Alcohol and Other Drugs of Abuse (AODA) component became operational in all centers and is considered an important step forward in identifying alcohol and substance abusers and assisting them in combating their abuse problems. On May 1, 1995, Job Corps implemented a Zero Tolerance for Violence and Drugs policy. Applicants are required to sign a drug-free certification and a contract committing to abide by this policy. Refusal to sign this contract will preclude entry into the program. The substance abuse budget estimates for Job Corps have decreased substantially from prior years. This is the result of the "zero tolerance" policy, whereby students who violate that policy are dropped from the program, and are no longer treated.

Goal 3: Reduce health and social costs to the public of illegal drug use.

The total drug control request for goal 3 activities for FY 2001 is \$38.559 million.

Goal 3 focuses on providing treatment opportunities for those with addictions and at promoting adoption of drug-free workplace programs. JTPA/WIA program activities which target adult participants and which may include referral to treatment support this goal. While it is important to note that JTPA and WIA are job training programs and not substance abuse treatment programs, the transitioning of the disadvantaged, low-income and unemployed into self-sustaining employment sometimes requires dealing with a participant's substance abuse prevention education/counseling and referral services for individuals at risk of abusing drugs or alcohol. The WIA adult activities will be more universal than under JTPA, with services available to all, not just the disadvantaged. However, the disadvantaged and low-income individuals will have preference in receiving services.

The Departmental Management account which supports the Department's internal drug free workplace program and its Working Partners information dissemination activities also support Goal 3 by contributing to the promotion adoption of drug-free workplace programs.

2001 REQUEST

Goal 1: Educate and enable America's youth to reject illegal drugs as well as the use of alcohol and tobacco.

The total drug control request for Goal 1 activities for FY 2001 is \$37.109 million, and represents an increase of \$853,000 above the FY 2000 level of \$36.256 million.

Goal 3: Restore health and rural safety to the public of illegal drug use.

The total drug control request for Goal 3 activities for FY 2001 is \$38.559 million, an increase of \$15,000 above the FY 2000 level of \$38.544 million.

V. PROGRAM ACCOMPLISHMENTS

- The amended Job Training Partnership Act (P.L. 102-367) and the newly enacted WIA (P.L. 105-320) allows costs for participant counseling on avoiding substance abuse.
- Job Corps has, in general, been successful in recruiting qualified substance abuse counselors and other health personnel. Also, it has been emphasized to all Job Corps senior managers and major organizational personnel, that center directors and their staff need administrative support to combat alcohol and drug abuse. Currently, all centers are required to employ at a minimum one full-time substance abuse counselor (AODA Specialist). Instructions have been issued to all centers requiring that state or national certification be obtained or sought by all center AODA specialists.
- Job Corps has streamlined new student enrollment procedures, by implementing a "Zero Tolerance for Violence and Drugs" policy. Applicants are required to sign a drug free certification and a contract committing to abide by this policy. Refusal to sign this contract will preclude entry into the program. Students who are detected as not being drug-free by the end of the 45-day probationary period will be terminated from the program, and cannot re-enroll for a period of one year.
- The Job Corps AODA component tests for, educates, and counsels participants on substance abuse. The Department believes that substance abuse contributes to higher absenteeism and turnover which results in lower productivity at a time when improved U.S. competitiveness is critical to the nation's growth.
- The Federal Bonding Program (FBP) is operated by ETA through the State Employment Security/Job Service in each state. This program enables former

substance abusers and others with a criminal background, who otherwise would be unable to obtain employment requiring bonding, to qualify for fidelity bonding at no cost to the employer or employee.

- The new Youth Opportunity Grants activity authorized by the WIA (1999 and 2000), will provide additional opportunities for at-risk, disadvantaged youth, many of whom will be high school dropouts, to obtain basic skills, training and other services to enable them to obtain employment. These programs will enable many youth to escape the ravages of alcohol and drug abuse.
- The Welfare-to-Work initiative targets services to the roughly 20 percent of the adult welfare population who are most at-risk of long-term welfare dependency. A major feature of the new initiative is that at least 70 percent of grant funds are to be spent on recipients who face multiple labor market deficiencies (barriers to employment) such as substance abuse.
- The *Working Partners for an Alcohol- and Drug-Free Workplace* program develops, collects and disseminates information to work organizations to encourage the implementation of drug-free workplace programs.
- Working Partners has equipped 2,000 business associations and labor organization partners with information to arm their member businesses and labor unions with tools needed to implement effective drug-free workplace programs and answered more than 800 individual questions received via phone, mail or e-mail.
- Launched in 1999, the interactive Drug-Free Workplace Advisor on the *Working Partners* Web site has answered more than 21,000 customer inquiries about how and when the Drug-Free Workplace Act of 1988 applies.
- DOL's *Working Partners*' Web site continues to receive about 350 hits per week and is listed on the White House's home page as a *Community Requested Federal Service*. At least 500 external Web sites are linked to DOL's *Working Partners* Web site.
- *Working Partners*' Small Business Initiative (SBI) has been successful in reaching close to a 600,000 employers through our partnerships with trade organizations. Approximately 300 Working Partners/Small Business hits are requested per month and many more are accessed via the Web site.
- More than 330 hits to SAJD are received weekly and the number of documents entries has grown to over 360.

- DOL assisted the Small Business Administration in establishing criteria and reviewing technical proposals for demonstration grants to intermediary organizations awarded under the Drug-Free Workplace Act of 1998 to assist small businesses in implementing drug-free workplace programs.

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**U.S. SMALL BUSINESS
ADMINISTRATION**



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

JAN 19 2000

Mr. David J. Rivait
Chief, Budget Branch
Office of National Drug Control Policy
Executive Office of the President
Washington, DC 20503

Dear Mr. Rivait:

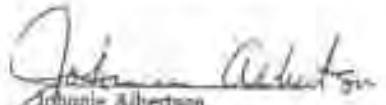
As requested, this is the U.S. Small Business Administration's (SBA) response to the ONDCP Circular, *Annual Accounting of Drug Control Funds*.

Fiscal Year 1999

Strategy Goal	Drug Function	Budget Decision Unit
Goal 2 - \$4M	Prevention - \$4M	Education - \$4M

If you have any questions concerning this report, please contact Ivan Fiready in SBA's Office of Small Business Development Centers at 205-7384.

We attest that full compliance with the ONDCP Circular would create an unreasonable burden on the SBA.


Joannie Albertson
Associate Administrator
Small Business Development Centers


Joseph P. Lodolo
Acting Chief Financial Officer


Phyllis K. Fong
Inspector General





U.S. Department of State

FY 1999 Accounting of Drug Control Funds



United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

May 22, 2000

Dear General McCaffrey:

This letter and enclosure is the Department's submission in compliance with the Office of National Drug Control Policy (ONDCP) Circular, Annual Accounting of Drug Control Funds, dated December 17, 1999 (the "Circular"). For FY 1999, the Department is providing information on its three drug control programs even though two of the three programs are below the \$50 million threshold identified in the Circular. We believe the information for the Department of State in this submission is reliable and accurate, since our last two fiscal year financial statements have been audited and received unqualified "clean" opinions. Also, while USIA was not a part of the Department during FY 1999, its program information is included in this submission given its subsequent integration into the Department on October 1, 1999.

In accordance with the Circular, the Department has enclosed an accounting submission for the Bureau of International Narcotics and Law Enforcement Affairs (INL) showing \$464 million was obligated under this program in FY 1999. In addition, the Department is forwarding reports covering Section 5A reporting requirements in the Circular for two additional drug control programs at the Department of State that fall within the purview of the Circular. One is the function transferred from the former United States Information Agency and the other is a long-standing but very limited program for Emergencies in the Diplomatic and Consular Services function.

General Barry S. McCaffrey, Director
Office of Programs, Budget, Research and Evaluation
Office of National Drug Control Policy,
Washington, D.C. 20503

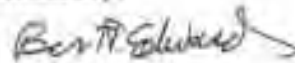
FY 1999 Accounting of Drug Control Funds

On October 1, 1999, USIA was abolished and its non-broadcast public diplomacy functions were merged into the Department of State. Consistent with the November 26, 1999, letter to ONDCP, we are reporting that USIA had obligated \$6.5 million for support of drug control programs during FY 1999. This amount, which covered the 1999 activities of the now independent Broadcasting Board of Governors, and all other components of USIA, is based on the best available information attainable. Given the amount, the judgment required for the reported data, and the complications of personnel dispersal as a result of organizational integration, we are of the opinion that additional detail reporting would constitute an unreasonable burden.

In addition to the above, the only other Department of State program that comes under the Circular is a very limited drug control activity in Emergencies in the Diplomatic and Consular Services (EDSC) function. This drug control activity covers publicity for and the payment of narco-terrorist rewards under the Department goal to break foreign and domestic drug sources of supply. For FY 1999, the Department incurred obligations totaling \$37,536. Consistent with our views on the reporting burden with USIA, we are of the opinion that additional detail reporting on EDSC would constitute an unreasonable burden.

If you would like to address any questions associated with our submission, please call Larry J. Eisenhart, Deputy Chief Financial Officer, on (202) 641-8620.

Sincerely,



Bert T. Edwards

Enclosure;
As stated.



United States Department of State
and the Broadcasting Board of Governors

Inspector General

Independent Attestation Review
Annual Accounting of Drug Control Funds
Bureau of International Narcotics and Law Enforcement Affairs
Department of State

We have reviewed the Department's submission in compliance with Office of National Drug Control Policy (ONDCP) Circular Annual Accounting of Drug Control Funds (the submission) for Fiscal Year 1999, prepared by the Bureau of International Narcotics and Law Enforcement Affairs (INL). The submission is the responsibility of the Department of State and was prepared in response to criteria and procedures established by ONDCP. The sufficiency of these criteria and procedures is solely the responsibility of ONDCP, and we make no representations regarding the sufficiency of such procedures.

We reviewed the report in accordance with section 6 of the ONDCP circular that calls for the detailed accounting submissions of each agency to be provided to the agency's Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the submission. Our review was conducted in accordance with attestation review standards established by the American Institute of Certified Public Accountants, as specified in section 6 of the ONDCP circular. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Department of State's Annual Accounting of Drug Control Funds. Accordingly, we do not express such an opinion.

This report is intended solely for the use of ONDCP in meeting its statutory obligation to provide an accounting of all prior year drug control funds. It should not be used by other parties for any other purpose.

Based on our review of the submission, we conclude that the assertions contained therein reliably reflect the obligations incurred during Fiscal Year 1999 by the Bureau of International Narcotics and Law Enforcement Affairs of the Department of State for drug control purposes.


Aquelyn L. Williams-Bridges
Inspector General

Date: MAY 15 2000

**U.S. DEPARTMENT OF STATE
BUREAU FOR INTERNATIONAL NARCOTICS AND LAW
ENFORCEMENT AFFAIRS (INL)**

I. TABLE OF PRIOR YEAR DRUG CONTROL OBLIGATIONS

	(in Thousands)
	FY 1999 Actual
Drug Resources by Goal	
Goal 4	\$ 17,495
Goal 5	<u>448,957</u>
Total	\$466,452
Drug Resources by Function	
International	<u>546,452</u>
Total	\$466,452
Drug Resources by Decision Unit	
INL	<u>546,452</u>
Total	\$466,452
Drug Resources Personnel Summary	
Total FTEs (American full time positions-direct only)	100
Information	
Total Bureau (INL) Budget	\$493,822
Drug Percentage	94.0%*

* Based on service appropriations. Does not include anti-crime transfers from USAID and \$22.204 billion of reimbursements from other agencies. Excludes \$23.0 billion of a special pesticide research supplemental, and \$99 million in Alternative Development transfers to USAID.

A. DRUG METHODOLOGY

All Department of State Bureau of International Narcotics and Law Enforcement Affairs (INL) programs, except those appropriated for international crime and justice activities, are scored as 100 percent drug-related.

B. METHODOLOGY MODIFICATION

The drug methodology for this agency was not modified over the past year.

C. MATERIAL WEAKNESSES OR OTHER FINDINGS

There are currently no material weaknesses or other findings identified for this program.

D. REPROGRAMMING OR TRANSFERS

1. Reprogrammed \$5 million from counternarcotics to anti-crime for Bosnia. Cleared by ONDCP.
2. Transferred \$30.4 million to USAID for alternative development programs in Peru.
3. Transferred \$23.6 million to USAID for alternative development and administration of Justice programs in Bolivia.
4. Transferred \$5.0 million to USAID for alternative development programs in Colombia.
5. Reprogrammed \$2.4 million from counternarcotics to anti-crime for Haiti civilian police program.



United States Department of State
and the Broadcasting Board of Governors

Inspector General

Independent Attestation Review
Annual Accounting of Drug Control Funds
Public Diplomacy Program
Department of State

We have reviewed the Annual Accounting of Drug Control Funds for Fiscal Year 1999 prepared by the Department for the Public Diplomacy program. This report is the responsibility of the Department of State.

In compliance with Section 7 of the Office of National Drug Control Policy (ONDCP) Circular "Annual Accounting of Drug Control Funds," the Office of Inspector General for the Department of State hereby attests that FY 1999 obligations for the Public Diplomacy program fall below the \$50 million full reporting threshold established by ONDCP, and that a full report as required by the Circular would be an unreasonable reporting burden.


Jacquelyn L. Williams-Bridgers
Inspector General

Date: MAY 15 2000

**U.S. DEPARTMENT OF STATE
FORMERLY UNITED STATES INFORMATION AGENCY
(USIA)**

1. TABLE OF PRIOR YEAR DRUG CONTROL OBLIGATIONS

	(in Thousands)
	FY 1999 Actual
Drug Resources by Goal	
Goal 5	\$8,500
Total	\$8,500
Drug Resources by Function	
International	\$8,500
Total	\$8,500
Drug Resources by Destination Unit	
Overseas Missions	\$6,500
Information Program, Exchanges and Research	\$1,500
Broadcasting	400
Total	\$8,500*
Drug Resources Personnel Summary	
Total PTEs (direct only)	61*
Information	
Total USIA Budget	\$1,101,600
Drug Percentage	.7%

*The amount represented all elements of USIA including Broadcasting, which became an independent entity on October 1, 1999. Prior year submissions by USIA noted that the estimated obligations and total staff time are entirely based on the professional judgments of USIA officers. Given the consolidation of USIA into the State Department and the fact that this data is prior to the consolidation, a further breakdown or submission of additional data would constitute an unreasonable reporting burden for the Department of State.

A. DRUG METHODOLOGY

As in past submissions, the FY 1999 data included in this submission is based on judgment. Over the years, USIA has reported public diplomacy support to drug control activities and the cost thereof, as requested by ONDCP. The estimated costs were based on the professional judgment of USIA officers in each of the six geographic areas, the Bureau of Information, the Bureau of Education and Cultural Affairs, the International Broadcasting

Bureau and the Bureau of Research and Media Reaction. No accounting data supported these data except in rare instances where a single activity (e.g., a speaker or a pamphlet) dealt only with drug control issues. Most program activities are multi-purpose or part of a larger group (e.g., international visitors). Therefore, all estimates are based entirely on judgment.

B. METHODOLOGY MODIFICATION

The drug methodology for USIA Funds was not modified during FY 1999.

C. MATERIAL WEAKNESSES OR OTHER FINDINGS

There are currently no material weaknesses or other findings identified for this program.

D. REPROGRAMMING OR TRANSFERS

There are no reprogrammings or transfers in report.

E. OTHER DISCLOSURES

Beginning October 1, 1999, this program was incorporated into the Department of State and will become a Department of State administered program in FY 2000.



United States Department of State
and the Broadcasting Board of Governors

Inspector General

Independent Allegation Review
Annual Accounting of Drug Control Funds
Emergencies in the Diplomatic and Consular Service Program
Department of State

We have reviewed the Annual Accounting of Drug Control Funds for Fiscal Year 1999 prepared by the Department for the Emergencies in the Diplomatic and Consular Service program. This report is the responsibility of the Department of State.

In compliance with Section 7 of the Office of National Drug Control Policy (ONDCP) Circular "Annual Accounting of Drug Control Funds," the Office of Inspector General for the Department of State hereby attests that FY 1999 obligations for the Emergencies in the Diplomatic and Consular Service Program fall below the \$50 million full reporting threshold established by ONDCP, and that a full report as required by the Circular would be an unreasonable reporting burden.


Jacquelyn L. Williams-Bridgers
Inspector General

Date: MAY 18 2000

**U.S. DEPARTMENT OF STATE
EMERGENCIES IN THE DIPLOMATIC AND CONSULAR
SERVICE (EDCS)**

I. TABLE OF PRIOR YEAR DRUG CONTROL OBLIGATIONS

	(in Thousands)
	FY 1999 Actual
Drug Resources by Goal	
Goal 5	\$37
Total	\$37
Drug Resources by Function	
International	\$37
Total	\$37
Drug Resources by Decision Unit	
National Rewards	\$37
Total	\$37
Drug Resources Personnel Summary	
Total FTEs (direct only)	0
Information	
Total Budget	\$17,479
Drug Percentage	2%*

*The total EDCS in-year budget at the end of FY 1999 was \$17,499 thousand which includes \$5,500 thousand in regular appropriation, \$10,000 thousand East Africa bombing emergency supplemental and \$1,979 thousand from the Kosovo emergency supplemental. Neither supplemental was for "drug control" activities.

A. DRUG METHODOLOGY

The drug portion of the EDCS appropriation is used to fund the narcotic rewards program. Reward amounts are based on the recommendations of overseas diplomatic posts after considering such factors as the value of the information provided, nature of the trafficker in question and local circumstances. An interagency committee reviews and recommends the reward amount that must be approved by both the Secretary of State and the Attorney General.

B. METHODOLOGY MODIFICATION

The drug methodology for EDCS has not been modified over the past year.

C. MATERIAL WEAKNESSES OR OTHER FINDINGS

There are currently no material weaknesses or other findings identified for this program.

D. REPROGRAMMING OR TRANSFERS

There are no reprogrammings or transfers to report.

E. OTHER DISCLOSURES

There are no other disclosures to this report.



U.S. Department of Transportation



Federal Aviation Administration

FY 1999 Accounting of Drug Control Funds



U.S. Department
of Transportation
Federal Aviation
Administration

23344 MAR 7 1
805 Independence Ave. SW
Washington, DC 20591


FEB 29 2000

General Barry McCaffrey
Director, Office of National Drug
Control Policy
Washington, D.C. 20500

Dear General McCaffrey:

In accordance with Section 5 of ONDCP Circular, Annual Accounting of Drug Control Funds, we have enclosed the Tables of Prior Year Drug Control Obligations for FY 1999, as Federal Aviation Administration's (FAA) total drug control funds do not exceed \$50 million. We attest that full compliance with the ONDCP Circular, i.e., including the disclosures, would create an unreasonable reporting burden on the FAA. We have also enclosed the Department of Transportation Inspector General's authentication of this report.

Sincerely,


Patrick J. Heidenthal
Acting Director, Office of
Financial Management

Enclosure #1. Federal Aviation Administration Annual Accounting of Fiscal Year 1999 Drug Control Funds, dated January 27, 2000

Enclosure #2. Authentication letter from Inspector General John Meche, dated February 29, 2000

Federal Aviation Administration

**Annual Accounting and Authentication of Drug Control
Funds**

Office of National Drug Control Program (ONDCP)

Detail Accounting Submission

**Report on Prior Year Drug Obligations For Applicable Program
Offices**

(This report will represent ONDCP's total under \$10 million)

January 27, 2000

Office of Financial Management

FY 1999 Accounting of Drug Control Funds

*ONDOP FY 1999 Annual Reporting
of Drug Control Funds
Summary by Program*

File:ondop.xls

Program Office	Program	Total
(in thousands)		
Civil Aviation Security	Drug Investigations	\$ 1,670.1
Civil Aviation Registry	Drug Investigations	5,298.7
Aviation Medicine	Industry Substance Abuse	4,319.3
	Employee Substance Abuse	3,681.8
	RF&D Substance Abuse	1,831.0
Air Traffic Services	Industry Substance Abuse	<u>8,734.3</u>
Total Drug Control Funds		\$ <u>23,637.4</u>

02/29/2000

FY 1999 Accounting of Drug Control Funds

Drug Investigations-CAS
 FY 1999 DWDFP Annual Reporting
 of Drug Control Funds
 Civil Aviation Security

Fairheadp, etc.

Executing: Drug Interdiction (GSA/EA) Shield America's Frontier		ANE	AKA	ASO	ASW	ACE	AGL	AWP	ANM	AAL	AEL	ACY	ANM	Wash Hqts	
Civil Aviation Security Drug Investigations Support Program		Total FY 1999													
FTE		22.0	1.0	1.0	5.0	2.0	1.0	1.0	4.0	2.0	1.0	0.0	0.0	1.0	3.0
3110 Pcp		1,287.1	68.1	8.0	323.0	132.6	66.2	0.0	217.0	97.5	53.3	0.0	0.0	49.7	229.6
3131 OT		3.6	0.3	0.0	1.7	0.0	2.2	0.0	1.0	0.1	0.0	0.0	0.0	0.1	0.0
3158 Phys Comp		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3200 Benefits		102.5	16.1	1.9	77.9	38.2	19.7	0.0	47.9	26.8	26.8	0.0	0.0	10.0	47.6
Total PC&B		1,355.2	84.9	9.9	402.6	170.8	87.7	0.0	265.8	114.4	82.0	0.0	0.0	59.8	277.2
31XX Travel		40.3	3.1	0.2	3.6	0.4	2.3	0.0	0.7	0.2	2.6	0.0	0.0	0.0	11.8
31XX Transport		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31XX Meet		68.8	3.8	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34XX Printing		1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
25.8 Repair & Maint		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2570 ADP Contract		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2578 Phys Exams		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25XX Other Serv		1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Other Serv		1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.1	0.0	0.0	0.0	0.0	0.0
26XX Supplies		2.7	0.1	0.0	1.0	0.0	0.0	0.0	0.5	0.1	0.0	0.0	0.0	0.0	0.0
3111 Office Equip		0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31.2 Medical Equip		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3134 ADP Equip		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Equipment		0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total PC&B		1,355.2	84.9	9.9	402.6	170.8	87.7	0.0	265.8	114.4	82.0	0.0	0.0	59.8	277.2
Total Other		115.2	11.2	0.2	10.4	0.4	8.5	0.0	68.0	0.3	7.4	0.0	0.0	0.0	15.2
Total Program		1,670.3	96.1	10.1	413.0	171.2	96.2	0.0	334.5	114.7	89.4	0.0	0.0	59.8	292.4

01/27/2001

FY 1999 Accounting of Drug Control Funds

Drug Investigations-CAR

*FY 1999 (NDCP) Annual Reporting of
Drug Control Funds
Civil Assets Registry*

Page 20 of 23

Drug Resource Function: Investigation
Goal 4/Objective 1/2/Target 1: Cooperative Relationships

Prior Year Drug Budget Related Costs

MAJOR OBJECT CLASS	FY 1998
Drug EOY Employment	3.4
PC&B	1,904.0
Overtime (non-add)	36.9
Awards (non-add)	14.5
TRAVEL	
TRANSPORTATION	
RENTS, COM, & UTIL	
PRINTING	
OTHER SERVICES	3,494.7
SUPPLIES	
EQUIPMENT	
INSURANCE CLAIMS	
TOTAL	5,398.7
SUMMARY:	
PC&B	1,904.0
Other Objects	3,494.7

01/27/2000

FY 1999 Accounting of Drug Control Funds

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FY 1999 OWD/CP Annual Accounting of Drug Control Funds Aviation Medicine

Industry Substance Abuse -AMM

Elimination: Prevention
 Qualifications, Industry Anti-Abuse
 AVIATION INDUSTRY SUBSTANCE ABUSE PROGRAM

	Total FY 1999	AME	AEA	RSD	ASW	ACE	AUL	AWP	AMM	AAL	CAM	AWD	ACT
FTE	50	0										30	
1100 Pay	818.2	0										718.2	
1131 OT	0												
1159 Phys Camp	0												
1200 Benefits	613.0	0										671.9	
Total PC&B	1402.1	0	0	0	0	0	0	0	0	0	0	1402.1	0
21XX Travel	371	0	0	0	0	0	0	0	0	0	0	371	0
22XX Transport	13.8	0	0	0	0	0	0	0	0	0	0	13.7	0
23XX Rent	0	0	0	0	0	0	0	0	0	0	0	0	0
24XX Printing	0	0	0	0	0	0	0	0	0	0	0	0	0
25.4 Repair & Maint	1.9	0	0	0	1.2	0	0.8	0	0	0	0	0	0
2570 ADP Contract	0	0	0	0	0	0	0	0	0	0	0	0	0
2574 Phys Exam	0	0	0	0	0	0	0	0	0	0	0	0	0
25XX Other Serv	200.5	0	0	0	1.4	0	6.1	0	0	0	0	199.1	0
Total Office Serv	202.3	0	0	0	2.7	0	6.7	0	0	0	0	199.1	0
26XX Supplies	19.7				1.5		1	0.9				35.3	
3111 Office Equip	0	0	0	0	0	0	0	0	0	0	0	0	0
31.2 Medical Equip	0	0	0	0	0	0	0	0	0	0	0	0	0
3134 ADP Equip	1	0	0	0	0.2	0	0.8	0	0	0	0	0	0
31XX Other Equip	87.2	0	0	0	0	0	0	0	0	0	0	82.2	0
Total Equipmen	88.2	0	0	0	0.2	0	5.4	0	0	0	0	82.2	0
Total PC&B	3802.1	0	0	0	0	0	0	0	0	0	0	3802.1	0
Total Other	217.2	0	0	0	4.3	0	11	0.9	0	1.2	0	703.3	0
Total Program	4519.3	0	0	0	4.3	0	11	0.9	0	1.2	0	4505.6	0

01/27/2000

FY 1999 Accounting of Drug Control Funds

Employee Substance Abuse-AM
 FF 1999 ONDJP Annual Accounting of
 Drug Control Funds
 Aviation Medicine

Employee Substance Abuse-AM

Education: Prevention
 Goal 250000023: Employee APR-AM-AM
 FAA EMPLOYEE SUBSTANCE ABUSE PROGRAM

	Total FY	1999	ANE	AEA	AED	ASW	ALE	AGL	AMP	AMM	AM	CAM	AWD	ACT
FTE	14.5	1	1.4	1.5	1.1	1	1	1.2	1	1.1	1	0.2	4	
1100 Pay	834.7	86.1	97	84.3	91.7	51.6	69.4	63.4	63.4	58	56.1	11.8	238.3	
1151 OY	0	0	0	0	0	0	0	0	0	0	0	0	0	
1158 Phys Comp	16.2	0	7.2	4	1	1	3	0	0	1	0	0	0	
1200 Benefits	193.7	11.7	23.6	18.2	12.5	13.1	16.0	13	14	14	18.3	2.7	48.7	
Total PC&B	1044.6	67.8	127.8	106.5	65.2	63.7	89.3	78.4	78.4	70	77.4	14.5	286	0
21XX Travel	19.7	0	1.9	1.7	3.8	0.9	1.7	0	0	0.6	2.2	0	0	0
22XX Transport	0.4	0	0	0	0.1	0	0	0	0	0.1	0	0	0.2	0
23XX Rent	1.2	0	0	0.1	0.2	0	0.6	0	0	0	0.3	0	0	0
24XX Printing	0.7	0	0	0	0	0.5	0	0	0	0.2	0	0	0	0
25.4 Repair & M	0.1	0	0	0	0.5	0	0	0	0	0.2	0	0	0	0
2570 ADP Contri	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2578 Phys Exam	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25XX Other Serv	2596.8	0	0	3.8	0.1	0.1	0	0	0	0	0.1	0	2593	0
Total Other Serv	2597.5	0	0	3.8	0.6	0	0	0	0	0.2	0.1	0	2593	0
26XX Supplies	7.8	0	1.4	1.7	1.1	1.1	0	0	0	0	1.1	0	2.6	0
3111 Office Equi	4.8	0	3.6	0.7	0	0	0.3	0	0	0	0	0	0	0
31.2 Medical Equ	0.3	0	0	0	0	0	0.3	0	0	0	0	0	0	0
3134 ADP Equip	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31XX Other Equip	6.1	0	0	0	0	0	0.3	0.5	0	0	0	0	5.9	0
Total Equipments	11.6	0	3.6	0.7	0	0	1.1	0.5	0	0	0	0	5.9	0
Total PC&B	1044.6	67.8	127.8	106.5	65.2	63.7	89.3	78.4	78.4	70	77.4	14.5	286	0
Total Other	2838.2	0	5.5	7.5	5.4	2.6	3.4	0.5	1	3.7	0	0	2409.7	0
Total Program	3683.0	67.8	133.3	114	70.6	86.2	92.7	86.0	71	81.1	14.5	0	2895.7	0

01/27/2001

FY 1999 Accounting of Drug Control Funds

REID Subgrant Admin-AM

*FY 1999 QNDCF Annual Accounting of
Drug Control Funds
Aviation Medicine*

Exacrtfcp.xls

Function: Prevention

Goal #3/Subject #6: Research Analysis

Aviation Medicine RE&D Substance Abuse Program

	Total FY 1999
FTE	8
1100 Pay	430
1151 OT	0
1158 Phys C	0
1200 Benefit	97
Total PC&B	536
21XX Travel	31
22XX Transp	8
23XX Rent	3
24XX Print	0
25.4 Repair	0
2570 ADP C	0
2578 Phys E	0
25XX Other	189
Total Other E	189
25XX Suppl	170
3111 Office	0
31.2 Medical	51
3134 ADP E	15
31XX Other	28
Total Equipm	94
Total PC&B	536
Total Other	465
Total Progra	1031

01/27/2000

4/20/1999

FY 1999 (WVACF Award) Accounting of
(Drug Control Funds)
Air Traffic Services

TABLE OF PRIOR YEAR/DBLAG CONTROL OBLIGATIONS
Office of Air Traffic - FY 1999 Program Resources (Estimated)
(\$ in thousands)

Division: Drug Interdiction
Goal/03/03/01/01 - Industry Activities

Activity/Industry Substance Abuse Program	Total FY 1998	AVE	AEA	ΔEO	ΔSW	ACE	AGL	AWP	ANM	AAL	CAMI	AWP	ACT
FTE	99.0	0.0	1.0	15.0	37.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1110 Pay	4,644.5	0.0	60.8	598.7	2,900.8	0.0	0.0	604.2	0.0	0.0	0.0	0.0	0.0
1151OT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1158 Phys Comp	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1200 Benefits	2,089.8	0.0	20.7	445.4	1,345.6	0.0	0.0	372.1	0.0	0.0	0.0	0.0	0.0
Total PC&B	6,734.3	0.0	81.5	1,034.1	4,338.4	0.0	0.0	876.3	0.0	0.0	0.0	0.0	0.0
2100 Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2200 Transport	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2300 Rent	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2400 Printing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.4 Repair & Maint	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2570 ADP Contract	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2578 Phys Exams	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25XX Other Serv	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Other Serv.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2600 Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3111 Office Equip	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31.2 Medical Equip	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3134 ADP Equip	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31XX Other Equip	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total PC&B	6,734.3	0.0	81.5	1,034.1	4,338.4	0.0	0.0	876.3	0.0	0.0	0.0	0.0	0.0
Total Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Program	6,734.3	0.0	81.5	1,034.1	4,338.4	0.0	0.0	876.3	0.0	0.0	0.0	0.0	0.0

01/27/2000



U.S. Department of
Transportation
Office of the Secretary
of Transportation

February 29, 2000

DTIC 40-100000-0000

Office of Inspector General's Independent Report on the U.S. Department of Transportation, Federal Aviation Administration's Annual Accounting and Authentication of Drug Control Funds, Detail Accounting Submission Report on Prior Year Drug Obligations for Applicable Program Offices, dated January 27, 2000

We reviewed the accompanying report, *U.S. Department of Transportation, Federal Aviation Administration's Annual Accounting and Authentication of Drug Control Funds, Detail Accounting Submission Report on Prior Year Drug Obligations for Applicable Program Offices, dated January 27, 2000*. This report is the responsibility of the U.S. Department of Transportation, Federal Aviation Administration's (FAA) management and was prepared under the authority of 21 U.S.C. § 1740 (d), which requires a review by the Inspector General.

Our review was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The objective of a review is to provide negative assurance as to whether any information came to our attention on the basis of the work performed to indicate that management's assertions are not presented in all material respects based on established or stated criteria. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the *U.S. Department of Transportation, Federal Aviation Administration's, Annual Accounting and Authentication of Drug Control Funds, Detail Accounting Submission Report on Prior Year Drug Obligations for Applicable Program Offices*. Accordingly, we do not express such an opinion.

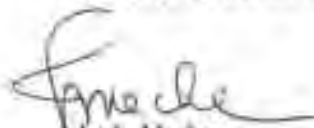
We performed review procedures on FAA Program Offices' report presentation and drug methodology. In general, our review processes were limited to inquiries and analytical procedures appropriate for attestation reviews.

During our review, we found that two of FAA's program offices, Office of Civil Aviation Registry and Office of Air Traffic Services, do not fully meet the criteria established by the Office of National Drug Control Policy Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999. The circular states: "Principal criteria for an agency or bureau's drug methodology are (1) that it provide a reasonable basis for consistent estimation, and (2) that financial statistics derived through the application of this methodology fairly quantify the agency or bureau's involvement in the National Drug Control Program." Since inception, neither of these program offices have accounted for actual drug control funds usage nor do they apply adequate estimating techniques, such as surveys or work studies, to arrive at the amount that fairly quantifies their involvement in the drug control program. Specifically, the two FAA program offices initially established a baseline employee full time equivalents (FTE) count at the inception of the Drug

Enforcement Assistance Act in 1988. Any subsequently hired employees' personal compensation and benefits (PC&B) costs were attributed to the National Drug Control Program, together with a prorated portion of "other program costs." Neither office has revisited its methodology to ensure that it currently quantifies its involvement in the National Drug Control Program.

Nothing additional came to our attention that caused us to believe that the accompanying U.S. Department of Transportation, Federal Aviation Administration's, *Annual Accounting and Authentication of Drug Control Funds, Detail Accounting Submission Report on Prior Year Drug Obligations for Applicable Program Offices* is not presented in conformity with the Office of National Drug Control Policy's Circular: *Annual Accounting for Drug Control Funds*, dated December 17, 1999.

This report is intended solely for the use of the U.S. Congress, Office of National Drug Control Policy, and the Department of Transportation.



John L. Meche
Deputy Assistant Inspector General
for Financial and Information Technology



U.S. Department of Transportation



FY 1999 Accounting of Drug Control Funds



U.S. Department
of Transportation
National Highway
Traffic Safety
Administration

400 Pennsylvania, S.W.
Washington, D.C. 20590

FEB 28 2000

Mr. N. Ross Deck
Director, Office of Programs, Budget, Research and Evaluation
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Deck:

In accordance with the Office of National Drug Control Policy Circular: Annual Accounting of Drug Control Funds, the National Highway Traffic Safety Administration's (NHTSA) Fiscal Year 1999 Drug Control Obligation Summary is attached. NHTSA's obligations for drug-related activities fall below the reporting threshold of \$50 million, therefore, only a limited report is required to satisfy the statutory requirement.

The majority of NHTSA's drug control activities are funded as grants to the states. Since the states are not required to report actual data on specific programs funded with these resources, the attached report reflects estimated obligations.

NHTSA's point of contact for this report is Mrs. Laurie Brown-Poinlester, and she can be reached on (202) 366-5456 if you require further assistance.

Sincerely,

William H. Walsh
Associate Administrator for
Plans and Policy

John Meche
Deputy Assistant Inspector General
for Financial, Economic, and Information Technology



FY 1999 Accounting of Drug Control Funds

**NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
FISCAL YEAR 1999 DRUG CONTROL OBLIGATIONS SUMMARY
(\$ IN MILLIONS)**

	FY 1999 Estimate
<u>Drug Strategy by Goal:</u>	
<i>Educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco.</i>	
Goal 1:	32.22
<u>Drug Functions:</u>	
Research and Development	0.40
Preventions	31.82
Total:	32.22
<u>Drug Budget Decision Unit:</u>	
<i>Highway Safety Programs:</i>	
Youth Alcohol	1.79
DEC	0.62
Drugs, Driving & Youth	3.00
HSR Youth Alcohol	0.10
HSR Drugs	0.30
Section 402 Grants	20.90
Section 410 Grants	0.51
Total:	32.22

Full compliance with circular: Annual Accounting of Drug Control Funds, would constitute an unreasonable reporting burden.



U.S. Department of Transportation



FY 1999 Accounting of Drug Control Funds

U.S. Department
of Transportation
United States
Coast Guard



Commandant,
United States Coast Guard

2100 Second Street, S.W.
Washington, DC 20593-0001
Rear Symbol: G-CBU
Phone: (202) 267-2412
Fax: (202) 267-4153

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2 1/2 1/2 1/2


The Honorable Barry R. McCaffrey
Director, Office of National Drug Control Policy
Executive Office of the President
750 - 17th Street, N.W.
Washington, D.C. 20006

Dear General McCaffrey,

In accordance with Section 1704(d) of Title 21 United States Code, enclosed please find a detailed accounting of the United States Coast Guard's Fiscal Year 1999 drug control funds, along with the Department of Transportation Inspector General's authentication of this accounting consistent with the instructions in ONDCP Circular: *Annual Accounting of Drug Control Funds*, dated December 17, 1999.

Should you have any questions about this information please do not hesitate to contact me.

Sincerely,


D. R. RICHARDSON
REAR ADMIRAL
U.S. COAST GUARD
DIRECTOR OF RESOURCES

- Encl: (1) U.S. Coast Guard detailed Accounting of FY 1999 Accounting of Drug Control Funds
- Encl: (2) Authentication letter from Deputy Assistant Inspector for Financial and Information Technology, John L. Meche, dated February 29, 2000.
- Copy: Mr. John L. Meche

FY 1999 Accounting of Drug Control Funds



Commander,
United States Coast Guard

2150 General Green, S.W.
Washington, DC 20549-0001
Mail Symbol: 3-CBG
Phone: (202) 267-3400
FAX: (202) 267-4151

7100
18 February, 2000

Mr. John L. Meche
Deputy Assistant Inspector General
for Financial and Information Technology
Room 9228, Nassif Building
400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Mr. Meche,

In accordance with the Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds*, I have enclosed Coast Guard's report of FY 1999 drug control obligations, drug control methodology and assertions.

To reiterate a few major points we have explained to Ms. Hayden of your staff:

- Coast Guard does not receive drug control funding via a drug appropriation;
- The methodology used to present drug control funding uses financial and operational data related to drug interdiction activities, and;
- The Coast Guard annually reports its drug control funding to ONDCP in terms of budget authority. The obligation drug control funding in this report was formulated using the same allocation methodology.

If you require further assistance on this information, please contact Mr. Dave Pokora, x7-2415.

Sincerely,

James M. Hays, IV
Captain, U. S. Coast Guard
Chief, Office of Budget

Enc: (1) FY 1999 Accounting of Drug Control Funds

ENCLOSURE(1)

FY 1999 Accounting of Drug Control Funds

DEPARTMENT OF TRANSPORTATION
 UNITED STATES COAST GUARD
 Table of Prior Year Drug Control Obligations
 (dollars in millions)

RESOURCE SUMMARY

	1999 <u>Actual</u>
Drug Resources by Goal	
Goal 4: Shield America's Air, Land and Sea Frontiers from the Drug Threat	\$627.958
Goal 5: Break Foreign and Domestic Sources of Supply	0.677
Total	<u>\$636.635</u>
Drug Resources by Function	
Interdiction	\$636.635
Research and Development	2.221
Total	<u>\$638.856</u>
Drug Resources by Decision Unit	
Operating Expenses (OE)	\$485.918
OE Drug Percentage	17.2%
Acquisition, Construction, and Improvements (AC&I)	150.717
AC&I Drug Percentage	42.3%
Research, Development, Test and Evaluation (RD&E)	2.221
RD&E Drug Percentage	11.5%
Total Obligations	<u>\$638.856</u>

DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 1999 DRUG CONTROL FUNDS
5A. DETAILED OBLIGATION SUBMISSION

Overview

The following provides a synopsis of the United States Coast Guard's FY 1999 Drug Control Funds reporting which describes:

1. The agency's overall mission and the role of drug interdiction efforts within the Coast Guard's multi-mission structure;
2. The Coast Guard's drug control budget submission.

Coast Guard Mission

The Coast Guard is a military service with mandated national security and national defense responsibilities in addition to being the United States' leading maritime law enforcement agency with broad, multi-faceted jurisdictional authority. The Coast Guard is a multi-mission maritime service consisting of seven unique mission areas: search and rescue, aids to navigation, marine safety, ice operations, marine environmental protection, enforcement of laws and treaties, and defense readiness.

The Coast Guard faces many of the same challenges that the other four military services face when it comes to deciding which assets should be deployed for what missions and where. This is not only true between the broad categories of missions, but also within sub-sets of the various missions the Coast Guard undertakes. For example, assets used for the Enforcement of Law and Treaties mission must be divided between maritime interdiction of drugs and migrants illegally attempting to enter the U.S., as well as enforcement of fishing and economic regulations and treaties. Due to the multi-mission nature of the Coast Guard and the necessity to allocate the effort of a finite amount of assets, there is a considerable degree of asset "cross-over" between the missions. This crossover contributes to the challenges the Coast Guard faces when reporting costs for the various mission areas.

Coast Guard's Drug Budget

In the annual National Drug Control Strategy (NDCS) Budget Summary, all agencies present their drug control resources broken out by goal, function, and decision unit. The presentation by decision unit is the one that corresponds most closely to the Coast Guard's congressional budget submissions and appropriations. It should be noted and emphasized that the Coast Guard does not have a specific appropriation for drug interdiction activities. All drug interdiction operations, capital improvements, and research and development efforts are funded out of general Coast Guard appropriations. For the most part, the Coast Guard drug control budget is a reflection of the Coast Guard's overall budget. The Coast Guard's Operating Expenses appropriation budget request is incremental, focusing on the changes from the prior year base brought forward. For many years, the Coast Guard has presented supplementary budget information through the use of a model, which allocates its base funding and incremental requests by mission.

This allocation model known as Program Budget, serves as the basis for developing drug control budget estimates for the OE appropriation and provides allocation information used for developing the drug control estimates for the AC&I appropriation. Similarly, this is the methodology used to complete our annual submission to ONDCP for the NDNS Budget Summary.

DEPARTMENT OF TRANSPORTATION
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 1999 DRUG CONTROL FUNDS
 5A. DETAILED OBLIGATION SUBMISSION

1. Drug Methodology

In the late 1970's, the Coast Guard designed this cost allocation methodology, called Program Budgets, as a systematic way to allocate funding to the Coast Guard's primary mission areas. This methodology allocated Coast Guard costs based on the hours cutters, aircraft, boats, and marine safety personnel spent on various types of missions. This view of the Coast Guard budget provided valuable insight into the multi-mission use of assets and personnel, but for many years the only information taken into consideration was based on the results of a past year's operational activity. Until 1998, operational data (hours of effort) and obligation data were downloaded only at the end of the fiscal year to develop program spreads for the year just completed and budgetary projections for current and future years were based on this historical data and future year incremental changes. Today, the methodology and software have been updated and the Coast Guard has developed baseline operating hour allocations to major mission areas that are the basis for funding allocations in budget projections. These operating hour allocations, or baselines, are developed and modified based upon line item requests, congressional direction and national priorities.

The Coast Guard's systematic approach to developing drug control funding estimates is done by examining the decision units, or appropriations, that comprise the drug control budget estimates of the Coast Guard. These decision units consist of Operating Expenses (OE); Acquisition, Construction, and Improvements (AC&I); and Research, Development, Test, and Evaluation (RDY&E). Each decision unit contains its own methodology and is inherently unique (AC&I and RDY&E's multiyear and no-year funding respectively vs. OE's one year funding).

Operating Expenses

The majority of the funds allocated to Coast Guard's drug control mission area are in the Operating Expenses (OE) decision unit. OE funds are used to operate Coast Guard facilities, maintain capital equipment, improve management effectiveness, and recruit, train, and sustain an all-volunteer active duty military and civilian workforce. In the OE budget, the amount allocated to the drug control mission area is derived by allocating a share of the actual FY 1999 obligation based upon the amount of time aircraft, cutters, and boats dedicate towards drug control activities. The Coast Guard is able to determine the resource hours spent on each of the seven Coast Guard missions by using a detailed system of tracking operating hours. This tracking system is called the Abstract of Operations Report. Using the reported hours logged by commanding officers on ships and by pilots of aircraft, the Coast Guard can determine on which missions Coast Guard personnel and assets spent their time. Such detailed information is valuable for allocating actual costs, and projecting future costs and what percentage of resources will be used on the drug control mission. Using financial data gathered from over 3000 cost centers around the United States along with the Abstract of Operations information, the Coast Guard is able to allocate OE costs to each of the seven mission areas.

DEPARTMENT OF TRANSPORTATION
 UNITED STATES COAST GUARD
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 FY 1999 DRUG CONTROL FUNDS
 5A. DETAILED OBLIGATION SUBMISSION

Drug Methodology (Cont.)

Acquisition, Construction, and Improvements

In scoring drug control funding requests within the zero-based Acquisition, Construction, and Improvements (AC&I) decision unit, every line item requested in the FY 1999 AC&I budget was evaluated for its anticipated contribution to drug interdiction efforts. For each AC&I Project, a discrete driver is selected to allocate the funding for that project to the various mission areas of the Coast Guard. In most cases, the driver is the percentage of time the new asset is expected to contribute to the drug control mission based on the corresponding percentage of time that the asset it will replace contributed to the drug control mission. In other cases, if the new asset does not replace a similar asset, a projection is made to determine what the new asset's drug-related contribution would be either based upon a like asset or based upon experienced professional judgement. The program percentage spreads for each of these drivers are extracted from the Program Budget. Furthermore, unlike OE funding, which is requested for and obligated in one budget year, AC&I funding, once appropriated, is available normally for obligation for up to five years, depending on the nature of the project. Therefore, various spikes in operational activity (e.g. reduced/increased aircraft and/or cutter cruise hours, will directly effect OE budget estimates in a given budget year, but will have no relative effect in the AC&I appropriation.

Research, Development, Test and Evaluation

The final decision unit is Research, Development, Test and Evaluation (RDT&E). This decision unit contains funding associated with direct and indirect project support for the drug interdiction mission. The methodology for calculating the appropriate drug allocation of FY 1999 projects began with an expert subject matter review of the project digest. Those projects determined to be drug related are further analyzed for a distinct drug percentage. This is done, because direct project support funding is for R&D tasks either done solely to assist and improve drug detection and interdiction (such as the test and evaluation of drug detection equipment to improve search techniques under the Comprehensive Maritime Law Enforcement project), or which contribute significantly to detection and/or interdiction but which also benefit other Coast Guard missions. An example of this is the evaluation of various sensor technologies, which are of potential benefit to illegal migrant alien interdiction, fisheries law enforcement and search and rescue efforts as well as drug interdiction. Ultimately, a reasonable drug percentage was then applied to each applicable project obligation data recorded in FY 1999. The FY 1999 obligations associated to the list of drug related projects are estimated because RDT&E is a no year-funded appropriation and information by fiscal year is relatively transparent.

Goals 4 and 5 - A detailed description of Coast Guard's role in support of NDCS Goal 4 (Shield America's air, land, and sea frontiers from the drug threat) and NDCS Goal 5 (Break foreign and domestic drug sources of supply) is documented in the National Drug Control Strategy, 1999 and in the NDCS 1999 Budget Summary on pages 192 and 193. As shown in the Table of Prior Year Drug Control Funding, nearly 98% of Coast Guard's FY 1999 drug control resources supported

DEPARTMENT OF TRANSPORTATION
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 1999 DRUG CONTROL FUNDS
 5A. DETAILED OBLIGATION SUBMISSION

Goal 4. The Goal 5 allocation represents costs to fund the salaries of Coast Guard billets and HH-25 aircraft operating in support of source zone interdiction efforts.

2. Methodology Modifications

The methodology described above has not been modified from the previous year.

3. Material Weaknesses or Other Findings

In March 1999, Coast Guard was selected among a handful of other drug control agencies, to participate in a review of its drug control methodology. RAND Associates, an independent consultant, conducted the study for ONDCP. RAND's final report to ONDCP in April, 1999 contained the following conclusive statement:

"Through an examination of the Coast Guard budget, one learns the difficulties encountered when trying to determine budgeting for a multi-mission agency. Indeed, the sheer size and multitude of data that goes into determining the Coast Guard budget, in addition to the complexity of the cost allocation model, limits the ability of individuals outside of the Coast Guard to recreate a Coast Guard drug budget. However, after an explanation of the Coast Guard budget process and how it utilizes its cost allocation model to project future costs and budget allocations for the seven primary mission areas, one realizes the Coast Guard has developed and continues to evolve a budgeting methodology that could serve as an example for the drug interdiction community. It demonstrates how a law enforcement agency can address its drug budget funding needs for the upcoming year based on prior year's data and also make projections for future years based on both historical data and national priorities and goals with a relatively high level of confidence in its numbers. Even with the difficulties of estimating resource allocation associated with an agency that requires it to change missions sometimes on a minute-to-minute basis, the Coast Guard has done an admirable job developing a methodology that allows it to determine how much needs to be allocated to each mission area. Realizing the challenge of trying to understand the Coast Guard's approach to its multi-mission budget estimates, the Coast Guard has sought to improve the ability for the public to comprehend its budget by incorporating an activity based costing technique. This development may provide a clearer understanding of how much funding actually goes toward the drug interdiction effort.

The challenges of resource allocation in a multi-mission agency have not deterred the Coast Guard from conducting rigorous budget analyses on a yearly basis. Rather, the Coast Guard has developed a model that is precise in its ability to track resources used in each mission area, and has the ability to project out for the upcoming year in terms of meeting national goals for the drug interdiction mission. While no budgeting methodology is perfect, the Coast Guard has developed one that could serve as a template for improving the ways which other law enforcement agencies determine their drug control budgets."

4. Reprogramming or Transfers

No reprogrammings or transfers of drug related budget resources in excess of the ONDCP's \$5 million threshold occurred during FY 1999.

DEPARTMENT OF TRANSPORTATION
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 1999 DRUG CONTROL FUNDS
 5B. ASSERTIONS

(j) Drug Methodology

The following methodology was applied to derive the drug control information presented in the table in section 5A. The information reported is considered reasonable and is derived from an allocation process. The aggregate obligation data is accurate and is derived from financial systems.

The Coast Guard does not have a discrete drug control appropriation. The Coast Guard's financial systems are not structured to accumulate accounting data by operating programs or mission areas. Drug control funding data is developed using a systematic process called Program Budget (PB) for the OE appropriation, a combination of project analysis and Program Budget for the A&C&I appropriation, and a combination of project analysis and subject matter review for the RDT&E appropriation.

(k) Data - As pointed out in the previous section, the Coast Guard reports its drug control funding to ONDCP from three appropriations or decision units. The mechanics of how each decision unit's drug control data is derived follows:

Operating Expenses (OE) - Budget Authority or Obligations are allocated to the operating mission areas of the Coast Guard based upon the output of the Program Budget model. PB is used to allocate resources to the operating and support programs, and this information rolls-up to the seven mission areas. This tool is used in presenting the mission based data shown in the OE budget submissions across seven operating missions of: search and rescue, aids to navigation, marine safety, ice operations, marine environmental protection, enforcement of laws and treaties, and defense readiness. The following data sources feed the Program Budget:

1. **Departmental Accounting & Financial Information System (DAFIS)** - annual obligation data broken down by Operating Facility (OPFAC) Com. Center, Unit Name, Allotment Fund Code, Object Class and dollar amount.
2. **Abstract of Operations (AOPS)** - annual record of how the asset (aircraft, boat, or cutter) spent its time performing various missions of the Coast Guard. It is completed by the operating activity or unit performing the mission(s) and accounts for what that activity or unit did 24 hours a day, 365 days a year. Abstract of Operations reports are submitted to Headquarters on a quarterly basis.
3. **Marine Safety Personnel Resource Survey** - a record of how the personnel at the various Marine Safety activities and units spent their time performing the various assigned missions. The survey associates how much time personnel spend performing in the various program areas. The last Marine Safety Personnel Resource Survey was completed in 1997.
4. **Personnel Allowance List (PAL) Data** - a listing of personnel by facility and functional area. Officer Billet Codes (OBC) determines what percent of billets are associated with each program. The OBC system provides descriptive information about each Coast Guard officer billet.

DEPARTMENT OF TRANSPORTATION
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 1999 DRUG CONTROL FUNDS
 5B. ASSERTIONS

3. **Program Budget Application & Results** - Program budget produces an allocation of all OE obligations to the operating programs. At the end of this process, the operating program information has been rolled-up into the mission areas of the Coast Guard. This percentage of operating program and mission spreads are developed from this information.
4. **Normalize to BA or Obligations** - The operating program and mission area percentages were then applied to total FY 1999 budget authority or obligations (See Attachment A) depending upon the reporting requirement. Budget Authority data is derived from agency's Congressional budget submission and obligation data is derived from the final financial accounting Report of Budget Execution (SF-133).

Acquisition, Construction & Improvements (AC&I) - is a multi-year appropriation where funding, once appropriated may be normally expended up to 3 years hence. The methodology used to develop the drug funding estimate is systematically different than that of OE. AC&I drug funding levels, for either BA or obligations, are developed through an analysis of each project/line item. For each line item, a discrete driver is selected that best approximates the contribution that asset or project, when delivered, will contribute to the programs and mission areas of the Coast Guard. The program/mission area spreads for these drivers are extracted from Program Budget. To ensure consistency, the Program Budget extracts used for the analysis of enacted BA for any fiscal year are used for the end of year analysis of obligations as well. For FY 1999 AC&I program and mission area spreads, the following data sources and methods were used:

1. **Program Budget** - is run as discussed above using the following data sets:
 - * FY 1998 DAFIS obligations on categories using the percentage of financial data broken down by Operating Facility (OFFACY Cost Center, Unit name, Allotment Fund Code, Object Class and dollar amount.
 - * Projected FY 1999 AOPS Baseline - a projection of how the assets (aircraft, boat, or cutter) will spend their time performing various missions of the Coast Guard.
2. **Drug Related Percentages** - The percentage spread for each driver is extracted from the Program Budget run completed above. This information was further analyzed to:
 - (a) ensure a discrete driver was applied to each project consistent through the life of the project or;
 - (b) a driver was used that was based upon historical or future projected use of asset.
3. **Program Budget Results/Application** - Once the project drivers were reviewed for their reasonability, they were then applied to the total BA or obligations of the FY 1999 project/line item to derive the allocated drug levels (See Attachment B). The BA levels are derived from the agency's Congressional budget submission. The FY 1999 obligation data is a data run from DAFIS of AC&I Unobligated Balances by Project.

DEPARTMENT OF TRANSPORTATION
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 1999 DRUG CONTROL FUNDS
 5B. ASSERTIONS

Research, Development, Test & Evaluation (RDT&E) - is a no-year appropriation where funding, once appropriated may be obligated indefinitely in the future until all balances are expended. The methodology used to develop the drug funding estimate is similar to AC&I in that drug funding costs are based on an analysis of project/line items, but the program/mission area percentages are based upon subject matter expert review. The method used to compile the FY 1999 data was:

1. **Focus on project/line items** requested in the Comprehensive Law Enforcement Program, Project Activity (PPA) and the Technology Investment PPA.
2. **Subject matter expert review** of each project/line item to estimate their direct and indirect impact to the drug control percentage of effort.
3. **Application** - Once the project drivers were reviewed for their reasonability, they were then applied to the total cost of the FY 1999 project/line item to derive the drug associated costs (See Attachment C). BA data is derived from the agency's Congressional budget submission and obligation data is extracted from a Large Unit Financial System (LUPS) transaction summary report by project. FY 1999 obligations associated to the list of drug related projects are estimated because RDT&E is a no-year-funded appropriation and information by fiscal year is relatively transparent.

(b) **Other Estimation Methods** - Where PB allocates a percentage of time/effort expended to a given AC&I project/line item, in some cases changes were made to better represent the drug costs associated. As noted in the AC&I methodology, unassociated professional judgement is sometimes used to change a driver based on specific knowledge that a resource will be used differently than the historical profile indicates. An example of this is the change in the allocation of resource hours associated with a new ice breaker. In the past, ice breakers have dedicated a majority of their annual resource hours to ice breaking with the remainder of the annual resource hours being allotted to environmental response. The new ice breaker is being designed as more of a multi-mission asset that will be tasked with aids to navigation, marine safety, and search and rescue missions in addition to its ice breaking activities. This change will require that the PB model allocation for this resource be manually adjusted, based on professional judgement, to reflect this change in the operating profile of the new ice breaker.

(c) **Completeness** - To the best of our knowledge, all drug control activities conducted by the Coast Guard are reflected in the methodology applied.

(d) **Financial Systems** - Obligation data are derived from DAFIS. No other financial systems or information is used in developing program or mission area allocations.

(2) **Application of Methodology** - The methodology disclosed in this section was the actual methodology used to generate the table required by Section 5A. Documentation on each decision unit is provided.

(3) **Financial Plan - Including Reprogrammings or Transfers** - No reprogrammings or transfers of drug related budget resources in excess of the ONDCP's \$5 million threshold occurred during FY 1999.

FY 1999 Accounting of Drug Control Funds

Activity	Federal		State		Local		Total		Total
	Actual	Available	Actual	Available	Actual	Available	Actual	Available	
GRAND TOTAL	108,000	108,000	37,720	37,720	7	7	145,727	145,727	145,727
STATE	108,000	108,000	37,720	37,720	7	7	145,727	145,727	145,727
LOCAL	0	0	0	0	0	0	0	0	0
FEDERAL	0	0	0	0	0	0	0	0	0
ACTIVITY	108,000	108,000	37,720	37,720	7	7	145,727	145,727	145,727
GRAND TOTAL	108,000	108,000	37,720	37,720	7	7	145,727	145,727	145,727
STATE	108,000	108,000	37,720	37,720	7	7	145,727	145,727	145,727
LOCAL	0	0	0	0	0	0	0	0	0
FEDERAL	0	0	0	0	0	0	0	0	0
ACTIVITY	108,000	108,000	37,720	37,720	7	7	145,727	145,727	145,727

FY 1999 Accounting of Drug Control Funds

Attachment C

FY 1999 DRUG PROJECT LIST - BUDGET LEVEL				
(\$1000)				
Budget Sheet/Project Area/Project	FY99 Enacted	Obligated in FY99* (L.E. Related)	Drug L.E. %	Drug L.E. % Charged in FY99*
DI. Improved Search & Seizure Capability	475			
a. Search Planning				
Lynch's Initiative				
Research & Eval. (R&E) (Lynch's Theory)				
Developing Search State Action Plan/Policy for SAM				
b. Search Procedures, Platforms & Support	205			
NSAC, CASP Evaluation/Improved Methodology	120			
New York Search System Variation				
MARC Search System Plan Study	75			
SUBTOTAL, NON-PERSONNEL	225			
Direct Project Personnel	250			
DI. Warehouse Security & Management and Adds to Management	2,119			
a. Warehouse Management	400			
Processes for Warehouse Access	100			
b. Advanced Vehicle Traffic System/Database	370			
Data System/Video Storage/Access VTS	200			
c. Integrated Accounting Systems				
Street Range Add to Warehouse				
d. Risk Mitigation Analysis	300			
Risk Mitigation Analysis of ATIS Operations	100			
SUBTOTAL, NON-PERSONNEL	1,170			
Direct Project Personnel	1,049			
DI. Marine Safety	2,789			
a. Marine Safety Research	215			
Coastal Highway to Support National Planning & Management	125			
b. Marine Enforcement Policy/Research	1,175			
MF as Community Investigations	200			
Marine Enforcement Policy Study to CS Operations	475			
Investigating Methods of Training Operations	500			
Methods to Improve Policy/Strategy Performance				
Supporting Code Review	100			
c. Pilot Safety for Commercial Vessels	799			
Development of evidence for Safety Measures for Pilot Vessels	100			
Pilot Support/Support/Support to Small Commercial Vessels	500			
Control of Small Vessels at Passenger Sites				
Pilot Performance at Passenger Sites	199			
SUBTOTAL, NON-PERSONNEL	2,064			
Direct Project Personnel	725			
DI. Support Interagency Adm. Structure Committee				
(SAC) Research	200			
A. Support Interagency SAC Research	200			
Direct Project Personnel	50			

Public Version
NOTE: DRUG_FY99-086-01
08/11

Page 1 of 1

Contact: 14 February 2000
Phone: 801/598-4187 ext.

FY 1999 Accounting of Drug Control Funds

Attachment C

Budget Sheet/Project Area/Activity	FY98 Budget	Obligated in FY98 (L.S. Related)	Drug LE %	Drug LE \$ Obligated in FY98
03. Marine Environmental Protection	1,684	-		-
a. Planning, Management and Training	143			
Public Meetings or Informal Staff Meetings	143			
b. Oil Pollution Response	850			
Remedial Response Technology	355			
Remedial Contaminants	495			
c. Personnel Health & Safety	-			
d. Special Hazardous Spills Control	-			
SUBTOTAL, NON-PERSONNEL	993			
Direct Project Personnel	734			
04. Cooperative Law Enforcement	1,128	1,180		874
a. Improve Surveillance Capability	-	3		3
Satellite Based GPS/GIS	-	3	80%	2
b. Improve Vessel Search Capabilities	433	414		279
Boating and Search Equipment (NREAS)	49	39	80%	30
Investment of Vessels or Services, Boat Tows and Contracted (NREAS)	384	375	80%	249
c. Off the Shelf Technology	-			
A. Containment Capability	-			
B. Interagency Technology Sharing	-			
SUBTOTAL, NON-PERSONNEL	433	414		281
Direct Project Personnel	734	734	70%	493
07. Technology Assessment	4,360	1,197		1,347
a. Technology Assessment (NTRICH)	360	339	70%	357
b. Select Projects	328			
A. Fuel Systems Through Road Technology Development	-			
B. Litter Detection & Item Analysis Technology	175			
CG New marine sensors - LRFMS - Head	80			
Drug Facts Head/Analysis	95			
C. Fuel Cell Propulsion/Energy Conversion Technology	230	230		146
Fuel Cell Propulsion System for MARC (NREAS)	230	230	70%	160
c. CO Mobile Communications	630	439		560
CO Mobile Communications (NREAS)	630	439	70%	307
d. CO Core Management Modeling	300			
Model for Voluntary Emissions Reduction and License Cost	300			
SEM LE Supplemental Initiatives	300	264		201
Tactical of the Fuel Cells (NREAS)	30	30	80%	24
New Marine (NREAS)	30	30	80%	24
Model Nonline Detector System (NREAS)	240	209	80%	152
SUBTOTAL, NON-PERSONNEL	2,963	1,294		1,332
Direct Project Personnel	1,397	551	80%	415
08. R&D Personnel, Program Support & Operations	5,549			
a. Administrative Personnel & Related Costs	2,135			
b. Support and Operations	894			
c. PARTD Operations & Maintenance	219			
d. Interception of PARTD Test Facilities	-			
TOTAL OBLIGATED, FY98 NOT&E	17,000			
TOTAL OBLIGATED, LE		2,877		
TOTAL OBLIGATED, DRUG LE				3,221
TOTAL PROJECTS	6,132	1,742		1,322
TOTAL PERSONNEL	7,863	7,298		618
TOTAL SUPPORT AND OPERATIONS	1,186	-		-
	17,468	2,877		3,221

NOTE: This is a "one year" limited appropriation and obligational authority management to four year appropriations.
 FY98 obligations are estimated based on the program's effort to complete most of the one year funding in the first year.



U.S. Department of
Transportation
Office of the Secretary
of Transportation

Office of Inspector General

February 29, 2000

Office of Inspector General's Independent Report on the U.S. Department of
Transportation, U.S. Coast Guard's Report of Fiscal Year 1999 Drug Control
Obligations, Drug Control Methodology and Assertions, dated February 18, 2000.

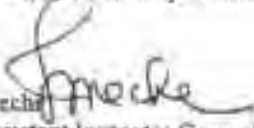
We reviewed the accompanying report, *U.S. Department of Transportation, U.S. Coast Guard's Report of Fiscal Year 1999 Drug Control Obligations, Drug Control Methodology and Assertions*, dated February 18, 2000. This report is the responsibility of the U.S. Department of Transportation, U.S. Coast Guard's (USCG) management and was prepared under the authority of 21 U.S.C. § 1740 (d), which requires a review by the Inspector General.

Our review was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The objective of a review is to provide negative assurance as to whether any information came to our attention on the basis of the work performed to indicate that management's assertions are not presented in all material respects based on established or stated criteria. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the *U.S. Department of Transportation, U.S. Coast Guard's Report of Fiscal Year 1999 Drug Control Obligations, Drug Control Methodology and Assertions*. Accordingly, we do not express such an opinion.

We performed review procedures on USCG's Detailed Obligations Submission (5A) and Assertions (5B). In general, our review processes were limited to inquiries and analytical procedures appropriate for attestation reviews.

Based on our review, nothing came to our attention that caused us to believe that the accompanying *U.S. Department of Transportation, U.S. Coast Guard's Report of Fiscal Year 1999 Drug Control Obligations, Drug Control Methodology and Assertions* is not presented in conformity with the Office of National Drug Control Policy's Circular: *Annual Accounting for Drug Control Funds*, dated December 17, 1999.

This report is intended solely for the use of the U.S. Congress, Office of National Drug Control Policy, and the Department of Transportation.


John L. Meche
Deputy Assistant Inspector General
for Financial and Information Technology

ENCLOSURE(2)



U.S. Treasury

FY 1999 Accounting of Drug Control Funds



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

MAR 31 2001

Mr. David Rivalt *DR 3/1/01*
Chief, Budget Branch
Executive Office of the President
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Rivalt:

The Department of the Treasury's bureau submissions, as required by the ONDCP Circular titled *Annual Accounting for Drug Control Funds*, are enclosed (TAB A). Reports for the following entities are included:

- Bureau of Alcohol, Tobacco, and Firearms
- U.S. Customs Service
- Federal Law Enforcement Training Center
- Financial Crimes Enforcement Network
- Interagency Crime and Drug Enforcement
- Internal Revenue Service
- U.S. Secret Service
- Treasury Forfeiture Fund

As noted in Section 8 of the ONDCP Circular "ONDCP recommends a 31 December due date for agencies to provide their respective OIG with the required reports and information. This date accommodates the simultaneous submissions of prior year data to ONDCP for inclusion into the *National Drug Control Strategy (Budget Summary)* and to OIGs for review." Because our bureaus had not previously prepared these reports, the ONDCP Circular was issued on December 17, 1999, and the reporting requirement, unfortunately, fell during the time when resources are devoted to annual financial statement preparation, the OIG did not receive the required reports in sufficient time to conduct the attestation reviews. Letters stating the positions of the Treasury Office of Inspector General and the Treasury Inspector General for Tax Administration are enclosed (TAB B).

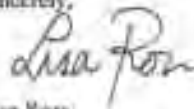
Going forward, we plan on incorporating the ONDCP's reporting requirements into our annual financial statement preparation and audit process. This should allow for the earlier submission of the Department's drug control data to ONDCP. It should also allow for the timely completion of the attestation reviews.

2

We would appreciate the ONDCP giving consideration to consolidating its reporting requirements to the extent practicable. That is, there is some overlap in the annual accounting, budget summary, and performance measurement data submissions that could be eliminated, resulting in a more streamlined reporting framework.

If you have any questions or need additional information, please contact Joseph McAndrew in our Deputy Chief Financial Officer's office at (202) 622-0807.

Sincerely,



Lisa Ross
Acting Assistant Secretary for Management
and Chief Financial Officer

Enclosure

cc: Steven G. App, DCFO
William Pugh, OIG
Maurice Moody, TIGTA
Bureau CFOs/DCFOs

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
WASHINGTON, DC 20226

FEB 19 2000

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1967.Bb

MEMORANDUM TO: Steven G. App
Deputy Chief Financial Officer

FROM: Deputy Chief Financial Officer

SUBJECT: Annual Reporting of FY 1999 Drug Control
Funds

This memorandum transmits the Bureau of Alcohol, Tobacco and Firearms' Annual Reporting of FY 1999 Drug Control Funds.

Our original understanding was that the Bureau's FY 2001 Drug Control Budget (January 24, 2000) and the submission to OMB/FY regarding FY 1998 and FY 1999 budget data (December 23, 1999) responded to this reporting requirement, since the aforementioned items contained much of the same information. We apologize for any delay in providing this report.

Should there be any questions, please contact Vivian Saran or Ray Colevas of the ATF Budget Office, (102) 927-6440.


Marguerite E. Moccia

Attachment

Cc: Office of Enforcement

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
Annual Reporting of FY 1999 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

K. Total of FY 1999 Drug Control Obligations

(\$ in millions)

Drug Resources By Goal		FY 1999
Goal 1		3.7
Goal 2		227.0
Total:		231.7
Drug Resources By Function		
Investigation		222.0
Prevention		9.7
Total:		231.7
Drug Resources By Disposal Use		
Reduce Violent Crime		231.7
Protect the Public		0.0
Collect the Revenue		0.0
Total:		231.7

(1) Drug Methodology

The Bureau of Alcohol, Tobacco and Firearms (ATF) estimate of drug-related costs is based upon the full-time equivalents (FTE) expended on investigations that result in drug charges being filed against defendants. The Bureau divides the total of all defendants charged in a year by the number of defendants arraigned under U.S.C. 18 section 924(c) provisions and/or a narcotics crime to derive a ratio. This ratio is used to provide the share of total ATF budgetary resources, including both requested appropriations applicable to support anti-drug programs.

Based upon historical case statistics, ATF has derived approximately 58 percent of the FTE achieved (FTE reported through SF113G data) are obligations incurred under its Reduce Violent Crime (RVC) Activity for drug investigations or community outreach-oriented prevention projects. This major budget activity encompassed nearly 74.5 percent of the FY 2000 President's Budget request; preliminary data from the Bureau's full cost of operations indicates an RVC activity share factor of 75.5 percent applicable for this year's request.

(2) Methodology Modifications

None

(3) Material Weaknesses or Other Findings

None

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
Annual Reporting of FY 1999 Drug Control Funds

(4) Reprogramming or Transfers

None

(5) Other Disclosures

This is the first year for submission of this annual reporting requirement. The information and data reflect the Bureau's position in relation to the drug budget, and reflect methodology consistent with formulation of the drug budget.

B. Assertions

(1) Drug Methodology

(a) Data

The estimate of drug-related costs is based upon the full-time equivalents (FTE) expended on investigations that result in drug charges being filed against a defendant. ATF budgetary resources devoted to the drug budget are derived from a ratio by dividing the total of all defendants in a year by the number of defendants arraigned under U.S.C. 18 section 824(c) provisions and/or narcotic crimes. Based upon historical case statistics, ATF has devoted approximately 55 percent of the FTE achieved and obligations incurred under its "Reduce Violent Crime" (RVC) Activity. The most recent "net cost" data indicates that the Bureau devoted approximately 75.5% of its resources to the RVC Activity in FY 1999. This major activity would include investigations such as gun-related crimes with a drug nexus, drug investigations, or community outreach-oriented prevention projects such as the Gang Resistance, Education and Training (G.R.E.A.T.). The methodology employed by ATF during FY 1999 is the same methodology that has been outlined in the past by the Office of National Drug Control Policy.

(b) Other Estimation Methods

None

(c) Completeness

The Bureau of Alcohol, Tobacco and Firearms' Drug Control Budget obtains two components: Investigations and Prevention. Both of these components fall under the Bureau's "Reduce Violent Crime" Activity.

(d) Financial Systems

In FY 1999, the method for tracking estimated drug-related obligations was the Financial Management Information System (FMIS) utilizing elements such as gross obligations, project coding and obligations against permitted initiative funding. The Bureau has migrated its financial system from a mainframe environment to a client-server in order to

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
Annual Reporting of FY 1999 Drug Control Funds

integrate the core financial system with other financial and mixed-financial systems. The new Financial Resources Desktop (FRaD) was brought online October 1, 1999.

(3) Application of Methodology

For FY 1999, the methodology used to estimate obligations and FTE utilization is consistent with the narrative descriptions provided in paragraphs 5.11(d) and 5.11(e) above. This was the actual methodology utilized to generate the "Table of Prior Year Drug Obligations." However, marginal fluctuations may occur from year-to-year based on the percentage of Bureau resources devoted to the "Reduce Violent Crime" Activity. The fluctuation would be a function of changes occurring to the Bureau's most recent analysis of its "net cost of operations" for its three core activities, "Reduce Violent Crime," "Collect the Revenue," and "Protect the Public."

(4) Financial Plan - Including Reprogramming or Transfers

No changes were made to the Bureau's Financial Plan that required ONDCP approval per ONDCP Circular dated 12/17/98.

UNITED STATES GOVERNMENT

Memorandum

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE



JAN 11 2000

BUD-4-OF 80:FO MBB

Mr. John Carnevale
Director of Planning, Budget, and Research
Office of National Drug Control Policy
Executive Office of the President

Dear John,

The enclosed submission is the U.S. Customs Service FY 2001 Drug Budget Request, to be included in ONDCP's FY 2001 National Drug Control Budget.

If we can be of any further assistance to you on this or any other matter, do not hesitate to call me on 927-0310. We continue to appreciate the support that ONDCP has provided to the Customs Service.

Sincerely,


Carol Johnson
Director, Budget Division
Office of Finance

Enclosures
cc: Undersecretary (Enforcement)
Department Budget Director



FY 1999 Accounting of Drug Control Funds

UNITED STATES CUSTOMS SERVICE RESOURCE SUMMARY

(Values in millions)

	FY 1998 Actual	FY 2000 Enacted Budget	FY 2001 Base Program	FY 2001 President's Budget
Drug Resources by Goal:				
Goal 2	35,637	37,598	40,907	40,600
Goal 4	689,048	419,580	513,315	522,138
Goal 5	231,372	302,801	296,858	291,388
Total	956,057	759,979	851,080	854,126
Drug Resources by Function:				
Inspection	626,690	543,138	654,429	677,638
Investigation	112,449	113,989	123,301	127,900
Research & Development	4,000	4,030	4,000	4,000
Total	743,139	761,157	781,730	809,538
Drug Resources by District Unit:				
Salaries and Expenses	591,323	628,077	623,588	691,376
Operations and Maintenance	106,904	103,264	125,581	128,348
Facilities & Improvements	7,000	-	1,820	1,820
Unsettled Claims (Revolving Trust Fund)	34,972	20,889	-	-
Emergency Supplemental (FY 1999 only)				
Salaries & Expenses	40,240	-	-	-
Operations & Maintenance	154,505	-	-	-
Unsettled Claims Supplemental	194,810	-	-	-
Subtotal: Regular Appropriations	751,299	752,230	750,989	821,524
Grand Total	956,057	802,207	790,290	830,726
Transferred/Non-Federal Sources of Funding:				
High Intensity Drug Trafficking Area	4,254	-	-	-
Treasury Forfeiture Fund	154,278	176,389	-	-
Interagency Civilian and Drug Enforcement	28,185	25,017	24,984	25,954
Drug Resources Personnel Summary:				
Total Positions:				
Direct	4,834	5,027	5,120	5,182
Total Full Time Equivalent:				
Direct	4,837	5,027	5,120	5,244
Total Agent Positions:				
Direct	1,134	1,120	1,128	1,258
Full Time Equivalent Agents:				
Direct	1,090	1,104	1,104	1,214
Information:				
Total Agency Budget	2,107.8	1,875.1	2,140.1	2,296.0
Drug Percentage	45.4%	40.2%	36.5%	35.0%

FY 1999 Accounting of Drug Control Funds

II. METHODOLOGY

Customs continues to use the percentages below to estimate the amount of resources the agency dedicates to drug enforcement activities:

DRUG BUDGET PERCENTAGES

APPROPRIATION

<u>Category</u>	<u>Drug enforcement percentage</u>
SALARIES AND EXPENSES	
Passenger Processing	81%
Non-Intrusive Inspection Technology	93%
Cargo Examination	13%
Non-Intrusive Inspection Technology	44%
Outbound (Currency)	100%
Customs Enforcement	100%
Inspectional Support	30%
Air Interdiction	93%
Marine and Other Interdiction	95%
Commercial Fraud Investigations	0%
Financial Investigations	60%
Legal Export Investigations	5%
Interdiction Investigations (sub-activity)	100%
Criminal/Statutory Investigations	15%
Investigations and Enforcement Support	67%
Appraisal/Classification	0%
Regulatory Audit	0%
Trade Program Support	0%
Research and Development	As Appropriate
OPERATIONS AND MAINTENANCE	35%
VIOLENT CRIME REDUCTION TRUST FUND	As Appropriate
FACILITIES, CONSTRUCTION, IMPROVEMENTS	As Appropriate

- * In some cases, these percentages can be applied across-the-board when program and/or budget changes can reasonably be expected to affect a broad area of the agency's programs and activities. However, in the event a program or budget change impacts a specific area within Customs, programmatic knowledge of the change will be used in determining the exact drug-related impact.

III. PROGRAM SUMMARY

Customs Authorities/Investigative and Interdiction Operations

- * Titles 18 U.S.C. and 19 U.S.C. authorize the Customs Service to regulate the movement of carriers, persons, and commodities between the U.S. and other nations. It is through this statutory authority that Customs plays a key role in the overall anti-drug effort at the border.
- * In addition, Customs has a broad grant of authority to investigate international financial crime and money laundering. Customs jurisdiction is triggered by the illegal movement of criminal funds, services, or merchandise across our national borders and is applied pursuant to the authority of the Bank Secrecy Act, Money Laundering Control Act, and other customs laws.
- * Customs has its greatest impact on three goals of the five-goal National Drug Control Strategy: Goal 2, *Increase the safety of America's citizens by substantially reducing drug-related crime and violence*, through its money laundering and financial crimes investigations and outbound interdictions; Goal 4, *Shield America's air, land, and sea frontiers from the drug threat*; and Goal 5, *Break foreign and domestic drug sources of supply*.
- * Customs has implemented aggressive border strategies that are designed to interdict (Goal 4), investigate (Goal 2, Goal 5), and disrupt the flow of narcotics across our Nation's borders and dismantle the related smuggling organizations (Goal 5). Customs achieves these objectives by maintaining an aggressive air, land, and marine interdiction force, approximately 1,152 Title 21 cross designated special agents, and a multi-disciplined money laundering control program to investigate financial crimes (Goal 2).
- * Customs employs automated targeting and manifest systems, sophisticated fund held units, high technology non-intrusive inspection systems, specially configured interdiction aircraft and vessels, and detector dogs. These assets enable Customs to successfully target, identify, and apprehend the willful violator while efficiently processing the flow of law abiding international passengers and compliant cargo entering and exiting the United States.
- * Customs investigative efforts focus on the most significant international drug smuggling organizations whose corrupt influence often impacts global trade and economics, financial systems, and public health and safety.
- * Customs investigative approach, which targets the "command and control" structure of a

drug smuggling organization in order to disrupt its transportation belts, uses techniques such as surveillance, electronic wire intercept, controlled deliveries, undercover operations, and money pick-ups. In addition, Customs pursues legislative initiatives and offers training integral to facilitate the work of our foreign investigative and customs counterparts.

- Customs narcotics interdiction strategies are designed to be flexible so that they can successfully counter the constantly shifting tactics that seek to disrupt the flow of drugs in- and between—the ports of entry, as well as in the source and transit zones. In addition to interdiction efforts at our borders, Customs has developed a number of industry partnership programs to intercept narcotics prior to export from the country of origin. These programs include the Carrier Initiative Program (air, truck, rail, and sea carriers); the Business Anti-Smuggling Coalition (importers, exporters, brokers, forwarders), and the Americas Customs Smuggling Initiative (involving exporters and governments in seven targeted Central and South American countries).
- To assist in the interdiction of smugglers and contraband entering the arrival zone of the United States, Customs personnel skilled in the operation of a fleet of aircraft and marine vessels, equipped with sophisticated radar, patrol the coastal waters and airspace of the arrival zone. Customs interdiction aircraft also patrol the transit and source zones with the objective of detecting and apprehending suspect drug trafficking aircraft and vessels. The non-personnel costs associated with the interdiction activities of the Customs Air and Marine Programs are supported by the Operations and Maintenance Decision Unit, whereas the personnel costs are supported by the Salaries and Expenses Decision Unit.
- Customs has implemented aggressive border strategies that are designed to interdict (Goal 4) and disrupt the flow of narcotic proceeds. Customs achieves these objectives by maintaining an aggressive force of inspectors, canine teams, equipment, and facilities to interdict narcotic currency proceeds. Customs is able to increase the cost of drug trafficking organizations to cover their illicit proceeds and increase effective and efficient interdiction efforts.
- Customs has been able to reassign inspectors and has formed dedicated outbound teams at a number of airports, seaports and land border locations. These outbound teams are able to perform more intensive and frequent outbound examinations of suspect narcotic currency proceeds, and by increased targeting, disrupt the flow of narcotic currency proceeds.

Customs Air/Marine Program

- The mission of the Customs Air and Marine Interdiction Division (AMID) is to protect the Nation's borders and the American people from the smuggling of narcotics and other contraband with an integrated and coordinated air and marine interdiction force. Ultimately, AMID seeks to deny drug traffickers the option of using private aircraft and vessels for transporting drugs into the United States, thereby forcing the operations of these organizations into other modes of transportation and/or other geographic locations, thereby making their business unprofitable or at greater risk. Additionally, the Air and Marine

Interdiction Division provides assistance to other enforcement efforts of Customs, and other Federal Government, State and local law enforcement agencies:

- Aircraft operated by the Air and Marine Interdiction Division include jet interceptors and long-range trainers equipped with radar and infrared detection sensors, high performance helicopters, single and multi-engine support aircraft, and sensor-equipped marine search and air to air detection platforms.
- The Air and Marine Interdiction Division employs a variety of vessels, including interceptors, fast utility and high water-type vessels. These vessels are complemented with several different types of sophisticated marine radar systems, radio systems, and other marine electronic support equipment that are designed to detect and help Customs apprehend smugglers that utilize private vessel for smuggling. Integrated air and marine interdiction activity now occurs primarily in the arrival zone. With smugglers changing their patterns of behavior, AMD will remain flexible to meet the smugglers' threat.
- Customs currently provides in excess of 90 percent of the Source Zone detection and monitoring. Customs is the only agency carrying Host Nation Controllers and is therefore providing 100 percent of the airborne Detection and Monitoring Support to Colombia.
- Subsequently, 90 percent of all Customs P-3 flight hours are flown in support of the Source and Transit Zone initiatives. As force providers, the scheduling and utilization of all Customs aircraft that operate in the foreign zone are tactically controlled by Joint Interagency Task Force East (JIATF-E) and Host Nation requirements. The scheduling is determined by the staff from the JIATF, in coordination with Host Nations and Country Teams in the U.S. Embassies throughout Central and South America. As the newly appropriated P-3 aircraft come on line, Customs will continue to provide 90 percent of our P-3 flight hours in support of the Transit and Source Zone initiatives.

Intelligence Program

- The Intelligence Program provides support to Customs investigative, inspections, air, and marine components in disrupting the flow of drugs by collection and analysis of all source information and disseminating intelligence to the appropriate component. Also the program provides strategic intelligence estimates to executive management for purposes of planning and resource allocation.
- In direct support of the U.S. Customs Service Southwest border drug interdiction initiative, an intelligence driven operations plan was designed by the Intelligence Division of Customs to be responsive to the intelligence needs of field offices. The plan is based on the concept of locating Intelligence Collection and Analysis Teams (ICATs) at selected sites along the Southwest border. The ICATs function as a U.S. Customs multi-discipline team working as an anti-smuggling element focusing on Customs specific intelligence needs.

- The ICAT concept provides for a centralized field mechanism for the collection, analysis, exploitation and dissemination of actionable intelligence. The ICATs are comprised of Special Agents, Inspectors, and Intelligence Analysts. In some locations, State and local police departments have assigned officers to work with Customs in the ICAT, and in most locations there is daily contact and coordination with other Federal law enforcement agencies. The teams maximize the full potential of intelligence sources available to Customs and focus on the field development of intelligence through informants, document exploitation and surveillance. The ICATs coordinate all intelligence reporting with the Intelligence Division (ID), located at Customs Headquarters.
- The ID disseminates national level tactical intelligence to the appropriate ICAT offices for field action. The ICATs collect intelligence and disseminate this to the ID and appropriate field offices, especially as it relates to drug smuggling via cargo and commercial entities.
- The ICAT program has significantly increased the volume and quality of intelligence information related to Southwest border smuggling. Customs has expanded this program to include locations throughout the United States and Puerto Rico.

Money Laundering

- Customs financial investigations target the systems used by international criminal organizations to launder the proceeds of their crime. We have implemented an aggressive strategy to combat money laundering which combines investigation efforts, undercover investigations, and regulatory interventions that target those systems.
- The U.S. Customs Service has taken the lead in the attack on the Black Market Peso Exchange (BMPE), the largest continuing money laundering system in the Western Hemisphere. Customs has established the Money Laundering Coordination Center (MLCC) which coordinates the intelligence generated from investigations targeting the BMPE.

Technology

- Customs is continuing to acquire additional fixed, mobile, and re-locatable x-ray and Gamma Ray imaging systems for use at high-risk land, sea, and air ports of entry under terms of a five-year technology plan. The successful deployment of these systems is being accomplished through a strategic alliance between Customs and the Department of Defense Countering Technology Development Program. Customs, through Operation FLINT and other partnerships, is also developing a number of performance measures to ensure deployment of an effective mix of non-intrusive inspection systems.
- Drug smugglers are also investing in high technology systems in an attempt to advance their own smuggling operations and simultaneously defeat our efforts. In order to address this threat, Customs has developed a five-year technology plan for the entire Southern Tier. The plan includes the following systems:

- 9 Truck X-Ray Systems
- 24 Gamma Ray Imaging Systems
- 24 Heavy Pallet X-Ray Systems
- 8 Rail Car Inspections Systems
- 49 Mobile Truck X-Ray Systems
- 8 High Energy Sea Container X-Ray Systems

Participation in Interagency Task Forces:

- The task force methodology in law enforcement has proven to be an effective tactic in dismantling criminal organizations. Customs has actively supported task forces and High Intensity Drug Trafficking Areas (HIDTA) operations in the past and will continue to do so in the future. Customs also coordinates all GATEWAY activities through the Caribbean HIDTA as well as serves on the Executive Council for that HIDTA. At the urban HIDTAs, Customs personnel actively support and staff the local law enforcement task forces and programs developed by the HIDTAs aimed at dismantling narcotic trafficking and distribution organizations.
- Customs participates in and actively supports the Organized Crime Drug Enforcement Task Forces (OCDETF). There are nine Customs OCDETF Coordinators sitting on each of OCDETF's Regional Advisory Boards who actively interact with other Federal law enforcement agencies, as well as Chiefs of Police and State Attorneys. Customs enthusiastically dedicates resources to participate in highly complex OCDETF investigations targeting major drug smuggling organizations.
- Customs also plays a major role in Operation Alliance, which was established in the summer of 1986 to facilitate and improve the coordination of law enforcement operations along the Southwest border of the United States. Alliance is chartered to facilitate the implementation of national drug control policy, develop regional strategies and administer the HIDTA program for the Southwest border. Headquartered in El Paso, Texas, Alliance has a full-time staff and currently has some 26-member agencies, which include Federal, State and local organizations. The Operation is headed by a senior tactical coordinator that alternates between Customs, DEA or INS/USBP representative. The senior tactical coordinator rotates annually between the three agencies.
- Customs additionally supports and actively participates in a number of Intelligence Community interagency working groups that are designed to focus the coordination of enforcement efforts on specific major cocaine and heroin trafficking organizations. The Intelligence Division of Customs has forged partnerships within the Intelligence Community and Federal law enforcement agencies to become more focused on collection that produces actionable intelligence that is used to build cases against major drug trafficking organizations.

- Customs is an active participant in the Special Operations Division (SOD), a multi-agency program involving the Drug Enforcement Administration, Federal Bureau of Investigation, Justice Department and Customs. The SOD is a coordination and information-sharing mechanism focused on enhancing multi-agency, multi-jurisdiction investigations of major drug smuggling and trafficking organizations. In FY 1999 Customs increased its level of participation at SOD and created a new Customs led money laundering initiative which will focus Federal resources on attacking the laundering of drug proceeds. The new initiative will involve existing SOD member agencies and will bring resources from the Internal Revenue Service, Criminal Investigations Division, and Postal Inspection Service into the SOD fold.
- Customs actively works with state and local agencies to curb the flow of illicit narcotics proceeds (currency). Customs and state and local agencies have been able to expand outbound currency targeting manpower and increase the inspection capabilities to provide more intensive examinations of passengers and cargo at the airports, seaports and land borders.

IV. BUDGET SUMMARY

- Customs drug enforcement program estimates are based on separate percentages applied to programs in Customs Salaries and Expenses, Air and Marine Interdiction Programs Operations and Maintenance, Violent Crime Reduction Trust Fund, and Facilities, Construction, Improvement and Related Expenses decision units.

FY 2000 Program

In FY 2000, Congress appropriated \$660.0 million to Customs, which Customs will dedicate to its drug control activities along with 5,027 FTE. Of the total funding, \$37.6 million will support Goal 2 activities, \$419.6 million will support Goal 4 activities, and \$202.8 million will support Goal 5 activities. Major initiatives for which Congress appropriated funding to Customs in the FY 2000 budget include:

- \$9 million for non-intrusive Mobile Personal Inspection Technology
- \$2 million for money laundering (outbound) technology

FY 2001 Program

The FY 2001 total drug control budget request is \$839.7 million and 5,276 FTE, an increase of \$179.7 million and 249 FTE over FY 2000. Of this total increase, 93 FTE are due to an annualization of the FY 2000 initiatives and the FY 1999 Emergency Supplemental.

Goal 2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.

The total drug control request for Goal 2 activities in FY 2001 is \$46.6 million and 288 FTE, a net increase of \$9 million and 17 FTE over the FY 2000 level of \$37.6 million.

Narcotics Illicit Proceeds Strategy

- * Funds will provide personnel and equipment to interdict the outbound illicit proceeds generated from narcotics trafficking. In order to fully address the interdiction of inbound narcotics, Customs is also focusing on undeclared outbound currency. Current workload allows nothing more than intermittent examinations. Dedicated equipment and facilities are needed to provide a safe environment to conduct outbound examinations. This initiative provides special agents and intelligence analysts as well as equipment and funds for investigative efforts focusing on the Southwest Border, Southern Florida, and Puerto Rico. This initiative supports ONDCP's Strategic Goal 2 by providing personnel and equipment on the Southwest Border to investigate and seize the rewards of illicit drug trafficking. (51 percent of this initiative is drug related)

Goal 4: Shield America's air, land, and sea frontiers from the drug threat.

The total drug control request for Goal 4 activities in FY 2001 is \$532.1 million and 3,320 FTE, a net increase of \$112.5 million over the FY 2000 level of \$419.6 million and 3,320 FTE.

Enforcement Infrastructure

- * This initiative provides funds to enhance and modernize Customs Air Program. Funds will purchase flight safety systems, as well as upgrades to radar systems and computer capabilities. Investments in the program increase the effectiveness of our investigative activities. This initiative will enhance the effectiveness, efficiency and even personal security of our officers. This initiative supports ONDCP's Strategic Goal 4 by enhancing Customs ability to conduct operations in the air to detect, disrupt, deter, and seize illegal drugs. (95 percent of this initiative is drug related)

FY 1999 Accounting of Drug Control Funds

Goal 1: Break foreign and domestic sources of supply

The total drug control request for this goal in FY 2001 is \$261.9 million and 1,635 FTE, a net increase of \$49 million over the FY 2000 level of \$202.9 million.

Drug Investigations Initiative

- Funds will provide the personnel necessary to mount a comprehensive investigative effort to enhance high level enforcement by identifying and dismantling major drug smuggling organizations. To do this Customs must target the organization's operational cells (i.e., transportation, distribution and money laundering) and disrupt the interrelationship that exists between them. Customs does this by building an "investigative bridge" between border smuggling activity and the organization's command and control hierarchy located at inland U.S. sites. (100 percent of this initiative is drug related)

V. PROGRAM ACCOMPLISHMENTS

- The quantity of drugs seized in FY 1999 was a record for Customs. Customs seized or participated in the domestic seizure of approximately 1.4 million pounds of illegal drugs, including over 160,000 pounds of cocaine, over 1.1 million pounds of marijuana, and nearly 2,000 pounds of heroin.
- Customs seized or participated in the domestic seizure of nearly \$330 million in monetary instruments FY 1999, most of which was related to drug trafficking.
- Because of increased cooperation among law enforcement agencies, primarily through the Border Coordination Initiative (BCI), in FY 1999 over 1 million pounds of drugs (heroin, cocaine and marijuana) were seized on the Southwest border. This represents an overall increase of 19 percent in the quantity of narcotics seized as compared to the previous year.
- The Customs Air and Marine Interdiction Division (AMID) was integrated in FY 1999. A 5-year strategy was drafted, compliant with the Government Performance and Results Act (GPRA) of 1993. This effort included all levels of AMID management, and makes AMID accountable to its customers, especially the American Public. A mission statement, vision statement, new strategic goals and objectives, as well as performance indicators, were developed during this process.
- Customs continued to support PDD-14, Ambassadors and Country Teams by providing airborne detection and monitoring, interceptor support and training for employment in Mexico, Central and South America, and the Caribbean. Customs also provided invaluable air and marine support to international counterdrug efforts, and has had a significant impact on drug trafficking patterns throughout the source and transit zones. Customs aircraft deployed to South America contributed to the continued denial of the Peru-to-Columbia air bridge. In

the foreign area, Customs aircraft contributed to the identification and subsequent interdiction of drug trafficking vessels. Customs air and marine interdiction efforts in both the transit and source zones during FY 1999 resulted in the seizure of 2,325 pounds of marijuana and 11,850 pounds of cocaine. This is a significant increase over FY 1998 figures. Customs aviation personnel also provided law enforcement and U.S. Customs Advisory support to the Joint Interagency Task Forces (JIATFs) and their planning staff for air, land and marine interdiction operations.

- During FY 1999, Customs deployed additional Non-Intrusive Inspection (NII) technology along the southern tier of the U.S. To date, 18 pieces of heavy NII technology have been deployed. These include fixed-site truck x-rays, mobile truck x-rays, and gamma-ray detectors. These items are being used at locations across the entire southern tier, providing an unprecedented level of inspection for items deeply concealed in cargo or in secret compartments.
- Customs Special Agents contacted 1,029 controlled deliveries during FY 1999, more than double the number recorded in FY 1998. These deliveries resulted in 1,512 additional arrests (beyond the arrests associated with the initial interdiction), and typified Customs commitment to parlaying drug seizures at the border into conspiracy investigations intended to dismantle drug smuggling organizations.
- Customs supported international anti-drug efforts through the Americas Cocaine Smuggling Initiative (ACSI), a program designed to minimize the use of legitimate trade for drug smuggling through training and industry partnerships throughout Central and South America. During FY 1999, the initiative resulted in the seizure of 35,640 pounds of illegal drugs abroad and 8,428 pounds in the United States.
- On August 25, 1999, Customs and the Drug Enforcement Administration (DEA), with cooperation from American Airlines, commenced two long-term undercover investigations, Operation Ramp Rate and Operation SkyCoast. Operating under the umbrella "Operation Overlord," these investigations targeted internal conspiracies at Miami International Airport that facilitated the importation and domestic movement of drugs and weapons aboard air carriers. This OIG/DEA investigation resulted in the arrests of over 70 suspects, including 27 American Airlines employees and 3 law enforcement officers. In addition, the investigation resulted in the seizures of 600 pounds of cocaine and 17 pounds of heroin.
- Beginning in 1997, Customs and DEA initiated an investigation into the Alejandro Bernal-Madrugal narcotics trafficking organization, based in the Reynosa, Mexico-McAllen, Texas area. Bernal-Madrugal, a Colombian national, utilized Mexican transportation cells to transport multi-ton quantities of cocaine from the Yucatan peninsula through Mexico to Reynosa. The cells further transported the narcotics across the U.S. border utilizing several smuggling techniques. Investigation determined that smaller loads of cocaine smuggled across the U.S. border were consolidated in South Texas and then placed in tractor trailers, often concealed beneath or nominal cargoes of fresh produce, and then driven to destination cities, primarily

Chicago and New York. This OCEDEF investigation, known as Operation Impunity, culminated in 1999, resulting in 61 arrests, including that of Bernal-Madriz, as well as the seizures of 12,434 kilograms of cocaine, 4,806 pounds of marijuana, one pound of heroin, and \$14.8 million in U.S. currency.

- In FY 1999, the Money Laundering Coordination Center (MLCC) became fully operational. The MLCC coordinates and tracks nationwide Customs pick-up operations, ensuring that there is no duplication of effort and providing valuable case-specific information to each investigation. All intelligence gained from the pick-up operations, for example intelligence gained on the identification of key money brokers, is being collected at the MLCC. Customs is currently exploring ways of utilizing and disseminating this information in order to disrupt the black market peso exchange.
- In FY 1999, highly specialized Asset Identification and Removal Groups (AIRGs), consisting of special agents, auditors and contract data analysts, were expanded to all 20 Special Agent in Charge (SAIC) offices, plus one Resident Agent in Charge office. AIRGs focus exclusively on identifying, tracing and seizing the assets of drug trafficking organizations.
- In August 1999, Customs and the DEA signed a Memorandum of Understanding that provides for Customs intelligence teams to be assigned to selected countries, under the auspices of the DEA Country Attaches, to support the Customs drug interdiction mission.
- In FY 1999, several Intelligence Collection and Analysis Teams (ICATS) along the Southwest border were staffed with Border Patrol personnel. This integration occurred as a result of the Border Coordination Initiative (BCI) between Customs and the Immigration and Naturalization Service (INS).

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY
FEDERAL LAW ENFORCEMENT TRAINING CENTER
GLYNCO, GEORGIA 31524

BUD 1-6

January 31, 2000

MEMORANDUM TO: Steven O. App
Deputy Chief Financial Officer

FROM: Michael R. Hausfeld
Deputy Associate Director/CFD
Planning and Resources Directorate

SUBJECT: Annual Reporting of FY 1999 Drug Control Funds

This memorandum with the attachment is forwarded as FLETC's submission for the annual reporting of FY 1999 Drug Control Funds. As requested the attachment meets the requirements of the guidelines for annual accounting and authentication of drug control funds.

Per your request the attachment is being simultaneously provided to your office and the Office of Inspector General.

If you have any further questions, please let me know. I can be reached at (912) 267-2209.

Attachment

cc: Joe McAndrew

FY 1999 Accounting of Drug Control Funds

Attachment

FEDERAL LAW ENFORCEMENT TRAINING CENTER

I. RESOURCE SUMMARY

(Budget Authority in Millions)

	FY 1999	FY 2000	FY 2001
	<u>Actual</u>	<u>Budgeted</u>	<u>Requested</u>
<u>Drug Resources by Goal</u>			
Goal 2	\$78,174	\$68,258	\$65,824
Goal 5	408	645	664
Total	\$78,582	\$68,903	\$66,488
<u>Drug Resources by Function</u>			
Investigations	\$76,451	\$66,511	\$64,025
State & Local Assistance	1,721	1,747	1,799
International	408	645	664
Total	\$78,582	\$68,903	\$66,488
<u>Drug Resources by Decision Unit</u>			
Salaries and Expenses	\$43,283	\$50,416	\$56,090
Acquisition, Construction, Improvements, and Related Expenses	35,146	12,967	10,398
Violent Crime Reduction Program	153	5,520	000
Total	\$78,582	\$68,903	\$66,488
<u>Drug Resources Personnel Summary</u>			
Total FTEs (direct only)	317	343	364
Total FTEs (w/reimbursable)	336	367	394
Total Agency Budget	\$130,970	\$114,838	\$110,814
Drug Percentage	60%	60%	60%

Attachment

II. METHODOLOGY

The Federal Law Enforcement Training Center (FLETC) is an interagency law enforcement training facility providing training to 73 Federal agencies and state, local, and international governments. The FLETC provides premium training programs in support of drug enforcement activities. The unique FLETC mission means that much of the training is directly as well as indirectly related to drug law enforcement activities. Many of the 73 agencies that train at the FLETC are on the front lines of the drug interdiction or investigative mission. Agencies like the Customs Service, Internal Revenue Service Criminal Investigations Division, and the Border Patrol are obvious examples of agencies on the front lines. But other agencies like the Park Police and the various Inspectors General typify many other agencies which make contributions to the drug effort within their more specific functional jurisdictions.

In almost every case, drug awareness and identification training is provided in the basic programs. Additionally, many of the generic skills taught at the FLETC, such as execution of a search warrant, laws of arrest, self defense, etc., are essential to properly prepare all law enforcement officers to deal with drug related crime. This applies to both the agencies on the front lines as well as those with a more limited involvement with drug enforcement. In order to more completely identify the level of support the FLETC provides to the drug enforcement effort, a methodology has been developed. This process entails the calculation of the amount of time spent on drug-related enforcement duties by the major participating agencies. This percentage (60%) is applied to the total training effort resulting in the "drug related training" conducted by the FLETC.

III. PROGRAM SUMMARY

The FLETC is an interagency training facility serving 73 Federal law enforcement agencies. The major training effort is in the area of basic programs to teach law enforcement skills of investigation to police personnel. The FLETC also conducts advanced programs in areas of common need, such as the use of microcomputers as an investigative tool, marine law enforcement, white collar crime, advanced law enforcement photography and several instructor training programs. In addition, the FLETC offers programs to state, local and international law enforcement officers on a not-to-interfere-with-Federal-training basis.

The FLETC is headed by a Director, who is appointed by the Secretary of the Treasury. The FLETC conducts training at its headquarters in Glynco, Georgia, and a satellite center in Artesia, New Mexico.

Attachment

IV. BUDGET SUMMARY

2000 Base Program

The FLETG's drug related program resources for FY 2000 consist of \$68.0 million and 343 direct FTEs. These support the FLETG's continuing training efforts, as well as construction and facility maintenance.

During FY 2000, in support of the participating agencies drug enforcement training, the FLETG expects to conduct (based on Spring 1999 projections):

- Basic training for 8,684 students involving 78,086 student-weeks for an Average Resident Student Population (ARSP) of 1,302.
- Advanced training for 8,243 students involving 16,226 student-weeks for an ARSP of 312.
- State and local training for 181 students involving 294 student-weeks for an ARSP of 6.
- International training for 1,096 students involving 4,121 student-weeks for an ARSP of 79.

2001 Request

The FLETG's role in supporting the Federal drug control priorities is one of providing training to Federal law enforcement agencies, thus ensuring quality training is provided and eliminating the duplication of training activities. With the training function that FLETG offers to law enforcement officers in Federal, state, local and international agencies, each is better equipped to perform their duties with the ultimate goal of reducing drug production, availability, and use.

Goal 2 - Increase the safety of America's citizens by substantially reducing drug related crime and violence.

The total drug control request for Goal 2 activities for FY 2001 is \$65,824 million, which is a net decrease of \$2,434 million from the FY 2000 enacted level. The FY 2001 request includes the following initiative:

- New Training Building Support - New construction is underway and projects are in various stages of construction. As expanded and new facilities are completed, additional utilities, janitorial services, grounds maintenance and operational personnel are required. Funds to support

FY 1999 Accounting of Drug Control Funds

Attachment

(these expanded activities must be provided if the facilities are to be effectively utilized and maintained (\$.698 million).

- Goal 5: Break foreign and domestic drug sources of supply. The total drug control request for Goal 5 activities for FY 2001 is \$.664 million, which is a net increase of \$.019 over the FY 2000 enacted level. There are no new initiatives in the FY 2001 request that supports this goal.

The total drug control request for FY 2001 is \$66.488 million, a decrease of \$2.415 million from the FY 2000 enacted level.

Y. PROGRAM ACCOMPLISHMENTS

The FLETC expects to accomplish the follow training:

	FY 1999 Actual	FY 2000 Estimate	FY2001 Estimate
Basic Training:			
-Students	5,403	8,684	9,234
-Student-Weeks	44,027	78,086	79,119
-ARSP	847	1,502	1,521
Advanced Training:			
-Students	7,025	8,243	7,267
-Student-Weeks	11,380	16,226	14,404
-ARSP	219	312	277
State and Local Training:			
-Students	2,316	181	182
-Student-Weeks	2,755	294	296
-ARSP	53	8	6
International Training:			
-Students	357	1,096	1,099
-Student-Weeks	551	4,121	3,996
-ARSP	11	79	77
Total Training:			
-Students	15,101	18,204	17,782
-Student-Weeks	55,713	98,727	97,815
-ARSP	1,130	1,899	1,881

Attachment

VI. ASSERTIONS

The FLETC uses the Federal Financial System (FFS) to record and track budget execution and financial reporting. The FFS is an approved financial system and meets published Federal Financial System requirements. FLETC's financial system is provided by the Federal Management Service on a cross-servicing basis. The financial and budget data provided for the FY 1999 is taken from the final FY 1999 financial statements reported to the Treasury. The data and obligations are within the approved financial plan and there were no reportable reprogramming actions completed during FY 1999.

The workload data presented in this report was provided by the Student Information System being used by the FLETC to report workload information. The information provided is the same information provided as the official data by the FLETC in all other external reporting.

All data provided is gathered and reported in accordance with known acceptable guidelines and standards.

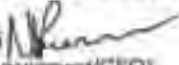
The FLETC has no material weaknesses or other findings in report.



DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

FEB 02 2000

MEMORANDUM FOR DIRECTOR, OFFICE OF PROGRAMS, BUDGET,
RESEARCH AND EVALUATION
OFFICE OF NATIONAL DRUG CONTROL POLICY

FROM: Nicholas A. Proaccini 
Assistant Director (Management/CFO)

SUBJECT: Annual Report of FY 1999 Drug Control Funds

Attached is the Financial Crimes Enforcement Network (FinCEN) Annual Report of FY 1999 Drug Control Funds. FinCEN obligated \$7.4 million and utilized 48 FTE in support of the National Drug Control Program. FinCEN is submitting the abbreviated report as provided for in the ONDCP Circular: Annual Accounting of Drug Control Funds, for Components Having FY 1999 Drug-related Obligations of Less than \$50 Million. Full compliance with the circular would constitute an unreasonable reporting burden.

If additional information is needed, I can be reached at 703-905-3840 or Mary Messeri (Budget Analyst) at 703-905-3615.

Attachment

cc: Anna Dixon
Office of Enforcement

Joe McAndrew
Office of Accounting and Internal Control

Mike Fitzgerald
Office of the Inspector General

FY 1999 Accounting of Drug Control Funds

FINANCIAL CRIMES ENFORCEMENT NETWORK

RESOURCE SUMMARY

(Budget Authority in Millions)

	FY 1999 <u>Actual</u>
Drug Resources by Goal	
Goal 2	3,915
Goal 5	1,479
Total	7,394
Drug Resources by Function	
Intelligence	7,394
Total	7,394
Drug Resources by Decision Unit	
Salaries and Expenses	7,241
Violent Crime Trust Fund	0,153
Total	7,394
Drug Resources Personnel Summary	
Total PTEs (direct only)	48
Information	
Total FinCEN Budget	24.6
Drug Percentage of 50%	12.3
Drug Percentage of 30%	7.4

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

FEB 09 2000

MEMORANDUM FOR STEVEN O. APP
DEPUTY CHIEF FINANCIAL OFFICER

FROM: Barry Hudson *Barry Hudson*
Acting Director, Financial Management Division

SUBJECT: Annual Reporting of FY 1999 Drug Control Funds

In FY 1999, Departmental Offices received appropriations for Interagency Crime Drug Enforcement (ICDE) totaling \$75,900,000. Amounts are provided to several Treasury Law Enforcement Bureau (reimbursable agreements) as follows:

Bureau	From	To
Departmental Offices	\$75,900,000	
IRS		\$37,325,000
Customs		28,165,000
ATF		10,361,000
Total		\$75,851,000

To avoid duplicative reporting, the obligations against these resources are being reported by each bureau with their submission. This is ++consistent with ONDCP Circular "Annual Accounting of Drug Control Funds", page 3, footnote 1.

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

FEB 2 2000

MEMORANDUM FOR STEVEN G. APP
DEPUTY CHIEF FINANCIAL OFFICER

FROM: Kathleen M. Turco *Kathleen M. Turco*
Director, Strategic Planning and Budgeting

SUBJECT: Annual Reporting of FY 1999 Drug Control Funds

Transmitted with this memorandum is the Internal Revenue Service (IRS) Annual Reporting of Drug Control Funds for FY 1999.

The IRS supports goals 2 and 5 of the National Drug Control Strategy through the enforcement of the various criminal statutes under its jurisdiction. As part of the new Compliance Strategy, Criminal Investigation (CI) will maintain a role in significant financial investigations related to illegal narcotics. Although CI's primary mission involves investigations related to tax administration, CI will continue to commit resources to support the National Drug Control Strategy. In the future, these resources will be more closely aligned to reimbursed levels.

If you have any questions, please contact Margaret Willard at (202) 622-4731.

Attachment

cc: Bud Moody (TIGTA)
Andy Howard (Treasury Enforcement)
Joe McAndrew (Treasury, Office of Acct. & Internal Control)

INTERNAL REVENUE SERVICE
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 1999 Drug Control Obligations

Drug Resources by Goal	IRS - CI	ICDE
Goal 2	\$40,790	\$22,210
Goal 5	\$31,620	\$14,806
Total:	\$72,410	\$37,016
Drug Resources by Function		
Investigations	\$54,731	\$17,016
Intelligence	\$16,292	0
International	\$1,387	0
Total:	\$72,410	\$37,016
Drug Resources by Decision Unit		
Narcotic Crimes	\$57,204	\$37,016
Currency Transaction Reports	\$15,206	0
Total:	\$72,410	\$37,016

(1.) Drug Methodology

- The Internal Revenue Service (IRS) Drug Control Budget contains two components: Criminal Investigation (CI) Narcotics Related Financial Crime Program and Currency Reporting Forms Processing.
- IRS-CI dedicates 22 to 24 percent of its Direct Investigative Time (DIT) to the investigation and prosecution of narcotics organizations and narcotics money laundering organizations, supporting Goals 2 and 5 of the National Drug Control Strategy. Based on the review of IRS-CI by the Honorable William H. Weber, IRS Commissioner Rossotti has stated that IRS-CI will continue working narcotics related investigations. However, IRS-CI will limit its support to the Interagency Crime Drug Enforcement (ICDE) narcotics investigations to the amount funded by the ICDE reimbursement, so as not to deplete the level of resources devoted to its primary mission of tax compliance. Therefore, the percentage of Direct Investigative Time (DIT) that IRS-CI devotes to narcotics-related financial crime investigations will decrease in the future relative to reimbursable funding levels.

**INTERNAL REVENUE SERVICE
ANNUAL ACCOUNTING of DRUG CONTROL FUNDS**

- * *Currency Reporting Forms Processing:* IRS resources are expended to process Currency Reporting Forms required by the Bank Secrecy Act (Title 31), namely, Currency Transaction Reports (CTR's) and Certain Currency Transaction Reports

(C-CTR's), Suspicious Activity Reports (SAR's), and Foreign Bank Account Reports (FBAR's) as well as Form 8300, Cash Payments in Excess of \$10,000 Received in a Trade or Business, required by the Internal Revenue Code (Title 26). The forms are processed for reporting banks, financial institutions, and money services businesses as well as retail businesses. This program activity is reported in a separate account in the IRS's budget activities and is scored as 100 percent drug related, supporting Goals 2 and 5 of the National Drug Control Strategy.

(2.) Methodology Modifications:

None

(3.) Material Weaknesses or Other Findings:

None

(4.) Reprogramming of Transfers:

None

(5.) Other Disclosures:

This is the first year for this accounting. The information reflects the FY 1999 Service's position in relationship to the drug budget and no policy variances can be assumed.

b. Assertion:

(1.) Drug Methodology:

(a.) Data:

Data is retrieved from the Criminal Investigation Management Information System (CIMIS) to determine the number of FTE's used in drug control activities. Special agents submit CIMIS time reports monthly detailing their activities relating to investigations (direct investigative time or DIT). Each investigation is associated with a specific program and sub-program area.¹ A percentage of DIT used in each program area is calculated monthly with a final annual percentage determined after the close of the fiscal year. The annual percentage of DIT used for the Narcotics-

¹ Criminal Investigation has three program areas: the Legal Income Tax Crimes Program, the Legal Income Financial Crimes Program and the Narcotics-Related Financial Crimes Program.

**INTERNAL REVENUE SERVICE
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS**

Related Financial Crimes Program is applied to realized FTE as calculated by the IRS Automated Financial System (AFS) to determine the number of FTE expended on the program. Reimbursed FTE are subtracted from the total program FTE's to determine the IRS funded portion of the Criminal Investigation Narcotics-Related Financial Crimes Program.

The annual percentages of DIT used for the OCDETF and HIDTA/OCDETF Narcotics-Related Financial Crimes sub-programs are applied to realized FTE as calculated by the IRS Automated Financial System (AFS) to determine the number of FTE expended on the sub-programs. Reimbursed FTE for these sub-programs are limited to resources received from Treasury's ICDE appropriation. Non-reimbursed FTE used on the OCDETF and HIDTA/OCDETF sub-programs are included in the IRS funded portion of the Criminal Investigation Narcotics-Related Financial Crimes Program.

After the number of FTE included in the IRS funded portion of the Criminal Investigation Narcotics-Related Financial Crimes program have been determined, related dollars are calculated using the total IRS-CI budget request and simply dividing this amount by the number of FTE expended.

(b.) Other Estimation Methods

None

(c.) Completeness

The Internal Revenue Service (IRS) Drug Control Budget contains two components: Criminal Investigation (CI) Narcotics Related Financial Crime Program and Currency Reporting Forms Processing.

(d.) Financial Systems

The Service's Automated Financial System (AFS) is the method used for tracking drug-related obligation estimates through a separate coding of earmarked funds.

(2) Application of Methodology

CMBS tracks DIT of agents by program area. The annual percentage of DIT related to Narcotics-Related Financial Crimes Programs is then applied to realized FTE as calculated by AFS. The reimbursed FTE are subtracted from the total program FTEs to determine the IRS funded Narcotics-Related Financial Crime program. IRS-CI then devotes 60% of narcotics-related DIT in support of Goal 2 of the National Drug Control Strategy; 40% to support Goal 5.

**INTERNAL REVENUE SERVICE
ANNUAL ACCOUNTING of DRUG CONTROL FUNDS**

New initiatives are costed using the Service's established Unit Cost Rates (UCRs) for the budget year.

(3) Financial Plan - Including Reprogramming or Transfers

None

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY
UNITED STATES SECRET SERVICE

January 31, 2000

MEMORANDUM FOR: STEVEN O. APP
DEPUTY CHIEF FINANCIAL OFFICER

DAVID WILLIAMS
INSPECTOR GENERAL

FROM: DANA BROWN *Dana Brown*
ASSISTANT DIRECTOR OF ADMINISTRATION
AND CHIEF FINANCIAL OFFICER

SUBJECT: ANNUAL REPORTING OF FY 1999 DRUG CONTROL FUNDS

The U. S. Secret Service Drug Control Budget for FY 2001 is attached. This budget agrees with and is based on the Service's FY 2001 President's Budget, Performance Plan and Performance Report.

The Service is not requesting an increase in budgetary resources specifically devoted to carrying out the National Drug Control Strategy. However, the Service will continue having 39% of its investigative activity impacting on the effort to thwart illicit drug trafficking.

In accordance with the National Drug Control Strategy, the Service will continue to contribute to the War on Drugs by: investigating drug profits and related money laundering; conducting false identification investigations in order to interdict drug trafficking; conducting counterfeits and telecommunications/computer fraud investigations, which have proven to be an effective method of weakening the infrastructure of drug organizations; suppressing drug trafficking in High Immunity Drug Trafficking Areas; working with the West African and other task forces; and continuing the Service's drug deterrence program. A more detailed explanation of these activities is included in the attached drug budget summary for Fiscal Year 2001.

Should you have any questions or desire any additional information, the Secret Service point of contact is Donald L. Simons, Budget Officer at 406-5791.

Attachment

cc: Director, Office of Finance and Administration
Office of Enforcement
Departmental Budget Officer

FY 1999 Accounting of Drug Control Funds

UNITED STATES SECRET SERVICE

I. RESOURCE SUMMARY

	(Budget Authority in Millions)			
	FY 1999	FY 2000	FY 2001	FY 2001
	BA	BA	Base BA	Total BA
Drug Resources by Goal:				
Goal 2	380,865	371,007	369,614	\$103,925
Goal 3	6,382	6,858	6,858	7,418
Total	\$87,447	\$77,865	\$76,472	\$111,343
Drug Resources by Function:				
Investigative Operations	\$72,040	\$69,614	\$69,614	\$103,925
Administration	2,937	3,011	3,011	3,107
Crime Control Act	8,825	1,393		
Protective Operations	3,645	3,847	3,847	4,311
Total	\$87,447	\$77,865	\$76,472	\$111,343
Drug Resources by Decision Unit:				
Investigative Operations	\$72,040	\$69,614	\$69,614	\$103,925
Administration	2,937	3,011	3,011	3,107
Crime Control Act	8,825	1,393		
Protective Operations	3,645	3,847	3,847	4,311
Total	\$87,447	\$77,865	\$76,472	\$111,343
HIDTA Transfer	\$,013			
Resources from Forfeiture Funds	\$13,838	\$75,466		\$3,920
Drug Resources Personnel Summary				
FTE:				
Direct	710,960	624,530	692,050	748,990
Information:				
Salaries & Expenses	\$660,514	\$677,312	\$677,312	\$821,596
Drug Percentage	13.239%	11.532%	11.291%	17.552%
Violent Crime Reduction Trust Fund	\$22,628	\$3,570		
Drug Percentage	39.000%	39.000%		

II. METHODOLOGY

The estimate that 39% of the workload of the Service's Investigative Operations is drug related is based upon an analysis of base staffhours expended. The 7% and 1% figures for the Protective and Administrative Operations' involvement also rely on an analysis of base staffhours.

III. PROGRAM SUMMARY

- The Secret Service drug-related investigative activities support goal 2 of the National Drug Control Strategy. The Service's employee and applicant drug testing, protectee drug-related speeches, and protection for protectees involved in other drug enforcement related activities support goal 3 of the National Drug Control Strategy.
- The mission of the Secret Service includes the authority and responsibility to:
 - Protect the President, the Vice President, the President-elect, the Vice President-elect, and members of their immediate families; major Presidential and Vice Presidential candidates; former Presidents, their spouses and minor children; and visiting heads of foreign states/governments.
 - Provide security for the White House Complex and other Presidential offices, for the official residence of the Vice President, and for foreign diplomatic missions in the Washington, DC metropolitan area.
 - Detect and arrest any person committing an offense against the laws relating to currency, coins, obligations, and securities of the United States or foreign government.
 - Detect and arrest those persons violating laws pertaining to electronic funds transfer frauds, credit card and debit card frauds, fraud involving federally insured financial institutions, false identification documents or devices, and computer access fraud.
- Resources identified are based upon a methodology which incorporates pay, benefits and support costs of FTE devoted to drug enforcement activities. These include criminal investigations, federal/state/local task force involvement, employee and applicant drug testing, protectee drug-related speeches, and protection for protectees involved in other drug enforcement related activities.

IV. BUDGET SUMMARY

FY 2000 Base Program

- The 2000 base includes \$71.067 million for investigative activities which support goal 2 of the National Drug Control Strategy.

Goal 2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.

- In FY 2000, the Service will shift 240 of its investigative FTE to Protective Operations in preparation for the 2000 Presidential Campaign. Although the Service has proposed no new budgetary resources specifically devoted to carrying out the National Drug Control Strategy, it will continue to devote 39% of its investigative resources and 1% of its Protective Operations resources to drug-related activities.

FY 2001 Request

- * The Service's FY 2001 drug related resources are \$111,343 million, an increase of \$33.478 million over the FY 2000 appropriation.
- * In FY 2001, the Service will shift 170 of its protective FTE back to Investigative Operations. After the termination of the extraordinary protective efforts of 2000 and 2001, for protection of candidates/nominees for the presidential campaign, FTE will gradually shift from protective to investigative operations.

Goal 2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.

- * The total drug control request for Goal 2 activities for FY 2001 is \$105,925 million, a net increase of \$32,918 million over FY 2000.

Goal 3: Reduce health and social cost to the public of illegal drug use.

- * The total drug control request for Goal 3 activities for FY 2001 is \$7,418 million, a net increase of \$,560 million over FY 2000.

V. PROGRAM ACCOMPLISHMENTS

U.S. Secret Service investigators find a nexus between counterfeiting of U.S. currency and illegal drug distribution. Secret Service offices worldwide pursue investigations targeting distributors of counterfeit currency that also result in additional criminal charges for heroin, cocaine and marijuana distribution.

In addition, Secret Service investigators have encountered "mules" who have attempted to simultaneously smuggle both counterfeit U.S. currency and narcotics into the United States. This type of activity confirms that international, organized criminal groups are operating multiple schemes within their criminal enterprise and are using the same courier network for both counterfeit and narcotics trafficking. Further investigation has determined that on the return leg of their journey, these same "mules" gather the proceeds from the counterfeit and narcotics transactions in the United States and return them to the originating criminal groups.

Within the investigative jurisdiction of the Secret Service, the most prevalent groups recognized at this time through recent trends would be the Nigerians associated with a variety of financial fraud schemes to include advanced fee fraud and the Asians associated with skimming. Due to the fact that a significant amount of the proceeds gained from this fraudulent activity are being applied to other illicit activities, i.e. drugs and weapons smuggling, it is anticipated that the networks supporting these various fraud schemes will increase in financial strength.

NIGERIAN Organized Criminal Groups

Since the early 1980's, the U.S. Secret Service has seen an increase in the number of financial crimes being committed by organized Nigerian criminal groups, which have a monetary effect on financial institutions and victims in the United States. These criminal groups have instituted

conceivable. It is conceivable to visualize the concept of organized criminal groups taking advantage of such a payment system by laundering large sums of money in or out of the United States, or across international borders, via a smart card. In addition, other personal property or illegal information could be easily transported, transferred or sold via a smart card. Once the border is crossed with this smart card, the money could be transferred to other cards thus creating a money-laundering situation that is virtually paperless.

VI. ASSERTIONS

The prior year obligations are actual and the Service asserts that the methodology it uses to calculate its obligations of prior year budgetary resources is reasonable.

It also asserts that the methodology disclosed was the actual methodology used to generate the table required by Section 5a of ONDCP Circular: *Annual Accounting of Drug Control Funds*.

Finally, the Service asserts that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$5 million.

...



DEPARTMENT OF THE TREASURY
OFFICE OF THE UNDER SECRETARY FOR ENFORCEMENT

EXECUTIVE OFFICE FOR ASSET FORFEITURE
740 17TH ST. N.W. WASHINGTON, D.C. 20520

TELEPHONE: (202) 622-8600
FAX: (202) 622-9610

JAN 31 2000

John Carnevale
Director, Office of Programs, Budget,
Research and Evaluation
Office of National Drug Control Policy
750 17th Street, NW
Washington, DC 20503

Dear Mr. Carnevale:

The enclosed Treasury Forfeiture Fund Drug Control Budget for Fiscal Year 2001 is provided as requested in the December 17, 1999 memorandum from David J. Rivoli, Chief, Budget Branch. If further information is required, please contact Diane Frazier of the TFF budget staff at (202) 622-8344.

Sincerely,

Eric B. Hamp
Assistant Director for
Financial Management/CFO

Enclosure

FY 1999 Accounting of Drug Control Funds

Attachment C-1

TREASURY FORFEITURE FUND

RESOURCE SUMMARY
(\$ in millions)

Program Title	Drug-Related Percentage	FY 1999	FY 2000	FY 2001	FY 2001
		Actual	Estimate	Year Program	Status
Drug Resources by Goal:					
Goal 1					
Objective:	0.0%				
Resources not aligned to an existing objective:	0.0%				
Total for Goal 1	0.0%				
Goal 2					
Objective 1					
1. Strategic law enforcement	71.0%	\$346,855	\$271,000	\$170,200	\$170,200
Resources not aligned to an existing objective:	0.0%	0,000	0,000	0,000	0,000
Total for Goal 2	71.0%	\$346,855	\$271,000	\$170,200	\$170,200
Goal 3					
Objective:	0.0%				
Resources not aligned to an existing objective:	0.0%				
Total for Goal 3	0.0%				
Goal 4					
Objective:					
1. Counter-Infiltration Operations	100.0%	\$0,134	\$0,300	\$0,300	\$0,300
Resources not aligned to an existing objective:	0.0%	0,000	0,000	0,000	0,000
Total for Goal 4	100.0%	\$0,134	\$0,300	\$0,300	\$0,300
Goal 5					
Objective:	0.0%				
Resources not aligned to an existing objective:	0.0%				
Total for Goal 5	0.0%				
Grand Total	71.0%	\$346,989	\$271,300	\$170,500	\$170,500

FY 1999 Accounting of Drug Control Funds

Attachment C-2

TREASURY FORFEITURE FUND (Cont'd)

L. RESOURCE SUMMARY
(In millions)

	FY 1999	FY 2000	FY 2001	FY 2001
	Actual	Current	Base Program	Request
Drug Resources by Function:				
Conviction	\$0,000	\$0,000	\$0,000	\$0,000
Intelligence	\$0,000	\$0,000	\$0,000	\$0,000
Investition	\$0,134	\$0,200	\$0,200	\$0,200
Interruption	\$0,000	\$0,000	\$0,000	\$0,000
Investigation	\$128,244	\$151,600	\$90,800	\$90,800
Prevalence	\$0,000	\$0,000	\$0,000	\$0,000
Prevention	\$0,000	\$0,000	\$0,000	\$0,000
Research & Development	\$0,000	\$0,000	\$0,000	\$0,000
State & Local Assistance	\$198,407	\$79,400	\$79,400	\$79,400
Treatment	\$0,000	\$0,000	\$0,000	\$0,000
Total	\$198,989	\$271,220	\$170,400	\$170,400
Drug Resources by Decision Unit:				
Permanence (statewide Auxiliary)	\$198,989	\$271,220	\$170,400	\$170,400
Total	\$198,989	\$271,220	\$170,400	\$170,400
DDTA Transfer	\$0,000	\$0,000	\$0,000	\$0,000
Special Forfeiture Fund Transfer	\$0,000	\$0,000	\$0,000	\$0,000
FIDE Resources	\$0,000	\$0,000	\$0,000	\$0,000
Drug Resources Personnel Summary:				
Full-time Equivalent Positions ^{1/}	0	0	0	0
Information:				
Total Agency Budgets ^{2/}	\$347,871	\$362,000	\$240,000	\$240,000
Drug Percentage	71.2%	71.8%	71.8%	71.0%

^{1/} Drug control personnel are reported directly to ONDCP by each of the Treasury law enforcement bureaus.
^{2/} Total Agency Budgets for FY 2000 include a Super Surplus of \$142 million.

FY 1999 Accounting of Drug Control Funds

Attachment C-3

Treasury Forfeiture Fund (Cont'd)
 Outyear Planning Estimates
 (Dollars in millions)

	Budget Year	Outyears			
	FY 2001 Request	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate
Section I.					
Current Services by Goal:					
Goal 1					
Goal 2	\$170,200	\$170,200	\$170,200	\$170,200	\$170,200
Goal 3					
Goal 4	\$0,200	\$0,200	\$0,200	\$0,200	\$0,200
Goal 5					
Total	\$170,400	\$170,400	\$170,400	\$170,400	\$170,400
Section II.					
Agency Initiatives by Goal:					
Goal 1	\$0,000	\$0,000	\$0,000	\$0,000	\$0,000
Goal 2	0,000	0,000	0,000	0,000	0,000
Goal 3	0,000	0,000	0,000	0,000	0,000
Goal 4	0,000	0,000	0,000	0,000	0,000
Goal 5	0,000	0,000	0,000	0,000	0,000
Total	\$0,000	\$0,000	\$0,000	\$0,000	\$0,000

FY 1999 Accounting of Drug Control Funds

Treasury Forfeiture Fund Disposal Planning Estimates (Dollars in millions)

Goal 1: Eliminate and reduce America's youth to reject illegal drugs as well as alcohol and tobacco.

	FY 1999 Actual	FY 2000 Budget	FY 2001 Budget	FY 2002 Budget	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate
Drug Resources by Objective							
Objective 1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Objective 2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Objective 3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Objective 4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Objective 5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drug Resources by Function							
Research & Development	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drug Abuse Prevention	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drug Abuse Treatment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drug Resources by Disburse Unit							
Domestic Courts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Source: Justice Support	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Domestic & Monitoring	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Law Enforcement Agency Support	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Domestic Referrals	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Crime Control Act	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SIOTA Transfer	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Special Forfeiture Fund Transfer	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ICM Resources	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drug Resources Personnel Summary							
Full-time Equivalent Positions - 1/	0	0	0	0	0	0	0

1. Drug amount personnel are reported directly to ONDCP by each of the Treasury law enforcement bureaus.

FY 1999 Accounting of Drug Control Funds

Treasury Facilities Fund Outyear Planning Estimates (Dollars in millions)							
Goal 2: Increase the safety of America's children by substantially reducing drug-related crime and arrests.							
	FY 1999 Actual	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
Drug Resources by Objective							
Domestic Law Enforcement	346,853	271,000	176,200	176,200	176,200	176,200	176,200
Objective 2	---	---	---	---	---	---	---
Objective 3	---	---	---	---	---	---	---
Objective 4	---	---	---	---	---	---	---
Objective 5	---	---	---	---	---	---	---
Objective 6	---	---	---	---	---	---	---
Total	346,853	271,000	176,200	176,200	176,200	176,200	176,200
Drug Resources by Function							
Investigation (1)	128,248	101,400	60,800	60,800	60,800	60,800	60,800
State & Local Assistance	108,607	79,600	76,400	76,400	76,400	76,400	76,400
Total	236,855	181,000	137,200	137,200	137,200	137,200	137,200
Drug Resources by District Unit							
Law Enforcement Agency Support	346,853	271,000	176,200	176,200	176,200	176,200	176,200
Domestic Subsidies	---	---	---	---	---	---	---
Total	346,853	271,000	176,200	176,200	176,200	176,200	176,200
DDTA Transfer	---	---	---	---	---	---	---
Special Facilities Fund Transfer	---	---	---	---	---	---	---
ICDS Resources	---	---	---	---	---	---	---
Drug Resource Personnel Summary							
Fed-state Specialist Position (2)	18	18	18	18	18	18	18

1) FY 2003 Drug resources for Investigation include 1) percent of the \$142 million Super Surplus declared to the end of FY 1999.
 2) Drug resource personnel are reported directly as ODDCT by each of the Treasury law enforcement bureaus.

FY 1999 Accounting of Drug Control Funds

Treasury Forfeiture Fund Outyear Planning Estimates (Dollars in millions)							
Cost 3: Waiver bonds and other costs to the public of illegal drug use.							
	FY 1999 Actual	FY 2000 Estimate	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate
Drug Resources by Objective							
Objective 1	---	---	---	---	---	---	---
Objective 2	---	---	---	---	---	---	---
Objective 3	---	---	---	---	---	---	---
Objective 4	---	---	---	---	---	---	---
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Drug Resources by Function							
Inspection	---	---	---	---	---	---	---
Investigation	---	---	---	---	---	---	---
Intelligence	---	---	---	---	---	---	---
Prosecution	---	---	---	---	---	---	---
Corrections	---	---	---	---	---	---	---
Intelligence	---	---	---	---	---	---	---
State & Local Assistance	---	---	---	---	---	---	---
Regulatory & Compliance	---	---	---	---	---	---	---
Other Law Enforcement	---	---	---	---	---	---	---
Research & Development	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Drug Abuse Prevention	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Drug Abuse Treatment	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Drug Resources by District Unit							
Demolishing Courts	---	---	---	---	---	---	---
State Police Support	---	---	---	---	---	---	---
Detention & Monitoring	---	---	---	---	---	---	---
Law Enforcement Agency Support	---	---	---	---	---	---	---
Domestic Relations	---	---	---	---	---	---	---
Crisis Center Air	---	---	---	---	---	---	---
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ADTA Transfer							
	---	---	---	---	---	---	---
Special Payment Fund Transfer							
	---	---	---	---	---	---	---
ICRF Resources							
	---	---	---	---	---	---	---
Drug Resources Personnel Summary							
Full-time Equivalent Positions (1)	0	0	0	0	0	0	0

(1) Drug resources personnel are reported directly to CHDCT by each of the Treasury law enforcement bureaus.

FY 1999 Accounting of Drug Control Funds

Treasury Performance Fund Oxygen Planning Schedule (Dollars in millions)

Goal 4: Stabilize America's use, production, and use practices from the drug abuse.

	FY 1999 Actual	FY 2000 Estimate	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate
Drug Resources by Objective							
Cocaine Interdiction Operations	0.134	0.200	0.200	0.200	0.200	0.200	0.200
Objective 2	---	---	---	---	---	---	---
Objective 3	---	---	---	---	---	---	---
Objective 4	---	---	---	---	---	---	---
Total	0.134	0.200	0.200	0.200	0.200	0.200	0.200
Drug Resources by Function							
Investigation	0.134	0.200	0.200	0.200	0.200	0.200	0.200
Intelligence	---	---	---	---	---	---	---
Inspection	---	---	---	---	---	---	---
Promotion	---	---	---	---	---	---	---
Compliance	---	---	---	---	---	---	---
Enforcement	---	---	---	---	---	---	---
State & Local Assistance	---	---	---	---	---	---	---
Regulatory & Compliance	---	---	---	---	---	---	---
Other Law Enforcement	---	---	---	---	---	---	---
Research & Development	---	---	---	---	---	---	---
Drug Abuse & Prevention	---	---	---	---	---	---	---
Drug Abuse & Treatment	---	---	---	---	---	---	---
Total	0.134	0.200	0.200	0.200	0.200	0.200	0.200
Drug Resources for Domestic Use							
Disseminating Grants	---	---	---	---	---	---	---
Special Market Support	---	---	---	---	---	---	---
Detection & Monitoring	0.134	0.200	0.200	0.200	0.200	0.200	0.200
Law Enforcement Agency Support	---	---	---	---	---	---	---
Domestic Substances	---	---	---	---	---	---	---
Cross-Country Air	---	---	---	---	---	---	---
Total	0.134	0.200	0.200	0.200	0.200	0.200	0.200
DDTA Transfer	---	---	---	---	---	---	---
Special Performance Fund Transfer	---	---	---	---	---	---	---
ICB Resources	---	---	---	---	---	---	---
Drug Resources Personnel Summary							
Full-time Equivalent Positions (FTE)	0	0	0	0	0	0	0

1. Drug resource personnel are reported directly or OHCF by each of the Treasury law enforcement bureaus.

FY 1999 Accounting of Drug Control Funds

Treasury Forfeiture Fund							
Outyear Planning Estimates							
(Dollars in millions)							
Goal 1: Break foreign and domestic drug sources of supply							
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Drug Seizures by Objective							
Objective 1	11.2	11.4	11.4	11.5	11.4	11.4	11.4
Objective 2	11.3	11.3	11.3	11.3	11.3	11.3	11.3
Objective 3	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Objective 4	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Objective 5	11.6	11.6	11.6	11.6	11.6	11.6	11.6
Objective 6	11.7	11.7	11.7	11.7	11.7	11.7	11.7
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Drug Seizures by Function							
Investigation	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Investigation	11.3	11.3	11.3	11.3	11.3	11.3	11.3
Investigation	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Investigation	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Investigation	11.6	11.6	11.6	11.6	11.6	11.6	11.6
Investigation	11.7	11.7	11.7	11.7	11.7	11.7	11.7
State & Local Assistance	11.8	11.8	11.8	11.8	11.8	11.8	11.8
Regulatory & Compliance	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Other Law Enforcement	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Research & Development	12.1	12.1	12.1	12.1	12.1	12.1	12.1
Drug Abuse & Prevention	12.2	12.2	12.2	12.2	12.2	12.2	12.2
Drug Abuse & Treatment	12.3	12.3	12.3	12.3	12.3	12.3	12.3
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Drug Seizures by Service Unit							
Domestic Control	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Source Interdiction	11.3	11.3	11.3	11.3	11.3	11.3	11.3
Detection & Monitoring	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Law Enforcement Agency Support	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Domestic Production	11.6	11.6	11.6	11.6	11.6	11.6	11.6
Clear Control Act	11.7	11.7	11.7	11.7	11.7	11.7	11.7
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000
RDPA Transfer	11.8	11.8	11.8	11.8	11.8	11.8	11.8
Special Forfeiture Fund Transfer	11.9	11.9	11.9	11.9	11.9	11.9	11.9
ICDE Revenue	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Drug Seizures Forecast Summary							
Police/State/Local/Other	11.2	11.2	11.2	11.2	11.2	11.2	11.2

1. Drug seizures permitted are reported directly to OHDCEP by each of the Treasury law enforcement bureaus.

II. METHODOLOGY

The drug control percentage has been adjusted as a result of a line-by-line review of the drug-related spending from the Fund. A weighted average was calculated and appears in the above figures.

III. PROGRAM SUMMARY

- Increase the Safety of America's Citizens by Substantially Reducing Drug-related Crime and Violence.
 - Federal, state, and local law enforcement task forces are supported to fight criminal activity related to drugs and violence.
 - Investigations and intelligence gathering efforts are supported which lead to seizures and forfeitures of assets obtained through sales of illegal drugs.
- Shield America's Air, Land, and Sea Frontiers From the Drug Threat.
 - Multilateral intelligence sharing with other governments regarding drug-related international money laundering has been supported by the Fund.
 - Interdiction efforts supported by the Fund are those conducted by the U.S. Coast Guard in vessel seizures in conjunction with the U.S. Customs Service.

IV. Budget Summary

2001 Base Program

- Drug control resources of the Fund total \$170.4 million in FY 2001. This budget is devoted almost exclusively to increasing the safety of America's citizens by substantially reducing drug-related crime and violence. The remaining tenth-of-one-percent of the total budget (\$.2 million) applies to interdiction.
- The Fund provides financial resources to the Treasury law enforcement bureaus and a minor amount to the U.S. Coast Guard. The drug-related efforts discussed here refer to efforts expended by these agencies which are reimbursed by the Fund.

2001 Request

- The total drug control budget request is \$170.4 million.

Attachment C-5

V. Program Statistics

- Not Applicable - The program measures developed for the Treasury Forfeiture Fund apply to managerial improvements, and they can not be translated to meaningful drug control effort statistics.

VI. Program Accomplishments

- Reimbursing proper expenses of seizure and forfeiture, sharing funds with state and local law enforcement agencies, and managing the resources of the fund constitute the main achievements of the Fund. These achievements apply mostly to the investigations into money laundering and illegal drug activity conducted domestically within the United States.
- Domestic efforts in training law enforcement officers in the asset forfeiture process were conducted as a means of facilitating investigations wherein money laundering and other proceeds from illegal drug activity are affecting the United States.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 31, 2000

MEMORANDUM FOR LISA ROSS

ACTING ASSISTANT SECRETARY FOR MANAGEMENT
AND CHIEF FINANCIAL OFFICER

FROM:

William H. Pugh *William H. Pugh*
Deputy Assistant Inspector General for Audit
(Financial Management Audits)

SUBJECT:

Attestation Review of Detailed Accounting Submission
Required by ONDCP Circular *Annual Accounting of Drug
Control Funds*

The Office of National Drug Control Policy (ONDCP) Circular *Annual Accounting of Drug Control Funds* (the Circular) requires each National Drug Control Program agency to submit to the Director of ONDCP, by February 1 of each year, a Detailed Accounting Submission reporting all funds expended by the agency for National Drug Control Program activities during the previous fiscal year. As indicated in Attachment A to the Circular, the Department of the Treasury (Treasury) is a National Drug Control Program agency required to report under this Circular. The Treasury Detailed Accounting Submission is to consist of the detailed accounting reports (report) for the eight Treasury bureaus identified in Attachment A to the Circular.

The Circular requires each agency's Office of Inspector General (OIG) to perform an attestation review for the purpose of expressing a conclusion on the reliability of the assertions made in each bureau's report. The Circular requires agency management to submit reports to its OIG in sufficient time to allow for the performance of the attestation review before the February 1 deadline. We are responsible for reviewing the reports for seven of the eight Treasury bureaus required to report under the Circular. The other Treasury bureau required to report under the Circular, the Internal Revenue Service, is under the jurisdiction of the Treasury Inspector General for Tax Administration. As of January 31, 2000, we have received reports from only three (United States Secret Service (USSS), Executive Office for Asset Forfeiture (EOAF) and United States Customs Service (USCS)) of the seven Treasury bureaus we are required to report on. The attached USSS, EOAF, and USCS reports do not meet the reporting requirements of the Circular. Furthermore, the USSS report was received January 20, 2000 and the EOAF and USCS reports were received January 31, 2000.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20288

January 31, 2000

MEMORANDUM FOR ASSISTANT SECRETARY FOR MANAGEMENT/
CHIEF FINANCIAL OFFICER

FROM: David C. Williams *David C. Williams*

SUBJECT: Annual Accounting and Authentication of Drug Control Funds

Title 21 U.S.C. § 1704(d)(A) requires agencies to submit to the Director of the Office of National Drug Control Policy (ONDCP), not later than February 1 of each year, a detailed accounting of all funds expended by the agencies for National Drug Control Program activities during the previous fiscal year. The law further requires such accounting to be authenticated by the Inspector General of each agency prior to submission to the Director.

In this regard, the Department's Deputy Chief Financial Officer provided guidance on meeting the statutory requirement in a January 4, 2000 memorandum to the Chief Financial Officers of Enforcement Entities. In that memorandum, the Deputy Chief Financial Officer requested that the Fiscal Year 1999 reports be simultaneously submitted to his office and for the Internal Revenue Service to the Treasury Inspector General for Tax Administration as soon as possible, but no later than January 14, 2000.

Item 8 of the December 17, 1999 "ONDCP Circular: Annual Accounting of Drug Control Funds" states

Each report defined in Section 5 shall be provided to the agency's Inspector General (IG) for the purpose of expressing a conclusion about the reliability of each assertion made in the report. ONDCP anticipates that this engagement will be an attestation review, consistent with the *Statements for Standards of Attestation Engagements*, promulgated by the American Institute of Certified Public Accountants.

As of the date of this memorandum, the Internal Revenue Service has neither provided us its report nor a detailed accounting of these funds for attestation. Accordingly, we are unable to render an opinion on the reliability of any assertions made in the Internal Revenue Service's report.



U.S. Treasury

ADDENDUM: AMENDMENTS TO BUREAU SUBMISSIONS

Subsequent to Treasury's March 3rd submission, the Department provided revised accounting reports included in this section. These documents are not accompanied by the required OIG review.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 29, 2000

Mr. David Rivait
Chief, Budget Branch
Executive Office of the President
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Rivait:

The Department of the Treasury requests that you include, in your submission to Congress, the following enclosed or previously transmitted FY 1999 bureau reports (re: ONDCP Circulars *Annual Accounting of Drug Control Funds*), that were revised after March 3, 2000:

Bureau of Alcohol, Tobacco, and Firearms
U.S. Customs Service
Financial Crimes Enforcement Network
Federal Law Enforcement Training Center
Treasury Forfeiture Fund

As we have discussed, the Treasury Office of Inspector General is currently performing the required FY 1999 attestation reviews. However, they do not anticipate completing those reviews for several more weeks.

If you have any questions or need additional information, please contact Joseph McAndrew at (202) 622-0807.

Sincerely,


James R. Lingebach
Acting Deputy Chief Financial Officer

Enclosures

cc: William Pugh, OIG
Maurice Moody, TIOTR

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
WASHINGTON, DC 20226

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1941.9

SEP 6 2000

MEMORANDUM TO: James R. Lingebach
Deputy Chief Financial Officer

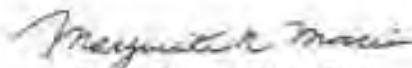
FROM: Deputy Chief Financial Officer

SUBJECT: Amended Annual Reporting of FY 1999 Drug
Control Funds

This memorandum is to transmit an amended version of the Bureau of Alcohol, Tobacco and Firearms' (ATF) Annual Reporting of FY 1999 Drug Control Funds. The original report (dated February 9, 2000) did not specifically state assertions pertaining to the accuracy and reasonableness of the drug methodology.

The following statement was inserted in section b. (1) on page 2 of the attached revised report to address the aforementioned issue: "Per our discussions with the Office of National Drug Control Policy and the Office of Management and Budget, the drug methodology used to estimate obligations and FTE utilization is reasonable and accurate. The criteria associated with this assertion are as follows."

This was the sole change to the report. Calculations and methodologies remain the same. Should there be any questions, please contact Harry Chalpon of the ATF Budget Office, (202) 927-8440.


Marguerite R. Moccia

Attachment

FY 1999 Accounting of Drug Control Funds

DEPARTMENT OF THE TREASURY BUREAU OF ALCOHOL, TOBACCO AND FIREARMS Annual Reporting of FY 1999 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 1999 Drug Control Obligations

(\$ in millions)

Drug Resources by Goal		FY 1999
Goal 1		9.7
Goal 2		222.0
Total		231.7
Drug Resources by Function		
Investigation		222.0
Prevention		9.7
Total		231.7
Drug Resources by Decision Unit		
Reduce Violent Crime		231.7
Protect the Public		0.0
Collect the Revenue		0.0
Total		231.7

(1) Drug Methodology

The Bureau of Alcohol, Tobacco and Firearms (ATF) estimate of drug-related costs is based upon the full-time equivalents (FTE) expended on investigations that result in drug charges being filed against defendants. The Bureau divides the total of all defendants charged in a year by the number of defendants arraigned under U.S.C. 18 section 924(a) provisions under a narcotic code to derive a ratio. This ratio is used to pro-rate the share of total ATF budgetary resources, including both requested appropriations applicable to support anti-drug programs.

Based upon historical case statistics, ATF has divided approximately 59 percent of the FTE achieved (FTE reported through SF-119G data) and obligations incurred under its Reduce Violent Crime (RVC) Activity for drug investigations or community subunit-oriented prevention projects. This major budget activity encompassed nearly 74.9 percent of the FY 2000 President's Budget request; preliminary data from the Bureau's net cost of operations indicates an RVC activity share factor of 75.5 percent applicable for this year's request.

(2) Methodology Modifications

None

(3) Material Weaknesses or Other Findings

None

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
Annual Reporting of FY 1999 Drug Control Funds

(4) Reprogramming or Transfers

None

(8) Other Disclosures

This is the first year for submission of this annual reporting requirement. The information and data reflects the Bureau's position in relation to the drug budget, and reflects methodology consistent with formulation of the drug budget.

b. Assertions

(1) Drug Methodology

For our discussions with the Office of National Drug Control Policy and the Office of Management and Budget, the drug methodology used to estimate obligations and FTE utilization is reasonable and accurate. The criteria associated with this assertion are as follows:

(a) Data

The estimate of drug-related costs is based upon the full-time equivalents (FTE) expended on investigations that result in drug charges being filed against a defendant. ATF budgetary resources devoted the drug budget are derived from a ratio by dividing the total of all defendants in a year by the number of defendants charged under U.S.C. 18 section 924(c) provisions and/or narcotics crimes. Based upon historical case statistics, ATF has devoted approximately 58 percent of the FTE achieved and obligations incurred under its "Reduce Violent Crime" (RVC) Activity. The most recent "net cost" data indicates that the Bureau devoted approximately 75.3% of its resources to the RVC Activity in FY 1998. This major activity would include investigations such as gun-related crimes with a drug nexus, drug investigations, or community outreach-oriented prevention projects, such as the Gang Resistance, Education and Training (G.R.E.A.T.). The methodology employed by ATF during FY 1998 is the same methodology that has been utilized in the past by the Office of National Drug Control Policy.

(b) Other Estimation Methods

None

(c) Completeness

The Bureau of Alcohol, Tobacco and Firearms' Drug Control Budget contains two components: Investigations and Prevention. Both of these components fall under the Bureau's "Reduce Violent Crime" Activity.

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
Annual Reporting of FY 1999 Drug Control Funds

(ii) Financial Systems

In FY 1999, the method for tracking estimated drug-related obligations was the Financial Management Information System (FMIS) utilizing elements such as gross obligations, project coding and obligations against earmarked initiative funding. The Bureau has migrated its financial system from a mainframe environment to a client-server in order to integrate the Core financial system with other financial and cross-financial systems. The new Financial Resources Desktop (FRD) was brought on-line October 1, 1998.

(3) Application of Methodology

For FY 1999, the methodology used to estimate obligations and FTE utilization is consistent with the narrative descriptions provided in paragraphs b (1)(d) and b (1)(e) above. This was the actual methodology utilized to generate the "Table of Prior-Year Drug Obligations." However, marginal fluctuations may occur from year-to-year based on the percentage of Bureau resources devoted to the "Reduce Violent Crime" Activity. The fluctuation would be a function of changes occurring in the Bureau's most recent analysis of its "net cost of operations" for its three core activities: "Reduce Violent Crime," "Collect the Revenue" and "Protect the Public."

(3) Financial Plan - Including Reprogramming or Transfers

No changes were made to the Bureau's Financial Plan that required OHDCA approval per OHDCA Circular dated 12/17/99.



U.S. Customs Service

Memorandum

DATE: MAY 15, 2000

FILE: BUD-1-OF-BD:BF:MBB

TO: Steven O. App
Chief Financial Officer
Department of the Treasury

FROM: Assistant Commissioner
Office of Finance

SUBJECT: Annual Reporting of FY 1999 Drug Control Funds

The attached information is provided in response to your request for U.S. Customs Service Annual Reporting of FY 1999 Drug Control Funds. It was my understanding this reporting requirement was satisfied by the submission of our report on FY 1998 and FY 1999 obligations of January 13, 2000. We have since revised our report to reflect the ONDCP format and we apologize for any delay in providing this information.

If we can be of any further assistance on this matter, please contact me or a member of your staff may contact Ms. Carol Johnson, Director, Budget Division at (202) 927-0310.

A handwritten signature in cursive script that reads "C. Wayne Hamilton".

C. Wayne Hamilton

Attachment

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DEPARTMENT OF THE TREASURY
 UNITED STATES CUSTOMS SERVICE
 Annual Reporting of FY1999 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

a. Table of FY1999 Drug Control Obligations

(\$ in millions)	
Drug Resources by Goal	
Goal 2	\$ 35.6
Goal 4	\$ 683.1
Goal 5	\$ 231.4
Total	\$ 950.1
Drug Resources by Function	
Interdiction	\$ 840.7
Investigations	\$ 115.4
Total	\$ 956.1
Drug Resources by Decision Unit	
Salaries and Expenses	\$ 626.8
Operations and Maintenance	\$ 262.8
Facilities, Construction and Improvement	\$ 6.6
Violent Crime Reduction Trust Fund	\$ 59.9
Total	\$ 956.1

1) Drug Methodology

Requesting Resources

Customs processes compliant passengers and cargo that enter the United States at the ports of entry, and pursues enforcement actions against other passengers, individuals, organizations, and businesses that violate United States trade laws. This basic distinction between compliant and non-compliant trade is a starting point for how Customs "breaks-out" its workload and estimates the amount of resources that the agency dedicates to each of its two fundamental activities, "commercial," and "drug and other enforcement."

In formulating its drug budget request, Customs derives drug-related estimates by applying percentages to its base funding and initiative requests. These estimates, which have been used with only slight

modification since they were established in the late 1990s, have been derived through the observation and judgement of mission critical personnel in the field and filtered through Customs program managers in Washington. When applied to Customs' separate initiative requests and totaled incrementally, these estimates provide what Customs dedicates in the aggregate to its drug enforcement mission and establish the basis for the Customs drug budget and the agency's support of the Office of National Drug Control Policy's five strategic goals.

A list of the percentages used to derive Customs resource requests is included in the assertions in section D.

Estimating Actual Resource Usage

See the explanation in number five of this document, the "other disclosures" section.

2) Methodology Modifications

None

3) Material Weaknesses or Other Findings

None

4) Reprogramming or Transfers

None

5) Other Disclosures

All the judgements that managers have made regarding how Customs spends its resources are strictly for the purpose of budget formulation. They are not reliable as a means to determine actual obligations or resource use.

Currently, Customs does not have a reliable manner of estimating how much it actually spends in support of its drug enforcement mission. Customs can reasonably track how it obligates its resources in its two primary mission areas, commercial and drug and other enforcement, but it has not been feasible to construct a methodology

that would provide a more accurate estimate than the current methodology that is used to determine Customs resource requests.

b. Assertions

1) Drug Methodology

a)

<u>Program</u>	<u>Percentage</u>
Air & Marine	85 %
Canine Enforcement	100 %
Cargo Examination	13 %
Non-Intrusive Inspection Technology	95 %
Criminal/Statutory Investigation	25 %
Facilities, Construction, and Improvements	As appropriate ¹
Financial Investigations	60 %
<u>Program</u>	<u>Percentage</u>
Illegal Export Investigations	5 %
Inspectional Support	30 %
Interdiction Investigations (Non-financial)	100 %
Investigations and Enforcement Support	60 %
Outbound (Currency Interdiction)	100 %
Passenger Processing	41 %
Non-Intrusive Inspection Technology	95 %
Research and Development	As appropriate

¹ Based on the program, which each funding is supporting. For example, funding for facilities, construction, and improvements has supported the Air and Marine Program through the construction of Rangers and the Canine Program through the construction of training facilities.

b) *Other Estimation Methods*

None

c) *Completeness*

Please see the assertions listed in section 1a above. The Customs Drug Control Budget consists of primarily three components—interdiction, investigations, and research and development. Customs Air and Marine and Inspection programs such as passenger, cargo, canine, and outbound currency and Customs investigation of narcotics and financial crimes contribute to the agency's drug enforcement mission. Research and development of technology contributes to both the interdiction of narcotics and illegally exported currency and the investigation of those crimes.

d) *Financial Systems*

The Customs Drug Control Budget "actuals" are derived by applying the overall percentage of the enacted budget for any given year to the agency's total direct obligations and FTE, which are retrieved from Customs Financial System (FS), the accounting core, and Customs Integrated Personnel/Payroll System (CIPPS).

2) Application of Methodology

Customs continues to apply a methodology that it uses to determine its resource requests in indicating what degree of support that the agency provides to its drug enforcement mission and ONDCP's strategic goals.



DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

SEP 12 2000

MEMORANDUM FOR DIRECTOR, OFFICE OF PROGRAMS, BUDGET,
RESEARCH AND EVALUATION
OFFICE OF NATIONAL DRUG CONTROL POLICY

FROM:

Nicholas A. Prosser *N. Prosser*
Assistant Director (Management/CFO)

SUBJECT:

Revised Annual Report of FY 1999 Drug Control Funds

Attached is the Financial Crimes Enforcement Network (FinCEN) Annual Report of FY 1999 Drug Control Funds revised to include the assertions requested in ONDCP Circular: Annual Accounting of Drug Control Funds. FinCEN obligated \$7.4 million and utilized 48 FTE in support of the National Drug Control Program.

If additional information is needed, I can be reached at (703) 905-3840 or Mary Messeri, Budget Analyst, at (703) 905-3615.

Attachment:

cc: Anna E. Dixon
Director, OP&A
Office of Enforcement

Joe McAndrew
Office of Accounting and Internal Control

Mike Fitzgerald
Office of the Inspector General

FINANCIAL CRIMES ENFORCEMENT NETWORK

A. Table of FY 1999 Drug Control Obligations

(Budget Authority in Millions)

	FY 1999 <u>Actual</u>
Drug Resources by Goal	
Goal 2	<u>5,915</u>
Goal 5	<u>1,479</u>
Total	7,394
Drug Resources by Function	
Intelligence	<u>7,394</u>
Total	7,394
Drug Resources by Decision Unit	
Salaries and Expenses	7,241
Violent Crime Trust Fund	<u>0,153</u>
Total	7,394
Drug Resources Personnel Summary	
Total FTEs (direct only)	48
Information	
Total FinCEN Budget	24.6
Drug Percentage of 50%	12.3
Drug Percentage of 30%	7.4

(1) Drug Methodology

FinCEN is provided appropriated funding for a law enforcement support effort much broader than drug-related criminal investigations. This law enforcement support effort is focused on providing fraud-based intelligence and information sharing on money laundering that helps illuminate the financial trail for investigators as they track criminals and their assets. A by-product of FinCEN's efforts to "follow-the-financial-trail" often assists law enforcement in their drug-related investigations.

Several different cost distribution models were examined. The methodology chosen for estimating the % of drug-related investigations is based on the number of drug-related investigative cases supported, with the assumption that this is a reflection on FinCEN's overall drug-related efforts. Each request for case support is assigned a unique case number. All cases are initially screened and drug-related cases are flagged as such in the tracking database. The number of drug-related cases is compared to the total number of cases to determine the overall percentage of drug-related efforts within FinCEN. This percentage is then applied to FinCEN's total direct obligations to estimate the overall support FinCEN provides to law enforcement on drug-related efforts. This methodology is supportable and provides an estimate that fairly represents the support provided to law enforcement's drug-related efforts.

(2) Methodology Modifications

FinCEN modified the percentage used for estimating the overall drug-related efforts, in the FY 2001 OMB Drug Budget submission, from 50% to 30%. The specification of FinCEN's mission previously supported an equal split of resources between drug and non-drug investigative activity. However, a review of our caseload composition for the FY 2001 budget request, indicated a 30/70 split of resources better reflected the support provided to the National Drug Control Program. The number of drug related and money laundering cases (or level effort) has not changed significantly over the last few years; however, the total number of cases overall has increased since the methodology was proposed. FY 1998 and FY 2000 numbers were revised to reflect this change.

(3) Material Weaknesses or Other Findings

None.

(4) Reprogrammings or Transfers

None.

B. Assertions

(1) Drug Methodology

The drug methodology used to calculate obligations of budgetary resources in the Table of FY 1999 Drug Control Obligations is reasonable and accurate.

(2) Application of Methodology

The methodology based on the number of drug-related cases (discussed above), was the actual methodology used to generate the Table of FY 1999 Drug Control Obligations in part A.

(3) Financial Plan

The obligations presented are associated with a financial plan and there were no revisions or changes to the financial plan including reprogrammings or transfers affecting drug resources in excess of \$5 million.

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY
FEDERAL LAW ENFORCEMENT TRAINING CENTER
GLYNCO, GEORGIA 31524

BUD 1-6

September 21, 2009

MEMORANDUM TO: Steven O. App
Deputy Chief Financial Officer

FROM: Michael R. Hazmald *Michael R. Hazmald*
Deputy Associate Director/CFO
Planning and Resources Directorate

SUBJECT: Revised Annual Reporting of FY 1999 Drug Control Funds

Attached is the Federal Law Enforcement Training Center's (FLETC) annual report of FY 1999 Drug Control Funds revised to include the assertions requested in the ONDCP Circular: Annual Accounting of Drug Control Funds.

If you have any further questions, please let me know. I can be reached at (912) 267-2209.

Attachment

cc: Anna F. Dixon
Director, OF&A
Office of Enforcement

Joe McAndrew
Office of Accounting and Internal Control

Mike Fitzgerald
Office of the Inspector General

FY 1999 Accounting of Drug Control Funds

Attachment

FEDERAL LAW ENFORCEMENT TRAINING CENTER

I. RESOURCE SUMMARY

(Budget Authority in Millions)

<u>Drug Resources by Goal</u>	<u>FY 1999</u> <u>Actual</u>	<u>FY 2000</u> <u>Enacted</u>	<u>FY 2001</u> <u>Request</u>
Goal 2	\$78,174	\$68,258	\$65,828
Goal 5	.408	.645	.664
Total	\$78,582	\$68,903	\$66,488
 <u>Drug Resources by Function</u>			
Investigations	\$76,453	\$66,511	\$64,025
State & Local Assistance	1,721	1,747	1,799
International	.408	.645	.664
Total	\$78,582	\$68,903	\$66,488
 <u>Drug Resources by Decision Unit</u>			
Salaries and Expenses	\$43,283	\$50,416	\$56,090
Acquisition, Construction, Improvements, and Related Expenses	35,146	12,967	10,398
Violent Crime Reduction Program	.153	5,520	.000
Total	\$78,582	\$68,903	\$66,488
 <u>Drug Resources Personnel Summary</u>			
Total FTEs (direct only)	517	343	364
Total FTEs (w/reimbursable)	336	367	394
 Total Agency Budget	 \$130,970	 \$114,838	 \$110,814
Drug Percentage	60%	60%	60%

Attachment

II. METHODOLOGY

The Federal Law Enforcement Training Center (FLETC) is an interagency law enforcement training facility providing training to 73 Federal agencies and state, local, and international governments. The FLETC provides premium training programs in support of drug enforcement activities. The unique FLETC mission means that much of the training is directly as well as indirectly related to drug law enforcement activities. Many of the 73 agencies that train at the FLETC are on the front lines of the drug interdiction or investigative mission. Agencies like the Customs Service, Internal Revenue Service Criminal Investigations Division, and the Border Patrol are obvious examples of agencies on the front lines. But other agencies like the Park Police and the various Inspectors General typify many other agencies which make contributions to the drug effort within their more specific functional jurisdictions.

In almost every case, drug awareness and identification training is provided in the basic programs. Additionally, many of the generic skills taught at the FLETC, such as execution of a search warrant, laws of arrest, self defense, etc., are essential to properly prepare all law enforcement officers to deal with drug related crime. This applies to both the agencies on the front lines as well as those with a more limited involvement with drug enforcement. In order to more completely identify the level of support the FLETC provides to the drug enforcement effort, a methodology has been developed. This process entails the calculation of the amount of time spent on drug-related enforcement duties by the major participating agencies. This percentage (60%) is applied to the total training effort resulting in the "drug related training" conducted by the FLETC.

III. PROGRAM SUMMARY

The FLETC is an interagency training facility serving 73 Federal law enforcement agencies. The major training effort is in the area of basic programs to teach law enforcement skills of investigation to police personnel. The FLETC also conducts advanced programs in areas of common need, such as the use of microcomputers as an investigative tool, marine law enforcement, white collar crime, advanced law enforcement photography and several instructor training programs. In addition, the FLETC offers programs to state, local and international law enforcement officers on a not-to-interfere-with-Federal-training basis.

The FLETC is headed by a Director, who is appointed by the Secretary of the Treasury. The FLETC conducts training at its headquarters in Glynn, Georgia, and a satellite center in Artesia, New Mexico.

Attachment

IV. BUDGET SUMMARY

2000 Base Program

The FLETC's drug related program resources for FY 2000 consist of \$66.9 million and 143 direct FTEs. These support the FLETC's continuing training efforts, as well as construction and facility maintenance.

During FY 2000, in support of the participating agencies drug enforcement training, the FLETC expects to conduct (based on Spring 1999 projections):

- Basic training for 8,684 students involving 78,056 student-weeks for an Average Resident Student Population (ARSP) of 1,502.
- Advanced training for 8,243 students involving 16,226 student-weeks for an ARSP of 312.
- State and local training for 181 students involving 294 student-weeks for an ARSP of 6.
- International training for 1,056 students involving 4,121 student-weeks for an ARSP of 79.

2001 Request

The FLETC's role in supporting the Federal drug control priorities is one of providing training to Federal law enforcement agencies, thus ensuring quality training is provided and eliminating the duplication of training activities. With the training function that FLETC offers to law enforcement officers to Federal, state, local and international agencies, each is better equipped to perform their duties with the ultimate goal of reducing drug production, availability, and use.

Goal 2: Increase the safety of America's citizens by substantially reducing drug related crime and violence.

The total drug control request for Goal 2 activities for FY 2001 is \$65.824 million, which is a net decrease of \$2.434 million from the FY 2000 enacted level. The FY 2001 request includes the following initiative:

- * New Training Building Support - New construction is underway and projects are in various stages of construction. As expanded and new facilities are completed, additional utilities, janitorial services, grounds maintenance and operational personnel are required. Funds to support

FY 1999 Accounting of Drug Control Funds

Attachment

these expanded activities must be provided if the facilities are to be effectively utilized and maintained (\$.698 million).

- Goal 5. Break foreign and domestic drug sources of supply. The total drug control request for Goal 5 activities for FY 2001 is \$.664 million, which is a net increase of \$.019 over the FY 2000 enacted level. There are no new initiatives in the FY 2001 request that supports this goal.

The total drug control request for FY 2001 is \$66.488 million, a decrease of \$2.415 million from the FY 2000 enacted level.

V. PROGRAM ACCOMPLISHMENTS

The FLETC expects to accomplish the follow training:

	<u>FY 1999</u> <u>Actual</u>	<u>FY 2000</u> <u>Estimate</u>	<u>FY2001</u> <u>Estimate</u>
Basic Training:			
-Students	5,403	8,684	9,234
-Student-Weeks	44,027	78,086	79,119
-ARSP	847	1,500	1,321
Advanced Training			
-Students	7,025	8,243	7,267
-Student-Weeks	11,380	16,226	14,404
-ARSP	219	312	377
State and Local Training:			
-Students	2,316	181	182
-Student-Weeks	2,755	294	296
-ARSP	53	6	6
International Training:			
-Students	357	1,096	1,099
-Student-Weeks	551	4,121	3,996
-ARSP	11	79	77
Total Training			
-Students	15,101	18,204	17,782
-Student-Weeks	58,713	98,727	97,815
-ARSP	1,130	1,699	1,881

Attachment

VI. ASSERTIONS

- (1) *Drug Methodology* – The methodology used to calculate the percentage of drug related activity is reasonable and accurate.
- (2) *Application of Methodology* – The methodology used to generate the FY 1999 Drug Control obligations is the same as stated in section II above.
- (3) *Financial Plan* – The obligations presented for FY 1999 are associated with the financial plan and there were no revisions or changes to the financial plan that affected drug resources in excess of \$5 million.

VII. WORKLOAD STATISTICS

The workload data presented in this report was provided by the Student Information System being used by the FLETC to report workload information. The information provided is the same information provided as the official data by the FLETC in all other external reporting.

All data provided is gathered and reported in accordance with known acceptable guidelines and standards.

VIII. MATERIAL WEAKNESSES OR OTHER FINDINGS

The FLETC has no material weaknesses or other findings to report.

FY 1999 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY OFFICE OF THE UNDER SECRETARY FOR ENFORCEMENT

EXECUTIVE OFFICE FOR ASSET FORFEITURE
740 15TH ST. N.W. WASHINGTON, D.C. 20220

TELEPHONE: (202) 622-8600
FAX: (202) 672-9610

MAR 28 2000

MEMORANDUM FOR STEVEN O. AJP
DEPUTY CHIEF FINANCIAL OFFICER

FROM: ERIC E. HAMPL *Eric E. Hampl*
CHIEF FINANCIAL OFFICER

SUBJECT: ANNUAL REPORTING OF FY 1999 DRUG CONTROL
FUNDS

The Treasury Forfeiture Fund supports goals two and four of the National Drug Control Strategy. Goal two is supported with virtually all allocated funding through investigative resources provided to strengthen law enforcement. Goal four is supported through a funds allocation to the U.S. Coast Guard to shield America's air, land, and sea frontiers from the drug threat. As the funding source to reimburse participating bureaus, the Fund does not directly control the drug enforcement effort.

The attached accounting of Drug Control funds report is submitted in accordance with the May 3, 1999 memorandum from Janet L. Crist, Chief of Staff of QNDCP. If further information is required, please contact me on 202-672-2568.

Attachment

CC: Jeff Cause (Treasury Enforcement)
Jon McAndrew (Treasury Management)

**TREASURY FORFEITURE FUND
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS**

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 1999 Drug Control Obligations

Drug Resources by Goal	
Goal 2	\$246,855
Goal 4	134
Total	\$246,989
Drug Resources by Function	
Interdiction	\$ 134
Investigations	138,248
State and Local Assistance	108,607
Total	\$246,989
Drug Resources by Decision Unit	
Permanent Indefinite Authority	\$246,989

(1) Drug Methodology

The drug control percentage has been adjusted as a result of a line-by-line review of the drug-related spending from the Fund. A weighted average of 71 percent of resources expended was calculated and is reflected in the above figures.

(2) Methodology Modifications

None

(3) Material Weaknesses of Other Findings

None

(4) Reprogrammings or Transfers

None

(5) Other Disclosures

- 3 -

This is the first year for reporting annual accounting of drug control funds. The information reflects reliance upon participating bureau estimates of drug related percentages of effort in case investigations.

b. Assertions

(1) Drug Methodology

(a) Data

Participating bureaus are requested to provide their estimate of drug-related cases processed by their organization during the fiscal year. While there are case management systems in these bureaus, there are no specific drug-related database statistics available for accounting costs comparison. This situation is complicated by the cross-applicability of case requirements. For example, a drug-related case may include fraud, money laundering, firearms and explosives violations, and smuggling. As such, this type of case is not simply a drug-related case.

Data is not available in a case accounting relationship. While case data are captured and cost data are captured by the bureau, case-cost data is not collected as a regular part of accounting for drug-related costs. Until such time as case cost elements are identified specifically with the case management activity, the Executive Office for Asset Forfeiture must rely on bureau estimates.

(b) Other estimation Methods

None

(c) Completeness

The Forfeiture Fund's Drug Control budget only has one component, estimated share of drug-related activities. Other functions of the Fund are outside the drug control arena and are reported elsewhere as financial fraud, credit card fraud, money laundering, currency reporting violations and smuggling. In addition, the Fund's super surplus resources have been earmarked for many law enforcement purposes which are unrelated to drug control efforts.

(d) Financial Systems

The Forfeiture Fund utilizes the Customs Asset Information Management System (AIMS) as the accounting system of record. Customs is the executive agent for the Fund which relies upon several of the Customs systems for information and processing.

(2) Application of Methodology

The Treasury Forfeiture Fund determines end of year obligations and expenses of operating the Fund for a given fiscal year. These end of year figures are obtained in conjunction with reports and closeout activities of the Customs Service, Departmental Offices and participating bureaus. This activity provides the cost basis of Fund operations. The Bureaus provide the drug-related percentage of their activities for the year. This activity enables the Fund to apply drug-related percentages to bureau-reimbursable operations funding. The Coast Guard funding is applied at 100 percent because it applies to interdiction of vessels at sea. The other funding is applied at the adjusted percentage received from the bureaus.

(3) Financial Plan - Including Reprogramming or Transfer

None

Department of Veterans Affairs



Department of Veterans Affairs
 Finance Systems
 (dollars in millions)

FY 1998	FY 2000	FY 2001	FY 2001
Estimate	Estimate	Estimate	Actual
\$1,041.671	\$1,111.267	\$1,153.448	\$1,133.448

Drug Resources by Fund
 Fund 1
 Total: \$1,041.671 \$1,111.267 \$1,153.448 \$1,133.448

Drug Resources by Function

Prevention: \$0.158 \$0.446 \$0.507 \$0.507
 Treatment of Drug, Physiological & Mental Abuse: \$1,036.128 \$1,101.580 \$1,143.000 \$1,133.448
 Research: \$7.341 \$9.241 \$9.341 \$9.341
 Total: \$1,043.627 \$1,111.267 \$1,153.448 \$1,133.448

Drug Resources by Program Type:

Medical Care: \$1,036.026 \$1,103.026 \$1,146.107 \$1,146.107
 Research: \$7.345 \$9.341 \$9.341 \$9.341
 Total: \$1,043.371 \$1,112.367 \$1,155.448 \$1,155.448

Drug Resources (Requested Summary):

Direct: 13,908 14,270 14,270 14,170
 FTE: 13,908 14,270 14,270 14,270

Information: Total Agency Budget: 148,514.291 \$51,401.693

Drug Messages: 2,136 2,086

Total: \$11,357.026 2,278

Drug Budget / Finance Systems Summary, Finance Systems
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SECTION 1
 Current Services by Cost
 Dept:

Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
\$1,155,488	\$1,201,293	\$1,249,090	\$1,298,804	\$1,350,311		
Total Current Services						
\$1,155,488	\$1,201,293	\$1,249,090	\$1,298,804	\$1,350,311		
Total Funding Estimate						
\$1,155,488	\$1,201,293	\$1,249,090	\$1,298,804	\$1,350,311		

Department of Veterans Affairs
 Research Training
 (dollars in millions)

		Department of Veterans Affairs					
		1. Research Support (\$ in millions)					
		FY 1998 Actual	FY 2000 Estimate	FY 2001		Inflation	Budget
				Programming	Amortization		
Drug Expenditures by Class & Treatment							
(Total)							
Prevention	\$0.198	\$0.440	\$0.200	\$0.000	\$0.000	0.000	\$0.500
Specialized Treatment	277.972	296.158	0.000	0.000	11.887	328.015	
Other Medical Treatment	756.156	805.618	0.000	0.000	22.167	837.583	
Research	2.345	9.241	0.000	0.000	0.000	0.000	9.241
Total	\$1,041.671	\$1,111.517	\$0.200	\$0.000	\$13.997	\$867.681	\$1,137.348

Drug Budget - Research Summary, March 98 - 64 03/02/008 1401 PM

Department of Veterans Affairs

1. Human Resources
(E is omitted)

Drug Resources by Expense Line

	FY 1999 Estimate	FY 2000 Estimate	Reprogramming	Amplification	FY 2001 Funding	Request
Prevention	\$3,106	\$3,440	\$0,000	\$0,000	\$0,000	\$0,907
Specialized Treatment	277,072	296,188	0,000	0,000	\$11,847	388,015
Other Medical Treatment	756,155	805,478	0,000	0,000	522,167	873,583
Research	7,345	9,341	0,000	0,000	\$0,000	9,341
Total	\$1,063,678	\$1,144,367	\$0,000	\$0,000	\$542,000	\$1,753,446

Drug Resources Personnel Summary

Positions	13,508	14,270			14,270
Direct	12,508	14,270			14,270
Indirect					
FTE	13,508	14,270			14,270
Forest	13,508	14,270			14,270
WFO/Travelers					
Estimate:					
Total Agency Budget (Obligations)	\$11,331,534				
Drug Percentage	2.17%				
	2.08%				

Drug Budget: Resource/Agency: Bureau: 933: 001/0000: 938: 001

Department of Veterans Affairs
 Current Funding Estimates
 (Reflects in Millions)

Fiscal Year	Current				
	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate

(SELECTED)
 Current Services by Goal:
 Goal 3

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
General Services by Function	\$1,135,648	\$1,201,293	\$1,249,000	\$1,298,804	\$1,240,311
Prevention	\$8,507	\$8,507	\$9,397	\$9,507	\$9,507
Specialized Treatment	108,013	128,138	133,181	146,542	140,618
Other Related Treatment	817,882	871,109	866,061	842,414	860,223
Research	9,241	9,541	9,541	9,341	9,341
Total	\$1,135,648	\$1,250,295	\$1,249,000	\$1,298,804	\$1,240,311

II. METHODOLOGY

- "Treatment Costs" represent the cost for all hospital and outpatient care of veterans with a primary or associated diagnosis of drug abuse. These figures include the cost of care for substance abuse programs treating veterans with alcohol and/or drug abuse problems, all other medical programs (e.g., medicine, surgery, psychiatry, etc.).
- For specialized drug abuse treatment programs, 100% of the costs are included. However, the majority of patients receiving specialized treatment for drug abuse problems receive that care in substance abuse treatment programs. Substance abuse treatment programs provide services to patients with drug use, alcohol use, and dual substance use. The costs allocated for the treatment of veterans with drug abuse problems in these programs are based upon an analysis of the proportion of patients with drug abuse diagnosis within the total substance abuse population treated in the specialized programs. In determining the treatment costs for drug use disorders in specialized substance abuse treatment programs, 78% of the total cost of these programs is allocated.
- Other related medical costs were included in the VHA budget estimates in recognition of elevated rates of serious medical problems among individuals with drug use disorders. Examples of these problems include viral hepatitis, sexually-transmitted diseases, endocarditis, a range of central nervous system infections, skin and soft tissue infections, tuberculosis, and HIV. In addition, the other related medical costs are a recognition of the relationship between drug use disorders and injuries sustained in accidents or through self-infliction.
- The other related medical costs for drug abuse patients (i.e., costs for care other than specialized drug treatment in dedicated drug or substance abuse programs) is comprised of five general components: 1) 90% of the other related medical costs for patients with a drug diagnosis and treated in a specialized drug program; 1) 50% of the other related medical costs for patients with a primary drug diagnosis and treated in a specialized drug or substance abuse program; 1) 50% of the other related medical costs for patients with a primary drug diagnosis and treated in programs other than specialized drug or substance abuse programs; 2) 50% of the other related medical costs for patients with a secondary diagnosis (not patient's moving drug abuse and treated in programs other than specialized drug or substance abuse programs); 2) 5% of other related medical costs for patients with an associated (not first or second) drug diagnosis and treated in programs other than specialized drug or substance abuse programs.
- The FY 1997 other related (medical) costs were calculated using the method just described. The FY 1997 data is then extrapolated to FY 1998 and 1999 by applying the medical treatment cost index. Extrapolation does not reflect the significant shift from inpatient to outpatient treatment modalities that occurred during the period and the effect such a shift has on lowering treatment costs. Additionally, extrapolation does not reflect changes in workload (the number of patients treated with primary, secondary, or associated drug diagnosis) and the effect of such changes on "other medical costs." Veterans Health

Administration (VIA) realizes that due to numerous variables, the extrapolated "other medical costs" are not reliable, but represent the best possible effort to represent drug-related costs using the current information available. VHA is awaiting approval of a change in drug methodology from the Office of National Drug Control Policy as the result of approved tracking mechanisms regarding drug patterns.

The budget accounts for drug-related costs for VHA Medical Care and Research. It is not all encompassing of drug-related costs for the agency. VHA incurs costs related to accounting and security of amphetamines and other controlled substances and costs of law enforcement related to illegal drug activity, however, these costs are relatively small and would not have a material effect on the aggregate VA costs reported.

The financial systems utilized support the drug methodology and yield data that fully present, in all material respects, aggregate obligations from which drug-related obligations estimates are derived.

III. PROGRAM SUMMARY

The Department of Veterans Affairs, through its Veterans Health Administration, operates a network of substance abuse treatment programs located in the Department's medical centers. VA plays a major role in the provision of services to veterans who are "service connected" or indigent. (The term "service connected" refers to injuries sustained while in military service, especially those injuries sustained as a result of military action). All of the drug-related resources support Goal 2 of the National Drug Control Strategy.

The investment in health care and specialized treatment of veterans with drug abuse problems is funded by the resources in Medical Care which avoid future health, welfare and crime costs associated with illegal drug use.

In coordination with Center for Substance Abuse Treatment (CSAT) on how to best employ outreach models, VA has been a participant in the Treatment Improvement Protocol (TIP) Manual (Health Services Administration (SAMHSA) in Health and Human Services (HHS) A component of this project is the specific development of TIP #27 relating to case management and the associated facilitation of access to treatment.

The VA has requested in research help to acquire new knowledge to improve the prevention, diagnosis and treatment of disease, and acquire new knowledge to improve the effectiveness, efficiency, accessibility and quality of veterans health care.

The Department of Veterans Affairs, in keeping with modern medical practice, continues to improve service delivery by expanding primary care and shifting treatment services to lower cost settings when clinically appropriate. Included in this shift to more efficient and cost

effective care delivery has been VA's substance abuse treatment systems. Initial data suggest these efforts to care delivery may impact budgets in future years. The exact nature of the impact, if any, cannot be determined until additional trend data become available.

IV. BUDGET SUMMARY

2000 PROGRAM

- The 2000 base contains an estimated \$1,102,026 million towards this program for medical care. This program consists of \$296.168 million for specialized treatment, \$802.418 million for other related treatment and \$0.440 million for prevention activities. Evaluation of substance abuse treatment programs will continue in 2001.
- The 2000 base contains \$9.241 million for research and development to be applied towards drug abuse related research.

2001 Request

- The 2001 request is a total of \$1,135.448 million. The request is composed of \$1,146.107 million for medical care and \$9.241 million for drug abuse related research. In conjunction with the Department of Health and Human Services (HHS) and the Department of Justice (DOJ), the Department of Veterans Affairs (VA) will make available to communities its expertise in drug treatment theory and program development. The emphasis will be on the establishment of a treatment continuum, the implementation of patient/treatment matching, and methods of evaluating treatment outcomes and implementing and assessing the effectiveness of clinical practice guidelines. VA will be able to accomplish this within existing resources, primarily through its Center of Excellence in Substance Abuse Treatment and Education (CESATE) and its Program Evaluation and Resource Center (PERC). These two centers already provide these services within VA and will be made available for integration into similar activities within HHS and DOJ.

Goal 3: Reduce health and social costs to the public of illegal drug use.

The 2001 request includes the following Goal 3 enhancements:

- Increase treatment efficiency and effectiveness. Provide information on successful methods in various programs and the number of referrals that enter treatment. The dollars expended in research help to meet this goal and objective by (1) acquiring new knowledge to improve the prevention, diagnosis and treatment of disease, and (2) acquiring new knowledge to improve the effectiveness, efficiency, accessibility and quality of various health care.

- Use effective outreach efforts and case management efforts to facilitate early access to treatment. In coordination with CESATE on how best to employ outreach models, VA has been and will continue to be a participant in the Treatment Improvement Protocol (TIP) initiative developed by the Center for Substance Abuse Treatment of SAMHSA, HHS. A component of this project is the specific development of a TIP relating to case management and the associated facilitation of access to treatment. Previously issued TIPs have been made

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- A total of 40% of the patients were abstinent from alcohol and drugs in the 3 months before the 1-year follow-up compared with only 2% in the 3 months before treatment intake. Additionally, as follow-up, 30% of the patients had no problems due to substance use whereas at intake only 3% had no such problems. Psychological, legal and employment functioning also improved, but less substantially.
- Counselor-adjusted 1-year outcomes showed that patients in 12-step programs were more likely to be abstinent, free of substance abuse problems, and employed. Patients who

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Findings obtained:

The Program Evaluation and Resource Center (PERC), Palo Alto Healthcare System, is conducting a major process-outcome evaluation of substance abuse treatment programs. PERC is focusing on substance abuse treatment programs at 13 VAMCs that follow a traditional 12-step and/or a cognitive-behavioral (C-B) treatment approach. These are the two most prevalent treatment orientations in VA programs. Intake and discharge data have been abstracted on over 3,000 patients; one- and two-year follow-ups have been conducted.

- Improved rates of treatment retention.
- VA continues to provide important treatment services to veterans with significant substance abuse and psychological problems: 40% are 50 and older, 75% are not married, 32% are members of an ethnic minority, and 29% have service-connected disabilities. Among patients with drug diagnoses treated in specialized inpatient substance abuse units, 62% have cocaine, 22% abuse opioids, and 38% have coexisting psychiatric diagnoses.
- Specialized substance abuse treatment services are available at 13 VA medical facilities. These are predominantly inpatient treatment programs.

V. PROGRAM ACCOMPLISHMENTS

Year	1997	1998	1999	2000	2001	Average Goal
VA	35%	35%	35%	35%	35%	35%
MVA	35%	35%	35%	35%	35%	35%

Final VA

- VHA Performance Goal: Increase the percentage of patients seen in specialized substance abuse treatment settings who have an initial Addiction Severity Index (ASI) and six-month follow-up (AS).
 - Improve access to diagnostic and treatment services for addicted veterans, thereby reducing suffering and avoiding further social, medical and psychiatric complications.
 - activities. This effort will continue in the future.
 - available to VA treatment programs, and have been used in VA's continuing education.

obtained more regular and more intensive outpatient mental health care, and those who participated more in 12-step self-help groups, were more likely to be abstinent and free of substance use problems.

With respect to treatment processes, patients in 12-step program improved more between intake and discharge than did (C-B) patients on proximal outcomes assumed to be specific to 12-step treatment outcomes (e.g., disease concept belief, attending 12-step meetings), whereas patients in C-B programs made no greater change (and on a few variables, less change) than did 12-step patients on proximal outcomes assumed to underlie C-B treatment (e.g., sense of self-efficacy, coping skills).

No evidence was found that C-B or 12-step treatment is more beneficial for certain types of patients than is the other treatment approach. Process analyses of the hypothesized mechanisms underlying predicted patient-treatment matching effects indicated several points at which the expected matching effects broke down.

Dually diagnosed patients and those with only substance use disorders had comparable substance use outcomes. However, patients with major psychiatric disorders fared worse on psychological symptoms and employment outcomes than did patients with personality disorders or only substance use disorders.

PERC recently completed a prospective 1-year evaluation of a nationwide sample of more than 2,100 VA substance abuse patients seen in the Contract Residential Facilities (CRF) program. (The findings are that:

- Patients in the CRF Program improve substantially between treatment intake and 1-year follow-up.
- Patients who have longer episodes of care and participate more intensively in the CRF Program have better casemix-adjusted 1-year outcomes.
- The CRF Program benefits diverse subgroups: substance abuse patients with psychiatric disorders, residentially unstable and homeless patients, patients mandated to treatment, and patients admitted directly from outpatient care.
- Patients in CRF care have better casemix-adjusted 1-year outcomes than comparable patients discharged directly from inpatient care to independent living in the community.
- Patients who are clinically eligible to be admitted directly to CRFs from outpatient care have similar casemix-adjusted 1-year outcomes but lower costs than do comparable patients who first have an episode of inpatient care.
- Patients who obtain more consistent outpatient mental health care during and after the CRF episode have better 1-year substance use and psychosocial outcomes than patients who obtain less consistent outpatient care.

- The Program Evaluation and Resource Center is working with Mental Health Strategic Healthcare Group to develop a system of indicators to monitor the provision of services to veterans with substance use disorders. The first phase of development will first monitor designed to assess the effectiveness of early intervention as well as indicators measuring access to treatment and continuity of services. Later phases will evaluate treatment outcome using indicators such as changes in substance use, medical and psychiatric status, economic status and social conditions after receipt of services.

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DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Mr. David L. Rivali
1/27/99

Chief, Budget Branch
Executive Office of the President
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Rivali:

Attached is the Department of Veterans Affairs (VA) Office of Inspector General report: *Attestation of the Department of Veterans Affairs Detailed Accounting Submission for Fiscal Year 2000 (Report No. 000-00983-41)*. The report was provided to the VA Chief Financial Officer on February 23, 2000, to accompany the VA "Detailed Accounting Submission" as required by Office of National Drug Control Circular *Annual Accounting of Drug Control Funds*.

John S. Bilobran
Director, Management Audit Division (52CM)

Enclosure

DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420



May 27 2000

Assistant Secretary for Financial Management (104)

Subject: Attestation of the Department of Veterans Affairs "Detailed Accounting
Submission" for Fiscal Year 2000 (Report No. 2000-00983-11)

We have reviewed the accompanying "Detailed Accounting Submission" of the
Department of Veterans Affairs (VA) for Fiscal Year (FY) 2000 relating to obligations
on National Drug Control Program activities. Our review was conducted consistent with
standards for attestation engagements established by the American Institute of Certified
Public Accountants (AICPA).

A review is substantially less in scope than an examination; the objective of which is the
expression of an opinion on the "Detailed Accounting Submission." Accordingly, we do
not express such an opinion.

We concluded that:

1) Estimated obligations reported for FY 1999 are not reliable as a consequence of
methodological shortcomings associated with extrapolation of prior year data and
incompleteness of cost accounting data produced by VA financial systems.

2) All activities conducted by VA having a drug related nature are not reflected in the
drug methodology. However, the costs associated with imported drug-related
activities may not be material relative to the aggregate costs reported.

Except for the preceding qualifications, nothing came to our attention that caused us to
believe that the accompanying "Detailed Accounting Submission" is not presented in
conformity with Office of National Drug Control Policy (ONDCP) criteria.

For the Assistant Inspector General for Auditing

MICHAEL SLACHTA

Deputy Assistant Inspector General for Auditing

APPENDICES

APPENDIX I

BACKGROUND, SCOPE, AND DETAILS OF FINDINGS

Background

21 United States Code, Section 1704 requires that agencies responsible for implementing any aspect of the "National Drug Control Strategy" submit to the Director, Office of National Drug Control Policy (ONDCP) a detailed accounting for all funds expended by the agency for National Drug Control program activities during the previous year. The statute also requires that such accounting be authenticated by the agency's Inspector General prior to submission.

"ONDCP Circular: Annual Accounting for Drug Control Funds," dated December 17, 1991, implements the statutory requirement and defines Inspector General authentication as an attestation review, consistent with the Statement for Standards of Attestation Engagements, promulgated by the American Institute of Certified Public Accountants (AICPA). The ONDCP circular also identifies specific assertions required in the "Detailed Accounting Submission," and criteria for the assertions.

Scope

We reviewed the VA "Detailed Accounting Submission" for Fiscal Year (FY) 2000 including the "Table of Prior Drug Control Obligations" and required assertions relating to "Drug Methodology," "Application of Methodology," and "Financial Plan - Including Reprogrammings and Transfers." The "Detailed Accounting Submission" is the responsibility of VA management. Our responsibility is to express a conclusion about the reliability of the assertions made in the "Detailed Accounting Submission."

Details of Findings

Required Agency Assertions

ONDCP requires that reporting agencies make explicit assertions regarding: (1) the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources; (2) application of the drug methodology to the annual accounting; and (3) changes to the agency financial plan affecting drug control obligations. Specifically, ONDCP requires the following:

"All such requirements are met in which the provision is required to express conclusions regarding the reliability of certain assertions. An assertion is any declaration or set of related declarations, taken as a whole, by the party responsible for making the assertion."

APPENDIX I

Required Assertion

"An assertion shall be made regarding the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources. The criteria associated with this assertion are as follows:

Data – If workload or other statistical information supports the drug methodology, then the source of these data and the current connection to drug methodology should be well documented. If these data are periodically collected, then the data used in the drug methodology must be clearly identified and will be the most recently available.

Other Estimation Methods – If professional judgment or other estimation methods are used as part of the drug methodology, then the association between these assumptions and the drug control obligations being estimated must be thoroughly explained and documented. These assumptions should be subjected to periodic review in order to confirm their continued validity.

Completeness – All activities conducted by the agency or bureau that have a drug-related nexus shall be reflected in the drug methodology.

Financial System – Financial systems supporting the drug methodology should yield data that fairly present, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.

Conclusion

Data and Estimation Methods

VA includes a thorough explanation of the assumptions used for estimating drug-related costs and associates those assumptions with the drug methodology.

VA asserts that the FY 1999 drug control-related obligations reported in the FY 2000 "Resource Summary" were extrapolated from FY 1997 obligations. VA further asserts that the FY 1997 obligations were calculated using the methodology described and extrapolated by applying the Medical Consumer Price Index (MCPi) inflation factor for FY 1998 and 1999.

We confirmed that the obligations reported for FY1999 were extrapolated from the FY 1997 obligations using appropriate MCPi inflation factors. However, we were not able to perform procedures to replicate FY 1997 obligations using the methodology described because VA was unable to reconstruct the source data within the time frame available for the assertion.

"Application of Methodology - Each report shall include an assertion that the methodology disclosed in this section was the actual methodology used to generate the table required by Section 501. Calculations will be sufficiently well documented to

Required Assertion

VA's drug methodology acquires drug control-related costs from VA's Cost Distribution Report (CDR). This cost accounting system has been shown to produce inconsistent and unreliable data, and VA has approved, but has not yet fully implemented, a replacement cost accounting and management information system - the Decision Support System (DSS). VA has reported that DSS will be fully compliant in Fiscal Year 2000. In our opinion, DSS has the potential to produce more reliable and consistent data that would yield a more accurate accounting of drug control-related obligations. VA should disclose the reliability of cost data used to prepare the Resource Inventory in future "Detailed Accounting Submissions."

Reliability of VA Financial Systems

We were not able to determine VA obligations for these activities because their costs have not been captured and aggregated. VA should identify the costs of these activities and determine if they are sufficiently material to be included in future accounting submissions.

- Investigation of crime involving illegal drug use by VA employees.
 - Investigation of crime involving illegal drug use on VA property.
 - Investigation of theft or losses of VA pharmacy inventory.
 - Accounting and inventory control of pharmaceuticals, narcotics, and controlled substances.
- All activities conducted by VA having a drug-related nexus were not reflected in the drug methodology, specifically workload and costs associated with:

Completeness

We concur with VA's assertion that the 1999 obligations for "other medical costs" reported are not reliable and could significantly understate actual obligations. VA has requested ONDCP approval to modify the drug methodology pertaining to the calculation of drug abuse treatment costs. The modified "direct" methodology proposed by VA can provide more accurate and reliable cost data because it will identify and aggregate actual treatment episodes meeting VA "drug control-related" criteria.

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independently reproduce these data. Calculations should also provide a means to ensure consistency of data between reporting years.

Conclusion

VA has asserted that the "Drug Methodology" described was not the actual methodology used to accumulate the data shown in the "Resource Summary," and discloses that the extrapolation methodology used does not yield reliable data on workload and obligations. In our opinion, the revised methodology proposed by VA and pending ONDCP approval, would result in more accurate and reliable data on workload and obligations.

Required Assertion

"Financial Plan – Including Reprogrammings or Transfers – Further, each report shall include an assertion that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflect those changes, including ONDCP's approval of Reprogrammings or Transfers affecting drug related resources in excess of \$5 million."

Conclusion

We confirmed that drug control-related funding totaling \$552,000 was reprogrammed in FY 1999, as reported in VA's "Detailed Accounting Submission." Nothing came to our attention indicating that the reprogramming had an effect on drug control-related activities or aggregate obligations.

APPENDIX II

DETAILED ACCOUNTING SUBMISSION FOR FY 2000¹

I. RESOURCE SUMMARY

Department of Veterans Affairs

Resource Summary

(dollars in millions)

	FY 2001	FY 2000	FY 1999	FY 1998
Drug Resources by Fund:				
Total	\$1,159,448	\$1,111,367	\$1,041,671	\$1,041,671
Treatment of Drug-Dependent Veterans	\$0,507	\$0,440	\$0,198	\$0,198
Treatment of Drug-Dependent Alcoholics	\$1,145,000	\$1,111,856	\$1,041,128	\$1,041,128
Research	\$9,241	\$9,241	\$9,245	\$9,245
Total	\$1,154,448	\$1,121,547	\$1,050,571	\$1,050,571
Drug Resources by Medical Care:				
Medical Care	\$1,148,107	\$1,140,107	\$1,102,296	\$1,094,226
Research	\$9,241	\$9,241	\$9,245	\$9,245
Total	\$1,157,448	\$1,149,348	\$1,111,541	\$1,103,471
Drug Resources (FTE (direct only))	14,270	14,270	14,270	14,208
Information:				
Total Agency Budget	\$31,233,204	\$24,401,603	\$28,314,291	\$28,314,291
Drug Percentage	2.2%	2.0%	2.1%	2.1%

II. METHODOLOGY

* "Treatment Costs" represent the cost for all inpatient and outpatient care of Veterans with a primary or associated diagnosis of drug abuse. These figures include the cost of care for these patients in the following specialized drug abuse treatment programs: specialized substance abuse programs treating veterans with alcohol and/or drug abuse problems; all other medical programs (e.g., medicine, surgery, psychiatry, etc.).

* For specialized drug abuse treatment programs, 100% of the costs are included. However, the majority of patients receiving specialized treatment for drug abuse problems receive their care in substance abuse treatment programs. Substance abuse

¹ The Detailed Accounting Submission for FY 2000 is the responsibility of VA management.

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treatment programs provide services to patients with drug use, alcohol use, and poly-substance use. The costs allocated for the treatment of veterans with drug abuse problems in these programs are based upon an analysis of the proportion of patients with drug abuse diagnoses within the total substance abuse population treated in the specialized programs. In determining the treatment costs for drug use disorders in specialized substance abuse treatment programs, 78% of the total costs of these programs are allocated.

Other related medical costs were included in the VHA budget estimates in recognition of elevated rates of serious medical problems among individuals with drug use disorders. Examples of these problems include viral hepatitis, sexually transmitted diseases, endocarditis, a range of central nervous system infections, skin and soft tissue infections, tuberculosis, and HIV. In addition, the other related medical costs are a recognition of the relationship between drug use disorders and injuries sustained in accidents or through self-infliction.

The other related medical costs for drug abuse patients (i.e., costs for care other than specialized drug treatment or dedicated drug or substance abuse programs) is comprised of five general components: 100% of the other related medical costs for patients with a drug diagnosis and treated in a specialized drug program; 100% of the other related medical costs for patients with a primary drug diagnosis and treated in a specialized substance abuse treatment program; 100% of the other related medical costs for patients with a primary drug diagnosis and treated in programs other than specialized drug or substance abuse programs; 50% of the other related medical costs for patients with a secondary diagnosis (not primary) involving drug abuse and treated in programs other than specialized drug or substance abuse programs; 25% of other related medical costs for patients with an associated (not first or second) drug diagnosis and treated in programs other than specialized drug or substance abuse programs.

The FY 1997 other related medical costs were calculated using the method just described. The FY 1997 data is then extrapolated to FY 1998 and 1999 by applying the Medical Consumer Price Index. Extrapolation does not reflect the significant shift from inpatient to outpatient treatment modalities that occurred during the period, and the effect such a shift has on lowering treatment costs. Additionally, extrapolation does not reflect changes in workload (the number of patients treated) with primary, secondary, or associated drug diagnosis) and the effect of such changes on "other medical costs." The Veterans Health Administration (VHA) realizes that due to numerous variables, the extrapolated "other medical costs" are not reliable, but represents the best possible effort to represent drug-related costs using the current information available. VHA is awaiting approval of a change in drug methodology from the Office of National Drug Control Policy as the result of improved tracking mechanisms regarding drug patients.

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III. PROGRAM SUMMARY

- The Department of Veterans Affairs, through the Veterans Health Administration, operates a network of substance abuse treatment programs located in the Department's medical centers, domiciliaries and outpatient clinics. VA plays a major role in the provision of services to veterans who are "service connected" or indigent. (The term "service connected" refers to injuries sustained while in military service, especially those injuries sustained as a result of military action). All of the drug-related resources support Goal 3 of the National Drug Control Strategy.

- The investment in health care and specialized treatment of veterans with drug abuse problems as funded by the resources in Medical Care helps avoid future health, welfare, and crime costs associated with illegal drug use.

- In coordination with Center for Substance Abuse Treatment (CSAT) on how to best employ outreach models, VA has been a participant in the Treatment Improvement Protocol (TIP) initiative developed by the Center for Substance Abuse Treatment of Substance Abuse and Mental Health Services Administration (SAMHSA) in Health and Human Services (HHS). A component of this project is the specific development of TIP #27 relating to case management and the associated facilitation of access to treatment.

- The dollars expended in research help to acquire new knowledge to improve the prevention, diagnosis, and treatment of disease, and acquire new knowledge to improve the effectiveness, efficiency, accessibility, and quality of veterans health care.

- The Department of Veterans Affairs, in keeping with modern medical practice, continues to improve service delivery by expanding primary care and shifting treatment services to lower cost settings when clinically appropriate. Included in this shift to more efficient and cost effective care delivery has been VA's substance abuse treatment system. Initial data suggest these shifts in care delivery may impact budget in future years. The exact nature of the impact, if any, cannot be determined until additional (new) data become available.

IV. BUDGET SUMMARY

FY 2000 Program

- The FY 2000 base contains an estimated \$1,102,026 million towards this program for medical care. This program consists of \$296,168 million for specialized treatment, \$805,418 million for other related treatment and \$9,440 million for prevention.

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activities. Evaluation of substance abuse treatment programs will continue in FY 2001.

- The FY 2000 base contains \$9.341 million for research and development to be applied towards drug abuse related research.

FY 2001 Request

- The FY 2001 request is a total of \$1,155.448 million. The request is composed of \$1,146.107 million for medical care and \$9.341 million for drug abuse related research. In conjunction with the Department of Health and Human Services (HHS) and the Department of Justice (DOJ), the Department of Veterans Affairs (VA) will make available to communities its expertise in drug treatment theory and program development. The emphasis will be on the establishment of a treatment continuum, the implementation of patient/treatment matching and methods of evaluating treatment outcome and implementing and assessing the effectiveness of clinical practice guidelines. VA will be able to accomplish this within existing resources, primarily through its Center of Excellence in Substance Abuse Treatment and Education (CESATIE) and its Program Evaluation and Resource Center (PERC). These two entities already provide these services within VA and will be made available for integration into similar activities within HHS and DOJ.

Goal 3: Reduce health and social costs to the public of illegal drug use.

The (FY 2001 request includes the following Goal 3 enhancements:

- Increase treatment efficiency and effectiveness. Provide information on successful methods in various programs and the number of referrals that enter treatment. The dollars expended in research help to meet the goal and objective by (1) acquiring new knowledge to improve the prevention, diagnosis, and treatment of disease; and (2) acquiring new knowledge to improve the effectiveness, efficiency, accessibility, and quality of veterans health care.

- Use effective outreach referral and case management efforts to facilitate early access to treatment. In coordination with CSAT on how best to employ outreach models, VA has been and will continue to be a participant in the Treatment Improvement Protocol (TIP) initiative developed by the Center for Substance Abuse Treatment of SAMHSA, HHS. A component of this project is the specific development of a TIP relating to case management and the associated facilitation of access to treatment. Previously tested TIPs have been made available to VA treatment programs, and have been used in VA's continuing education activities. This effort will continue in the future.

- Casenote-adjusted 1-year outcomes showed that patients in 12-step programs were most likely to be abstinent, free of substance abuse problems, and employed. Patients
 - A total of 40% of the patients were abstinent from alcohol and drugs in the 3 months before the 1-year follow-up compared with only 29% in the 3 months before treatment intake. Additionally, as follow-up, 30% of the patients had no problems due to substance use, whereas at intake only 3% had no such problems. Psychological, legal, and employment functioning also improved, but less substantially.
- Findings obtained:

The Program Evaluation and Resource Center (PERC), Palo Alto Healthcare System, is conducting a major process-outcome evaluation of substance abuse treatment programs. The program (12-step and/or a cognitive-behavioral (C-B) treatment approach. These are the two most prevalent treatment orientations in VA programs. Intake and discharge data have been collected on over 3,000 patients, 1 and 2-year follow-ups have been conducted.

- Improved rates of treatment retention.
- VA continues to provide inpatient treatment services to veterans with significant substance abuse and psychosocial problems: 40% are 50 and older, 75% are not married, 37% are members of an ethnic minority, and 29% have service-connected disabilities. Among patients with drug diagnoses treated in specialized inpatient substance abuse units, 62% abuse cocaine, 27% abuse opioids, and 38% have coexisting psychiatric diagnoses.
- Specialized substance abuse treatment services are available at 153 VA medical facilities. These are predominantly ambulatory treatment programs.

V. PROGRAM ACCOMPLISHMENTS

Increase the percentage of patients seen in specialized substance abuse treatment settings who have an initial Addiction Severity Index (ASI) and 6-month follow-up ASI.

VHA Performance Goal

- Improve access to diagnostic and treatment services for addicted veterans, thereby relieving suffering and avoiding further social, medical, and psychiatric complications.

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who obtained more regular and more intensive outpatient mental health care, and those who participated more in 12-step self-help groups, were more likely to be abstinent and free of substance use problems.

- With respect to treatment processes, patients in 12-step programs improved more between intake and discharge than did C-B patients on proximal outcomes assumed to be specific to 12-step treatment outcomes (e.g., disease concept beliefs, attending 12-step meetings), whereas patients in C-B programs made no greater change (and on a few variables, less change) than did 12-step patients on proximal outcomes assumed to underlie C-B treatment (e.g., sense of self-efficacy, coping skills).

- No evidence was found that C-B or 12-step treatment was more beneficial for certain types of patients than is the other treatment approach. Process analyses of the hypothesized mechanisms underlying predicted patient-treatment matching effects indicated several points at which the expected matching effect broke down.

- Dually diagnosed patients and those with only substance use disorders had comparable substance use outcomes. However, patients with major psychiatric disorders fared worse on psychological symptoms and employment outcomes than did patients with personality disorders or only substance use disorders.

PERC recently completed a prospective 1-year evaluation of a nationwide sample of more than 2,100 VA substance abuse patients seen in the Contract Residential Facilities (CRF) program. The findings are that:

- Patients in the CRF Program improve substantially between treatment intake and 1-year follow-up.
- Patients who have longer episodes of care and participate more intensively in the CRF Program have better casemix-adjusted 1-year outcomes.
- The CRF Program benefits diverse subgroups: substance abuse patients with psychiatric disorders, residentially unstable and homeless patients, patients mandated to treatment, and patients admitted directly from outpatient care.
- Patients in CRF care have better casemix-adjusted 1-year outcomes than comparable patients discharged directly from inpatient care to independent living in the community.
- Patients who are clinically eligible to be admitted directly to CRFs from outpatient care have similar casemix-adjusted 1-year outcomes but lower costs than do comparable patients who first have an episode of inpatient care.

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- Patients who obtain more consistent outpatient mental health care during and after the CRF episode have better 1-year substance use and psychosocial outcomes than patients who obtain less consistent outpatient care.

- The Program Evaluation and Resource Center is working with Mental Health Strategic Healthcare Group to develop a system of indicators to monitor the provision of services to veterans with substance use disorders. The first phase of development will test monitors designed to assess the effectiveness of early interventions as well as indicators measuring access to treatment and continuity of services. Later phases will evaluate treatment outcome using indicators such as changes in substance use, medical and psychiatric status, economic status and social conditions after receipt of services.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D.C. 20503

ONDCP Circular: Annual Accounting of Drug Control Funds

December 17, 1999

TO THE HEADS OF NATIONAL DRUG CONTROL PROGRAM AGENCIES

SUBJECT: Guidelines for Annual Accounting and Authentication of Drug Control Funds

1. **Purpose.** This Circular provides the policies and procedures to be used by National Drug Control Program agencies in conducting a detailed accounting and authentication of all funds expended on National Drug Control Program activities.

2. **Authority.**

a. 21 U.S.C. § 1704(d) provides: "The Director [ONDCP] shall --

(A) require the National Drug Control Program agencies to submit to the Director not later than February 1 of each year a detailed accounting of all funds expended by the agencies for National Drug Control Program activities during the previous fiscal year, and require such accounting to be authenticated by the Inspector General of each agency prior to submission to the Director, and

(B) submit to Congress not later than April 1 of each year the information submitted to the Director under subparagraph (A)."

b. Additionally:

(1) 21 U.S.C. § 1704(a) provides: "... Upon the request of the Director, the head of any National Drug Control Program agency shall cooperate with and provide to the Director any statistics, studies, reports, and other information prepared or collected by the agency concerning the responsibilities of the agency under the National Drug Control Strategy that relate to -- (A) drug abuse control; or (B) the manner in which amounts made available for drug control are being used by that agency," and

(2) 21 U.S.C. § 1703(d)(7) authorizes the Director of ONDCP to "... monitor implementation of the National Drug Control Program, including -- (A) conducting program performance audits and evaluations; and (B) requesting assistance from the Inspector General of the relevant agency in such audits and evaluations ..."

3. **Definitions.** As used in this Circular --

- a. **National Drug Control Program Agency** (hereinafter referred to as "agency") means, pursuant to 21 U.S.C. § 1701(7), "— any agency that is responsible for implementing any aspect of the National Drug Control Strategy, including any agency that receives Federal funds to implement any aspect of the National Drug Control Strategy, but does not include any agency that receives funds for drug control activity solely under the National Foreign Intelligence Program, the Joint Military Intelligence Program or Tactical Intelligence and Related Activities, unless such agency has been designated — (A) by the President; or (B) jointly by the Director [ONDCP] and the head of the agency."
- b. **Bureau** means any component of an agency.
- c. **Drug Methodology** means the process by which drug-related financial statistics are calculated. Principal criteria for an agency or bureau's drug methodology are (1) that it provide a reasonable basis for consistent estimation, and (2) that financial statistics derived through the application of this methodology fairly quantify the agency or bureau's involvement in the National Drug Control Program. Agencies or bureaus may use a variety of reasonably articulable methods, relying on workload data, grants data, statistical data, or professional judgment to estimate the drug-related portion of their programs. Once initially established, any material modification to a drug methodology must be submitted to ONDCP for review and approval before it can be implemented. Financial data formats and definitions are explained in the ONDCP Circular, *Budget Instructions and Certification Procedures*, dated May 5, 1999.
- d. **Reprogramming or Transfer** refers to any change to an agency or bureau's financial plan that requires Congressional notification. If a reprogramming or transfer affects drug-related budget resources in excess of \$5 million, then pursuant to 21 U.S.C. § 1703(c)(4), such reprogramming or transfer request shall not be submitted to Congress without the approval of the Director, ONDCP. The \$5 million threshold for ONDCP's approval may be triggered through a single transaction, or through several reprogrammings or transfers during the year that cumulatively affect the same budget activity.

4. **Coverage.** The provisions of this Circular apply to all National Drug Control Program agencies. Detailed Accounting Submissions, as defined by Section 5 of this Circular, are required from each agency identified in Attachment A.

5. **Detailed Accounting Submission.** The Chief Financial Officer (CFO) of each agency, or other accountable senior level senior executive, shall prepare a Detailed Accounting Submission to the Director, ONDCP. For agencies with no bureaus, this submission shall be a single report, as defined by this section. For agencies with bureaus, the Detailed Accounting Submission shall consist of reports, as defined by this section, from the agency's bureaus. The CFO of each bureau, or accountable senior level executive, shall prepare reports. Each report must include (a)

a table highlighting prior year drug control obligations data, and (b) a narrative section making assertions regarding the prior year obligations data. Report elements are further detailed below:

- a. **Table of Prior Year Drug Control Obligations** -- For the most recently completed fiscal year, each report shall include a table of obligations of drug control budgetary resources appropriated and available during the year being reported.¹ Such table shall present obligations by Strategy Goal, Drug Function, Budget Decision Unit, and any other published subdivision displayed for the agency or bureau in the *National Drug Control Strategy Budget Summary*. Further, this table shall be accompanied by the following disclosures:

- (1) **Drug Methodology** -- The drug methodology shall be specified in a separate exhibit. This presentation shall include sufficient detail to explain fully the derivation of all obligations data presented in the table.

- (2) **Methodology Modifications** -- Consistent with ONDCP's prior approval, if the drug methodology has been modified from the previous year, then the changes, their purpose, and the quantitative differences in the amount(s) reported using the new method versus the amount(s) that would have been reported under the old method shall be disclosed.²

- (3) **Material Weaknesses or Other Findings** -- Any material weakness or other findings by independent sources, or other known weaknesses, including those identified in the Agency's Annual Statement of Assurance, which may affect the presentation of prior year drug-related obligations data, shall be highlighted. This may be accomplished by either providing a brief written summary, or by referencing and attaching relevant portions of existing assurance reports. For each material weakness or other finding, corrective actions currently underway or contemplated shall be identified.

- (4) **Reprogrammings or Transfers** -- All prior year reprogrammings or transfers that affected drug-related budgetary resources shall be identified, and for each such reprogramming or transfer, the effect on drug-related obligations reported in the table required by this section also shall be identified.

¹Consistent with reporting requirements of the ONDCP Circular, *Budget Instructions and Certification Procedures*, dated May 5, 1999, resources received from the following accounts are excluded from obligation estimates: (1) High Intensity Drug Trafficking Areas (HIDTA), (2) Interagency Crime and Drug Enforcement (ICDE), (3) the Justice Assets Forfeiture, the Treasury Forfeiture, and ONDCP's Special Forfeiture Funds. Obligations against these resources shall be excluded from the table required by this section, but shall be reported on a consolidated basis by these bureaus. Generally, to prevent double-counting agencies should not report obligations against budget resources received as a reimbursement. An agency that is the source of the budget authority for such reimbursements shall be the reporting entity under this circular.

²For changes that did not receive prior approval, the agency or bureau shall submit such changes to ONDCP for approval under separate cover.

(j) **Other Disclosures** – ONDCP recognizes that the preparation of the information in the table, referenced in 5a, requires management to make estimates and assumptions that affect reported amounts of prior year obligations. While the information is based on management's best estimates, actual expenditures may differ. Agencies may make additional disclosures that expand on this issue for data they report.

b. **Assertions** – At a minimum, each report shall include a narrative section where the following assertions are made regarding the obligation data presented in the table required by Section 5a:

(1) **Drug Methodology** – An assertion shall be made regarding the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources. The criteria associated with this assertion are as follows:

(a) **Data** – If workload or other statistical information supports the drug methodology, then the source of these data and the current connection to drug control obligations should be well documented. If these data are periodically collected, then the data used in the drug methodology must be clearly identified and will be the most recently available.

(b) **Other Estimation Methods** – If professional judgment or other estimation methods are used as part of the drug methodology, then the association between these assumptions and the drug control obligations being estimated must be thoroughly explained and documented. These assumptions should be subjected to periodic review, in order to confirm their continued validity.

(c) **Completeness** – All activities conducted by the agency or bureau that have a drug-related nexus shall be reflected in the drug methodology.

(d) **Financial Systems** – Financial systems supporting the drug methodology should yield data that fairly present, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.

(2) **Application of Methodology** – Each report shall include an assertion that the methodology disclosed in this section was the actual methodology used to generate the table required by Section 5a. Calculations will be sufficiently well documented to independently reproduce these data. Calculations should also provide a means to ensure consistency of data between reporting years.

(3) **Financial Plan – Including Reprogrammings or Transfers** – Further, each report shall include an assertion that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those

changes, including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$5 million.

6. **Inspector General Authentication.** Each report defined in Section 5 shall be provided to the agency's Inspector General (IG) for the purpose of expressing a conclusion about the reliability of each assertion made in the report. ONDCP anticipates that this engagement will be an attestation review, consistent with the *Statements for Standards of Attestation Engagements*, promulgated by the American Institute of Certified Public Accountants.
7. **Unreasonable Burden.** Unless a detailed report, as specified in Section 5, is specifically requested by ONDCP, an agency or bureau with prior year drug-related obligations of less than \$50 million may submit through its CFO, or its accountable senior level executive, an alternative report to ONDCP, consisting of only the table highlighted in Section 5a., omitting all other disclosures. Such report will be accompanied by statements from the CFO, or accountable senior level executive, and the agency Inspector General attesting that full compliance with this Circular would constitute an unreasonable reporting burden. In those instances, obligations reported under this section will be considered as constituting the statutorily required detailed accounting, unless ONDCP notifies the agency that greater detail is required.
8. **Point of Contact and Due Dates.** Each agency CFO, or accountable senior level executive, shall transmit a Detailed Accounting Submission, consisting of the report(s) defined in Section 5, along with the IG's authentication(s) defined in Section 6, to the attention of the Director, Office of Programs, Budget, Research and Evaluation, Office of National Drug Control Policy, Washington, DC 20503. Detailed Accounting Submissions, with the accompanying IG authentication(s), are due to ONDCP by February 1 of each year. Each agency or bureau shall provide a point of contact to the Chief, ONDCP Budget Branch not later than 15 January of each year. Agency management must submit reports to their Office of Inspector General (OIG) in sufficient time to allow for review and IG authentication under Section 6 of this Circular. ONDCP recommends a 31 December due date for agencies to provide their respective OIG with the required reports and information. This date accommodates the simultaneous submissions of prior year data to ONDCP for inclusion into *National Drug Control Strategy (Budget Summary)* and to OIGs for review. Inquiries regarding any of the requirements of this Circular may be directed to the Chief, ONDCP Budget Branch, at 202-395-6736.

Janet L. Crist
Chief of Staff

Attachment

**Agencies and Bureaus
Required to Submit Reports**

Department of Agriculture

Bureaus:

Agricultural Research Service

U.S. Forest Service

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Corporation for National Service

Department of Defense

Department of Education

Department of Health and Human Services

Bureaus:

Administration for Children and Families

Centers for Disease Control and Prevention

Food and Drug Administration

Health Care Financing Administration

Health Resources and Services Administration

Indian Health Service

National Institutes of Health

Substance Abuse and Mental Health Services Administration

Department of Housing and Urban Development

Department of the Interior

Bureaus:

Bureau of Indian Affairs

Bureau of Land Management

U.S. Fish and Wildlife Service

National Park Service

Department of Justice

Bureaus:

Assets Forfeiture Fund
U.S. Attorneys
Bureau of Prisons
Community Oriented Policing Services
Criminal Division
Drug Enforcement Administration
Federal Bureau of Investigation
Federal Prisoner Detention
Immigration and Naturalization Service
Interagency Crime and Drug Enforcement
INTERPOL
U.S. Marshals Service
Office of Justice Programs
Tax Division

Department of Labor

Small Business Administration

Department of State

Public Diplomacy. Submits authentication for the former United States Information Agency, which was integrated into State, October 1, 1999.

Bureaus:

Bureau of International Narcotics and Law Enforcement Affairs
Emergencies in the Diplomatic and Consular Service

Department of Transportation

Bureaus:

U.S. Coast Guard
Federal Aviation Administration
National Highway Traffic Safety Administration

Department of the Treasury

Bureaus:

Bureau of Alcohol, Tobacco, and Firearms

U.S. Customs Service

Federal Law Enforcement Training Center

Financial Crimes Enforcement Network

Interagency Crime and Drug Enforcement

Internal Revenue Service

U.S. Secret Service

Treasury Forfeiture Fund

Department of Veterans Affairs

A BILL

To amend due dates for the Annual Accounting of Drug Control Funds.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Drug Control Accounting Technical Amendments Act of 2000".

SECTION 2. CHANGE IN DUE DATES FOR ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS.

Section 1704(d) of title 21, United States Code, is amended –

- (a) by striking in subparagraph (A) "February 1" and inserting "April 1"; and
- (b) by striking in subparagraph (B) "April 1" and inserting "June 1".