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III. ONDCP Circular: Annual Accounting of Drug Control Funds

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I. Background

The accompanying report presents for the Congress the Fiscal Year 2000 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 new statutory provision, ONDCP issued to all drug control agencies a Circular, *Annual Accounting of Drug Control Funds*. This Circular is presented at Tab O. 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 Office of Inspector General (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.

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. In preparing the FY 1999 accounting report, most agencies indicated that they would have great difficulty in meeting the February 1 due date. Agencies had similar difficulties in preparing the FY 2000 report, and in early April 2001 ONDCP notified its House and Senate oversight committees that the FY 2000 report would be transmitted later in the year. Several members of the President's Council on Integrity and Efficiency have corresponded with ONDCP, suggesting that alternative reporting dates to those currently in statute would be desirable. They recommend an agency due date of April 1, which would be associated with an ONDCP due date to Congress of June 1. ONDCP concurs.

II. Department Compliance and Inspection General Findings

Overall, most National Drug Control Program agencies were able to comply with the provisions of the ONDCP Circular, and the accounting information presented by the agencies was acceptable, based on reviews conducted, or supervised, by agency Inspectors General. The accompanying table provides a summary of the compliance by each department with the provisions of the ONDCP Circular. It also indicates whether an agency passed or failed the required attestation reviews. In this context, "pass" indicates that nothing of a material nature came to the attention of the independent auditor to suggest that an agency's assertions regarding its FY 2000 drug control obligations were presented other than in compliance with criteria established by the Circular. In the table, "incomplete" indicates that the auditor, for some reason, was not provided sufficient information to complete an attestation review.

Table: Compliance and Attestation:

Department/ Bureau	Compliance w/ ONDCP Circular	OIG/ Independent Auditor Attestation Review Pass/Fail
Agriculture	No	n.a.*
Corporation for National Service	Yes	n.a.*
Defense	Yes	Pass
Education	Yes	Pass
Health & Human Services:		
ACF, CDC, HCFA, NIH, and SAMSHA	No	Incomplete
FDA, HRSA, and IHS	Yes	n.a.*
Housing & Urban Development	Yes	Pass
Interior	Yes	Pass
Justice	Yes	Pass
Labor	No	Pass
Small Business Administration	Yes	n.a.*
State	Yes	Pass
Transportation	Yes	Pass
Treasury:		
ATF, ICDE, FLETC, FinCen, IRS, USSS, and TTF	Yes	Pass
Customs Service	No	Pass
Veterans Affairs	Yes	Pass
* Under the Circular, agency submitted an alternative report, which was not subjected to an attestation review.		

III. Summary of Agency Reports

Department of Agriculture (USDA): For the second year, the department has submitted an alternative report, as defined by the ONDCP Circular. However, the department's submission fails to comply with the Circular's alternative reporting requirements. 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 at Tab A. USDA's submission includes a transmittal letter with accompanying obligation tables for the Forest Service, Agricultural Research Service, and the Food and Nutrition Service. Also included at Tab A is a letter from the USDA Inspector General. However, 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 and the CFO concluded that full compliance with the ONDCP circular would constitute an unreasonable burden, the OIG was not able to attest an unreasonable reporting burden. The ONDCP Circular requires that in cases where an unreasonable burden is not determined by both offices, a detailed report must be provided.

Corporation for National Service (CNS): CNS submitted an alternative report, found at 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 25 AmeriCorps programs and 501 National Senior Service Corps programs. The obligations reported reflect prevention dollars related to Goal 1 of the *National Drug Control Strategy (Strategy)*: 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 2000 drug control funds, found at 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.

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 controls over National Drug Control Program funds managed through the DoD Central Transfer Account, dated 10 May 2001, report number D-2001-117. This report concluded that obligation of DoD National Drug Control Program funds managed and reprogrammed through the Central Transfer Account (CTA) were reasonable. However, this report found that procedures were changed during the year that lessened the effectiveness of the controls. Concurring with the OIG's finding, the

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Acting 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 funding allocation by project code when reprogramming funds from the CTA to the Defense Components. During this audit and DoD's prior audit, the report also found that the manual process used to prepare the DoD annual report to ONDCP on funds obligated remains separated from official accounting records. Management continues to work with the Office of the Under Secretary of Defense (Comptroller) on these issues.

Department of Education: Education submitted a detailed accounting of FY 2000 drug control funds, found at Tab D. This report consists of a resource summary, program descriptions, disclosures, and assertions concerning the Safe and Drug-Free Schools and Communities (SDFSC) program. The FY 2000 obligations reported exclude \$330 million in FY 2000 budget authority which, under the terms of Education's FY 2000 appropriations act, was not available for obligation until the start of FY 2001.

Based on its attestation review, the OIG reported no negative findings. The OIG highlighted Education's disclosure that its current drug methodology is imprecise because it is based in part on estimates and assumptions. Specifically, Education does not currently have data or any other means by which to identify or estimate the amount of funds under the SDFSC National Programs and State Grants Program that support drug prevention, exclusive of the funds that support violence prevention and school safety with no drug-related nexus. The only exception is the \$5.2 million excluded from National Programs. According to Education, collecting such data would be prohibitively expensive and impose significant new burdens on program grantees.

Department of Health and Human Services (HHS): On June 13, 2001, HHS submitted either a detailed accounting of FY 2000 drug control funds or an alternative report for each of its eight drug control bureaus, found at Tab E. HHS provided 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 OIG submitted eight separate bureau-level attestation reports. In summary, the OIG could not complete an attestation review for five 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 2000 drug control funds, consisting of a table of prior year drug control obligations and the appropriate disclosures and assertions concerning the reported obligations.

In preparing the *FY 1999 Annual Accounting of Drug Control Funds*, ACF identified several issues that highlighted the need to revisit ACF's drug methodology. Specifically, ACF reported in the 1999 report that due to the discontinuation of the Head Start/Family

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Service Centers, the funding line item associated with Head Start would no longer be scored as drug control. However, the drug methodology used by ACF to report its FY 2000 drug control obligations includes obligations for the Head Start program. In fact, the methodology used in FY 2000 is substantially different from the methodology used in FY 1999. ONDCP has worked with ACF during FY 2001 to develop an approved methodology that more accurately captures costs that are directly related to drug abuse prevention and treatment. ONDCP anticipates that the drug control resources reflected for ACF in future accounting reports will change as a result of these methodological modifications.

The OIG found that the FY 2000 report submitted by ACF does not contain sufficient information to complete an attestation review. Specifically, the OIG noted that ACF did not provide required information on:

- The criteria used to determine whether each stated program objective was “reasonable”; and
- The methods used to calculate each program’s drug control percentage and drug control obligations.

ACF should have thoroughly explained and documented this information since it relied upon professional judgment and other estimation methods. As a result, the OIG was unable to verify the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources.

Centers for Disease Control (CDC):

CDC submitted a detailed accounting of FY 2000 drug control funds, consisting of a table of prior year drug control obligations, a description of the drug control methodology and its application, and an assertion concerning the status of the financial plan. According to the OIG, the CDC accounting report does not contain sufficient information to complete an attestation review. Specifically, the OIG noted that CDC did not provide the required assertions regarding the reasonableness, accuracy, and completeness of the drug methodology used to calculate obligations of prior year budgetary resources. In addition, the OIG found that CDC did not provide an assertion indicating that the methodology disclosed in the report was the actual methodology used to generate the table of prior year drug control obligations.

In terms of required disclosures, CDC did not state:

- Whether the drug methodology had been modified from the previous year, consistent with ONDCP’s approval;
- If there were material weaknesses or other findings by independent sources, which may have affected the presentation of prior year drug related obligations data; or

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- Whether there were prior year reprogramming or transfers affecting the drug-related obligations reported in the table of prior year drug control obligations.

Further, CDC did not provide sufficient details to:

- Allow for independent reproduction of the obligations data presented in the table of prior year drug control obligations;
- Explain the data used in the community planning process and the source for collecting the data; or
- Describe the professional judgment or other estimation methods used as part of the drug methodology and the association between these assumptions and the drug control funds being estimated.

Health Care Financing Administration* (HCFA):

HCFA submitted a detailed accounting of FY 2000 drug control funds consisting of a table of prior year drug control obligations, a description of the drug methodology and its application, assertions concerning the drug methodology, and the estimated obligations related to HCFA's financial plan. To address OIG concerns previously reported in relation to the *FY 1999 Annual Accounting of Drug Control Funds*, the HCFA Office of the Actuary is now in the process of revising the drug methodology. Prior to implementation of a new methodology, HCFA must submit the revised methodology to ONDCP for approval.

According to the OIG, HCFA's FY 2000 accounting report provides questionable estimates and does not contain all of the assertions required by the Circular. 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 diagnosis codes do not exist to capture drug treatment costs for outpatient treatment. The OIG identified the following four factors that could negatively impact the accuracy of HCFA's estimates:

- The data used are dated. For example, HCFA relies on data from surveys performed in 1983 and 1987 to develop estimates;
- The estimates do not cover all of HCFA's programs. Specifically, there is no estimate of drug abuse treatment expenses for Medicare Part B;

* The Health Care Financing Administration (HCFA) has been recently renamed as the Centers for Medicare and Medicaid Services (CMS).

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- The judgments and assumptions used in making the estimates were based on limited evidence; and
- The basis for the annual growth factor was not fully explained.

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):

NIH submitted a detailed accounting of FY 2000 drug control funds, consisting of a table of prior year drug control obligations and separate narrative sections for the National Institute on Drug Abuse (NIDA) and the National Institute on Alcohol Abuse and Alcoholism (NIAAA). The narrative sections describe the individual drug methodologies used and make assertions regarding the drug control obligations provided. Although other Institutes and Centers may support research that addresses drug or alcohol abuse, the drug or alcohol abuse component is usually secondary to the research activities and is therefore not considered part of NIH's drug control budget.

In response to an OIG finding concerning the *FY 1999 Annual Accounting of Drug Control Funds*, a slight correction was made to the drug control resources reported for NIAAA. Unlike previous years, projects focused on mother's alcohol use/misuse or Fetal Alcohol Syndrome were excluded from the reported FY 2000 drug control obligations. In NIAAA's scientific judgment, these projects are not primary to ONDCP's mission to reduce, prevent, and treat underage youth drinking.

Even with the correction, the OIG found that NIH's consolidated report does not contain sufficient information to complete an attestation review. Specifically, the consolidated report did not contain an assertion for NIDA regarding the reasonableness and accuracy of the drug methodology used to calculate obligations. Further, NIH did not disclose the material weaknesses concerning its financial systems and grant management oversight, as reported in NIH's FY 2000 financial statement audit. Such weaknesses could affect the presentation of prior year drug control obligations.

Substance Abuse and Mental Health Services Administration (SAMHSA):

SAMHSA submitted a detailed accounting of FY 2000 drug control funds, consisting of a description of its drug methodology and assertions concerning the bureau's financial plan. The methodology used for FY 2000 was slightly modified by including all of the funding associated with SAMHSA's Office of Applied Studies substance abuse surveys/data collection activities, funded with resources from the Substance Abuse Block Grant, in the prevention budget.

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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 report, the OIG specifically noted that SAMHSA did not:

- Provide a 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 inconsistent information in the report. The drug methodology used to derive the table of prior year drug control obligations cites the use of estimates. The derived table, however, cites actual amounts with no explanation reconciling them to the estimates cited in the drug methodology;
- Include a section highlighting the material weakness reported in SAMHSA's FY 2000 financial statement audit regarding the grant advance reporting, reconciliation, and analysis process. This weakness that may affect the presentation of prior year drug-related obligations data; and
- Explain the corrective actions underway or contemplated for SAMHSA's grant advance reporting, reconciliation, and analysis process.

As a result, the OIG was unable to attest to the reliability of SAMHSA's assertions or provide negative assurance regarding the report.

Food and Drug Administration (FDA)

FDA 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 an explanation of FDA's Tobacco Program, including a decision regarding its termination and orderly shutdown. Prior to FY 2000, the FDA funded an initiative to reduce youth tobacco use. This was accomplished through limiting the access and appeal of tobacco products to young people, enlisting retailers' and other stakeholders' assistance, and developing regulatory procedures for cigarettes and smokeless tobacco products. As part of this effort, FDA implemented an Executive Order calling for the regulation of nicotine.

After FDA issued its final regulation implementing its tobacco program, the cigarette, smokeless tobacco, advertising, and retail industries brought suit to invalidate FDA's assertion of jurisdiction and enjoin its regulations. Following several appeals, on March 21, 2000, the Supreme Court affirmed the decision of the U.S. Court of Appeals for the Fourth Circuit, holding that FDA lacks jurisdiction under the Federal Food, Drug, and Cosmetic Act to regulate tobacco products. As a consequence of this decision, FDA has terminated its tobacco program. In FY 2000, FDA conducted an orderly shutdown of the program. After FY 2000, FDA will no longer score any funding as drug control.

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

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Officer that full compliance with the Circular would constitute an unreasonable reporting burden for FDA.

Health Resources and Services Administration (HRSA):

HRSA submitted an alternative report claiming that its FY 2000 drug-related obligations are under the \$50 million materiality threshold and full reporting would constitute an unreasonable reporting burden. The report submitted consists of a list of assertions concerning HRSA's drug control methodology and financial plan, 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. One error in the table of prior year drug control obligations is the characterization of HRSA's drug control obligations as prevention-related instead of the correct classification as treatment-related.

The methodology used this year to estimate HRSA's drug control resources reflects a change in methodology. The drug methodology used in previous years to estimate drug control resources reported six percent of the amounts appropriated for Parts A, B, and C (Titles I, II [excluding the AIDS Drug Assistance Program (ADAP)], and III) of the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act. First displayed in HRSA's *FY 1999 Annual Accounting of Drug Control Funds*, the estimate of drug control resources is now based on the amounts reported by grantees for drug abuse treatment as part of the Annual Administrative Report for Parts A and B (Titles I and Title II [excluding ADAP]) of the Ryan White CARE Act. An estimate for Part C (Title III) is not included, as grantees do not specifically report information in this category for drug abuse treatment. HRSA's drug resources are reported in the FY 2000 Accounting Report using the new methodology in an attempt to reflect the most accurate drug control estimates.

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 a table of prior year drug control obligations and a statement on the burden of reporting.

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 2000 accounting reports, found at Tab F. The reports submitted addressed the Public Housing Drug Elimination Program (PHDEP), the Multifamily Housing Drug Elimination Grant

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(DEG) and New Approach Anti-Drug Grant (NAAD) programs, and the 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 required by the Circular. In the independent attestation report submitted for PHDEP, DEG, and NAAD, the OIG reported no negative findings. 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.

Department of the Interior: Interior submitted an alternative report, found at 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 activities separately within its accounting system. However, obligations for such activities are recorded within budget subactivities associated with conservation funding.

Department of Justice: DOJ submitted a detailed accounting of FY 2000 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 PricewaterhouseCoopers 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, the following disclosures have been made for each bureau:

Asset Forfeiture Fund:

While there were no material weaknesses or other findings related to 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):

The OIG reported no material weaknesses or other findings related to the accounting for obligations. While the overall methodology to calculate drug control obligations has not been modified, the USA's drug-related funding includes 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

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the lead charge. Proportional shares of other decision units that indirectly support the prosecution of drug violators were also included.

Bureau of Prisons (BOP), Community Oriented Policing Services (COPS), Criminal Division (CRM):

BOP's Disclosure No. 5 noted that the difference in total obligations incurred between the FY 2000 Audited Financial Statements and the FY 2000 Annual Accounting of Drug Funds is due to recording Contingent Liabilities in accordance with the Statement of Federal Financial Accounting Standards No. 5. The BOP was notified of the contingent liabilities after the close of FY 2000, and these data were not entered as obligations prior to the close of the fiscal year. While the COPS methodology has remained unchanged, the Office has collapsed the Police Corps decision unit into Public Safety and Community Policing Grants. COPS Disclosure No. 3 noted a reportable condition regarding their internal controls. The condition is associated with the use of non-current forms and errors in the calculation for grant advances and accrued grant expenditures. However, it is not believed that this error could materially affect the amounts reported in their respective tables of drug control obligations. CRM's Disclosure No. 2 highlights a change in methodology. To properly reflect its counter-drug efforts, CRM is reporting its obligations among Goals 2, 4, and 5.

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 2000 financial statements revealed a material weakness, ineffective controls to monitor open obligations, which may affect reported obligations.

Federal Bureau of Investigations (FBI):

Although no negative findings were reported, management disclosed some modifications to its drug control methodology related to research and development (R&D). In addition, the FBI made some minor adjustments to the scoring methodologies used to determine the percentage of drug-related resources supporting each goal and function of the *Strategy*. Therefore, compared to last year's submission, the percentages determined through the application FBI's workload tracking system (TURK) have been strengthened to better map from the TURK system to drug-related goals and functions reported by ONDCP.

Immigration and Naturalization Service (INS):

The OIG reported no material weaknesses or other findings related to the accounting of FY 2000 obligations. However, the current methodology used to estimate certain drug control activities was last revised in 1990. The INS report does not address whether or

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not assumptions used to determine drug funding estimates were reviewed, in order to confirm their continued validity, as required by the ONDCP circular, paragraph 5(b).

Office of Justice Programs (OJP):

The OIG reported no material weaknesses or other findings related to the accounting of obligations. In the 1999 accounting report, the OIG noted that OJP was planning 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. OJP did not make this change, as there is yet no mechanism in place to discriminate FTEs dedicated to drug-related activities.

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, of which USNCB is one.

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 2000 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 2000 drug control funds, found at Tab I. The submission fails to comply with the ONDCP Circular. The department's resource summary presents budget authority, whereas this report focuses on obligations. The submission does not include disclosures that reference methodology modification, material weaknesses or other findings, reprogrammings or transfers. In addition, explicit management assertions, under the Circular's paragraph 5(b), are absent from the department's submission.

Small Business Administration (SBA): SBA submitted an alternative report, found at 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 2000 drug control funds, found at Tab K. The report includes a letter from the CFO, OIG attestations, and material from

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the Bureau for International Narcotics and Law Enforcement Affairs (INL), the Public Diplomacy (PD) account, and the Emergencies in the Diplomatic Consular Service (EDCS) account. State's submission fully complies with the Circular and was comprehensive in both its details and management assertions. On review, the Inspector General reported no findings.

Department of Transportation (DOT): DOT submitted a detailed accounting of FY 2000 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 at Tab L. The OIG's attestation reviews are summarized, as follows:

United States Coast Guard (USCG):

USCG submitted a FY 2000 accounting report that adequately addresses each of the elements required by the Circular. For the USCG, the OIG had no negative findings.

Federal Aviation Administration (FAA) and National Highway Traffic Safety Administration (NHTSA):

Both FAA and NHTSA submitted alternative reports under the Circular. These reports consisted only of the table of prior year drug control obligations. Both bureaus had FY 2000 drug control obligations under the \$50 million materiality threshold.

Department of the Treasury (Treasury): Treasury's FY 2000 detailed accounting reports and accompanying OIG attestations are found at Tab M. The eight law enforcement organizations include: the 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, the OIG reported no negative findings for three bureaus. With the exception of the matters discussed below, nothing came to the OIG's attention that caused the office to believe that the bureaus' assertions are not presented in all material respects based on the requirements set forth in the Circular.

Bureau of Alcohol, Tobacco and Firearms (ATF):

ATF's drug methodology included a percentage estimate used to calculate the portion of total budgetary resources devoted to drug activities. ATF could not locate documentation to support the data used in the determination of this percentage. ATF has made progress in documenting the data used in calculating this statistic, and ATF's management anticipates utilizing fully documented and updated data to prepare the FY 2001 accounting report.

U.S. Customs Service (USCS):

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In FY 2000, USCS made material changes to its drug methodology, which were approved by ONDCP on February 13, 2001. While the ONDCP Circular requires the accounting report to disclose methodology changes, their purpose, and the quantitative differences in the amounts reported using the new methodology versus the amounts that would have been reported under the old methodology, Customs did not make all such disclosures.

Federal Law Enforcement Training Center (FLETC), Financial Crimes Enforcement Network (FinCEN), and Treasury Forfeiture Fund (TFF):

FLETC, FinCEN and the TFF submitted detailed accountings of FY 2000 drug control funds, which adequately addressed each of the report elements required by the Circular. The OIG reported no negative findings.

Interagency Crime and Drug Enforcement (ICDE):

ICDE determines drug control obligations for *Strategy* goals and functions by estimating percentages for each Treasury entity that receives ICDE funding. The IRS allocates its total ICDE drug control obligations between Goal 2 (Increase the Safety of America's Citizens by Substantially Reducing Drug-Related Crime and Violence) and Goal 5 (Break Foreign and Domestic Resources Supplies) by applying resource utilization percentages. However, ICDE could not provide support for the calculation of these percentages.

U.S. Secret Service:

Secret Service's drug methodology includes the calculation of the percentage of time spent on drug-related activities by each of its functional areas. These percentages were determined by dividing the drug-related full time equivalent (FTE) employment data by the total FTE for the functional area. Although the Service prepared a schedule that showed the calculation of these percentages, the documentation to support the FTEs used on this schedule could not be located. In addition, the Secret Service has not reviewed the reasonableness and accuracy of these percentages since 1990.

Department of Veterans Affairs (VA): VA submitted a detailed accounting of FY 2000 drug control funds and an independent attestation report, found at Tab N. The FY 2000 obligation data presented by VA is associated with a significant change in the department's drug methodology, which better presents the true level of drug treatment activities for this agency. This methodology change was approved by ONDCP. After review of this material, overall the OIG concluded, as follows:

"Estimated obligations reported for FY 2000 are reliable based on the approved change in methodology used to calculate drug treatment expenditures [,] limited by our concerns relating to the unreliability of cost accounting data produced by VA's financial systems

IV. Improving Agency Drug Budget Methodologies

FY 2000 Accounting of Drug Control Funds

Although many agencies were able to complete this exercise successfully for FY 2000, some agencies had difficulty in presenting a detailed accounting of funds that could be authenticated by their IG. To address the deficiencies identified in agency drug budget methodologies, ONDCP has embarked on an effort to improve these important calculations so that they more accurately reflect counterdrug activities across the government. Over the past three years, ONDCP has funded independent research on the drug budget methodologies used by agencies for estimating their drug control spending. The principal component of this research was an examination of the drug budget methodologies employed by key drug control agencies. Overall, this research found that agencies use a variety of calculation methods, some of which are problematic. This examination was conducted for ONDCP by RAND, which completed its work in 2000 and released its findings in early 2001, through a report entitled, *Improving Anti-Drug Budgeting*.

Drug budget methodology improvements will be an iterative process, which will occur over the next few fiscal years. The major changes to methodologies highlighted in this section are primarily the result of ONDCP-sponsored research that helped identify important calculation issues, as well as ongoing Inspector General reviews mandated by this annual accounting report. ONDCP will keep the public apprised of progress in this area and fully disclose any future modifications to agency drug budget methodologies that would significantly affect how this information is presented.

The following summarizes major refinements in agency drug budget methodologies for this reporting period:

Veterans Affairs. The Department of Veterans Affairs' (VA) drug control budget methodology has been changed to account more accurately for drug-related treatment funding. As a result of improved tracking mechanisms within the cost accounting system regarding drug patients, VA is now better able to account for the drug-related resources associated with medical treatment costs for patients with substance abuse disorders. Previously, VA included "other related treatment costs" of patients treated with primary, secondary or associated drug diagnoses. Using this approach, various percentages of treatment costs were applied depending on the patient's drug diagnosis. These data were then extrapolated from previous years to current years by applying the medical Consumer Price Index. For "other related treatment costs," this process resulted in capturing costs that were only indirectly related to drug treatment. In order to improve these estimates, a change in VA's drug methodology has been implemented that more accurately accounts for drug-related treatment.

The revised drug methodology captures all costs generated by the treatment of: (1) patients with drug use disorders treated in specialized substance abuse treatment programs, and (2) patients with a primary drug use diagnosis treated in any other treatment setting. No "other costs" associated with secondary or associative diagnoses are factored into the drug budget, as they were under the previous methodology. For fiscal year 2000, the revised methodology has resulted in a scorekeeping adjustment of close to \$560 million.

Education. The methodology outlined in the attached report reflects changes made to the methodology since last year to account more accurately for drug-related prevention and

FY 2000 Accounting of Drug Control Funds

treatment funding. The changes proposed by the Department of Education, and approved by ONDCP on January 3, 2001, include the exclusion of the Vocational Rehabilitation State Program and the National Institute on Disability and Rehabilitation Research from the drug control budget. Both of these programs are focused on the vocational rehabilitation of disabled individuals and have only a weak nexus to drug treatment or treatment research. In addition, a minor change in the methodology for scoring the National Programs component of the SDFSC program was made. Funding for activities under the National Programs activity that can be identified as exclusively supporting school safety or violence prevention is now excluded from the drug control budget. The methodology used to estimate drug resources associated with the SDFSC State Grants Program remained unchanged with 100 percent of the obligations reported. Finally, Education's new methodology includes an estimate of the program administration costs associated with the staff who administers the SDFSC program. The implementation of this revised methodology resulted in reductions to Education's past and present drug budgets. For FY 2000, the changes reduced the amount attributed to Education's drug control programs by approximately \$100 million.

U.S. Customs Service. As displayed in this volume, the Customs Service drug control budget methodology has been changed to reflect more accurately Customs' drug enforcement efforts. The Customs Service undertook a review of its methodological approach following the Inspector General review in 2000 of Customs reporting on drug-related funding. Four organizations within Customs were able to identify specific resources in their financial plans that support the drug enforcement mission of the agency. Customs' revised methodology more accurately reports drug control resources for these components. This review covered the following key areas:

- **Office of Investigations:** The Office of Investigations is broken down into two basic resource components, those that support the Air and Marine Interdiction function and those that support the remaining investigative function.
- **Office of Field Operations:** The Office of Field Operations was able to identify the number of inspector positions that are specifically associated with drug enforcement, either because they contribute 100 percent of their time to drug enforcement, or because their duties include a significant drug enforcement component.
- **Office of Information Technology:** The Office of Information Technology supports the drug enforcement mission through the research, development, acquisition, and support and maintenance of technology, such as non-intrusive inspection systems, through its Applied Technology Division.
- **Office of Training:** Finally, as part of the comprehensive review by Customs, the Office of Training identified specific resources falling under its purview for inclusion in the drug program.

As a result of these adjustments, drug control resources now crosswalk more precisely to specific enforcement activities. In addition, for Inspectors whose time is not considered to be 100 percent related to the drug enforcement mission, the Customs Service does not yet have an appropriate methodology to determine what portion of their time is attributable to drug

enforcement. Customs is working to develop this methodology in calendar year 2001, which will result in a future refinement of the Customs drug methodology.

Further Independent Reviews

After the completion of RAND's initial examination of agency drug budget methodologies and the *FY 1999 Accounting of Drug Control Funds*, ONDCP contracted with RAND for a follow-up analysis that looked both at the results of RAND's first report and Inspector General findings in the FY 1999 accounting report. RAND concluded that additional analyses of agency drug budget methodologies would prove helpful. Independent reviews of how agencies account for drug control funds have contributed substantially to significant revisions in the drug budget methodologies of several agencies. ONDCP has concluded that the annual Inspector General attestation reviews conducted under 21 U.S.C. § 1704(d) provide the most practical means of reviewing drug budget methodologies and how agencies account for drug control funding. Based on the latest independent analytical efforts sponsored by ONDCP, procedures for conducting these annual accounting reviews may be refined to further improve the value of these efforts.





United States
Department of
Agriculture

Office of the Chief
Financial Officer

With responsibility
assigned, EN

Washington, DC
20250

Mr. David J. Rivari
Chief, Budget Branch
Office of National Drug Control Policy
Executive Office of the President
Washington, D.C. 20505

Dear Mr. Rivari:

Please find enclosed an alternative report on fiscal year 2000 drug control activities at the U.S. Department of Agriculture, in accordance with the Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds.

Since the individual prior year drug control obligations for the Agricultural Research Service, the Food and Nutrition Service, and the Forest Service of \$4.7 million, \$16 million, and \$6.8 million, respectively, combined (\$27.6 million) are less than \$50 million, we concluded that full compliance with the ONDCP circular would constitute an unreasonable reporting burden for the Department.

We were unable to develop a cost versus benefit analysis to support this conclusion due to the absence of prescribed criteria in the ONDCP circular on what would constitute an unreasonable reporting burden. Consequently, we did not provide any information to the Inspector General other than the alternative report and no authentication is forthcoming.

If you have any questions or wish to discuss the alternative report on fiscal year 2000 drug control activities, please call Kevin Ciose at (202) 720-0990.

Sincerely,

Patricia E. Healy
Acting Chief Financial Officer

Enclosure

FY 2000 Accounting of Drug Control Funds

**UNITED STATES DEPARTMENT OF AGRICULTURE
FY 2000 Drug Control Activities**

(Dollars in Thousands)

	Agricultural Research Service	Food/ Nutrition Service	Forest Service	Total USDA
Drug Resources by Goal:				
Goal 1 - Youth Risk Perception	\$0	60	\$125	\$125
Goal 3 - Disseminate Treatment Information	0	16,068	0	16,068
Goal 5 - Break Foreign/Domestic Sources	4,765	0	6,675	11,440
Total Resources by Goal	\$4,765	\$16,068	\$6,800	\$27,633

Drug Resources by Function:				
Intelligence	\$0	\$0	\$200	\$200
Investigations	0	0	5,490	5,490
Prevention	0	16,068	125	16,193
Research and Development	4,765	0	115	4,880
State and Local Assistance	0	0	670	670
Total Resources by Function	\$4,765	\$16,068	\$6,800	\$27,633

Drug Resources by Decision Unit:				
Crop Eradication Research	\$2,634	\$0	\$0	\$2,634
Alternatives & Narcotic Crop Substitutes	713	0	0	713
Estimation & Detection - Wild Narcotic Crops	745	0	0	745
Narcotic Plant Identification	673	0	0	673
Drug Assessment/Referral Activities	0	16,068	0	16,068
Detection and Monitoring	0	0	300	300
Law Enforcement Agency Support	0	0	6,400	6,400
Demand Reduction	0	0	100	100
Total Resources by Decision Unit	\$4,785	\$16,068	\$6,800	\$27,633

Total USDA Funding by Agency:		FY 2000
Agricultural Research Service (Goal 5)		\$4,765
Food and Nutrition Service (Goal 3)		16,068
Forest Service (Goals 1 and 5)		6,800
TOTAL USDA Drug Control Funding		\$27,633



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



February 5, 2001

Mr. David J. Rivart
Chief Budget Branch
Executive Office of the President
Office of National Drug Control Policy
750 17th Street NW
Washington, D.C. 20503

Dear Mr. Rivart:

The Office of National Drug Control Policy Circular titled "Annual Accounting of Drug Control 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, we have not conducted a review and are unable to provide you with the specified attestation by the required reporting date of February 1, 2001.

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

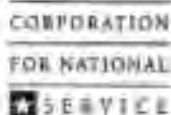
Sincerely,

ROGER C. VIADERO
Inspector General

cc:
Patricia Healy, Acting Financial Officer, OCFD
Stevan Dewhurst, Director, OBPA



Corporation for National Service



January 22, 2001

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

Dear Mr. McCaffrey:

Enclosed is the FY 2000 alternative report of drug-related obligations for the Corporation for National Service as outlined in section 7 ("Unreasonable Burden") of ONDCP Circular: Annual Accounting of Drug Control Funds dated December 17, 1999. It is my judgement 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 2000 is \$9 million. This reflects the portion of the total obligations for grants to 25 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 these 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,

A handwritten signature in black ink, appearing to read "W. Zenker".

Wendy Zenker
Chief Operating Officer

Enclosure



Corporation for National Service
 Table of Prior Year Drug Control Obligations
 Fiscal Year 2000

Budgetary Activity	2000 Obligations \$ in thousands
AmeriCorps ^{1/}	\$5,251
National Senior Service Corps (NSSC) ^{2/}	\$3,758
Total	\$9,009

^{1/} AmeriCorps data was pulled from "Clearbase," which is AmeriCorps' official program and grants database. Queries searched "focus area" fields for projects focusing on drug prevention and drug intervention.

^{2/} NSSC data was pulled from the NSSC program's Project Profile and Volunteer Activity (PPVA) database. Queries searched "activity categories" with substance abuse-related services.



Department of Defense



DEPARTMENT OF DEFENSE
COORDINATOR FOR DRUG ENFORCEMENT
POLICY AND SUPPORT

1510 DEFENSE PENTAGON
WASHINGTON DC 20301-1510



0100740-PRA

JAN 24 2001

Mr. Robert Eise
Director
Office of Programs, Budget, Research and Evaluations
Office of National Drug Control Policy
750 17th Street, NW
Washington, DC 20503

Dear Mr. Eise:

As the Acting Department of Defense Coordinator for Drug Enforcement Policy and Support, I assert that the drug methodology used to calculate obligations of FY 2000 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.

Sincerely,


Robert J. Newberry
Acting

Enclosures:
As stated.

CF
00010



FY 2000 Accounting of Drug Control Funds

CENTRAL TRANSFER ACCOUNT

	FY00
Goal 1	26,942
Goal 2	112,646
Goal 3	71,851
Goal 4	344,430
Goal 5	289,256
	804,124
Interdiction	405,926
State and Local Assistance	288,727
Prevention	91,327
Treatment	6,874
Research and Development	31,271
	804,124

OPTEMPO

Goal 2	7,554
Goal 4	85,415
Goal 5	36,361
	129,330
Interdiction	100,637
State and Local Assistance	22,293
	129,330

TOTAL COUNTERDRUG FUNDING

	FY00
Goal 1	26,942
Goal 2	120,300
Goal 3	71,851
Goal 4	429,845
Goal 5	284,417
	933,354
Interdiction	512,561
State and Local Assistance	291,320
Prevention	91,327
Treatment	6,874
Research and Development	31,271
	933,354

DRUG METHODOLOGY

Central Transfer Account

The Counterdrug Central Transfer Account (CTA) was established in PBD 676 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 (DD1415 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 subtask, 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, not an estimation.

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-FJ 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. DEP&S 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 PACKAGES 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 DEP&S AND DPAS IS DIRECTED TO INITIATE THE TREASURY TRANSFER DOCUMENT (FORM 1151).
- 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 BY DOD COMPTROLLER AND FUNDING DOCUMENTS ARE ISSUED (NORMALLY A FEW DAYS TO A WEEK).
- STEP 8. DPAS PREPARES TREASURY DOCUMENT (FORM 1151) 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).

ATTACHMENT (1)

FY 2000 Accounting of Drug Control Funds



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
89 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22204-2864

January 31, 2001

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

SUBJECT: Attestation Review of the January 24, 2001, DoD FY 2000 Drug Control
Obligations Report (Report No. D-2001-901)

We are providing this memorandum in response to Public Law 105-277, "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 2000 Drug Control Obligations Report (the FY 2000 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. The scope of the FY 2000 attestation review was further limited because the FY 2000 Report was not received from your office until January 25, 2001. We realize the main cause for the delay was the result of the late receipt of financial data from some of the Defense Components responsible for budget execution.

We cannot attest to the Table of Obligations at Tab A of the report. The FY 2000 Report was manually prepared from data submitted by the Military Departments and other DoD agencies and not directly from official DoD accounting systems. 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 2000 Report was not completed in accordance with the ONDCP Circular. The FY 2000 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. However, these portions of the report are applicable to those Federal agencies that account for the counterdrug budget as a percentage or an estimate of the total agency budget. DoD manages its counterdrug budget through the Central Transfer Account.

and does not use percentages or estimates. The DoD counterdrug budget is approved annually for specific programs, and resources applied to those programs are tracked through the Central Transfer Account. The FY 2000 Report was also incomplete with 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 be 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) 604-9180 (rmurrell@dodig.osd.mil) or Mr. Albert L. Putnam at (703) 604-8779 (aputnam@dodig.osd.mil).


David K. Steensma
Deputy Assistant Inspector General
for Auditing

Attachment

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



THE
U.S. Department of
EDUCATION



UNITED STATES DEPARTMENT OF EDUCATION

(OFFICE OF THE UNDER SECRETARY)

FEB 1 2001

Edward H. Jurth
Acting Director
Office of National Drug Control Policy
Executive Office of the President
Washington, D.C. 20500

Dear Mr. Jurth:

In accordance with Section 1704(d) of Title 21 United States Code, enclosed please find a detailed accounting of all fiscal year 2000 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. Skelly
Director, Budget Service

Enclosure # 1: *Department of Education Detailed Accounting of Fiscal Year 2000 Drug Control Funds*, dated January 28, 2001.

Enclosure # 2: Authentication letter from Inspector General Lorraine Lewis, dated January 31, 2001.

cc: Lorraine Lewis

501 MARYLAND AVE., S.W. WASHINGTON, D.C. 20200

Our mission is to ensure equal access to education for every child, wherever they live.

DEPARTMENT OF EDUCATION



**DETAILED ACCOUNTING OF
FISCAL YEAR 2000 DRUG CONTROL FUNDS**

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

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

JANUARY 26, 2001

FY 2000 Accounting of Drug Control Funds

DEPARTMENT OF EDUCATION DETAILED ACCOUNTING OF FISCAL YEAR 2000 DRUG CONTROL FUNDS

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE UNITED SECRETARY

JAN 25 2001

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

Dear Ms. Lewis:

Pursuant to Section 1704(d) of Title 21 United States Code, enclosed please find a revised detailed accounting of all fiscal year 2000 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. The enclosed accounting report incorporates changes recommended by your office as a result of your attestation review of the Department's detailed accounting of fiscal year 2000 drug control funds (na) transmitted to you on January 12, 2001.

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, 2001, if possible. Please do not hesitate to contact me if you have any additional questions about the enclosed information.

Sincerely,

Thomas P. Stelly
Director, Budget Service

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

1

This document contains information that is exempt from public release under the Freedom of Information Act (5 U.S.C. 552).

FY 2000 Accounting of Drug Control Funds

RESOURCE SUMMARY

	Fiscal Year 2000 Obligations (in \$ millions)
Drug Resources by Goal	
Goal 1	\$269,443
Total	269,443
Drug Resources by Function	
Prevention	269,443
Total	269,443
Drug Resources by Decision Unit	
Office of Elementary and Secondary Education	
Safe and Drug-Free Schools and Communities	
-SDFSC State Grants	110,661 ¹
-SDFSC National Programs	108,503
-SDFSC Middle School Coordinator Initiative	50,000
Subtotal, OESE	269,164
Program Administration	3,279
Total	269,443

¹ Includes \$2,367 million in obligations of funds that were originally obligated in fiscal year 1999, recovered (deobligated) in fiscal year 2000, and reobligated in fiscal year 2000. Excludes \$330 million in fiscal year 2000 budget authority which, under the terms of the Department's fiscal year 2000 appropriations act, was not available for completion until the start of fiscal year 2001.

PROGRAM DESCRIPTIONS

Under the revised drug control budget methodology approved by ONDCP on January 5, 2001, the programs funded under the *Safe and Drug-Free Schools and Communities (SDFSC)* Act comprise the only Department of Education programs included in the national drug control budget. The SDFSC program is administered by the Department's Office of Elementary and Secondary Education (OESE) and provides support for research-based approaches to drug and violence prevention that address Goal 1 of the *National Drug Control Strategy*, which is to educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco. *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 share 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) 80 percent, of each State's allocation. SEAs are required to subgrant at least 67 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.

DISCLOSURES

Drug Methodology

Program Funds

For purposes of scoring the Department's drug control budget, this accounting's estimation includes 100 percent of Safe and Drug-Free Schools and Communities State Grants and all but \$5.2 million of SDFSC National Programs funds obligated in fiscal year 2000. This estimation is based on (1) the assumption that a variety of violence prevention activities funded under the SDFSC Act can impact significantly on drug prevention, and (2) the fact that most SDFSC funds support activities that jointly address drug prevention and violence prevention – or for which

grantees have the flexibility to allocate their resources between drug prevention and violence prevention – and for which the Department cannot identify the amount of funds that support drug prevention, exclusive of the funds that support school safety and violence prevention efforts that reasonably have no drug control-related nexus. The \$5.2 million in National Programs funds that are excluded from the Department's drug control budget represent those obligations for specific SDFSC activities the Department can identify that exclusively support school safety and violence prevention efforts and that reasonably have no drug control-related nexus.

Program Administration Funds

The Department's drug control budget also includes an estimate of the program administration costs associated with the staff who administer the Safe and Drug-Free Schools and Communities program. These staff administer grant competitions; compete contracts; provide 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 26 full-time-equivalent (FTE) staff perform the above administrative functions for the SDFSC program under Goal 1 of the National Drug Control Strategy. This is based on 25 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 3 additional FTE staff throughout the Department who also provide administrative support for these programs. The 2000 obligations of program administration costs corresponding to these 26 FTE are estimated to be \$3,279,000. This estimate is based on the following methodology:

- Pay for Safe and Drug-Free Staff/FTE (\$2,111,000). Derived from actual FY 2000 obligations in the Department's accounting system showing personnel compensation and benefits costs for organizational ESN including overtime and awards.
- Pay for Other FTE (\$745,000). Derived from calculations using FY 2000 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 2000 obligations in the Department's accounting system for travel, contracts, and supplies.
- Non-pay for Other FTE (\$37,000). 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 (\$821,000). 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.

Other Disclosures

The Department acknowledges that the methodology described above is imprecise for identifying fiscal year 2000 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 SDFSC State Grants program and nearly all of the budgetary resources for the SDFSC National Programs. SDFSC supports drug prevention activities as well as violence prevention and school safety activities. With the exception of \$5.2 million in fiscal year 2000 SDFSC National Programs funds, the Department does not currently have data or any other means by which to identify or estimate the amount of funds under SDFSC State Grants or National Programs that support drug prevention exclusive of the funds that support violence prevention and school safety with no drug-control-related nexus. 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 the Safe and Drug-Free Schools and Communities funds included in the resource summary of this report (approximately \$8.3 million, or 2.3 percent of total fiscal year 2000 SDFSC reported drug control obligations) supports alcohol and other drug 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 the alcohol prevention component of the program falls outside the scope of the National Drug Control Strategy. However, the Department does not have data or any other means by which to estimate for exclusion from the Department's drug control obligations the amount of funds under these programs that support alcohol prevention for legal age students.
- 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.

ASSERTIONS

Drug Methodology

The methodology used to calculate the fiscal year 2000 obligations of drug control funds presented in this report is reasonably accurate, based on the following ONDCP criteria:

Data

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 are well documented.

Other Estimation Methods

Where professional judgement 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 2000 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 2000; 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 2000 Drug Control Funds, dated January 26, 2001

We have reviewed the accompanying report, entitled *U.S. Department of Education's Detailed Accounting of Fiscal Year 2000 Drug Control Funds*, dated January 26, 2001. 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 2000 Drug Control Funds*, dated January 26, 2001. Accordingly, we do not express such an opinion.

We performed review procedures on the "Resource Summary" (page 1), "Disclosures" (pages 3 through 6), and "Assertions" (pages 6 through 7) in ED's accompanying report. We did not review "Program Descriptions" (pages 2 through 3). In general, our review procedures were limited to inquiries and analytical procedures appropriate for our attestation review engagement.

ED states that the budgetary resources in this report include 100 percent of obligations for the Safe and Drug-Free Schools and Communities (SDFSC) States Grants program and nearly all of the budgetary resources for the SDFSC National Programs. ED disclosed on page 6 ("Other Disclosures") of its report that, with the exception of \$3.2 million in fiscal year 2000 SDFSC National Programs funds, ED does not currently have data or any other means by which to identify or estimate the amount of funds under SDFSC States Grants or National Programs that support drug prevention exclusive of the funds that support violence prevention and school safety with no drug-control-related focus.

In a February 21, 2000 memorandum, we recommended ED determine if the methodology used to determine the amount of SDFSC funds (both States Grants and National Programs) could be made more accurate by excluding funds that are not drug-control-related. In response to this memorandum, ED submitted to ONDCT on November 7, 2000, an analysis of an alternative methodology to score the SDFSC States Grants program, as well as a request for three changes in drug methodology. ED concluded in its analysis that the alternative methodology to score the SDFSC

U.S. GOVERNMENT PRINTING OFFICE: 2000 O-489-442

For more information, contact the Inspector General at 400 Michigan Avenue, NE, Washington, DC 20002-4242.

States Grants program) was no more accurate than the methodology used in their fiscal year 1999 detailed accounting. ED recommended not using this alternative methodology due to a lack of supporting data. ED's conclusions regarding the three changes in drug methodology were as follows:

- The Vocational Rehabilitation State Grant program (or the corresponding program administration dollars associated with implementing it) should not continue to be included in the National Drug Control Budget (NDCB);
- The National Institute on Disability and Rehabilitation Research program (or the corresponding program administration dollars associated with implementing it) should not continue to be included in the NDCB; and
- The methodology for estimating SDFSC National Program fund dollars should be changed. ED identified a small number of activities, which exclusively support school safety or violence prevention efforts. Using fiscal year 2000 data, ED stated that the proposed methodology change would correspond to a \$5 million (about 1.3 percent) reduction in SDFSC National Program funds from the NDCB.

On January 5, 2001, ONDCP responded to ED's request, agreeing with ED's three proposed changes in drug methodology and the recommendation not to change the methodology used to score the SDFSC States Grants program. ONDCP did ask ED to continue developing a reliable estimate of the portion of SDFSC States Grants funding that supports drug prevention, exclusive of school violence and safety programs.

Based on our review, nothing came to our attention that caused us to believe that ED's FY 2000 report (i.e., *U.S. Department of Education's Detailed Accounting of Fiscal Year 2000 Drug Control Funds*, dated January 25, 2001) 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, ONDCP, and ED.


Michael Lewis

January 31, 2001

attributable to the Program Administration account for a "per-FTE" cost for overhead expenses, multiplied by total OESE Safe and Drug-Free and other FTE.

Note: Under the Drug Resources by Goal and Drug Resources by Function break-outs in the resource summary on page 1 of this report, all program administration costs identified above are combined with the obligations of Safe and Drug-Free Schools and Communities program funds to calculate the total Goal 1 dollars and total prevention dollars.

Methodological Modifications

On January 5, 2001, DNDOP approved the following changes in the methodology proposed by the Department for improving the accuracy of estimating the Department's drug control budgetary resources:

- The Department's drug control budget no longer includes funding from the Vocational Rehabilitation State Grants program or from the National Institute on Disability and Rehabilitation Research program, which were previously reported under Goal 3 of the *National Drug Control Strategy* for drug treatment and treatment research. As a result of this methodology change, this detailed accounting of fiscal year 2000 drug control funds excludes \$94.3 million that the Department would have reported by retaining these programs in the National Drug Control Budget. This figure is based on applying the Department's fiscal year 1999 drug budget methodology for these programs to fiscal year 2000 budgetary resources, and thereby estimating fiscal year 2000 obligations for these programs as follows: \$91.6 million for Vocational Rehabilitation State Grants, \$3.0 million for the National Institute on Disability and Rehabilitation Research, and \$0.7 million for program administration costs associated with the staff who administer these programs.
- The Department's drug control budget now excludes funding for those Safe and Drug-Free Schools and Communities National Programs activities that the Department can specifically identify as exclusively supporting school safety or violence prevention efforts that reasonably have no drug control-related nexus. As a result of this methodology change, this detailed accounting of fiscal year 2000 drug control funds includes \$105.5 million for SDFSC National Programs rather than \$110.7 million that would have been reported under the previous methodology of scoring 100 percent of all SDFSC National Programs obligations – a difference of \$5.2 million.

These changes take effect as of the fiscal year 2000 accounting of funds.

Material Weaknesses or Other Findings

The Department does not have any material weaknesses to disclose that affect the presentation of fiscal year 2000 drug-related obligations in this report. All other known weaknesses that 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 2000.



FY 2000 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

JUN 13 2001

Director, Office of Programs, Budget,
Research and Evaluation
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Sir or Madam:

Enclosed are the detailed accounting submissions (accompanied by IGJ authorizations)
for the Department of Health and Human Services as required by the ONDCP Circular
Annual Accounting of Drug Control Funds

Sincerely,

A handwritten signature in black ink, appearing to read "George Strider", written over a horizontal line.

George Strider
Deputy Chief Financial Officer

Enclosures



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

DATE: APR 27 2001

TO: Deputy Inspector General
for Audit Services

SUBJECT: Office of Inspector General's Independent Report on the Administration for Children and Families' Assertions Concerning Annual Accounting of Drug Control Funds, dated March 8, 2001 (CFN: A-15-01-80006)

FROM: Madeline Mocke, Director
Office of Legislative Affairs and Budget
Administration for Children and Families

THRU: 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) report regarding its Fiscal Year 2000 drug control funds. We reviewed the attached report entitled *Assertions Concerning Annual Accounting of Drug Control Funds*, dated March 8, 2001. This report is the responsibility of ACF's 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 Circular: Annual Accounting of Drug Control Funds* (ONDCP Circular), dated December 17, 1999. 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. As described in further detail below, ACF'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 on the report.

BACKGROUND

Our attestation review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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. A review is substantially less in scope than an examination, the objective of which is an expression of opinion on the assertions of ACF management contained in their report, and accordingly, no such opinion is expressed.

Page 2

ACF'S SUBMISSION

In a memorandum dated March 8, 2004, ACF reported prior year drug control obligations totaling approximately \$71.54 million. We performed review procedures on ACF's report and find that it does not contain, as required by the ONDCP Circular, sufficient information to complete an attestation review. Specifically, we noted that ACF did not provide required information on:

- criteria used to determine whether each stated program objective was "reasonable;" and
- methods used to calculate each program's drug control percentage and drug control obligations.

According to the ONDCP Circular, ACF should have thoroughly explained and documented this information since it relied upon professional judgment and other estimation methods. Accordingly, we are unable to verify the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources.

OIG'S CONCLUSION

Based on the reasons stated above, we cannot attest to the reliability of or provide negative assurance on the ACF assertions contained in their report.

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, 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@oas.dhhs.gov.


Thomas D. Roslowicz

FY 2000 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

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

DATE: 11/18/99

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: Madeline Mocko, Director *Madeline Mocko*
Office of Legislative Affairs and Budget
Administration for Children and Families

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," 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 are calculated as follows:

Based on professional judgment, we estimated the resources obligated in ACF programs for drug control purposes. We set aside earmark funds for drug control purposes in our programs but do not require our grantees to expend a certain minimum of grant funds for drug control purposes. However, our grantees serve populations that have drug abuse 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 amounts that our grantees spend on drug abuse 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 to develop the accounting was limited to verification of the overall prior-year obligations in these programs. 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.

Page 2

Actual FY 2000 obligations were obtained from the accounting system. However, the percentages used to calculate specific drug control obligations were based on the professional judgement of program officials and ONDCP consultants in response to ONDCP's initial request for drug control information several years ago.

The 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 2000 "drug control" obligations. The 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 perinatally exposed to the virus or a dangerous drug." Drug Control Percentage Used: 82%
- **Community Based Family Resource and Support Program:** CFDA objective "to assist States to develop and implement, or expand and enhance, a comprehensive, statewide system of community-based family resource and support programs." Drug Control Percentage Used: 20%
- **Head Start Program:** CFDA objective "To provide comprehensive health, educational, nutritional, social and other services primarily to economically disadvantaged preschool children including Indian children on federally-recognized reservations, and children of migratory workers and their families, and to involve parents in activities with their children so that the children will attain overall social competence." Drug Control Percentage Used: 1% of that portion of the total Head Start appropriation used for salaries and benefits for local HS grantee staff (approximately 80 per cent of total funding).
- **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%

I assert that this methodology produced reasonable, accurate and complete estimates of the 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.

Page 2

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.

Financial Plan

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

If you have any questions or comments regarding this submission, please contact Karen Wajdem of my staff at (202) 401-5151.

Attachments

TAB-A

ADMINISTRATION FOR CHILDREN AND FAMILIES

I. RESOURCE SUMMARY

(Budget Authority in Millions)

	FY 2000 <u>Enacted</u>	FY 2001 <u>Enacted</u>	FY 2002 <u>Request</u>
Drug Resources by Goal			
Goal 1 - Educate and enable America's Youth to reject illegal drugs as well as Alcohol and tobacco.	\$59,9659	\$68,4287	\$69,4287
Goal 3 - Reduce health and social cost to the public of illegal drug use.	11,5719	11,5709	11,5709
Total	\$71,5377	\$79,9995	\$80,9995
Drug Resources by Function			
Prevention	59,9659	68,4287	69,4287
Treatment	11,5719	11,5709	11,5709
Total	71,5377	79,9995	80,9995
Drug Resources by Decision Unit			
Abandoned Infants Assistance	10,0097	10,0081	10,0081
Community-Based Resource Centers	6,5670	6,5668	6,5668
Head Start	42,1300	49,5980	50,5980
Runaway and Homeless Youth Centers	12,8210	13,8266	13,8266
Total	\$71,5377	\$79,9995	\$80,9995
Drug Resources Personnel Summary			
Total FTEs (direct only)	1.0	1.0	1.0
Information			
Total Agency Budget	\$36,403,567	\$42,903,319	\$45,853,600
Drug Percentage	0.2%	0.2%	0.2%

II. METHODOLOGY

Administration for 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 follows:

Program	Methodology
Abandoned Infants Program	85 percent of the total appropriation
Community-Based Family Resource and Support Program	20 percent of the total appropriation
Runaway and Homeless Youth Programs	20 percent of the total appropriation
Head Start	One percent of the portion of the Head Start appropriation related to salaries and benefits for local HS grantee staff (approximately 80% of the total)

We have included in this year's report our estimate of drug prevention/treatment activities funded under the Head Start Program. Last year, we had included a line-item for the Head Start Free to Grow program, which was projected to start in FY 2001, but that program was not funded.

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 three drug-related programs, which indirectly address Goal 1 and Goal 3 of the 2000 National Drug Control Strategy.

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

ACF has two programs that include prevention activities: Runaway and Homeless Youth Centers Programs, 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 Family Resource and Support 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

2001 Program

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

The FY 2001 appropriation contains an estimated \$68.4 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 2001 appropriation contains an estimated \$11.6 million for treatment activities in support of Goal 3.

2002 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 2002 is \$69.4 million.

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 2002 is \$11.6 million, the same as the FY 2001 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 Youth Centers 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 Family Support Centers will continue to improve the self-sufficiency and functioning of parents of children enrolled in the Head Start program. Funds will support literacy activities, job training, and collaboration with other agencies on substance abuse initiatives.
- 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.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date: MAY 30 2001
 Deputy Inspector General
 for Adult 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, dated March 28, 2001 (CIN: A-15-01-80010)

To: John C. Tibbs
 Chief, Budget Branch
 Centers for Disease Control and Prevention

Thru: 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 Centers for Disease Control and Prevention's (CDC) report regarding its Fiscal Year (FY) 2000 drug control funds. We reviewed the attached report entitled, "Centers for Disease Control and Prevention's Assertions Concerning Annual Accounting of Drug Control Funds," dated March 28, 2001. This report is the responsibility of CDC's management and was prepared by CDC 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 (ONDCP Circular), dated December 17, 1999. As further required, CDC submitted the report to the Office of Inspector General (OIG), 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 nor provide negative assurance on the report.

BACKGROUND

Our attestation review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertions of CDC management contained in its report; accordingly, no such opinion is expressed.

Page 2

CDC'S REPORT

On March 28, 2001, CDC reported prior year drug control obligations totaling approximately \$164.4 million. We performed review procedures on CDC's 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 did not provide the required assertions regarding the reasonableness, accuracy, and completeness of the drug methodology used to calculate obligations of prior year budgetary resources, or that the methodology disclosed in the report was the actual methodology used to generate the table required by the ONDCP Circular.

In terms of required disclosures, CDC did not state:

- whether the drug methodology had been modified from the previous year, consistent with ONDCP's approval;
- if there were material weaknesses or other findings by independent sources, which may have affected the presentation of prior year drug-related obligations data; or
- whether there were prior year reprogrammings or transfers affecting the drug-related obligations reported in its Table of Prior Year Drug Control Obligations.

Further, CDC did not provide sufficient details to:

- allow for independent reproduction of the obligations data presented in its Table of Prior Year Drug Control Obligations;
- explain the data used in the community planning process and the source for collecting the data; or
- describe the professional judgment or other estimation methods used as part of the drug methodology and the association between these assumptions and the drug control funds being estimated.

OIG'S CONCLUSION

Based on the reasons stated above, we cannot attest to the reliability of nor provide negative assurance on the CDC assertions contained in its report.

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

Page 3

from 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@oig.dhhs.gov.


Thomas D. Rostowicz

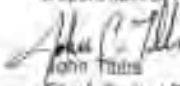
Attachment

FY 2000 Accounting of Drug Control Funds

MAR 26 2001

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: 
John Tills
Chief, Budget Branch
Centers for Disease Control and Prevention

SUBJECT: Assessments 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 assessments are made regarding the attached annual accounting of drug control funds:

Drug Methodology

Strategy Goal	Drug Function	Budget Decision Unit	FY 2000
Goal 1	Prevention	Tobacco Initiative	\$93,399,665
Goal 3 ¹¹	Prevention	HIV/AIDS drug Counseling	\$71,027,000
Total Obligations			\$164,426,665

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 statistics; analysis and reconciliation with CDC reports; and monthly reconciliations with Center tracking of expenditures.

The Office on Smoking and Health's financial data is collected and reviewed on a fiscal year basis. Budget estimates are calculated and projected on workload estimates. The source of these estimates are past and current workload analysis and project funding estimates, which are based on past and current project costs, such as grants and contracts and operating costs. The past fiscal year operating expenditures are used as a base when projecting the operating costs for the current fiscal year. Also, a review is made of the past fiscal year grants, cooperative agreements and contracts for contribution commitments for the present fiscal year. The accounting planning stage also includes personnel cost estimates which include salaries and benefits of present staff and any planned position vacancies, which may be needed during the fiscal year, to accomplish the mission CDC's tobacco use prevention and control program. The CDC accounting structure is used to track these funds using established object classes, common accounting numbers (CANs), and allowance and project codes.

The Center uses the CDC Financial Reporting System, the Financial Management Office (TOPS) Accounting System, the Integrated Resource Management System (IRIS), the Center financial reports and excel spreadsheets to review year-to-date obligations on a monthly basis. In FY 1999, approximately 79% of tobacco use prevention and control funds were used for awards.

through the cooperative agreement mechanism. These awards were made to state-based, local, and tribal disease prevention and control programs and national organizations. Also, approximately 10% of the budget is used for contracts, such as, the Surgeon General's Report on Tobacco, conference support, statistical support, surveys, and information dissemination. Each month, the actual obligations for operating costs and awards are reviewed through the CDC financial systems with the Center's financial tracking systems for accuracy. Any discrepancies or errors that deviate from the proposed spending plan are adjusted monthly.

Funding documents submitted by the Center are reviewed by the Financial Management Office and approved by the Procurement and Grants Office. After the approval process, the award is made. After the obligation, the Center reviews the obligations against the actual documents submitted to detect any errors.

Application of Methodology

I assure 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 assure that the obligation data presented in this accounting report are associated with a financial plan that properly reflects any charges that occurred during the fiscal year.

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 hospitals targeted to populations at high risk for HIV, including injecting drug users (IDUs). A portion of health department funding supports HIV counseling and testing, including partner 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 1980's, CDC implemented HIV prevention community planning throughout the United States. The process allows 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 decision on the amount of this funding awarded to each State was formerly the responsibility of CDC, based upon need documented in each state 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 epidemics in their jurisdictions.

Application of Methodology

CDC has determined that data from the community planning process provides as a reasonable basis for consistent estimation of HIV prevention resources that target drug users. Congressional language included with the FY 1989 increase in funds directed that funding be used for (1) directly funded minority CBOs 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 CBOs; (4) faith-based initiatives in African American communities; (5) parent AIDS prevention, and (6) demonstration

projects to integrate HIV, STD, and reproductive health programs. Based on 1999 data from community planning, approximately 18% of the FY 1999 increase was used to support HIV prevention activities which target IDUs. This percentage (18%) has been used to estimate future increases in this area.

Please note that we feel this methodology, although supported by some data, is in our professional judgment a conservative estimate of HIV prevention activities that targets IDUs.

Financial Plan

I assert that the obligation data presented in this accounting report are associated with a financial plan that properly reflects any changes that occurred during the fiscal year. Please note that we feel the methodology, although supported by some data, is in our professional judgment a conservative estimate of HIV prevention activities which target IDUs.

**The amount shown under goal 3.4 is not tracked in the existing system as ONDCP, but as a part of the total HIV/AIDS budget.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date: WED 16 JUN 2001

To: Deputy Inspector General
for Audit Services

Subject: Office of Inspector General's Independent Report on the Food and Drug Administration's Assertions Concerning Annual Accounting of Drug Control Funds dated February 2, 2001 (CIN: A-15-01-80004)

From: Robert J. Byrd
Deputy Commissioner for Management & Systems
Chief Financial Officer
Food and Drug Administration

Origin: 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 review of the Food and Drug Administration's (FDA) report regarding its Fiscal Year (FY) 2000 drug control funds. We reviewed the attached report entitled, "Assertions Concerning Annual Accounting of Drug Control Funds," dated February 2, 2001. 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 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 asserting 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 verified that FDA's prior year drug control obligations total less than \$50 million (i.e., \$5.7 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

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Have your staff contact Joseph J. Green, Assistant Inspector General for Public Health Service Audits, at (301) 443-3582, or through e-mail at jgreen2@qs.dhhs.gov.


Thomas D. Roslewicz

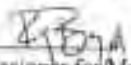
FY 2000 Accounting of Drug Control Funds

OFFICE OF MANAGEMENT AND SYSTEMS

FEB 2 - 2001

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: Robert J. Byrd 
Deputy Commissioner for Management & Systems,
Chief Financial Officer
Food and Drug Administration

SUBJECT: Assertions Concerning Annual Accounting of Drug Control Funds

In accordance with the requirements of the Office of National Drug Control Policy Circular "ONDCP Circular: Annual Accounting of Drug Control Funds," the following table and assertions provide an accounting of funds and a justification and description of how FDA used the funds. In accordance with the December 1999 guidelines, FDA is submitting an alternative report to ONDCP. FDA's ONDCP for FY 2000 is under \$50 million and the Agency believes that full compliance with this Circular would constitute an unreasonable burden. As noted in this report, FDA closed its Tobacco program during FY 2000.

FY 2000 Accounting of Drug Control Funds

Food and Drug Administration Annual Accounting of Drug Control Funds - FY 2000

I. RESOURCE SUMMARY

(Budget Authority in Millions)

Federal Drug Control Spending By Goal and Function:
FY 2000 and FY 2001
(Dollars in Millions)

	FY 2000 Actuals	FY 2001 Appropriation
Drug Resources by Goal		
Goal 1	\$ 5.701	\$ -
Drug Resources by Function		
Drug Prevention	\$ 5.701	\$ -
Drug Resources by Decision Unit		
Enforcement	\$ 4.480	\$ -
Enforcement	\$ 1.140	\$ -
Regulation	\$ 0.081	\$ -
Total	\$ 5.701	\$ -
Information		
Total Agency Budget	\$ 1,048.97	\$ 1,122.87
Drug Percentage	0.54%	0.00%

II. METHODOLOGY

The resources used in the Alcohol and Tobacco program area were determined by the workload expended in carrying out FDA's efforts to implement the President's Executive Order calling for the regulation of nicotine-containing cigarettes and smokeless tobacco products.

On August 23, 1996, FDA issued its final rule for its regulations concerning nicotine-containing cigarettes and smokeless tobacco products. The final rule limited the availability and appeal of tobacco products to young people. The final rule limited the access that young people have to tobacco products by setting a minimum age of purchase, requiring that retailers check a photo identification of all customers under the age of 27 when purchasing tobacco, banning self-service and vending machine sales, and banning free samples. This rule limited the appeal these products have for young people by imposing stringent advertising restrictions on most advertising media, including banning billboards within 1,000 feet of schools and playgrounds, banning all non-tobacco items identified with a tobacco brand and banning sponsorship of events by tobacco companies.

III. PROGRAM SUMMARY

The FDA's Tobacco Program sought 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. The Agency's approach to the tobacco initiative combined a focus on supply and demand so that the problem was addressed comprehensively and the number of illegal purchases was reduced.

FDA's long-term goal was a 50 percent decline in young people's use of tobacco within seven years of program implementation, using a threefold strategy of enforcement and evaluation, compliance outreach, and product regulation. FDA believed this would be accomplished through reducing the access and appeal of tobacco products to young people, enlisting retailers' and other stakeholders' assistance in these efforts, and developing regulatory procedures for cigarettes and smokeless tobacco products.

On August 23, 1996, FDA issued its final regulation restricting the sale and marketing of nicotine-containing cigarettes and smokeless tobacco products. The rule contained a comprehensive set of provisions that limit young people's access to tobacco products, as well as restrictions on the marketing of these products to minors. The rule was the culmination of an intense multi-year investigation that sought to determine if FDA has jurisdiction over these products, and if so, what form regulation should take.

The cigarette, smokeless tobacco, advertising and retail industries, and others brought suit in the United States District Court for the Middle District of North Carolina (Greensboro Division) to invalidate FDA's assertion of jurisdiction and enjoin its regulations. Argument was heard on February 10, 1997 and the Court issued its decision on April 25, 1997 upholding FDA's jurisdiction and its access and labeling regulations. The Court held that the statutory provision relied on by FDA does not provide FDA with authority to regulate advertising and promotion of tobacco products. Furthermore, the court delayed implementation of all remaining provisions, pending appeal, except those for age and photo identification that had gone into effect on February 28, 1997.

Both the government and plaintiffs appealed to the United States Court of Appeals for the Fourth Circuit. On August 13, 1998, the Fourth Circuit issued its decision finding the FDA's assertion of jurisdiction and issuance of regulations invalid. On April 28, 1999, the U.S. Supreme Court granted the Petition for a Writ of Certiorari filed by the Solicitor General. The granting of the petition continues a stay of the issuance of the Fourth Circuit's mandate while the Supreme Court considers the case. The age and identification provisions of FDA's tobacco rule in effect since February 1997 therefore remain in effect pending the Supreme Court's final decision.

On March 21, 2000, the Supreme Court, in a 5-4 decision, affirmed the decision of the U.S. Court of Appeals for the Fourth Circuit that FDA lacks jurisdiction under the Federal Food, Drug, and Cosmetic Act to regulate tobacco products. FDA began the

process of an orderly shutdown. The following information summarizes FDA's shutdown activities for FY 2000.

IV. BUDGET SUMMARY

FY 2000 Program

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 enacted amount for Goal 1 activities for FY 2000 is \$5.7 million, a decrease of \$26.3 over FY 1999. The FY 2000 goals for the tobacco program was to build on the progress made toward enforcing the tobacco rule and to modestly expand on the outreach and enforcement activities during FY 1999. FDA shut down its Tobacco program in FY 2000.

Enforcement

Within several hours of the Supreme Court's ruling, FDA issued a termination notice via e-mail to the States and Territories under contract with FDA to enforce the Age and ID restrictions. FDA informed its contractors of the Supreme Court's decision, terminated their contracts for the convenience of the government, and directed them to stop conducting compliance checks at tobacco retail establishments.

On April 7, 2000, in consultation with FDA's Contracts Office, FDA issued interim guidance via e-mail to States regarding termination activities, including invoicing, settlement proposals and inventory. Finally, on April 14, 2000, FDA's Contracts Office authorized States to continue doing specified work-in-progress in order to prevent undue loss to the government. This work included returning all compliance check forms to FDA, resolving questions concerning completed compliance checks, submitting a final quarterly report, and storing evidence. Under Federal Acquisition Regulations (48 CFR Part 52), the FDA Contracts Office issued deadlines for specific termination activities:

- July 19, 2000 – States and Territories submit their final inventories of Federally owned equipment and furniture
- September 30, 2000 – States and Territories submit all vouchers seeking reimbursement for work under their contracts
- March 21, 2001 – States and Territories submit settlement proposals for closing out their contracts with FDA.

Currently, FDA is evaluating invoices submitted by its State and Territory contractors, and is assisting them with administrative shutdown procedures.

FDA ordered that compliance checks cease on March 21, 2000. The Agency believed that retailers should be informed of the results of any check conducted up to that point, while the Age and Photo ID restrictions were in effect. Moreover, it was illegal in every State to sell cigarettes to minors, and the Agency believed that retailers would want to know if a clerk in their store had sold a tobacco product to a minor. Therefore, FDA continued to mail Notices of Violation and Congratulatory Letters to retailers for compliance checks that had been conducted before the Supreme Court decision.

FDA returned more than 200 checks to retailers for civil money penalties (CMP) received before the Supreme Court ruling, but not deposited before 9:30 a.m., March 21, 2000. In addition, FDA notified more than 300 retailers with pending CMP cases that FDA would be withdrawing complaints filed against them, and withdrew or closed more than 1,300 complaints. Finally, FDA continues to file settlement papers for cases in which retailers paid CMPs that were deposited before the Supreme Court ruling.

The National Association of Convenience Stores contacted FDA to request that all paid penalties be refunded to retailers. At this time, FDA is consulting with the Department of Health and Human Services, the Department of Justice and with its own Office of the Chief Counsel to determine whether it would be appropriate to issue refunds to retailers who had paid civil money penalties for selling cigarettes to minors. These penalties have been deposited in the U.S. Treasury.

Compliance-Based Outreach

On March 21, 2000, FDA issued a stop work order to Arnold Communications, the national advertising firm under contract to conduct a multimedia ad campaign targeted to retailers and consumers. FDA instructed Arnold to discontinue running all ads and to cancel all agreements for upcoming ad buys. At the time the Supreme Court ruled, FDA was preparing to pilot-test the new campaign. The Agency felt it was important that States and others be able to use the advertisements, and that retailers have access to the newly developed retailer kits and age identifier device. Accordingly, FDA is meeting with the Centers for Disease Control to present all the advertising and outreach materials developed by FDA and to discuss the possibility of CDC making these materials available to the states and the public. FDA has shut down its toll-free tobacco hotline and discontinued sending out free retailer kit materials.

Regulation

In FY 2000, FDA had planned on exploring questions associated with product regulation, including classification and quality system regulations to ensure that the health consequences of tobacco products or their ingredients, additives or constituents are made less harmful. No funds were expended as of March 21, 2000, so the associated funding for this activity is included as a part of FDA's tobacco reprogramming request.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date: Mar 23
 To: Deputy Inspector General
 for Audit Services

Subject: Office of Inspector General's Independent Report on the Health Care Financing Administration's Assertions Concerning Annual Accounting of Drug Control Funds, dated March 16, 2001 (CID: A-15-01-80008)

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

Thru: 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 Care Financing Administration's (HCFA) report regarding its Fiscal Year (FY) 2000 drug control funds. We reviewed the attached report entitled, "Assertions Concerning Annual Accounting of Drug Control Funds," dated March 16, 2001. 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 Circular, Annual Accounting of Drug Control Funds (ONDCP Circular), 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 did not make all of the required assertions in its report, and provided questionable estimates. 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. 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.

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 contained in its report; accordingly, no such opinion is expressed.

Page 2

HCFA'S REPORT

In its report dated March 16, 2001, HCFA identified prior year drug control obligations totaling \$450 million. We performed review procedures on the report's drug methodology, assertions, table of prior year drug control estimates, and derivation of estimates of Medicare and Medicaid spending for drug abuse treatment. In general, our review procedures were limited to inquiries and analytical procedures appropriate for our attestation review.

The HCFA did not make all of the assertions required by the ONDCP Circular. For example, it did not make the assertions regarding the reasonableness, accuracy, and completeness of its drug methodology. 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 it to report actual obligations or outlays for drug abuse spending. The HCFA further states that the amounts in its submission are estimates only. We believe the following factors may negatively impact the accuracy of HCFA's estimates:

- The data used were dated. For example, when developing its estimates, HCFA relied on data from surveys performed in 1983 and 1987.
- The estimates did not cover all of HCFA's programs. Specifically, there was no estimate of Medicare Part B drug abuse treatment expenses.
- The judgments and assumptions used in making the estimates were based on limited evidence. For example, HCFA states that Medicaid pays for drug treatment for one-half to two-thirds of drug treatment clients funded by public third-party payers, but does not explain the basis for this statement.
- The basis for the annual growth factor was not fully explained.

The HCFA states that its Office of the Actuary is now revising its drug methodology, but that it is required to continue to use the current estimating methodology until the ONDCP approves a new estimating methodology.

OIG'S CONCLUSION

Given that HCFA's report lacks the assertions required by the ONDCP Circular, and contains questionable estimates, we cannot attest to the reliability of its assertions nor provide negative assurance regarding the report.

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This report is intended solely for the information and use of the U.S. Congress, OIGDCP, 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 your staff contact Joseph J. Green, Assistant Inspector General for Public Health Service Audit, at 301-443-3562, or through e-mail at jgreen3@oig.dhhs.gov.


Thomas D. Rosiewicz

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

HEALTH CARE
FINANCING ADMINISTRATION

Memorandum

DATE: March 16, 2001

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

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

FROM: Chief Financial Officer *[Signature]*
Health Care Financing Administration

SUBJECT: Assertions Concerning Annual Accounting of Drug Control Funds

HCFA is responding to the HHS Inspector General's comments of last year concerning the methodology used to determine the FY 1999 HCFA drug abuse estimates. The HCFA Office of the Actuary is now revising the methodology. HCFA is required to continue to use the current estimating methodology until the Office of National Drug Control Policy (ONDCP) approves a new estimating methodology.

In accordance with the requirements of the ONDCP Circular "Annual Accounting of Drug Control Funds," the following assertions are made regarding the attached FY 2000 accounting of drug control funds. These amounts reflect estimates of entitlement monies for providing drug abuse treatment care benefits to eligible Medicare Part A and Medicaid patients. Under the current methodology, Medicare Part B drug abuse treatment estimates are not estimated because procedure codes do not permit identification of drug-related claims.

Page 2 - Director, Office of Programs, Budget, Research and Evaluation

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.

b. Medicare Part A

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

c. Medicare Part B

Medicare Part B drug abuse treatment estimates have not been developed using this methodology, 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

Page 3 - Director, Office of Programs, Budget, Research and Evaluation

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.


A. Michelle Snyder

2 Attachments

Tab A - Derivation of Estimates

Tab B - HCFA Drug Abuse Treatment

Attachment

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

HCHA 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 DHS inter-agency "cross-cutting" expenditure tables and are meant to represent our best estimates of drug abuse treatment costs included in the Medicare and Medicaid budget baseline.

Medicare. Medicare drug abuse spending estimates for Part A were developed from the Medicare Provider Analysis and Review (MEDPAR) files using diagnosis-related groups (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, because 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 1983 National Hospital Discharge Survey. Specifically, that survey showed an estimated 21,000 drug-related hospital discharges of Medicaid enrollees with an estimated cost (1989 dollars) of about \$100 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, from the limited information available, the estimate of FY 1989 spending from Federal and State funds was 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 Attorney 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 by 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 \$90 million for FY 2000 comes from this FY 1996 re-estimate.

The Medicaid estimate for FY 2000 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 2000 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
6/18/2000

HCFA Drug Abuse Treatment

A. Table of Prior Year Drug Control Estimates

(Dollars in Millions)

Goal 3: Reduce health and social costs to the public of illegal drug use	FY 2000 Estimate
Total	\$450.0

Drug Resources by Function	
Treatment	\$450.0
Total	\$450.0

Drug Resources by Decision Unit	
Medicaid (Federal Share)	\$360.0
Medicare (Part A)	90.0
Total	\$450.0

Drug Resources by Personnel Summary	
Total FTE	0

1. METHODOLOGY

The methodology used to develop the FY 2000 HCFA drug abuse estimates reflects a necessary temporary continuation of the methodology used to estimate the HCFA FY 1999 estimates. This methodology is being used on a temporary transitional basis while a revised estimating process is developed to respond to some of the comments concerning the current methodology. The revision to the current methodology is now being developed. HCFA is restricted to using the current estimating methodology until another methodology is approved by the Office of National Drug Control Policy.

4. 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.

b. Medicare Part A

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

c. Medicare Part B

Medicare Part B drug abuse treatment estimates have not been developed using this methodology, because procedure codes do not permit identification of drug-related claims.

II. ASSERTIONS

1. DRUG METHODOLOGY

a. Data

HCFA's financial systems do not capture drug abuse obligation data.

b. Other Estimation Methods

In the absence of actual drug abuse obligation data, HCFA is unable to examine the association between the assumptions used to develop the estimates and actual obligations.

c. Completeness

The HCFA drug methodology reflects all Medicare Part A and Medicaid activities conducted by HCFA that have a drug-related nexus.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date: MAY 11 2001

To: Deputy Inspector General
for Audit Services

Subject: Office of Inspector General's Independent Report on the Health Resources and Services Administration's Assertions Concerning Annual Accounting of Drug Control Funds, dated March 16, 2001 (CIN: A-15-01-80009)

From: James J. Corrigan
Chief Financial Officer
Health Resources and Services Administration

To: George Strauber
Deputy Chief Financial Officer
Department of Health and Human Services

The purpose of this memorandum is to provide you the results of our review of the Health Resources and Services Administration's (HRSA) report regarding its Fiscal Year 2000 drug control funds. We reviewed the attached report entitled, "Assertions Concerning Annual Accounting of Drug Control Funds," dated March 16, 2001. 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 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 attesting 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, accompanied by a statement on the burden of reporting. We agree that HRSA's prior year drug control obligations total less than \$50 million (i.e., approximately \$41.5 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, call me, or

Page 2

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@es.dhha.gov



Thomas D. Roslewicz



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Health Resources and
Services Administration
Rockville, MD 20857

MAR 16 2001

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

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

FROM: Chief Financial Officer

SUBJECT: Assertions Concerning Annual Accounting of Drug

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

Obligations of prior year drug control budgetary resources were calculated as explained in the attachment. I assert that this methodology produced reasonable, accurate, and complete obligations of drug control resources for my organization. Assumptions and estimation methods are subjected to periodic review.

Application of Methodology

I assert that the drug methodology described in the attachment was the actual methodology used to generate the amounts reflected in this 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 that occurred during the fiscal year.


James I. Corrigan

FY 2000 Accounting of Drug Control Funds

Health Resources and Services Administration Annual Accounting of Drug Control Funds March 15, 2001

Prior Year Drug Control Obligations

Strategy (Goal) 3 - 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
(dollars=000's)

	FY 2000 Appropriation	FY 2000 Estimated Obligations	FY 2000 Reported Obligations
Part A (Title I)	\$546,500	\$39,457	\$39,409
Part B (Title II)	<u>296,000</u>	<u>2,486</u>	<u>2,168</u>
Total	\$842,500	\$41,943	\$41,577

Drug Control Budget Methodology and Application

There are no direct HHS obligations of Ryan White CARE Act appropriation line items for substance abuse treatment/counseling. 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 2000. Final reports are due in April 2001, the end of the grantees' budget year.

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 3(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

* In accordance with the requirement of the Office of National Drug Control Policy Circular "Annual Accounting of Drug Control Funds."

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

in addition, the submission of other disclosures, i.e., full compliance with this circular, would constitute an unreasonable reporting burden incurred during the fiscal year.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date: APR 12 2001

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, submitted March 6, 2001 (CIN: A-15-01-80005)

From: Lisana Reyes
Chief Financial Officer
Indian Health Service

To: George Sander
Deputy Chief Financial Officer
Department of Health and Human Services

The purpose of this memorandum is to provide you the results of the substantive review of the Indian Health Service's (IHS) report regarding its Fiscal Year 2000 drug control funds. We reviewed the attached report entitled, *Indian Health Service's Annual Accounting of Drug Control Funds, dated March 6, 2001*. This report is the responsibility of IHS' management and was prepared by IHS under the authority of 21 U.S.C. Section 774(d) and as required by the Office of National Drug Control Policy Circular: *Annual Accounting of Drug Control Funds, dated December 17, 1996* (ONDCP Circular). As IHS 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 obligations were less than \$50 million, Section 7 of the ONDCP Circular provides the agency an option to submit a report which lists its prior year drug control obligations, omits any assertions, and is accompanied by a disclaimer on the burden of reporting. We verified that IHS' prior year drug-related obligations total less than \$50 million (i.e., \$45.5 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.

The 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 than these

Page 2

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 Audit, at (301) 443-3582 or through e-mail at jgreen3@ssa.dhhs.gov.


Thomas D. Roelbwin

Attachment

FY 2000 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

MAR - 6 2001

Indian Health Service
Rockville, MD 20857

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
Indian Health Service

SUBJECT: Annual Accounting of Drug Control Funds - FY 2000

In compliance with the requirements of the Office of National Drug Control Policy Circular, "Annual Accounting of Drug Control Funds," the Indian Health Service (IHS) submits the attached report for FY 2000.

As an agency with drug-related obligations of less than \$50 million, the IHS submission consists of the alternative report allowed under Section 7 of the Circular. Nearly 100 percent of these funds are administered by Tribes under self-determination agreements, and they have wide latitude to set objectives and design programs that most effectively address their local needs. Tribes are not required to report accounting data in the detail required by the Circular, and it would be an unreasonable reporting burden if the IHS required the tribes to provide the information.

If further information is needed, please contact Mr. Lovell Ropper on (301) 443-1270.


Luana Reyes

Attachment

FY 2000 Accounting of Drug Control Funds

INDIAN HEALTH SERVICE
 Annual Accounting of Drug Control Funds
 FY 2000
 (Budget Authority in Millions)

	FY 2000 Drug Control Obligations
Drug Resources by Goal	
Goal 1	3,674.0
Goal 2	41,600.0
Total	45,274.0
Drug Resources by Function	
Drug Treatment	41,600.0
Drug Prevention	3,674.0
Total	45,274.0
Drug Resources by Decision Unit	
Alcohol and Substance Abuse	42,033.0
Urban Indian Health	3,241.0
Total	45,274.0
Information	
Total Agency Budget	3,100,728.0
Drug Percentage	1.46%

d. **Financial Systems:**

HCFA's financial systems do not capture drug abuse obligation data.

2. **APPLICATION OF THE METHODOLOGY**

The methodology disclosed in this section was the actual methodology used by the HCFA Office of the Actuary to generate the prior year drug control obligation table. Questions concerning these calculations should be addressed to the HCFA Office of the Actuary.

3. **FINANCIAL PLAN**

The data presented are actuarial estimates. They are not reflected against a financial plan as the HCFA financial system does not capture drug abuse obligation data.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

MAY 23 2001

Com: Deputy Inspector General
From: For Audit Services

Subject: Office of Inspector General's Independent Report on the National Institutes of Health's Assertions Concerning Annual Accounting of Drug Control Funds, dated March 22, 2001 (CIN: A-15-01-80011)

To: Anthony L. Ittegg,
 Deputy Director for Management/Chief Financial Officer
 National Institutes of Health

By: 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 regarding its Fiscal Year (FY) 2000 drug control funds. We reviewed the attached report entitled, *Assertions Concerning Annual Accounting of Drug Control Funds*, dated March 22, 2001. 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* (ONDCP Circular), dated December 17, 1999. As further required, NIH submitted the report to the Office of Inspector General (OIG), which is responsible for expressing a conclusion about the reliability of each assertion made in the report. As described in further detail below, NIH'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 nor provide negative assurance on the report.

BACKGROUND

Our attestation review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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. A review is substantially less in scope than an examination, the objective of which is an expression of opinion on the assertions of NIH management contained in its report, and accordingly, no such opinion is expressed.

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NIH'S REPORT

On March 22, 2001, NIH reported prior year drug control obligations totaling approximately \$730 million for two of its institutes—the National Institute on Drug Abuse and the National Institute on Alcohol Abuse and Alcoholism—as part of the agency's efforts to combat drug abuse.

We performed review procedures on NIH's report and found that it does not contain, as required by the ONDCP Circular, sufficient information to complete an attestation review. Specifically, the report did not contain an assertion for the National Institute on Drug Abuse regarding the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources. Further, NIH did not disclose the material weaknesses concerning its financial systems and processes and grant financial management oversight, as reported in NIH's FY 2000 financial statement audit. Such weaknesses may affect the presentation of prior year drug-related obligations data.

OIG'S CONCLUSION

Based on the reasons stated above, we cannot attest to the reliability of nor provide negative assurance on the NIH assertions contained in its report.

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 (301) 443-3552, or through e-mail at jgreen@oig.dhhs.gov.


Thomas D. Rzesutewicz

Attachment

FY 2000 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

National Institutes of Health
Bethesda, Maryland 20892

DATE: MAR 22 2001

TO: George Strader
Deputy Chief Financial Officer

FROM: Deputy Director for Management/Chief Financial Officer
National Institutes of Health

SUBJECT: Response to Annual Accounting of Drug Control Funds

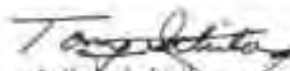
I am writing in response to your request for the annual accounting of drug control funds.

The NIH reports two programs as part of our agency's efforts to combat drug abuse—the National Institute on Drug Abuse (NIDA), which reports its entire budget as a drug control program, and the National Institute on Alcohol Abuse and Alcoholism (NIAAA), which reports a portfolio of activities focused on reducing alcohol consumption by underage youth. Other Institutes and Centers (ICs) may support research that addresses drug or alcohol abuse (e.g., the impact of certain illegal drugs on other mental disorders), however, the drug or alcohol abuse component of this research is usually secondary to the research activities that represent the focus of the IC's research mission, and these research projects are not part of a targeted drug control program. For this reason, we are reporting only on those funds expended by NIDA and NIAAA as part of our drug control program.

Attachment 1 reflects a table of FY 2000 obligations for National Drug Control Program activities for NIDA and NIAAA. Attachments 2 and 3 reflect the narrative sections for NIDA and NIAAA, respectively, making assertions regarding this data.

The NIAAA drug methodology was modified from the previous year. Projects that focused on mother's alcohol use/abuse or Fetal Alcohol Syndrome (FAS) were excluded from the FY 2000 count. In NIAAA's scientific judgment, these projects are not primary to ONDCP's mission to reduce, prevent, and treat underage youth drinking. We will submit a formal request to modify NIAAA's methodology to ONDCP in FY 2001.

If we can be of further assistance, please call Lee Pushkin on (301) 496-0428.


Anthony L. Helling

Attachments

FY 2000 Accounting of Drug Control Funds

National Institutes of Health
 FY 2000 Actual Obligations
 (Dollars in Thousands)

J. Resource Summary

Drug Resources by Goal:	NIDA	NIAAA	Total
Goal 1			
Research and Development	\$280,786	\$35,318	\$316,104
Goal 3			
Research and Development	413,775		413,775
Total	694,561	35,318	729,879
Drug Resources by Function:			
Prevention	280,786	29,101	309,887
Treatment	413,775	6,217	419,992
Total	694,561	35,318	729,879
Drug Resources by Decision Unit:			
Alcohol Research		35,318	35,318
Demand Reduction	694,561		694,561
Drug Resources Personnel Summary			
FTEs	358	2	370

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03/20/2001

FY 2000 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

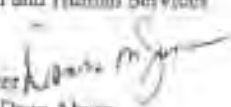
Public Health Service

National Institutes of Health
National Institute on Drug Abuse
Bethesda, Maryland 20892

February 26, 2001

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

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

FROM: Donna Jones
Chief Financial Officer 
National Institute on Drug Abuse

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

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

The figures are based on actual obligations from the NIDH financial accounting system. This system uses actual data and does not rely on worksheet or statistical data. The period covered by the data is fiscal year 2000. NIDA does not need to make any assumptions or estimates to isolate its total drug control obligations as the total appropriation is drug control.

As the supporter of more than 85% of the world's research on drug abuse and addiction, the National Institute on Drug Abuse (NIDA) provides a strong science base for our Nation's efforts to decrease America's demand for drugs. NIDA's comprehensive research portfolio touches upon every aspect of drug abuse and addiction, ranging from the support of fundamental neurobiology to applied research. As our Nation looks for science-based approaches to prevent and treat addiction, NIDA's broad portfolio and its continuing efforts to work with other NIH Institutes on a variety of transdisciplinary issues, will provide the tools necessary for a successful outcome. Research serves as the cornerstone of NIDA's efforts to educate and enable Americans, especially our Nation's youth, to reject drugs which supports ONDCP goal one. Research also serves as the basis

for our efforts to decrease the health and social cost of drugs to the American public, which supports ONDCP goal 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 judgment of scientific program officials. These individuals review grant and contract applications and intramural research projects to decide whether the research meets the NIDA's criteria for prevention or treatment research.

The total of \$694.561 million does not reconcile to the Congressional Justification because this amount reflects the actual obligations and excludes comparable adjustments. Full Time Equivalents were reported based on data provided by the Program Support Center.

NIDA has included a real transfer of \$9.5 million from ONDCP. The following other real transfers were included in NIDA's FY 2000 obligations: \$576 thousand to other NIH Institutes and Centers through the Director's one percent transfer authority and \$144 thousand to other DHHS agencies through the Secretary's one percent transfer authority. Since the actual data do not reflect comparative transfers, they are not included in the obligations.

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. NIDA has not modified its drug methodology from the previous year.

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 trillion) that occurred during the fiscal year.

FY 2000 Accounting of Drug Control Funds

MAR 1 8 2001

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

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

FROM: Chief Financial Officer
National Institute on Alcohol Abuse and Alcoholism

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

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

The FY 2000 obligations were determined by identifying NIAAA support for projects that address alcohol prevention, treatment, or epidemiological issues involving under-age youth.

Projects that meet specific criteria for fiscal year, project title, key words, special population focus and age, and program class code are identified and individual project costs are analyzed and summarized for inclusion in the ONDCP budget. The reporting office relies on the accuracy of the NIAAA coding system and database known as the "SMART" system (Scientific Management and Reporting Tool). Data is entered into this system by program staff. The reporting office also attempts to verify the coding data by comparing Institute 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. Discrepancies between the information in CRISP and coding information provided by NIAAA staff are resolved by the scientific staff person who manages the project. Their professional judgement is involved in deciding whether or not and to what extent a project is relevant to the topic. The summary statement, project abstract, project methodology, and/or progress report are reviewed to determine 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.

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.

Science topic, population and other data for NIAAA grants, contracts, and intramural projects are maintained at the individual project level in the Institute's SMART coding system and database. SMART also 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 corrected in SMART 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) are added to the SMART database. Funding information flows from the NIH accounting system via IMPAC to the SMART database, not from SMART to the accounting system or NIH audited financial statements. SMART 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 index and population data, such as human subjects' age, that make it possible to identify projects which examine under-age youth alcoholism and alcohol abuse types.

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 those distinctions possible.

Program class codes, which are assigned by Institute or NIH scientists, yield information about relevance to broader science areas, for example, the drug functions of prevention and treatment; and basic versus applied research focus. Accordingly, NIAAA obligations by drug function were determined by summarizing the projects according to program class code. Projects administered by the Institute's Prevention Research Branch, and the Division of Biometry and Epidemiology, were included in the prevention functional area. Also included were prevention-related components of the Institute's research centers. Projects administered by the Institute's Treatment Research Branch and Health Services Research Office were included in the treatment functional category. Projects administered in other Institute offices were assigned to one or the other functional category as appropriate.

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.

All of the FY 2000 NIAAA ONDCP obligations, \$35.318 million, were allocated to Goal 1 because the Institute's research mission is to support and highlight research, including the development of scientific information to inform alcohol prevention programs that target young Americans. NIAAA-supported research also involves developing research-based principles upon which alcohol prevention programs can be based.

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.

Methodology Modification

The NIAAA drug methodology was not modified from the previous year with one exception. Projects that focused on mother's alcohol use/abuse or Fetal alcohol Syndrome (FAS) were excluded from the FY 2000 count. In NIAAA's scientific judgment, these projects are not primary to ONDCP's mission to reduce, prevent, and treat underage youth drinking.

Reprogrammings and Transfers

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.

The following real transfers were included in NIAAA's FY 2000 obligations: \$245 thousand to other NIH Institutes and Centers through the NIH Director's one percent transfer authority; \$61 thousand to other DHHS agencies through the Secretary's one percent transfer authority. These transfers did not affect drug-related obligations.

Assertion

I assert that this 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 subjected to periodic review.


Nancy Parlin Hinds
Budget Officer, NAAA


Stephen Long
Executive Officer, NAAA



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Memorandum

Date: MAY 23 2001
To: Deputy Inspector General
 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 March 13, 2001 (CID: A-15-01-80007)

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

By: 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 Substance Abuse and Mental Health Services Administration's (SAMHSA) report regarding its Fiscal Year (FY) 2000 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 March 13, 2001. 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 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 (OIG), 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 nor provide negative assurance regarding the report.

BACKGROUND

Our attestation review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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. A review is substantially less in scope than an examination, the objective of which is an expression of opinion on the assertions of SAMHSA management contained in its report, and accordingly, no such opinion is expressed.

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SAMHSA'S REPORT

In its report, SAMHSA reported prior year drug control obligations totaling \$1.3 billion, 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 SAMHSA did not:

- Provide a description of its drug methodology to explain fully the derivation of all obligation data presented in its Table of Prior Year Drug Control Obligations;
- Explain what appears to be inconsistent information in the report. The drug methodology used to derive the Table of Prior Year Drug Control Obligations (table) cites the use of estimates. The derived table, however, cites actual amounts with no explanation reconciling them to the estimates cited in the drug methodology;
- Include a section highlighting the material weakness reported in SAMHSA's FY 2000 financial statement audit regarding grant advance reporting, reconciliation, and analysis process—a weakness that may affect the presentation of prior year drug-related obligations data; and
- Explain the corrective actions underway or contemplated for SAMHSA's grant advance reporting, reconciliation, and analysis process.

OIG'S CONCLUSION

Based on the reasons stated above, we cannot attest to the reliability of nor provide negative assurance on the SAMHSA assertions contained in its report.

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 those specific parties. If you have questions or comments, please call me, or have your

Page 3

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


Thomas D. Roslewicz

Attachment



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

MAR 13 2001

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. To more accurately meet the requirements of this Circular, we have changed the reported data from actual budget authority to obligations. SAMHSA had no reportable transfers or reprogrammings in FY 2000. There were no material weaknesses identified in this program by SAMHSA or outside sources. This includes a GAO review of drug treatment which resulted in a final report (GAO-HEHS 00-50) dated February, 2000.

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.

All funding for CSAP and CSAT Targeted Capacity Expansion (TCE) activities is considered to be 100% drug-related, and is included in its entirety.

All funding for the CSAP High Risk Youth (HRY) program is considered to be 100% drug-related, and is included in its entirety.

Funding for the Substance Abuse Prevention and Treatment Block Grant (SAPTBG), which is administered by CSAT, 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, including underage alcohol use, and are 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 earmarks which had been required by Public Law 102-321, the ADAMHA Reorganization Act. SAMHSA scores 71.07% of the SAPT Block Grant for drug and drug-related activities. (See attached detailed explanation of the scoring of SAPTBG funding, Attachment A.)

All funding for SAMHSA's Office of Applied Studies (OAS) substance abuse surveys/data collection activities funded with resources from the SAPTBG not-aside is considered to be 100% drug-related, and is included in its entirety, in the prevention budget. This is a change from last year.

Funding for Program Management activities is considered drug-related to the extent that funds are used to support the operations of the CSAP, CSAT, and OAS. Obligations are based on Program Management budget authority and reflect allocation of Program Management funds to these components as documented in internal SAMHSA financial records.

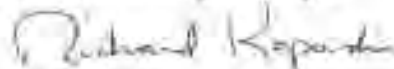
I assert that this methodology produced reasonable, accurate, and complete obligations of drug control activities for my organization. Financial systems used to develop the accounting report fairly present, in all material aspects, aggregate data from which drug-related obligations are derived. Assumptions and estimation methods are subjected 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 in this accounting report. Some minor changes in methodology were made this year in order to more accurately display the distribution of resources between prevention and treatment.

Financial Plan

I assert that the actual obligation figures presented in this accounting report are associated with a financial plan that properly reflects all changes that occurred during the fiscal year.



Richard Kapanda

Chief Financial Officer, SAMHSA

FY 2000 Accounting of Drug Control Funds

**SUBSTANCE ABUSE AND MENTAL HEALTH
SERVICES ADMINISTRATION
Annual Accounting of Drug Control Funds
FY 2000 Actual Obligations**

(Dollars in millions)

Goal 1	\$434.5
Goal 2	1,090.0
Total	\$1,524.5

Drug Reserve by Function

Prevention	434.5
Treatment	1,090.0
Total	\$1,524.5

Drug Resources by Decision Unit

Knowledge Development and Application Program	162.1
<i>Substance Abuse Prevention (Non-add)</i>	(62.7)
<i>Substance Abuse Treatment (Non-add)</i>	(99.4)
Targeted Capacity Expansion Program	191.7
<i>Substance Abuse Prevention (Non-add)</i>	(77.0)
<i>Substance Abuse Treatment (Non-add)</i>	(114.7)
High Risk Youth Program	7.0
Substance Abuse Block Grant	1,137.1
<i>Prevention (Non-add)</i>	(220.9)
<i>Treatment (Non-add)</i>	(864.5)
<i>Office of Applied Studies (Non-add)</i>	(51.7)
Program Management	26.6
Total	\$1,524.5

Drug Resources Personnel Summary

Positions:	
Direct	312
FTE:	
Direct	312
Total SAMHSA Budget	\$2,651.3
Drug Percentage	57.5%

Attachment A

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

In FY 2000, Public Law 102-321 (the ADAMHA Reorganization Act) was used as the operative guidance for scoring of block grant funding. In P.L. 102-321, there are several mandatory allocations:

- 5% of the Block Grant is required to be used for the SAMHSA set-aside which supports data collection, technical assistance, the national data center, and program evaluation; of this amount, 20% must be used for prevention-related set-aside activities. The remaining 95% of the Block Grant is distributed to the States (and Territories).
- Of the amount allocated to the States and Territories:
 - 35% must be used for alcohol prevention and treatment activities; and,
 - 15% 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 obligations for budget forecasting and accounting purposes assumes that the discretionary amount is split evenly, with 15% directed to alcohol programs and 15% directed to drug programs. In total, of the 95% of the block grant distributed to the States and territories for direct services, 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. This is not separate and distinct, but included within the alcohol and drug abuse amounts.
- Finally, the law also says that up to 5% of the State's allocation may be used for State administration. SAMHSA assumes that these funds are distributed in the same proportion as the services funding.
- The following table illustrates how the Substance Abuse Prevention and Treatment Block Grant for the FY 2000 appropriation was distributed by SAMHSA for the Drug Budget:

FY 2000 Accounting of Drug Control Funds

Percent of Total Block Grant		FY 2000 Appropriation (\$1,600,000,000)	
Federal Set-aside (Total)	5.0%		\$ 80,000,000
Prevention	.5933	\$ 9,492,030	
Data Collection (Prevention)	3.2303	51,685,970	
Treatment	<u>1.1764</u>	<u>18,822,000</u>	
Sub-Total	5.0	80,000,000	
Drug (Total)	47.5%		\$760,000,000
Prevention	9.5	152,000,000	
Treatment	33.625	570,000,000	
State admin	<u>2.375</u>	<u>38,000,000</u>	
Sub-Total	47.5	760,000,000	
Alcohol (Total)	47.5%		\$760,000,000
Alcohol only	27.49	439,840,000	
Co-morbid (drug-related)	13.535	216,560,000	
Under age 21 (illegal use)	4.1	65,600,000	
State admin	<u>2.375</u>	<u>38,000,000</u>	
Sub-Total	47.5	760,000,000	
TOTALS:	100% 100%	\$1,600,000,000	\$1,600,000,000

- The additional alcohol distribution 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. 27.49% is for alcohol only for persons over 21 years of age.
 - b. 13.535% is for co-morbid (drug and alcohol use).
 - c. 4.1% is for illegal use of alcohol by persons under age 21
 - d. 2.375% is for state administration
 - Development of the above percentages grew out of joint discussions with ONDCP and SAMHSA staff early in the history of SAMHSA. Inasmuch as the mandates in the SAPT Block Grant from that time remain operational today, and to maintain consistency of data from year to year, these percentages have remained unchanged.
 - SAMHSA assumes that the 20% prevention and 80% treatment provision applies to each of these alcohol program components.
- 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%.

FY 2000 Accounting of Drug Control Funds

SAMHSA Sci-aside	5.00%
Drug (Total)	47.50%
Alcohol:	
Co-morbid	13.535%
Under age 2)	4.1%
State administration for co-morbid and underage use	0.235%
TOTAL	71.07% (or, 71.1%)

— It is this percentage, 71.1%, that is often included in various SAMHSA funding-related documents and presentations to express the amount of the SAPT Block Grant that is scored for drug control programs. This is different than the percentage or amount identified for drug abuse services. This percentage is reflected in the data for SAMHSA's Annual Accounting of Drug Control Funds wherever SAPTBG funding is referenced.

DFW/SAM/2001 Drug Budget Award Report



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




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

February 1, 2001

Audit Memorandum
No. 01-PO-177-0801

MEMORANDUM FOR: Victoria Bateman, Deputy Chief Financial Officer, F

FROM:  James A. Hunt, Director, Financial Audit Division, GAF

SUBJECT: Independent Accountant's Report on the Department of Housing and Urban Development's Fiscal Year 2000 Detail Accounting Submission Report

In accordance with *The Office of National Drug Control Policy (ONDCP) BroadAuthorization 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 attestation review of the Department of Housing and Urban Development's *Submission of Detailed Accounting of FY 2000 Drug Control Funds*, filed on the cover February 1, 2001, and in the body of the report December 29, 2000 and revised January 30, 2001.

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 703-0283.

FY 2000 Accounting of Drug Control Funds

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re:

G	Gaffney	8256
GD	Connors	8256
GA	Heist	8282
GA	Phelps	8286
GAF	Terrie	8282
GAF	Chrous	8282
GAF	Laporte	8284
GAF	W/P Files	8280
GAF	Dvorak	8180
GPB	Files	8266

GAF: Lakesha Mays January 31, 2001 h:\fin\md\attestation\report\01 attestation report.doc

OFFICIAL RECORD COPY

Audit Memorandum
No. 01-PC-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 2000 Drug Control Funds, dated February 1, 2001

We have reviewed the accompanying report from the U.S. Department of Housing and Urban Development, entitled *Submission of Detailed Accounting of FY 2000 Drug Control Funds*. This Submission includes a Detailed Accounting of Fiscal Year 2000 Drug Control Funds from the Office of Housing covering the Drug Elimination Grant (DEG) and New Approach Anti-Drug Grant (NAAD) programs; and the Office of Public and Indian Housing covering the Drug Elimination Program (PDIHP). The DEG and NAAD programs provide funds to privately owned multifamily assisted housing owners to support their anti-drug and anti-crime efforts. The PDIHP provides funds to public housing authorities and Tribally designated housing entities to support their anti-drug and anti-crime efforts. The Submission 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(d), which also requires a review by the Inspector General. Not included is a separate Submission of the Detailed Accounting of Drug Funds on the Operation Safe Homes program 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 will submit their Detailed Accounting report separately from the Department of Housing and Urban Development's Submission.

Our review was conducted in accordance with the attestation standards, *Statement 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. Accordingly, we do not express such an opinion.

We performed review procedures on the *Submission of Detailed Accounting of FY 2000 Drug Control Funds*, for the purpose of expressing a conclusion about the reliability of each assertion 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 2000 Drug Control Funds*, dated February 1, 2001, 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. Heim
Director, Financial Audits Division

February 1, 2001

**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 2000 DRUG
CONTROL FUNDS**

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

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

FEBRUARY 1, 2001

FY 2000 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 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 2000 DRUG CONTROL FUNDS

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FY 2000 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

RESOURCE SUMMARY

Drug Resources by Goal:	FY 2000 Actual Obligations In millions (\$)
Goal 1: Educate and enable America's Youth to reject illegal drugs, alcohol and tobacco.	197.7
Goal 2: Increases the safety of America's citizens by substantially reducing drug-related crime and violence.	177.1
Goal 3: Reduce health and social costs to public of illegal drug use.	8.1
Goal 4: Shield America's air, land and sea.	-
Goal 5: Break foreign and domestic drug sources of supply.	-
Total	\$ 383.1
Drug Resources by Function:	
Corrections	-
Intelligence	-
Intimidation	-
International	-
Investigations	7.4
Prevention	182.8
Prosecution	-
Research & Development	-
State & Local Assistance	157.6
Treatment	7.1
Other Program Expenses	27.0
Total	\$ 383.1

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

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

law enforcement agencies for above-baseline services; to establish youth team (residents) 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 enrollment 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 deterrence 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 2000 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 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 petrole, physical changes to enhance security, allowing housing authorities greater scope in targeting crime and developing successful alternatives. For fiscal year 2000, it is anticipated that 86 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. The Department will provide further assistance to PHAs in successfully implementing new "One Strike" admissions and evictions/terminations with a two-year contract, which has two key components: 1) A written guidebook that discusses successful program approaches and best practices and includes model PHA policies; and 2) Eight regional training workshops to help PHAs better understand how to implement One Strike policies in an effective way to control drugs and crime.

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.

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

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 counseling, parenting classes or other supportive services such as 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.

DISCLOSURES

Drug Methodology

HUD used the latest statistical information available from the Public Housing Drug Elimination Program (PHDEP) Line of Credit Control System (LOCCS) to calculate the drug-related financial statistics. Figures included in this report reflect information derived from the fiscal year 1999 LOCCS and from fiscal year 2000 LOCCS as of November 25, 2000. These figures represent money obligated in fiscal year 2000 LOCCS obligations represent a breakdown of PHDEP funding by budget line item (BLI). The BLI 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 applied the percentages derived from the summary of LOCCS BLIs, as described above, to the actual obligation of \$383,122,850 reported to the Treasury in fiscal year 2000 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

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 1.92 percent of the total amount of PHDEP funds or \$7,345,766 of the \$383,122,850 obligated for fiscal year 2000.

Prevention

HUD maintains that 100 percent of the PHDEP funding allocated to the four budget line items, voluntary tenant patrol, 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

FY 2000 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development Detailed Accounting of Fiscal Year 2000 Drug Control Funds

enhancing security around the exterior of housing communities. In fiscal year 2000, housing authorities obligated 3.86 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 1.43 percent of the total PHDEP funding to voluntary tenant patrols. PHDEP grantees administer comprehensive drug prevention and drug intervention 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 authorities allocated 37.33 percent of the total PHDEP funding amount to drug prevention programs and 5.56 percent of the total PHDEP funding amount to drug intervention activities. The above budget line items account for 47.98 percent of PHDEP funding or \$183,803,404 of the \$383,122,850 obligated for fiscal year 2000 grants.

State and Local Assistance

Three 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 28.61 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 11.88 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. A new initiative for a Gun Buyback program utilized 0.69 percent of the PHDEP grants. Together these budget line items account for 41.19 percent of PHDEP funding or \$157,816,712 of the \$383,122,850 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 1.86 percent of the total amount of PHDEP funds or \$7,142,389 of the \$383,122,850 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

FY 2000 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

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: 7.05 percent of the total amount of PHDEP funds or \$27,011,679 of the \$383,122,850 obligated to the PHDEP funded other program expenses.

Methodological Modifications

HUD has not made any modifications to the methodology used to determine any of its drug-related financial statistics in 2000.

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 was no reprogramming or transfer of drug elimination grant funds in fiscal year 2000.

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. An earlier report listed funds directed towards the other expenses line item under the drug treatment function in the resource summary.

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

This report does not reflect Multi-Family or Operation Safe Homes program information.

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 2000 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 U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

FILE NAME QNDCPFY00 DRUG CONTROL FUNDS

**DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT**

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



**DETAILED ACCOUNTING OF FISCAL YEAR 2000 DRUG
CONTROL FUNDS**

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

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

FEBRUARY 1, 2001

FY 2000 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF HOUSING
OFFICE OF MULTIFAMILY HOUSING PROGRAMS
DETAILED ACCOUNTING OF FISCAL YEAR 2000 DRUG CONTROL FUNDS

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FY 2000 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

RESOURCE SUMMARY

Drug Resources by Goal:	FY 2000 Actual Obligations in millions (\$)
Goal 1: Educate and enable America's Youth to reject legal drugs, alcohol and tobacco.	7.2
Goal 2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.	25.3
Goal 3: Reduce health and social costs to public of illegal drug use.	1.8
Goal 4: Shield America's air, land and sea.	-
Goal 5: Break foreign and domestic drug sources of supply.	-
Total	34.2
Drug Resources by Function:	FY 2000 Actual Obligations in millions (\$)
Corrections	-
Intelligence	-
Interdiction	-
International	-
Investigations	.35
Prevention	19.62
Prosecution	0.35
Research & Development	-
State & Local Assistance	11.48
Treatment	1.92
Other Program Expenses	.58
Total	34.2

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 1987 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

FY 2000 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development Detailed Accounting of Fiscal Year 2000 Drug Control Funds

have used their grant funding to employ security personnel and investigators; to contract 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:

DEG	NAAD
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 enthusiasm 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.

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

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 MAAD and DEG grant programs are designed to meet the needs defined by this goal. Program activities concentrate on fighting crime in and around assisted housing. Staff and residents use these resources to increase police coverage and security.

Eligible activities of the MAAD program include reimbursing local law enforcement for additional services, security contracts, investigators, and capital improvements to enhance security.

The DEG program also supports Goal 2 by allowing housing owners to devote grant funding to voluntary tenant patrol activities and to physical improvements to enhance security.

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 or capital improvements aim to enhance security in housing communities. These improvements include the following items designed to discourage drug-related crime:

- installation of fence, lighting systems, or surveillance equipment,
- landscaping, and
- reconfiguration of common areas.

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

FY 2000 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

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 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 funds obligated during FY 2000. 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 \$34,204,336 reported to the Treasury in fiscal year 2000. 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 2 percent of the combined DEG and NAAD grant amount of \$696,424 of the \$34,204,336 obligated in fiscal year 2000.

Prevention

HUD maintains that 100 percent of the grant funding allocated to the budget line items of physical or capital improvements, drug prevention programs, and support and training of tenant patrols sustain 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 36 percent of \$12,264,212 of the total combined DEG and NAAD funding on physical or capital improvements.

FY 2000 Accounting of Drug Control Funds

Department of U.S. Housing and Urban Development Detailed Accounting of Fiscal Year 2000 Drug Control Funds

- Grantees administer comprehensive drug prevention programs that range from youth initiatives, such as youth sports programs, peer mentors, and training in substance abuse education and other social programs which help to deter illegal drug use and crime by addressing underlying causes. Housing owners allocated 21 percent or \$7,086,903 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 tenant patrols account for 1 percent or \$254,553 of the total combined DEG and NAAD funding amount.

The above budget line items account for 58 percent of combined DEG and NAAD funding or \$19,625,668 of the \$34,204,336 obligated for fiscal year 2000.

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 27 percent or \$9,392,193 of the total combined DEG and NAAD funding amount to fund supplemental law enforcement services in order to improve the housing developments and surrounding neighborhoods ability to combat drug-related crime. In addition, housing owners used 6 percent or \$2,091,401 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 34 percent of total combined DEG and NAAD funding or \$11,483,594 of the \$34,204,336 obligated in FY 2000.

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 6 percent of the total combined grant funds or \$1,817,567 of the \$34,204,336 obligated in FY 2000.

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

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

budget line item does not include administrative costs incurred by HUD for the DEG or NAAD programs. Grantees anticipated spending 2 percent of the total combined grant amounts of \$581,083 of the \$34,204,336 obligated to these grants in FY 2000.

Methodological Modifications

HUD has not made any modifications to the methodology used to determine any of its drug-related financial statistics in 2000.

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 its 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 2000.

Other Disclosures

This report does not reflect Public Housing Drug Elimination Grants or Operation Safe Home program information.

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.

Department of U.S. Housing and Urban Development
Detailed Accounting of Fiscal Year 2000 Drug Control Funds

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.

Application of Methodology

The methodology disclosed in section II accurately and completely describes the actual methodology used to determine the fiscal year 2000 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 2000.

FY 2000 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

JAN - 2000

Mr. Ed Jurth
Acting Director
Office of National Drug Control Policy
Executive Office of the President
Washington, D.C. 20503

Dear Mr. Jurth:

In accordance with ONDCP 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 2000 obligations were only \$22.4 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 2000 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. 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. John Hart, Acting Assistant Inspector General for Management and Policy at 202-708-3444, ext 164.

Sincerely,

Susan Gaffney
Inspector General

Enclosure

OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT



ACCOUNTING OF FISCAL YEAR 2000 DRUG
CONTROL FUNDS

IN SUPPORT OF THE
NATIONAL DRUG CONTROL STRATEGY

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

January 22, 2001

FY 2000 Accounting of Drug Control Funds

Office of Inspector General
Accounting of Fiscal Year 2000 Drug Control Funds

	FY 2000 Actual Obligations in Millions
Drug Resources by Goal:	
GOAL 2: Increase the safety of America's citizens by substantially reducing drug-related crime and violence.	21.4
Drug Resources by Function:	
Investigations	10.0
State and Local Assistance	12.4

PROGRAM DESCRIPTION

Goal 2 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. The 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. Marshall 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, under cover operations, drug raids, coordination with other Federal law enforcement agencies, etc.). The remaining funds, \$12.4 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. 20240

MAR 13 2000

Mr. David J. Rivait
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, I am pleased to enclose the Department's FY 2000 Annual Report.

Only four of the Department's bureaus (the National Park Service, U.S. Fish and Wildlife Service, Bureau of Land Management, and the Bureau of Indian Affairs) reported obligations for National Drug Control Programs in FY 2000. Accordingly, the Department's certification of the FY 2000 obligations is based on the respective certifications provided by the Chief Financial Officers in these four bureaus.

The Department's total FY 2000 Drug Control Program obligations fall well below the \$50 million threshold for full reporting, as 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 2000 submission, please feel free to contact Ted Woronka, Deputy Director of Financial Management, at (202) 208-4701.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Schuyler Leifer".

R. Schuyler Leifer
Deputy Chief Financial Officer

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

*The Undersigned have reviewed the ONDCP Circular and
have concluded that compliance with the Full
Annual Reporting Requirement would constitute an
unreasonable burden for the Department of the Interior.*

This 13th day of March, 2001



R. Schuyler Leshner
Deputy Chief Financial Officer



Earl E. Devaney
Inspector General



United States Department of the Interior

FISH AND WILDLIFE SERVICE

Washington, D.C. 20240



FIS - 2 000

The information provided is an estimate of obligations incurred by the U.S. Fish and Wildlife Service for National Drug Control Programs in FY 2000. 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 resources conservation activities.

A handwritten signature in cursive script that reads "Paula Harris".

Deputy Chief Financial Officer

U.S. Fish and Wildlife Service

Attachment

This is your future. Don't leave it blank. - Support the 2000 Census.

U.S. FISH AND WILDLIFE SERVICE

I. RESOURCE SUMMARY

(Budget Authority in Millions)

	<u>2000</u> <u>Actual</u>
Drug Resources by Goal	
Goal 4	0.621
Goal 5	0.372
Total	<u>\$1.000</u>
Drug Resources by Function	
Investigation	10.175
Prosecution	0.071
Interdiction	0.690
State and Local Assistance	0.100
Total	<u>\$1.000</u>
Drug Resources by Decision Unit	
Law Enforcement Agency Support (LEAS)	<u>\$1.000</u>
Total	<u>\$1.000</u>



United States Department of the Interior

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

FEB 2 2001

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 2000

In response to your FAXed request dated January 29, 2001, attached please find the Bureau of Land Management's (BLM) completed Accounting Table of obligations incurred in Fiscal Year (FY) 2000 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 2000.

If you have any questions please contact Larry Benua, Budget Officer, at (202) 452-7745.

Attachments

DEPARTMENT OF THE INTERIOR		FY 2000 Actual
FY 2000 Annual Accounting of Drug Control Funds		
For the Office of National Drug Control Policy (ONDCP)		
FY 2000 Obligations in Thousands		
Bureau:		
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.	\$	4,963
Total Resources by Goal	\$	4,963
II. Drug Resources by Function (see attached listing)		
Corrections	\$	
Intelligence	\$	150
Interdiction	\$	200
International	\$	
Investigations	\$	1,167
Prevention	\$	
Prosecution	\$	
Research and Development	\$	
State and Local	\$	450
Treatment	\$	

Total Resources by Function		\$ 4,963
III. Drug Resources by Budget Decision Unit (unique to each bureau)		
Example:		
BLM - Resource Protection & Law Enforcement		\$ 3,288
BLM - Other Reporting Subactivities		\$ 1,670
BLM - General Administration		\$ 5
Total by Decision Unit	3400	\$ 4,963

Note. The totals for all three categories will be equal to one another.



16-58852-1000-001

United States Department of the Interior

NATIONAL PARK SERVICE
1649 C Street, N.W.
Washington, D.C. 20540

MEMORANDUM

To: Director of Budget
Department of the Interior

From: C. Bruce Sheaffer
Chief Financial Officer *C. Sheaffer 2/14/01*

Subject: Certification of the National Park Service's National Drug Control Program
Obligations for Fiscal Year 2000

In response to your request dated January 26, 2001, we have provided a table showing the National Park Service's (NPS) obligations incurred in Fiscal Year 2000 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 PWEs correspond to the NPS functional budget structure rather than the various categories established for reported 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 2000.

If you have any questions, please contact James Gimmno, Budget Officer (202) 205-4286 or Ken Mueller, Budget Analyst (202) 205-7434.

Attachments:

FY 2000 Accounting of Drug Control Funds

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

	FY 2000
I. Drug Resources by Strategic Goal	Actual
Goal 1	141
Goal 2	625
Goal 3	250
Goal 4	1,562
Goal 5	5,234
Total Resources by Goal	7,812
II. Drug Resources by Function	
Interdiction	1,562
Investigations	5,625
Prosecution	234
Prevention	391
Total Resources by Function	7,812
III. Drug Resources by Budget Decision Unit	
Park Management	7,665
External Administrative Costs	147
Total Resources by Decision Unit	7,812

FY 2000 Accounting of Drug Control Funds



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240



March 9, 2001

FY 2000 Annual Accounting of Drug Control Funds
For the Office of National Drug Control Funds (ONDCCF)
(Obligations in millions)

Drug Resources by Goal	FY 2000 (Actual)
Goal 1	
Goal 2	\$19,059
Goal 3	0.643
Goal 4	0.666
Total	\$20,348
Drug Resources by Function	
Investigations	\$12,449
Corrections	1,654
State and Local Assistance	3,747
Research & Development	1,689
Prevention	0.643
Intelligence	0.166
Total	\$20,348
Drug Resources by Decision Unit	
Education	\$ 0,979
Tribal Services (Judicial & Social)	18,726
Law Enforcement	0,643
Total	\$20,348
Drug Resources Personnel Summary	
Total FTEs (direct only)	163
Information	
Total Agency Budget	\$1,878.0
Drug Percentage	1.0%

I certify that the above information accurately reflects the estimated obligations incurred by the Bureau of Indian Affairs for National Drug Control Programs in FY 2000.

Date: 3/9/2001


 Debbie L. Clark
 Chief Financial Officer
 Bureau of Indian Affairs



U.S. DEPARTMENT OF JUSTICE

FY 2000 Accounting of Drug Control Funds



U. S. Department of Justice

Office of the Inspector General

Mr. Robert Elias, Director
Office of Programs, Budget,
Research and Evaluation
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Elias:

This letter transmits the FY 2000 attestation review reports of the 13 components of the U. S. 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, 1999.

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 "Guy E. Zimmerman".

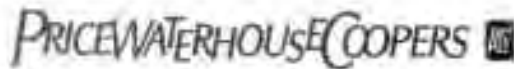
Guy E. Zimmerman
Assistant Inspector General
for Audit

Enclosure

cc: Janis A. Sposato
Acting Assistant Attorney General
for Administration

Adrian A. Curtis
Director, Budget Staff
Justice Management Division

Mikki Ahsatt
Acting Deputy Director, Budget Staff
Justice Management Division



Office of the Inspector General
United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

PricewaterhouseCoopers LLP
1616 North 17th Street, Suite 2200
Arlington, VA 22209-1101
Telephone: (703) 441-1000
Facsimile: (703) 441-1616

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 Asset Forfeiture Fund (AFF) for the fiscal year ended September 30, 2000. 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 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.

March 30, 2001
Arlington, Virginia



U.S. Department of Justice


Washington, D.C. 20530

**ASSETS FORFEITURE FUND
Management's Assertion Statement
For Fiscal Year Ended September 30, 2000**

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

1. The methodology used by AFMS to develop the Table of Drug Control Obligations (Table) for the AFF 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 AFF and represent fiscal year 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 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 the AFF's financial and program management/tracking systems.

We have documented the methodology used by AFMS to identify and accumulate fiscal year 2000 drug control obligations for the AFF in the Table and accompanying disclosures in accordance with guidance of ONDCP's Circular, *Annual Accounting of Drug Control Funds*. The AFF'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.


Michael A. Pifer, Director
Asset Forfeiture Management Staff

MAR 27 2001

Date

FY 2000 Accounting of Drug Control Funds

DEPARTMENT OF JUSTICE
 ASSETS FORFEITURE FUND
 TABLE OF DRUG CONTROL OBLIGATIONS
 FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2000
 (in Thousands of Dollars)

Drug Obligations by Goal:	2000 Actual Obligations
Goal 2	473,893
Goal 5	12,012
Total	485,905
Drug Obligations by Function:	
State & Local Assistance	340,414
Investigations	216,465
Prosecution	12,764
Interdiction	7,012
Total	485,905
Drug Obligations by Decision Unit:	
Mandatory Program Operations Expenses, Permanent, Indefinite Authority	469,278
Investigative Expenses, Define Authority	16,627
	485,905
Drug Resources Personnel Summary:	
Total FTE	0
Information:	
Total Agency Obligations	485,905
Drug Percentage	100%

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 was prepared in accordance with the GNDCF Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999. The Table represents only obligations incurred in fiscal year 2000 on the budgetary basis of accounting and are net of reimbursements.

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

With respect to the Table, amounts were calculated as follows:

- * Goal 1 - By using AFF obligation data gathered from FMIS, the total comprises (1) obligations for 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. Attorneys Office.

The functions under Goal 2 include: (1) State and local assistance, (2) investigative expenses, and (3) prosecutive expenses. 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 their sum by the total obligations and equals 98 percent.

- 1) Goal 5 - The functions under Goal 5 include (1) international equitable sharing and (2) assistance for the DEA's Domestic Cannabis Eradication/Suppression Program. By using obligation data gathered from FMIS, the percentage of Goal 5 obligations is derived by dividing their sum by the total obligations and equals 2 percent.

- 2) Decision unit - The AFF comprises two decision units. First, permanent indefinite authority supports program operation expenses or mandatory expenses. These monies are used to recognize the equity of innocent third parties and lien holders and 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 forfeiture. 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 obligations is derived by dividing their total by the total amount of obligations and equals 56 percent.

Second, appropriated, definite authority supports authorized investigative expenses. Payments are made for awards and evidence, equipping of conveyances, and investigative expenses leading to forfeitures. The percentage of definite authority obligations is derived by dividing their total by the total amount of obligations and equals 4 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 and results in the percentage attributed to each.

d. 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.

e. Information - 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 2001 reporting.

Disclosure No 3. - Material Weaknesses and Other Findings

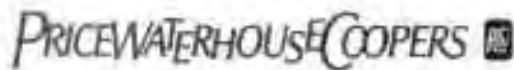
There are no material weaknesses or other findings relating to the accounting for obligations that would affect the amounts reported in the Table. There are findings of weaknesses reported with respect to the management information system that stores and retrieves data necessary to complete the Table. Sources reviewed included: (a) the auditors' reports on the AFF financial statements, internal controls, and compliance with laws and regulations for Fiscal Year 1998 to present; (b) GAO and Office of the Inspector General Reports for Fiscal Year 1998 to present; and (c) the Department of Justice's Annual Accountability Report for Fiscal Year 2000, and the Attorney General's annual Federal Managers Financial Improvement Act certifications for Fiscal Year 1998 to present.

Disclosure No 4. - Reprogramming or Transfers

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

Disclosure No.5 - Other

In FY 2000 the AFF had \$868,947,365 in available budget authority. The total comprises \$346,525,829 as the unobligated balance brought forward on October 1 and \$507,031,376 in receipts. The remainder consists of offsetting collections, recoveries, and restricted funds that are temporarily unavailable.



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United States Department of Justice

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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 Bureau of Prisons (BOP) for the fiscal year ended September 30, 2000. 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 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.

April 5, 2001
Arlington, Virginia

FY 2000 Accounting of Drug Control Funds



U.S. Department of Justice

Federal Bureau of Prisons

November 16, 2000

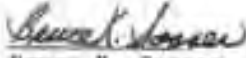
Bureau of Prisons Management's Assertion Statement For Fiscal Year Ended September 30, 2000

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 records of the BOP and represent fiscal year 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 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 2000 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 the drug percentage which changes in accordance with the actual population) and reprogramming and transfers have been properly disclosed. BOP operations also includes programs that are not directly 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.


Bruce F. Sesser
Assistant Director
For Administration

4/3/01
Date

FY 2000 Accounting of Drug Control Funds

Bureau of Prisons
 Table of Drug Control Obligations
 For Fiscal Year Ended September 30, 2000
 (Dollars in thousands)

	<u>Actual 2000 Obligations</u>
Drug Obligations by Goal	
Goal 2 (Reduce drug-related crime and violence)	2,154,306
TOTAL	2,154,306
Drug Obligations by Function	
Corrections	2,119,929
Treatment	<u>34,377</u>
TOTAL	2,154,306
Drug Obligations by Decision Unit	
Inmate Care and Programs	548,370
Institution Security and Administration	881,064
Contract Confinement	148,582
Management and Administration	77,149
New Construction	788,409
Modernization and Repair	84,980
Crime Bill: Inmate Care and Programs	<u>25,732</u>
TOTAL	2,154,306
Drug Resources Personnel Summary	
Total FTEs (Direct Only)	26,650
Information	
Total Agency Obligations	5,823,064
Drug Percentage	36%

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 drug-related obligations. 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 related data. In general, the amount of obligations with a drug-related nexus is calculated by applying a factor (a percentage of population 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 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 2000 actual obligations to arrive at the FY 2000 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 projection model. The model uses actual BOP data to project future populations. These projections are used to develop new prison capacity requests and estimate impacts in various scenarios.

Financial Systems - The FMIS is the Department of Justice financial system that provides BOP obligation data. Obligations in this system can also be reconciled with the enacted appropriation and carryover balances.

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 2000 Drug Resources Table)

e. Workyears (FTEs) - Using BOP FTE data from FMIS (as originated by the N.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 percentage). There are no plans to change this methodology (except for the drug percentage which changes in accordance with the actual population) for FY 2001 reporting period.

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. 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. SOP's
FY 2000 obligations include all approved Reprogrammings and
Transfers.

Disclosure No. 5. Other Disclosures

The difference in total obligations incurred between the FY 2000
Audited Financial Statements and the FY 2000 Annual Accounting of
Drug Funds is due to recording Contingent Liabilities in accordance
with SFAS No. 5. The MCP was notified of the contingent
liabilities after the close of FY 2000, and thus were NOT entered
as obligations prior to the close of the fiscal year.

Attachment:

FY 2000 Accounting of Drug Control Funds

Federal Prison System
Drug Related Resources
Reprogramming and Transfers
FY 2000
(Dollars in thousands)

	Unobligated Balances Brought Forward	Enacted BA	Reprogram- ming**	Transfer***		Total Drug Resources Availability
				IN	Out	
Drug Resources by Goal						
Goal 2*	310,392	2,052,992	0	0	(559)	2,372,825
Drug Obligations by Function						
Corrections	305,478	2,031,823	0	0	(559)	2,336,742
Treatment	4,914	21,169	0	0	0	26,083
Total*	310,392	2,052,992	0	0	(559)	2,372,825
Drug Obligations by Decision Unit						
Inmate Care and Programs	22,127	931,477	0	0	0	953,604
Institution Security and Administration	30,445	852,328	0	0	(285)	882,488
Contract Containment	0	155,148	0	0	0	155,148
Management and Administration	0	84,152	0	0	(274)	83,878
New Construction	185,458	251,372	4,161	0	0	440,989
Modernization and Repair	67,450	65,993	(4,161)	0	0	129,282
Crime Bill: Inmate Care and Programs	4,914	22,524	0	0	0	27,438
Total Drug Related*	310,392	2,002,992	0	0	(559)	2,372,825
Total Availability	540,840	3,555,353	0	0	(980)	4,208,213

* These resources are calculated using the BOP drug methodology. Overall FY 2000 actual Drug percentage is 56%.

** Reprogramming includes \$7.3 million reprogram from Modernization and Repair decision unit to New Construction decision unit for Safford, Arizona expansion.

*** Transfer includes \$500,000 to DOJ Wireless Management Office and \$460,000 to DOJ-Community Relations Service



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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, Office of Community Criminal Policing Services (CCPS) for the fiscal year ended September 30, 2000. 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 CCPS 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 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.

March 30, 2001
Arlington, Virginia



U.S. Department of Justice

Office of Community Oriented Policing Services

1105 Vermont Avenue, NW
Washington, D.C. 20530

**Office of Community Oriented Policing Services (COPS)
Management's Assurance Statement
For the Fiscal Year Ended September 30, 2000**

On the basis of the Office of Community Oriented Policing Services (COPS) internal control measures, we assert that the COPS system of accounting and use of estimates 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 COPS financial and programmatic records and represent fiscal year 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 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/tracking systems.

We have documented the methodology used by COPS to identify and accumulate fiscal year 2000 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 and there have been no reprogrammings or transfers that have not been properly disclosed.

Joe Norris, COPS Executive Officer

2/17/01

Date

FY 2000 Accounting of Drug Control Funds

Department of Justice
Community Oriented Policing Services
Table of Drug Control Obligations
For the Fiscal Year Ending September 30, 2000

Dollars in Thousands	Actual 2000 Obligations
Drug Resources by Goal	
Goal 1, Objective 1	\$ 87,818
Goal 2, Objective 1	231,558
Total	<u>\$ 319,376</u>
Drug Resources by Function	
Prevention	\$ 87,818
State and Local Assistance	231,558
Total	<u>\$ 319,376</u>
Drug Resources by Decision Unit¹	
Public Safety and Community Policing Groups	\$ 230,811
Crime Fighting Technology	75,251
Community Crime Prevention	-
Community Based Prosecutors	3,300
Management and Administration	9,890
Total	<u>\$ 319,376</u>
Drug Resources Personnel Summary	
Total FTEs (direct only)	68
Information	
Total Agency Obligations	\$ 905,261
Drug Percentage	37%

¹ See Disclosure No. 1 (a) 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 and exclude obligations made with prior year recovered funds.

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 5, 1999. The Table represents obligations incurred by COPS for drug control purposes. COPS receives drug control funds mainly for the purpose of prevention and to provide state and local assistance.

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 Report of Budget Execution (SF-133) and the Expenditures and Allocation Report. Data for both reports are generated 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, Educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco* – 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, *Increase the safety of America's citizens by substantially reducing drug-related crime and violence* - 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.
- c. 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.
- d. 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 amount.
- 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 2000: Public Safety and Community Policing Grants, 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, 22020203-22020210, 220203-22020302, 2203-220302, 220401, 420201, 42020102, 42020204, 42020205, 42020301-42020302
 - *Crime Fighting Technologies:* 22020201; 42020201
 - *Community Based Prosecutors:* 42020209
 - *Management and Administration:* 2201, 220101-220114

In previous years, the COPS Office maintained a separate decision unit for the Police Corps program. However, in FY 2000 the Office collapsed the Police Corps decision unit into Public Safety and Community Policing Grants. Also in FY 2000, COPS received funds from two separate appropriations: 1) Violent Crime Reduction Trust Fund (R2) and 2) Direct Appropriation (U4). The Office established U4 account classification codes for those programs funded from the Direct Appropriation.

- f. FTEs - COPS obtains FTE data from the Workyear Status Report. This report is created every pay period by JMD from data obtained from FMIS, which originates from the National Finance Center (NFC). The 33 percent drug methodology was applied to the average FY 2000 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 2001 reporting.

Disclosure No. 1 – 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 use of non-current Standard Forms 269, Financial Status Report (FSRs), in the Offices, Boards and Divisions' (OBODs') FY 2000 Report of Independent Accountants on Internal Controls that identified errors in the calculation for grant advances and accrued grant expenditures at the COPS Office. 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.

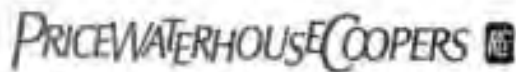
Sources reviewed included: (a) the auditors' draft reports on COPS financial statements; (b) Office of the Inspector General Reports; and (c) the Department of Justice's Annual Accountability Report, which includes the Attorney General's annual Federal Managers' Financial Improvement Act certifications.

FY 2000 Accounting of Drug Control Funds

Community Oriented Policing Services (COPS)
Reprogramming and Transfers
FY 2000
(Dollars in thousands)

Table Line Item	Unobligated Balance Brought Forward	Fiscal BA	Reprogramming	Transfers		Total Availability
				In	Out	
Drug Resources by Goal						
Goal 1, Objective 3	4,590	59,860				64,450
Goal 2, Objective 1	100,113	136,988				237,081
Total	104,703	196,848				301,551
Drug Resources by Function						
Prevention	4,590	59,860				64,450
Enforcement and Local Assistance	100,113	136,988				237,081
Total	104,703	196,848				301,551
Drug Resources by Decision Unit						
Public Safety and Community Policing Grants	71,590	190,320				261,910
Crime Fighting Technology	31,000	47,900				78,900
Community Crime Prevention	0	0				0
Community Based Prosecutors	0	3,360				3,360
Management and Administration	123	9,868				10,000
Total	102,713	242,448				345,161

This table is prepared by the Office of Management and Enterprise Services (OMES) and is subject to audit by the Office of the Inspector General (OIG). The data in this table are for informational purposes only and should not be used for any other purpose.



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 Criminal Division for the fiscal year ended September 30, 2000. 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 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.

March 30, 2001
Arlington, Virginia

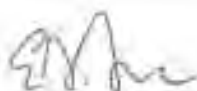
U.S. Department of Justice

CRIMINAL DIVISION
Management's Assertion Statement
For Fiscal Year Ended September 30, 2000

On the basis of the Criminal Division (CRM) internal control measures, we assert that CRM's system of accounting and use of estimates 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 CRM financial and programmatic records of CRM and represent fiscal year 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 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 CRM that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from CRM financial and program management/tracking systems.

We have documented the methodology used by CRM to identify and accumulate fiscal year 2000 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 modified from the previous year and this modification is discussed in the accompanying disclosures. There have been no reprogrammings or transfers that have not been properly disclosed. CRM'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.



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

4/12/01
Date

FY 2000 Accounting of Drug Control Funds

CRIMINAL DIVISION
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2000
(In Thousands of Dollars)

	2000 Actual Obligations
Drug Obligations by Goal:	
Goal 2	\$16,643
Goal 4	\$3,374
Goal 5	\$11,426
Total	\$31,383
Drug Obligations by Function:	
International	\$4,175
Prosecution	\$27,218
Total	\$31,383
Drug Obligations by Decision Unit:	
Organized Crime and Narcotics	\$10,236
International	\$4,175
Litigation Support	\$13,322
Management and Administration	\$3,660
Total	\$31,383
Drug Resources Personnel Summary:	
Total FTE	229
Information	
Total Agency Obligations	\$104,430
Drug Percentage	30.06%

NOTE: Obligations from other Federal Agencies are not included in 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 guidance of the Office of National Drug Control Policy (ONDCP)'s Circular, *Annual Accounting of Drug Control Funds*. 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 obligation data obtained from the Financial Management Information System (FMIS). In general, the amount of obligations with a drug-related focus 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 2000 actual total.

Data - All accounting information for CRM is based on the FY 2000 actual budget obligation data gathered from the FMIS. The management in each Section/Office within the Criminal Division determines what percentage of time is spent on drug-related issues. These percentages are then calculated against the budgeted amounts for each Section/Office, adjusting to the total costs.

Other Estimation Methods - CRM does not have other estimation methods to report.

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

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

1. Goal 2 - The total goal amount was derived by applying the drug methodology percentage to the FMIS obligation data for each Section/Office's actual FY 2000 budget.
2. Goal 4 - The total goal amount was derived by applying the drug methodology percentage to the FMIS obligation data for each Section/Office's actual FY 2000 budget.
3. Goal 5 - The total goal amount was derived by applying the drug methodology percentage to the FMIS obligation data for each Section/Office's actual FY 2000 budget.

4. **Prosecutions Function** - The total prosecutions function amount was derived by applying the drug methodology percentage to the FMIS obligation data for each Section/Office's actual FY 2000 budget using the following Decision Units: Organized Crime and Narcotics, Litigation Support, and Management and Administration. Dollars were totaled for the Prosecutions function amount.
5. **International Function** - The total international function amount was derived by applying the drug methodology percentage to the FMIS obligation data for each Section/Office's actual FY 2000 budget using the International Decision Unit. Dollars were totaled for the International function amount.
6. **Decision Unit** - The total decision unit amount was derived by applying the drug methodology percentage to the FMIS obligation data for each Section/Office's actual FY 2000 budget using a time factor. This time factor was determined by management in each Section/Office. Management estimated the percentage of their time that would be dedicated to drug-related work for that fiscal year, and derived the decision unit total amounts.

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

• Organized Crime and Narcotics -	33%
• International -	13%
• Litigation Support -	42%
• Management and Administration -	12%
	100%

7. **FTEs** - The total FTE data was derived by estimating FTE levels using data contained in the Division's Personnel staffing reports, and applying the drug methodology percentage to each Section/Office's FTE levels.

Decision No. 2 - Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has been modified. In the FY 2002 budget cycle (which includes reporting on FY 2000 actuals, FY 2001 enacted, and FY 2002 planned), the Criminal Division, in coordination with the Department's Justice Management Division and ONDCP, changed how its drug obligations were spread by Goal in order to better reflect its counter-drug efforts. Previously, the Criminal Division reported all their drug control obligations under Goal 5. The Criminal Division determined that to properly reflect its counter-drug efforts, that it should report its drug obligations in Goal 2, Goal 4, and Goal 5. These changes are in alignment with the Department of Justice's *Drug Control Strategic Plan*. The Division utilizes a estimation methodology to account for obligations involving drug-related matters.

FY 2000 Accounting of Drug Control Funds

Disclosure No. 3 - Material Weaknesses and Other Findings

There are no material weaknesses or other findings relating to accounting for obligations from the management information system that stores and retrieves data necessary to complete the table. 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.

Disclosure No. 4 - Reprogramming or Transfers

CRM did not have any drug-related reprogrammings or transfers for FY 2000 (CRM did have multi-year accounts for FY 2000, but none were drug-related).

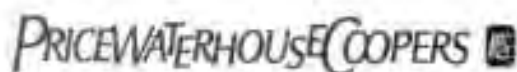
For FY 2000, CRM's drug-related budget authority was \$31,393,000.

Disclosure No. 5 - Other Disclosures

ICDE Resources: \$2.813 million

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

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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 Drug Enforcement Administration (DEA) for the fiscal year ended September 30, 2000. 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 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 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.

June 6, 2001
Arlington, Virginia



U. S. Department of Justice
Drug Enforcement Administration

Management's Assurance Statement
For the Fiscal Year ended September 30, 2000

On the basis of the Drug Enforcement Administration's (DEA's) management control program, we assure that the DEA's 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 FY 2000 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 FY 2000 obligations of drug control funds.
3. Estimates used to report the FY 2000 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 FY 2000 drug control obligations in the Table and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Annual Accounting of Drug Control Funds*. Except as discussed in the accompanying disclosures, DEA's drug control methodology has been consistently applied from the previous year and there was a reprogramming and transfers that have been disclosed. All of DEA's operations and programs are related to drug control activities and are reflected in the accompanying obligation data.


Frank M. Kalder, Chief Financial Officer

6/12/01
Date

FY 2000 Accounting of Drug Control Funds

Drug Enforcement Administration For the Fiscal Year Ending September 30, 2000 (Dollars in thousands)

	FY 2000 Actual Obligations 1/
Drug Resources by Goal:	
Goal 1	\$ 3,339
Goal 2	615,722
Goal 4	424,158
Goal 7	245,503
Total	\$ 1,288,722
Drug Resources by Function:	
Investigations	\$ 915,501
Intelligence	151,252
International	201,244
State & Local Assistance	9,404
Prevention	3,339
Research and Development	7,892
Total	\$ 1,288,722
Drug Resources by Division Unit:	
ADP	\$ 90,177
Chemical	15,684
Domestic Enforcement	366,635
Foreign	108,645
Intelligence	99,343
Lab	45,693
M&A	82,954
RETD	104,790
State & Local	204,896
Training	22,690
Total S&E/VCRP	\$ 1,212,116
Construction	7,892
Drug Diversion Control Fee Account	68,714
Total	\$ 1,288,722
Drug Resources Direct Personnel Summary: 2/	
Total FTE	7,744
Total Agency Budget	
Drug Percentage	\$ 1,288,722 100.0%

Note

1/ Reimbursements, transfers (RDTA) and actual recoveries and unobligated balances brought forward are not included.

2/ Includes S&E/VCRP and DCFA appropriations.

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 systems 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 violators 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) 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 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 prorated 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 FY 2000 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 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 program 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, Vessel Units, and efforts in Mexico.

Goal 5 – Break foreign and domestic sources of supply. This goal directly relates to the foreign cooperative investigative programs, marijuana eradication, and methamphetamine laboratory cleanup 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:

- a. Goal 1. FY 2000 obligations associated directly with DEA's Demand Reduction Program were attributed to Goal 1. For FY 2000, this total was estimated to be \$3.339 million.

FY 2000 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. For FY 2000, this total was \$615.722 million.
- c. Goal 4. FY 2000 obligations associated with DEA's Southwest Border, Caribbean, and Mexican enforcement efforts, including a portion of overhead activities, were attributed to Goal 4. For FY 2000, this total was \$424.158 million.
- d. Goal 5. Goal 5 was estimated by multiplying all obligations not incurred for Goal 1 or Goal 4 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. For FY 2000, this total was \$345.503 million.

As previously stated, DEA's financial management systems do not track drug control obligations by ONDCP functions; accordingly, the following estimates were used to determine DEA's drug control obligations by ONDCP function.

- e. Intelligence Function. FY 2000 obligations associated with DEA's intelligence efforts were estimated at \$191.252 million. This includes 100% of the Intelligence, 26% of the RETO, and 12% of the ADP, M&A, and Training Decision Units.
- f. International Function. FY 2000 obligations associated with DEA's international efforts were estimated at \$201.244 million. Total drug obligations in this function include 100% of the Foreign Cooperative Investigations Decision Unit and 16% of the ADP, M&A, and Training Decision Units.
- g. Investigations Function. FY 2000 obligations associated with DEA's investigations efforts were estimated at \$915.591 million. DEA's investigations efforts include: 100% of the Chemical, Domestic Enforcement, and Laboratory Services Decision Units and the Diversion Control Fee Account Appropriation, 96% of the State and Local Task Force Decision Unit, 74% of the RETO Decision Unit and 71% of the ADP, M&A, and Training Decision Units.
- h. Prevention Function. FY 2000 obligations associated directly with DEA's demand reduction efforts were estimated at \$3.339 million.
- i. Research and Development Function. FY 2000 obligations associated with DEA's research and development efforts were estimated at \$7.892 million.

FY 2000 Accounting of Drug Control Funds

- i. **State & Local Assistance Function.** FY 2000 obligations associated with DEA's state and local assistance efforts were estimated at \$9,404 million. The total Decision Units for ADP, M&A, and Training were spread at a 1% rate for this function.
- ii. **Decision Units.** One hundred percent of the obligation total for each decision unit was associated with drug enforcement. This total is reported as tracked in FFS.
- iii. **FTEs.** One hundred percent of all DEA FTEs are dedicated to drug enforcement efforts. DEA's FTE total for FY 2000 was 7,744.
- iv. **Summary Information.** One hundred percent of all DEA obligations are incurred for drug enforcement purposes.

Disclosure 2. Modification of Drug Enforcement Accounting Method

As DEA continues to make improvements in its ability to track obligations by program, modifications to DEA's drug control methodologies and estimates are needed to more closely align DEA's obligations with ONDCP's goals and functions. The following table depicts the changes in amounts reported in DEA's Functions from the prior year.

Function	Drug Enforcement Administration Obligations by ONDCP Function (Dollars in thousands)			
	FY 2000	FY 1999	Change	% Change
Investigations	\$915,591	\$889,145	\$ 26,446	3.0%
Intelligence	151,252	136,524	14,728	10.8%
International	201,244	256,348	(55,104)	(21.5%)
State & Local	9,404	13,690	(4,286)	(31.3%)
Prevention	3,339	3,379	(40)	(1.2%)
M&A	7,892	4,894	2,998	61.3%
Total	\$1,286,722	\$1,303,980	\$ 15,258	(1.2%)

There were no significant changes in amounts reported in DEA's four goals from the prior year. Differences in amounts reported in DEA's decision units were caused by the increase in total obligations in Fiscal Year 2000 and the reclassification of obligations in FFS during the normal course of DEA's operations. Overall, DEA's drug control obligations decreased by 1.2% from the prior year.

Disclosure 3: Material Weaknesses and Other Findings

The most recent external audit of DEA's FY 2000 financial statements was conducted by the accounting firm KPMG and has revealed the following material weakness. In our opinion, the weakness identified below may affect the obligations reported herewith:

1. Ineffective controls in monitor open obligations.

The DEA has identified and undertaken appropriate corrective action in response to the above findings. DEA will aggressively review open obligations older than one year and perform routine quality assurance reviews of the obligation validation process.

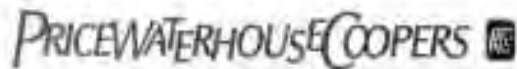
Disclosure 4: Reprogramming and Transfers

There was a reprogramming for FIREBIRD that was approved. However, this reprogramming was only for funding changes within the ADP Decision Unit, and, thus, the net change for ADP DU was zero.

There was a transfer of \$20.733 million from the RETO DU for the DOJ Wireless Management Office.

Disclosure 5: Other Disclosures

None.



Office of the Inspector General
United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

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Facsimile: (703) 837-1010

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, 2000. 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 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 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.

May 21, 2001
Arlington, Virginia

FY 2000 Accounting of Drug Control Funds

Memorandum



To: Assistant Attorney General for Administration, JMD May 16, 2001

From: Susan J. Fabian, *SJF*
Acting Assistant Director, Finance Division

Subject: AUDIT REVIEW OF THE 2000 ANNUAL ACCOUNTING OF
DRUG CONTROL FUNDS

INFORMATION MEMORANDUM

This memorandum formally transmits the FBI's response to your data call regarding the audit review for the FY 2000 Annual Accounting of Drug Control Funds.

Questions may be directed to Mrs. Mary Ann Woodson on (202) 324-5659 or to Mrs. Amy Pokorak on (202) 324-5738.

(Enclosure)

Drug Control Obligations
Fiscal Year 2000

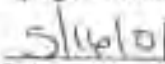
Management Assurance Statement
For Fiscal Year Ended September 30, 2000

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 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 2000 obligations of drug control funds.
- Estimates used to report the fiscal year 2000 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 the 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 2000 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 FBI drug control methodology has been consistently applied from the previous year, except for changes explained in Disclosure No. 2. Reprogrammings and/or transfers 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 Obligations or accompanying disclosures.


Susan J. Rabern, Acting Assistant Director, Finance Division


Date

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 offense (through the use of a specific classification indicator which is part of the Time Utilization and Record Keeping (TURK) system.)

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 enacted 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 distinct cost center codes assigned to each FBI Headquarters unit, field office, etc. The FMS does not capture programmatic spending. Therefore, the FBI has established a formal program costing methodology 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 expense 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 are distributed by program. The Drug Control budget

¹ The TURK system codes investigative law distribution by program in all FBI field offices. FBI 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 problem, such as Public Corruption or Money Laundering; and classifications related to organized criminal enterprises based on geographical origin such as Mexican Organizations.

Figures are developed from the data generated in the program costing process.

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 workyears (FTEs) 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 Obligation 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 Obligation report are net of all reimbursable and construction funding.

I. Drug-Related Resources by Decision Unit:

The following is a detailed description of the seven steps applied to calculate the level of drug-related resources for the nine Decision Units: OCE, VC, WCC, FS, IMAT, LPS&S, IIRA, CJS and M&A.

Step 1: Identify Drug-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 48 budget centers that are included in the formulation of the FBI's Drug Control Methodology.

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 are extracted from the TURK system. These drug-related classifications are net of the hours worked in support of the Intragency Crime and Drug Enforcement Act (ICDE).
- The second step is to calculate the number of hours worked beyond the level reimbursed through the ICDE 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 to the OCE program to generate the drug-related percentage. For FY 2000, the drug percentage for the OCE Decision Unit is 75 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 3: Drug-related resources within the supporting Decision Units:

- To derive the percentage of drug-related resources within the supporting 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 2000 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 research 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 results of the previous steps are then added to the research 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 are calculated.
- Secondly, the total number of field hours related to fugitive and interstate theft matters are reviewed by FBI Headquarters Managers. Based on management review of such cases, a percentage of those matters that are drug-related are 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 2000, the drug percentage of the VC Decision Unit is estimated at 22 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 programs 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.
- A report published by the Director of the Administrative Office of the United States Courts documents the total Applications for Orders Authorizing or Approving the Interception of Wire, Oral, or Electronic Communications covering the time period of 1998 to 1999. The Administrative Office of the United States Courts reports that a total of 1,350 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 72 percent (or 978) were drug-related; therefore, the 72 percent is applied to the TCCF obligations to develop the drug-related resources. The yearly report covering the time period of 1997 to 1998 documented that the total drug-related intercepts were 50 percent. This percentage was used to tabulate the FY 1999 drug-related TCCF total and accounts for a net increase of 12 percent or approximately \$50 million between

1999 and 2000.

- In FY 2000, a percentage of 72 percent was applied to the total obligations of \$220,080,000 to arrive at the drug-related TCCF total of \$159,898,000. However, to calculate the FY 1999 drug-related TCCF amount, a percentage of 50 percent was applied to total obligations of \$20,000,000. The FY 1999 drug-related TCCF total was \$10,000,000. The increase in the total obligation level and increase in the percentage applied accounts for a portion of the drug-related increase from FY 1999 to FY 2000.

Step 7: Total Drug-Related Resources within the FBI:

- The results of steps 1 - 5 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:

ONDCP 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 hours worked in the respective Decision Units to arrive at a percentage.
- This percentage is applied to the total Drug Related Hours in each Decision Unit to come up with the total Drug Intelligence Hours worked.
- This total 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. The drug-related intelligence hours, increased to include the support personnel's time, are divided by the total Drug Hours within each decision unit. The product of this application is a percentage that 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 (Legat) and the Resolution-6 Program. All resources in the Resolution-6 program are considered drug-related as they apply to 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 Legat 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 Legat. The drug-related percentage that was applied to the VC Decision Unit is applied to the Fugitive Legat obligations. The product of this calculation represents the total drug-related resources supporting the international function in the VC Decision Unit.
- The products of the above calculations are added together and represent the total supporting the FBI's drug-related international function.
- Research** - Within the TFS&S Decision Unit, the FBI specifically tracks the research efforts directly related to drug-related activities.
- Investigations** - As previously stated, the FBI is the principal investigative agency of the Department of Justice. Investigations represent 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 W/RK 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 decision 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:

The FBI's Investigative Technologies Branch, Laboratory Division, through coordination with the Counterdrug Technology Assessment Center (CTAC) at the Office of the National Drug Control Policy (ONDCP), plans to report the resource levels related to drug-related R&D as only the drug-related research levels. Historically, the FBI had included the total costs associated with the research, development and engineering services dedicated to drug-related activities under the heading of R&D. The FBI plans to report only the research portion of the definition which results in a change in reporting from \$26,564,000 to \$3,234,600 (or 1.4 percent to .51 percent) supporting drug-related research.

The FBI continually reviews the drug control methodology to validate that the approach is consistent with Bureau operations and procedures. During the most recent review, to strengthen the linkages between the TURK data and the Goals and Functions, the FBI made some minor adjustments to the scoring methodologies used to determine the percentage of drug-related resources supporting each goal and function. As previously stated, the FBI uses the methodology applied to the Decision Units to determine the total resources supporting drug-related activities. Other than the resources supporting the Research Function, the spread of these resources between the Goals and other Functions is a product of specific classifications within the TURK system that best represent the definition of each Goal and Function. As with the percentages applied to each Decision Unit, the percentages computed to support each Goal and Function will vary depending on the number of hours worked under each TURK violation. Therefore, compared to last year's submission, the percentage determined through the application of specific TURK applications has been strengthened to better map from the TURK system to the Goals and Functions. Two examples of such heightened review are the following:

To capture the drug-related resources supporting Goal 2, the FBI uses the TUREK data by classification. The data captures the number of drug-related hours worked on matters such as drug-related money laundering (ML), drug-related asset forfeiture (AF) matters, and drug-related violent crime (VC) matters. In the process of continually reviewing the TUREK classifications that are included in the formulation of Goal 2, the FBI realized that additional TUREK data that specifically relates to drug-related asset forfeiture and drug-related money laundering should be included in the computation.

The FBI's total drug-related resources supporting Goal 4 are a product of the resources supporting drug-related matters in field offices along the Southwest Border (SWB). Upon further review, it was evident that the Drug Control Methodology did not include all FBI field offices that were SWB related. Hence, the total number of offices included in the configuration of the resources supporting Goal 4 has increased from six offices to eight offices. The effect of this addition allows the FBI to more accurately account for the drug-related resources supporting the SWB efforts.

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 not any weaknesses or findings reported with respect to management information systems that store and retrieve data necessary to complete the drug control tables. Sources reviewed include: (a) the auditors' 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 FY 2000 Performance Report and FY 2002 Performance Plan.

Disclosure No 4. - Reprogrammings or Transfers

In 2000, the FBI did not have a reprogramming that met ONDCP's reprogramming threshold. Transfers and unobligated balances carried forward have been calculated using the appropriate drug methodology percentages. The FBI's FY 2000 obligations include all approved transfers. See attached chart for details.

Disclosure No 5. - Other Disclosures

There are no other disclosures.

FY 2000 Accounting of Drug Control Funds

Department of Justice
Federal Bureau of Investigation
Table of Drug Control Obligations
for Fiscal Year Ending September 30, 2000
(Dollars in Thousands)

		2000 Actuals
Drug Resources by Goal:		
Goal 2:	\$	102,904
Goal 4		98,022
Goal 5		407,904
Total	\$	608,830
Drug Resources by Function		
Investigations	\$	567,791
Intelligence		27,801
International		10,002
Research and Development		3,235
Total	\$	608,830
Drug Resources by Decision Unit		
Organized Criminal Enterprises	\$	309,737
White-Collar Crime		61,052
Violent Crimes		93,414
Training, Recruitment & Appl.		20,551
Forensic Services		21,443
Information Management, Automation & Telecomm.		30,382
Tech. Field Supt. & Serv.		30,473
Criminal Justice Services		27,048
Management & Administration		24,730
Subtotal	\$	608,830
Carrier Compliance	\$	159,898
Total Without Carrier Compliance	\$	608,830
Total With Carrier Compliance	\$	768,728
Drug Resources Personnel Summary		
Total FTE (Direct Only)		5,606
Information:		
Total Agency Budget w/ Carrier Compliance		3,044,953
Drug Percentage		20.0%
Information:		
Total Agency Budget w/ Carrier Compliance	\$	3,267,045
Drug Percentage		33.53%

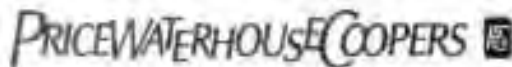
FY 2000 Accounting of Drug Control Funds

FY 2000 availability Schedule
Reprogramming and Transfers
(DOLLARS IN THOUSANDS)

Table Line Item	Unobligated Balance Brought Forward	Encumbr. BA *	Reprogramming	Transfers		Total Availability **
				In	Out	
Drug-Related Reserves by Goal						
Goal 3	\$2,191	\$127,572	\$0	\$800	\$0	\$131,100
Goal 4	2,137	724,564	0	962	0	\$728,387
Goal 5	12,577	306,981	0	1,406	0	\$314,904
Total	\$18,805	\$759,016	\$0	\$3,208	\$0	\$776,719
Drug-Related Obligations by Function						
Investigations	\$17,488	\$608,801	\$0	\$4,216	\$0	\$72,164
Intelligence	908	19,817	0	275	0	\$4,088
Interpersonal	264	10,517	0	37	0	\$10,874
Research and Development	87	1,462	0	24	0	\$3,375
Total	\$18,805	\$752,676	\$0	\$4,506	\$0	\$776,719
Drug-Related Obligations by Division Year						
Organized Criminal Enterprises	\$3,485	\$100,029	\$0	\$3,208	\$0	\$314,773
White Collar Crime	\$30	28,248	0	0	0	\$74,287
Student Crime	\$2,191	82,277	0	0	0	\$4,468
Training, Recruitment and Applicant	\$473	18,863	0	0	0	\$19,386
Consumer Services	\$2,258	26,823	0	0	0	\$72,663
Intelligence Management, Administration and Telecommunications	\$1,356	36,117	0	0	0	\$37,603
Technical Field & Services	\$2,444	23,824	0	0	0	\$3,277
Criminal Justice Services	\$6,826	33,339	0	0	0	\$20,365
Management and Administration	\$29	27,323	0	0	0	\$27,322
Subtotal	\$18,811	\$461,356	\$0	\$3,208	\$0	\$432,969
Carrier Compliance **						
Subtotal	\$0,000	\$141,120	\$0	\$0	\$0	\$171,778
Total without Carrier Compliance	\$18,811	\$602,476	\$0	\$3,208	\$0	\$607,377
Total with Carrier Compliance	\$18,811	\$743,596	\$0	\$3,208	\$0	\$779,155

* The 2000 Account reported for the Violent Crime (VC) divisions that are higher than the figures reported in the 2000 Availability schedule because reports used in formulating the drug-related portion of the VC Division Unit were not final during the formulation of the data for the 2000 (MIDCP) Budget Summary. Therefore, the percentage applied to the VC Division Unit increased from 18 percent to 27 percent and the FY 2000 BA increased from \$82,277,000 to \$99,125,000.

** The 2002 (MIDCP) Budget Summary reflects that the FBI's Career Compliance Drug Control Budget for the 2000 fiscal year is \$10,000,000. The above function BA reflects the same career data published in the Administrative Office of the U.S. Courts that determined the number of drug-related interagency government wide is 73 percent rather than 80 percent.



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 Immigration and Naturalization Service (INS) for the fiscal year ended September 30, 2000. 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 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 those specified parties.

March 30, 2001
Arlington, Virginia

FY 2000 Accounting of Drug Control Funds



U.S. Department of Justice
Immigration and Naturalization Service

Office of the Executive Associate Commissioner

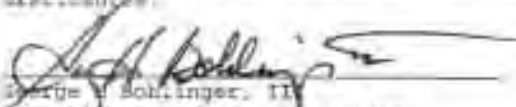
425 I Street NW
Washington, DC 20544

Management's Assurance Statement For the Fiscal Year Ended September 30, 2000

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 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 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 2000 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 Schlinger, II
Executive Associate Commissioner
Office of Management

4-20-01
Date

FY 2000 Accounting of Drug Control Funds

Department of Justice
 Immigration and Naturalization Service
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 2000

Dollars in Thousands	Actual 2000 Obligations
Drug Obligations by Goal	
Goal 2	\$199,825
Goal 4	\$184,951
Goal 5	\$75,645
Total	<u>\$460,421</u>
Drug Obligations by Function	
Interdiction	\$184,951
Investigations	\$73,087
Intelligence	\$2,558
Corrections	\$199,825
Total	<u>\$460,421</u>
Drug Obligations by Decision Unit - Salaries and Expenses	
Inspections	\$25,395
Border Patrol	\$151,514
Investigations	\$73,087
Detention and Removal	\$182,655
Intelligence	\$2,558
Training	\$2,785
Data & Communications Systems	\$5,257
Total	<u>\$443,251</u>
Drug Obligations by Decision Unit - Breached Bond Detention Fund	
Detention and Removal	\$17,170
Total	<u>\$17,170</u>
Drug Resources Personnel Summary	
Total FTEs (direct only)	3,292
Information	
Total Agency Obligations	\$2,954,079
Drug Percentage	16%

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

Disclosure 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 estimates 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 staff.

4. The two largest components of the INS drug program, in terms of total resources, are the Border Patrol program and Detention and Removal program activities. The INS calculates 15 percent of Border Patrol program and 25 percent of Detention and Removal 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 account 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 miscellaneous 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 Removal 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 7,884 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 2: Break foreign and domestic drug sources of supply.

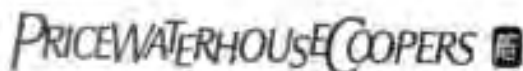
- The Investigations program is responsible for investigating and apprehending aliens who commit major criminal offenses – with emphasis on international criminal alien organizations involved in narcotics trafficking, subversion, terrorism, alien smuggling, and other serious or violent criminal activities; 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 2001 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 any 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.



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 International Criminal Police Organization (INTERPOL), United States National Central Bureau (USNCB) for the fiscal year ended September 30, 2000. 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 USNCB 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 [redacted].

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.

March 30, 2001
Arlington, Virginia

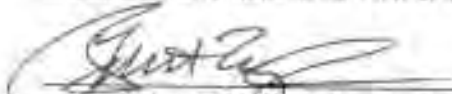
U.S. Department of Justice

**U.S. NATIONAL CENTRAL BUREAU
Management's Assertion Statement
For Fiscal Year Ended September 30, 2000**

On the basis of the U.S. National Central Bureau (USNCB) internal control measures, we assert that USNCB's system of accounting and use of estimates provide reasonable assurance that:

1. The methodology used by USNCB 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 USNCB financial and programmatic records of the USNCB and represent fiscal year 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 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 USNCB that are related to drug control activities.
5. Data used to accumulate or estimate drug control obligations were derived from USNCB financial and program management/tracking systems.

We have documented the methodology used by the USNCB to identify and accumulate fiscal year 2000 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 USNCB'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. The USNCB'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.


Assistant Chief for Administration

3/20/01
Date

FY 2000 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, 2000

Dollars in Thousands	Actual 2000 Obligations
Drug Obligations by Goal	
Goal 5	\$201
Total	\$201
Drug Obligations by Functions	
International	\$201
Total	\$201
Drug Obligations by Decision Unit	
Drug-related Activity	\$201
Total	\$201
Drug Resources Personnel Summary	
Total FTE	2
Information	
Total Agency Obligations	\$7,360
Drug Percentage	2.73%

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 nexus.

Data - All accounting information for the USNCB is derived from the Financial Management Information System (FMIS). The FY 2000 actual obligations are based on the proportional resources obligated by the USNCB relative to Drug Division Staff to arrive at the FY 2000 Drug Budget.

Other Estimation Methods - There was no other estimation methods used.

Financial System - 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 2.73% 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 2.73% was applied for the drug FTE amount.

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 2001 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 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 2000 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 effect the amount reported in the table because the majority of the errors were status errors between the delivered and undelivered and not errors in obligations incurred.

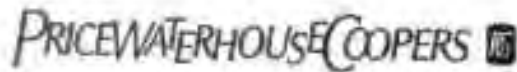
Sources reviewed included: (a) the auditors' reports on the USNCB financial statements, internal controls, and compliance with laws and regulations; (b) Office of the Inspector General Reports; and (c) the Department of Justice's Annual Accountability Report, which includes the Attorney General's annual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

Disclosure No. 4 - Reprogrammings or Transfers

There are no reprogrammings or transfers.

Disclosure No. 5 - Other Disclosures

The FY 2000 drug related obligations of \$201,000 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 2000 to obtain the related drug obligations amount of \$201,000.



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 (ICDETF) for the fiscal year ended September 30, 2000. This table and related disclosures are the responsibility of management.

This 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 ICDETF 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 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.

March 30, 2001
Arlington, Virginia



U.S. Department of Justice

Criminal Division

Executive Office for the
Organized Crime Drug Enforcement Task Forces

Washington, DC 20535

February 28, 2001

Management's Assurance Statement
For the Fiscal Year Ended September 30, 2000

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 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 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 2000 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 Genorski
Assistant Director for Financial Management

FY 2000 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, 2000

Dollars in Thousands	Actual 2000 obligations
Drug Obligations by Goal	
Goal 2	\$131,547
Goal 5	185,251
Total	<u>\$317,798</u>
Drug Obligations by Function	
Investigation	\$217,293
Prosecution	84,984
Intelligence	15,513
Total	<u>\$317,798</u>
Drug Obligations by Decision Unit	
Law Enforcement:	
Drug Enforcement Administration	\$103,171
Federal Bureau of Investigation	95,911
Immigration & Naturalization Service	14,390
U.S. Marshals Service	1,820
Subtotal	<u>\$215,272</u>
Drug Intelligence:	
National Drug Intelligence Center	\$557
Drug Enforcement Administration	2,329
Federal Bureau of Investigation	12,633
Subtotal	<u>\$15,510</u>
Prosecution:	
U.S. Attorneys	\$83,300
Criminal Division	790
Tax Division	894
Subtotal	<u>\$84,984</u>
Administrative Support:	
Executive Office for CCDET	\$2,023
Total	<u>\$317,798</u>
Drug Resources Personnel Summary:	
Total FTEs (all reimbursable)	3,029
Information:	
Total Agency Obligations	\$317,798
Drug Percentage	100%

The accompanying (disclosure) 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 Methods - 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 Systems - 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.

- e. *Intelligence Function* - Using OCEETF 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 OCEETF 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 2,929.

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 2001 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. Sources reviewed included: (a) the auditors' reports on the OCEETF 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 2000. Total availability consists of enacted budget authority plus unobligated balances brought forward. OCEETF FY 2000 obligations include all approved Reprogrammings and Transfers.

FY 2000 Accounting of Drug Control Funds

Department of Justice
 Interagency Crime and Drug Enforcement
 Reprogrammings and Transfers
 FY 2000
 (Dollars in thousands)

Table Line Item	Unobligated Balances Brought Forward	Enacted BA	Reprogrammings	Transfers	Total Availability
Drug Resources by Goal					
Goal E	\$484	\$131,704	—	—	132,188
Goal S	1,978	185,662	—	—	187,660
Total	2,472	316,788	—	—	319,258
Drug Resources by Function					
Investigation	1,915	216,390	—	—	218,305
Prosecution	—	85,434	—	—	85,434
Intelligence	557	14,962	—	—	15,519
Total	2,472	316,788	—	—	319,258
Drug Resources by Decision Unit					
Law Enforcement:					
Drug Enforcement Administration	1,300	101,671	—	—	103,171
Federal Bureau of Investigation	—	95,911	—	—	95,911
Immigration & Naturalization Service	—	15,300	—	—	15,300
U.S. Marshals Service	—	1,900	—	—	1,900
Subtotal	1,300	214,782	—	—	216,282
Drug Intelligence:					
National Drug Intelligence Center	557	—	—	—	557
Drug Enforcement Administration	—	2,329	—	—	2,329
Federal Bureau of Investigation	—	12,603	—	—	12,603
Subtotal	557	14,962	—	—	15,519
Prosecution:					
U.S. Attorneys	—	83,300	—	—	83,300
Criminal Division	—	790	—	—	790
Tax Division	—	1,344	—	—	1,344
Subtotal	—	85,434	—	—	85,434
Administrative Support:					
Executive Office for OIG/DEA	415	1,606	—	—	2,021
Total	\$2,472	\$316,788	—	—	\$319,258



Office of the Inspector General
United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

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Facsimile: 703/761-1444

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, 2000. 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 1.

This report is intended solely for the information of the United States Department of Justice's Office of the Inspector General and Assistant Attorneys 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.

PriceWaterhouseCoopers LLP

March 30, 2001
Arlington, Virginia



U.S. Department of Justice

Office of Justice Programs

Washington, DC 20531

Office of Justice Programs
Management's Assurance Statement
for Fiscal Year Ended September 30, 2000

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 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 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 2000 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

3/20/01

Date

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 2000). 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.

- Date: Total obligations are gathered from OJP's Integrated Financial Management Information System (IFMIS), as of September 30.
- Specific Drug-Related Program Activity Data: The drug-related resources for these 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 for these programs 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 to Drug Control Methodology

The methodology to calculate drug-related obligations was not modified during 2000. As noted in the 1999 Assurance Statement, OJP worked with KPMG in developing a new methodology to report total M&A related expenditures for the audited Statement of Net Cost (SNC). In addition, OJP closely examined the current methodology to calculate drug-related M&A obligations reported in the annual ONDCP Drug Budget submission. OBMS considered employing the newly developed SNC method, but after serious discussion, decided not to change the current practice. This decision was based on the fact that the SNC reports expenditures on total FTE costs as reported through the NFC. The ONDCP Drug Budget obligation amounts reflect only a portion of OJP's overall obligations and there is no mechanism in place to discriminate the FTEs dedicated to drug-related activities and those that are not. Therefore, the same methodology employed in 1999 was used in 2000.

Disclosure 3: Material Weaknesses and Other Findings

The FY 2000 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

Not applicable.

Disclosure 5: Other Disclosures

Not applicable.

FY 2000 Accounting of Drug Control Funds

Office of Justice Programs
For the Fiscal Year Ending September 30, 2000
 (in thousands of dollars)

Drug Obligations by Goal	2000 Actual Obligations
Goal 1	80,181
Goal 2	845,052
Goal 3 (Drug-Free Workplace Program)	25
Goal 4	0
Goal 5	0
Total	1,025,298
Drug Obligations by Function:	
Corrections	65,380
Intelligence	0
Inspection	0
Intelligence	0
Investigation	0
Prevention (Goal 1)*	80,181
Prosecution	0
Research and Development	1,000
State and Local Assistance	750,094
Treatment	111,013
Total	1,025,298
* Prevention function resources are divided evenly to Goal 1.	
Drug Obligations by Decision Unit:	
Research, Evaluation and Demonstration Programs	11,172
Criminal Justice Statistical Programs	1,736
Regional Information Sharing System	18,022
Anti-Drug Abuse, Byrne Formula Grants	381,120
Anti-Drug Abuse, Byrne Discretionary Grants	31,023
Juvenile Justice Programs	8,347
The V. W. Rios - Trialer Youth	11,128
Juvenile Utilization Granting Prevention Program	25,377
Juvenile Drug Prevention Program	7,864
Executive Office for Weed and Seed	17,114
Law Enforcement and Prosecutor Grant Program	38,000
Safe-Harbor Program	3,402
Rural Domestic Violence Program	5,200
Encouraging Aerial Policing	8,648
Drug Courts Program	30,021
State Corrections Grants	61,076
Local Law Enforcement Block Grant Program	187,601
Residential Substance Abuse Treatment	84,120
Criminal Records Upgrade	180
Juvenile Justice Availability (Inmate Book Grant Program)	35,107
Indian Tribal Court Initiative	1,724
Management and Administration	27,021
Total	1,025,298
Resources from Forfeiture Funds	6,100
Drug Resources Personnel Summary:	
Total FTE	187
Information:	
Total Agency Obligations	\$1,013,000
Drug Percentage	34.0%

FY 2000 Accounting of Drug Control Funds

Office of Justice Programs Drug Related Resources by Goal, Function and Decision Unit Fiscal Year 2000

Decision Unit	% Drug Related	Goal 1		Goal 2		
		Prevention	Assessment	R&D	Treatment	Corrections
Research, Evaluation, and Demonstration Programs	-	-	-	100%	-	-
Criminal Justice Statistical Programs	-	22%	9%	-	-	-
Regional Information Sharing System (RISS)	97%	-	100%	-	-	-
Byrne Formula Grant Program	97%	10%	9%	-	-	-
Bottle Conditional Grant Program	97%	10%	90%	-	10%	-
Juvenile Justice Programs	-	100%	-	-	10%	-
Title V: Tribal Youth	-	100%	-	-	-	-
Title VI: Enforcing Underage Drinking Laws	100%	100%	-	-	-	-
Arrestable Drug Prevention Program	100%	100%	-	-	-	-
Weed and Seed Program	90%	10%	9%	-	-	-
VAWA: Law Enforcement and Prosecution Grant Program	70%	-	100%	-	-	-
Safe Start Program	25%	100%	-	-	-	-
VAWA: Rural Domestic Violence Program	70%	-	100%	-	-	-
VAWA: Encouraging Arrest Policies Grant Program	20%	-	100%	-	-	-
Drug Courts Program	100%	-	100%	-	-	-
State Corrections Grants Program	10%	-	-	-	-	100%
Local Law Enforcement Block Grants Program	9%	-	100%	-	-	-
Residential Substance Abuse Treatment (RSAT) Program	100%	-	-	-	100%	-
Criminal Records Upgrade Program	0%	-	100%	-	-	-
Arrestable Accountability Incentive Block Grant (AABG)	16%	-	100%	-	-	-
Indian Tribal Courts Program	32%	-	100%	-	-	-
Management and Administration: Civil (Approximate %)	-	47%	40%	11%	2%	0%
Management and Administration: SSL (Approximate %)	-	5%	7%	8%	12%	7%

Note: Goal 2 includes amounts for OJP's Drug-Free Workplace Program. This amount is reported from Goal 2.

* Obligations for drug control provided directly to the Bureau/Office.

FY 2000 Accounting of Drug Control Funds

Office of Justice Programs Cross Reference for Obligations by Budget Activity

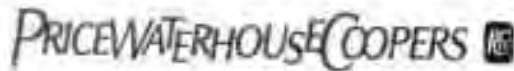
	Fund	Program	Current Year Obligations	% Drug Related	Total Drug Related Obligations
Research, Evaluation and Demonstration Programs	-	-	11,178	1.00	11,178
Criminal Justice Statistical Programs	-	-	1,798	1.00	1,798
Regional Information-Sharing System	CX	RS	26,691	0.90	19,822
Anti-Drug Abuse, Byrne Formula Grants	BX/VX	DS	476,401	0.90	381,120
Anti-Drug Abuse, Byrne Discretionary Grants	BX/VX	DS	57,501	0.90	51,822
Juvenile Justice Programs	-	-	9,447	1.00	9,447
Title V - At Risk - Tribal Youth	FX	TY	11,128	1.00	11,128
Title V - Enforcing Underage Drinking Laws	FR	AH	25,377	1.00	25,377
Juvenile Drug Prevention Program	FX	DR	7,884	1.00	7,884
Executive Office for Weed and Seed	QB/QY	WR	34,227	0.50	17,114
Law Enforcement and Prosecution Grant Program	VX	W1W2W3/ W7W8	183,275	0.20	38,855
Safe Start Program	VX	JW	13,609	0.25	3,402
Rural Cooperative Violence Program	VX	W5	29,002	0.20	5,200
Encouraging Arrests Policies	VX	W4	43,241	0.20	8,648
Drug Courts Program	VX	DC	36,521	1.00	36,521
State Courtship Grants	BX/VX	52/53/54/55	610,898	0.10	61,070
Local Law Enforcement Block Grant Program	BX/VX	14/D/L*	681,178	0.34	197,601
Residential Substance Abuse Treatment	VX	J2	64,132	1.00	64,132
Criminal Records Upgrade	VX	RU	3,757	0.05	198
Juvenile Justice Incentives Block Grant Program	BX/VX	JB/JJ/JR	234,045	0.15	35,107
Indian Tribal Court Initiative	BX/VX	IC	5,224	0.33	1,724
Management and Administration, Direct	CS	HW12	3,898	1.00	3,898
Management and Administration, State and Local	BX/DC/CS/VX	10/12	33,631	1.00	33,631
Total			2,604,927		1,025,289

* Obligations for drug related resources provided directly by the Bureau/Office.

FY 2000 Accounting of Drug Control Funds

**Office of Justice Programs
Reprogrammings and Transfers
FY 2000
(in thousands)**

Table Line Item	Unoblig Bal Forward	Enacted BA	Reprogrammings	Transfers		Total Availability
				In	Out	
Drug Resources by Goal:						
Goal 1	4,110	91,821	--	--	--	95,931
Goal 2	29,602	884,439	--	--	--	884,101
Goal 3	--	25	--	--	--	25
Total	103,772	976,285				1,080,058
Drug Obligations by Function:						
State and Local Assistance	71,195	718,401	--	--	--	789,596
Research and Development	--	10,000	--	--	--	10,000
Prevention	29,527	91,821	--	--	--	121,348
Treatment	4,110	195,713	--	--	--	199,823
Investigation	--	--	--	--	--	0
Prosecution	--	--	--	--	--	0
Compliance	--	55,145	--	--	--	55,145
Total	103,772	976,286				1,080,058
Drug Obligations by Decision Unit:						
Research, Evaluation & Demo Programs	--	10,304	--	--	--	10,304
Criminal Justice Statistical Programs	--	1,481	--	--	--	1,481
Regional Information Sharing System	22	18,000	--	--	--	18,022
Anti-Drug Abuse, Byrne Formula Grants	4,696	391,536	--	--	--	396,232
Anti-Drug Abuse, Byrne Discretionary Grants	4,000	43,845	--	--	--	47,845
Juvenile Justice Programs	--	8,000	--	--	--	8,000
Title VI - At Risk - Tribal Youth	5,784	10,000	--	--	--	15,784
Title V - Drinking Underage Drinking Laws	4,990	25,000	--	--	--	29,990
Juvenile Drug Prevention Program	9,320	10,000	--	--	--	19,320
Executive Office for Weed and Seed	2,567	15,208	--	--	--	17,775
Law Enforcement & Prosecution Grant Prgm	113	38,500	--	--	--	38,613
Rain State Program	1,857	2,500	--	--	--	4,357
Rural Domestic Violence Program	712	12,245	--	--	--	12,957
Endorsing Asset Forfeiture	1,708	16,653	--	--	--	18,361
Drug Courts Program	1,647	30,184	--	--	--	31,831
State Collections Grants	--	45,257	--	--	--	45,257
Local Law Enforcement Block Grant Prgm	52,940	198,027	--	--	--	250,967
Residential Substance Abuse Treatment	3,201	81,710	--	--	--	84,911
Criminal Records Upgrade	101	--	--	--	--	101
Juvenile Justice Incentive Block Grant Part	676	34,971	--	--	--	35,647
Indian Tribal Court Initiative	1,516	1,633	--	--	--	3,149
Management & Administration, Direct	4,318	3,885	--	--	--	8,203
Management & Administration, Grants	0	24,935	--	--	--	24,935
Total	103,772	976,286				1,080,058



Office of the Inspector General
United States Department of Justice

Assistant Attorney General for Administration
United States Department of Justice

PricewaterhouseCoopers LLP
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Arlington, VA 22202-4319
Washington: (703) 747-1000
Fax: (703) 747-1818

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, 2000. 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 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.

March 30, 2001
Arlington, Virginia

FY 2000 Accounting of Drug Control Funds



U.S. Department of Justice

Tax Division

Please reply to: Office of Management and Administration
P.O. Box 113
Ben Franklin Station
Washington, D.C. 20044

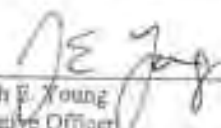
Facsimile No. (202) 616-1973
Telephone No. (202) 616-0010

Management's Assurance Statement
For the Fiscal Year Ended September 30, 2000

On the basis of the Tax Division's management control program, we assert that the Division's system of accounting, use of estimates, and systems 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 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 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 2000 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

2/5/01
Date

FY 2000 Accounting of Drug Control Funds

Department of Justice
 Tax Division
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 2000

Dollars in Thousands	Actual 2000 obligations
Drug Obligations by Goal	
Goal 2: Reduce Drug-Related Crime and Violence	\$ 243
Total	<u>\$ 243</u>
Drug Obligations by Function	
Objective: Prosecute the leaders of illegal drug syndicates	\$ 243
Total	<u>\$ 243</u>
Drug Obligations by Decision Unit	
Criminal Prosecution	\$ 243
Total	<u>\$ 243</u>
Drug Resources Personnel Summary	
Total FTEs (direct only)	2
Information	
Total Agency Obligations (non-ICDE)	\$ 88,234
Drug Percentage (non-ICDE)	0.4%

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

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 receives 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 2000 actual obligations to arrive at the FY 2000 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 data 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.

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 2001 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.

Disclosure No. 4 - Reprogramming or Transfers

No funds were reprogrammed during FY 2000.



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, United States Attorney's (USA) for the fiscal year ended September 30, 2000. 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 USA 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 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.

March 30, 2001
Arlington, Virginia

FY 2000 Accounting of Drug Control Funds



U.S. Department of Justice

Executive Office for United States Attorneys

Business Management and Planning Staff

July 1999, Accounting Building
900 L Street NW
Washington, DC 20530

DOJ-44-9880
FILE 1002-001-0049

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 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 drug control obligations are adequately produced 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 2000 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, 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 inconsequential to the program's

FY 2000 Accounting of Drug Control Funds

activities. Accordingly, these amounts are not reflected in the Table of Obligations or accompanying disclosures.



USA Official Responsible for Assertion
Steven J. Parent, Deputy Director
Resource Management and Planning

3/5/01
Date

FY 2000 Accounting of Drug Control Funds

Department of Justice
 United States Attorneys
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 2000

Dollars in thousands	Actual 2000 Obligations
Drug Obligations by Goal	
Goal Two, Objective One	207,840
Drug Obligations by Function	
Prosecutions	207,840
Drug Obligations by Decision Unit	
Criminal Litigation	187,473
Office of Legal Education	940
Management & Administration	7,527
Total	207,840
Drug Resources Personnel Summary	
Total FTE's	1,614
Information	
Total Agency Obligations	1,174,430
Drug Percentage	18%

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 two, objective one which is to reduce the threat and trafficking of illegal drugs by dismantling drug trafficking organizations which are international, multi-jurisdictional, or have an identified local impact. 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 violations are also included.

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 2000.

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

- The Narcotics (Non-OC/OETF) 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

bands 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 is associated with the drug enforcement surge then and the United States Attorney's decision to use drug resources in OCDETF to take advantage of the inherent advantages of the law enforcement resources associated with the task force.
- With the total of the items discussed above, a pre-assignment of the Management & Administration total FTE 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 come 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 2000 were divided by the total actual workyears used on behalf of the program to come up with an 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 reimburseables, 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 one, objective two, by promoting programs that reduce drug-related crime and violence, as well as programs that investigate and prosecute illegal drug manufacturers and traffickers.

Division 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 2000, 31% 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) Division 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 18% of the total criminal program workload, that same percentage was used to come up with a share of Management & Administration.

Disclosure No. 2 Modifications in Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified since the presentation of the FY 1999 Audit and review.

Disclosure No. 3 Material Weaknesses and Other Findings

There are no material weaknesses or other findings related to the accounting for obligations with respect to management information systems that store and retrieve data necessary to complete the table.

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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4000, Arlington, VA 22209-4100
Telephone: (703) 741 3000
Facsimile: (703) 741 3000

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, 2000. 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 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 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.

March 30, 2001
Arlington, Virginia

FY 2000 Accounting of Drug Control Funds



U.S. Department of Justice

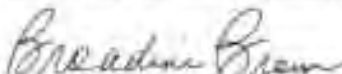
United States Marshals Service

Management's Assurance Statement For the Fiscal Year Ended September 30, 2000

On the basis of the United States Marshals Service (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 2000 obligations of drug control funds.
3. Estimates used to report the fiscal year 2000 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 2000 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.


Broadline Brown,
Assistant Director

3/27/01
Date

An Accredited Law Enforcement Agency

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, 1999, 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 AOUSC 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:

- a. 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. The USMS has two appropriations with drug-related activities: 1) Salaries and Expenses (S&E) which consist of both Goals 2 & 5, and 2) Federal Prisoner Detention (FPD), which consist of Goal 2 only.

- b. International Function - Using USMS S&E obligation data from STARS and warrant information from WIN, the drug methodology percentage of 1.55% was applied to the total warrants to arrive at the drug related amount.
- c. Investigations Function - Using USMS S&E obligation data from STARS and warrant information from WIN, the drug methodology percentage of 15.59% for warrant obligations was applied to derive at the drug related amount.
- d. Prosecution Function - Using USMS S&E obligation data from STARS, the drug methodology percentage of 82.86% for warrant obligations was applied to arrive at the drug related amount.
- e. Corrections Function - Using USMS FPD obligation data from STARS, the drug methodology percentage of 60.80% was applied to receive the drug-related amount. FPD only has one decision unit.
- f. 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 38.25% represents of the total number of defendants tried in federal criminal proceedings.

Prisoner Transportation

- 27.43% represents the total number of prisoners transported on drug-related charges.

Fugitive Apprehension

- In FY 99, 73.00% of the total Class I warrants received were drug-related.

Seized Assets Management

- Seized Assets drug percentage for FY 1999 is 27.64%.

D.C. Superior Court

- The percentage of prisoners produced on drug-related charges was 70.23%.

Service of Legal Process

- The USMS handles 7.93% of drug-related civil processes.

Training Academy

- The drug-related percentage is 1.32% 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

- This decision unit has no drug-related portion.

Care of U.S. Prisoners

- This percentage was derived from the number of sentenced prisoners in the Bureau of Prisons (BOP), of which 60.8% were drug-related.
- g. FTEs – USMS S&E FTE data is calculated based on obligation data from STARS. The drug methodology percentage of 38.91% was applied for the total drug FTE amount since this percentage represents the overall portion of drug-related resources in the S&E appropriation.

- h. 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 2000 audit, Urban, Kahn & Werlin (UK&W) identified weaknesses in the USMS' information systems control environment. These weaknesses show that the USMS does not have adequate controls over certain elements of its financial accounting reconciliation process which could adversely impact the USMS' ability to record, process and report its financial transactions timely and accurately. The weaknesses also showed that the USMS needs to improve controls to record property received by District Offices.

Disclosure No. 4 – Reprogrammings or Transfers

The USMS did go through a reprogramming in FY 2000. The reprogramming was done to effectively show how USMS resources are being expended in each decision unit. Transfers and reprogrammings have been calculated using the appropriate drug methodology percentage for each transaction. The USMS' FY 2000 obligations include all approved transfers and reprogrammings.

Disclosure No. 5 – Other Disclosures

The attached tables provide all the information necessary to display USMS drug-related resource obligations in S&E and FPD. No additional disclosures are provided at this time.



U.S. Department of Labor

FY 2000 Accounting of Drug Control Funds

U.S. Department of Labor

Office of the Chief Financial Officer
Washington, D.C. 20210



MAY - 1 2001

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

Dear Mr. Rivlin:

In accordance with 31 U.S.C. §1704(d), enclosed please find the Assistant Inspector General's authentication of the *Detailed Accounting Submission of Fiscal Year 2000 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 Rothlis, on 693-6512.

Sincerely,


Brenda Kyle
Acting Chief Financial Officer

Enclosure

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



*Assistant Inspector General's Report
on the U.S. Department of Labor's Detailed Accounting Submission
of Fiscal Year 2000 Drug Control Funds*

BRENDA M. KYLE
Acting 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 2000 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 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 is the expression of an opinion on the *Detailed Accounting of Fiscal Year 2000 Drug Control Funds*. Accordingly, we do not express such an opinion.

We performed our review procedures on the Resource Summary, Methodology, and Budget Summary sections of the *Detailed Accounting Submission*. We did review the Program Summary section. Our review procedures were limited to inquiries of management and analytical procedures appropriate for our attestation review.

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 2000 Drug Control Funds* are not presented in conformity with ONDCP Circular, *Annual Accounting of Drug Control Funds*, dated December 17, 1999.

Working for America's Workforce

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. GETEK
Assistant Inspector General for Audit

April 18, 2001

DEPARTMENT OF LABOR

I. RESOURCE SUMMARY

(Budget Authority in Millions)

	<u>2000</u> <u>Approp</u>	<u>2001</u> <u>Enacted</u>	<u>2002</u> <u>Request</u>
Drug Resources by Goal			
Goal 1	29,134	41,340	41,512
Goal 3	35,144	40,159	40,173
Total	64,278	81,508	81,685
Drug Resources by Function			
Prevention	64,278	81,508	81,685
Total			
Drug Resources by Decision Unit			
Employment and Training Administration	63,734	80,949	81,112
Departmental Management	544	559	573
Total	64,278	81,508	81,685
Drug Resources Personnel Summary			
Total FTEs (direct only)	1	1	1
Information			
Total Agency Budget	\$11,226,901	\$12,403,726	\$12,823,847
Drug Percentage	0.56%	0.50%	0.60%

II. METHODOLOGY

Adult and Youth Employment and Training drug resource levels are derived by estimating the drug incidence among likely Workforce Investment Act (WIA) participants using data from the 1991 National Household Survey, and applying the direct services 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. Participation in this job training program is recognized as not only a means to gaining employment but also as a means to deter drug and alcohol abuse.

The Job Corps Program administers the Trained Employment Assistance Program (TEAP) 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 random 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 DOL's internal required Drug-Free Workplace program and maintenance of its outreach and information dissemination activities known as the *Working Farmers 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 problem of drug and alcohol use remains one of the greatest challenges before us. The Department of Labor believes that the Administration's proposed combination of education and training programs such as the Workforce Investment Act (WIA) of 1998 which provide the tools for people to be productive members of society, prevention programs aimed at reducing the number of individuals who start to use drugs or alcohol, and treatment to help those who are trying to stop using drugs or alcohol, are equally important strategies for reducing drug and alcohol use in our society.

Unfortunately, drug and alcohol abuse is one of the social pathologies that disproportionately affects the economically disadvantaged population served by the WIA program. While it is important to note that the WIA is a job training program and not substance abuse treatment programs, the transitioning of the disadvantaged and unemployed into self-sustaining employment sometimes requires dealing with a participant's substance abuse problem. The WIA focuses the programs on an even more "at-risk" population than was previously being served and, undoubtedly, a significant portion of the participants will have a history of drug and alcohol abuse. Many of these individuals, in addition to being economically disadvantaged, will face other barriers to employment, such as having basic skills deficiencies, or being teenage parents, homeless, or school dropouts.

The WIA programs will do much to address the severe problems which the targeted population must overcome to be successfully employed. Each individual must be assessed to determine the specific services needed, and an individual service strategy must be designed. This is especially important for those who have had drug and alcohol problems. Drug and alcohol abuse counseling and referral is one of the services that has been incorporated into program designs as allowable costs. Just as critical to the direct services available through the WIA is the increased coordination required between the WIA and other job training programs, as well as other public and private programs available to assist this population.

Together, these programs can provide a more comprehensive and cost efficient approach which minimizes duplication and allows increasing numbers of drug and alcohol abusers to be helped. The only significant substance abuse control program which ETA directly finances is the Job Corps Trainee Employment Assistance Program (TEAP). Data are not collected on the extent of

substance abuse programs (including education, counseling, and rehabilitation) for participants in other ETA programs.

IV. BUDGET SUMMARY

2001 Program

The total drug control budget supported by the FY 2001 appropriation is \$81,308 million, which includes \$41,349 million for Goal 1 activities, and \$40,159 million for Goal 3 activities.

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 budget supported by the FY 2001 is \$41,349 million for Goal 1 activities. While the Employment and Training Administration (ETA) and its program operators do not operate drug prevention or treatment programs, WIA allows and encourages, but in most areas does not mandate, certain activities concerned with substance abuse prevention. Decisions on which participants are provided what types of services under WIA are reserved to states and localities. The Workforce Investment Act is being fully implemented in FY 2001.

Job Corps has had an active program of alcohol and drug testing and counseling since January 1992. The Job Corps TEA program 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 problem. On May 1, 1995, Job Corps implemented a "Zero Tolerance for Violence and Drugs" policy. Applicants are required to sign an agreement to abide by this policy. Refusal to sign this contract precludes entry into the program. Testing for drugs is done on entry, and for all testing positive on entry, a second test is done so results are received before the 45th day. If the results of the second test are positive, the student is separated from the program.

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

The total drug control budget supported by the FY 2001 is \$40,159 million for Goal 3 activities. Goal 3 focuses on providing treatment opportunities for those with addictions and promoting the adoption of drug-free workplace programs. WIA program activities which target adult participants and which may include referral to (re-entry) support this goal. While it is important to note that WIA is a job training program and not a substance abuse treatment program, the transitioning of the disadvantaged, low-income and unemployed individuals into self-sustaining employment sometimes require providing 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 the predecessor Job Training Partnership Act (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 both 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.

The *Working Partners* program, an outreach and information dissemination effort which assists employers and labor unions to establish effective workplace substance abuse prevention and intervention programs, consists of two key initiatives--the Small Business Initiative (SBI) and the Substance Abuse Information Database (SAID). SBI enlists national trade and professional associations to distribute industry-specific information to their members and to encourage and support businesses to implement programs. SAID is web-based searchable collection of documents including sample policies, training and educational materials, and information on applicable federal and state laws and regulations that are useful in developing workplace prevention programs. Together these initiatives raise awareness about the negative impact of substance abuse on workplace, safety, health and productivity and provide organizations the tools with which to address it thus expanding the knowledge base of drug-free workplace programs and their effectiveness.

2002 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 2002 is \$41,512 million, and represents an increase of \$163 thousand above the FY 2001 level of \$41,349 million.

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 2002 is \$40,173 million, an increase of \$14 thousand above the FY 2001 level of \$40,159 million.

V. PROGRAM ACCOMPLISHMENTS

- * The newly enacted WIA (P.L. 105-220) allows costs for participant counseling on avoiding substance abuse.
- * Job Corps has redirected its efforts in providing services to students with substance abuse problems. Emphasis is placed on short-term intervention and counseling, principally before the 45th day after entry, shifting from a medical to a behavioral approach.
- * Job Corps students are also tested for suspicious behavior. Those students whose suspicious drug test is positive and tested negative on entry are given a 45 day

intervention period of intense intervention counseling. They are retested before the 45th day of the intervention period and if the drug screen is positive, they are separated from the program. Students who test positive on a second suspicious drug test are separated from the program.

- 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 as a minimum one full-time substance abuse counselor (TEAP Specialist). Instructions have been issued to all centers requiring that state or national certification be obtained or sought by all center TEAP Specialists. The appropriate Job Corps Regional Office may grant a waiver to qualified individuals in these positions while they are seeking certification. In addition, each center is required to have a mental health consultant who devotes one hour each week for every 100 students covered by TEAP.
- 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 equips business associations and labor organization partners with needed to implement effective drug-free workplace programs and answers numerous individual questions received via phone, mail or e-mail.

- DOL's *Working Partners* Web site receives about 450 hits per week and 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 employers through our partnerships with trade organizations. Approximately 100 Working Partners/Small Business kits are requested per month and many more are accessed via the Web site.
- More than 400 hits to SAID are received weekly and the number of documents entries is 115.
- During FY 2000 *Working Partners* launched a new segment of its Web site containing information to assist welfare agencies, workforce development operators and substance abuse prevention and treatment providers to collaborate in addressing the substance abuse needs of welfare recipients and other WLA customers.
- *Working Partners* also enhanced the program by developing the Drug-Free Workplace Program Builder to help users develop a tailored drug-free workplace policy based on their response to specific policy questions. The Program Builder complements the Drug-Free Workplace Adviser (developed in FY 1999 and receiving about 500 hits weekly) and provides information and guidance regarding the policy decisions required to develop an effective drug-free workplace policy.
- DOL assists the Small Business Administration in supporting and evaluating performance of contractors and grantees awarded funds to assist small businesses in implementing drug-free workplace programs under the the Drug-Free Workplace Act of 1998.



**U.S. SMALL BUSINESS
ADMINISTRATION**



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

31 JAN 2000

Mr. David J. Rivasi
Chief, Budget Branch
Office of National Drug Control Policy
Executive Office of the President
Washington, DC 20503

Dear Mr. Rivasi:

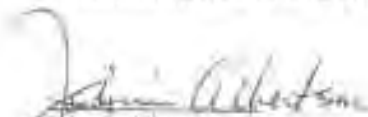
As requested, this is the U.S. Small Business Administration's (SBA) response to the ONDCP Circular, *Annual Accounting of Drug Control Funds*.

Fiscal Year 2000

<u>Strategy Goal</u>	<u>Drug Function</u>	<u>Budget Decision Unit</u>
Goal 7 - \$3.5M	Prevention - \$3.5M	Education - \$3.5M

If you have any questions concerning this report, please contact Joan Bready in SBA's Office of Small Business Development Centers at 205-7384.

We assure 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. Ladd
Chief Financial Officer


Phyllis K. Fong
Inspector General





U.S. Department of State

FY 2000 Accounting of Drug Control Funds



United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

APR 10 2000

Dear Mr. Eiss:

In accordance with the Office of National Drug Control Policy (ONDCP) Circular, Annual Accounting of Drug Control Funds, dated December 17, 1999 (the Circular) the Department is submitting Fiscal Year 2000 obligation information on the drug programs administered at the Department of State along with the Inspector General's attestation.

Program Areas:

The Department's three drug related programs encompass the Bureau of International Narcotics and Law Enforcement Affairs (INL), the non-broadcast Public Diplomacy (PD) functions of the former United States Information Agency (USIA) that were merged into the Department of State on October 1, 1999, and a very limited drug control activity in the Emergencies in the Diplomatic and Consular Services (EDCS) account. For FY 2000, 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.

DISCLOSURES

Obligations, Reprogramming, And Transfers

As documented below, the Department is providing detailed financial information on its drug control program obligations in accordance with Section 5a. To enhance disclosure, the Department prepared the obligation information in a comparative format to show Department performance on drug control programs in FY 1999 and FY 2000. The reprogramming or transfer information for each program is for FY 2000 and immediately follows the associated program. The reprogramming and transfer information for FY 2000 is complete and all reprogramming was approved by ONDCP.

Mr. Robert Eiss,
Director of Programs, Budget, Research and Evaluation
Office of National Drug Control Policy
Executive Office of the President
Washington, D.C. 20503

FY 2000 Accounting of Drug Control Funds

**BUREAU FOR INTERNATIONAL NARCOTICS AND LAW
ENFORCEMENT AFFAIRS (INL)**

	(in Thousands)	
Drug Control Obligations:	FY 1999 Actual	FY 2000 Actual
Drug Resources by Goal		
Goal 4	\$ 17,495	\$ 27,865
Goal 5	<u>448,937</u>	<u>1,087,682</u>
Total	\$466,432	\$1,115,547
Drug Resources by Function		
International	<u>\$446,432</u>	<u>\$1,115,547</u>
Total	\$446,432	\$1,115,547
Drug Resources by Decision Unit		
INL	<u>\$446,432</u>	<u>\$1,115,547</u>
Total	\$446,432	\$1,115,547
Drug Resources Personnel Summary		
Total FTEs (American full time positions—direct only)	100	133
Information		
Total Bureau (INL) Budget	\$493,822	\$1,140,547
Drug Percentage	84.0%	97.8%*

Note: FY 2000 obligations include funding from the Emergency Supplemental Act, 2000 (Plan Colombia).

*Based on narcotics portion of the INL appropriation. Does not include anti-crime transfers from USAID and \$17.716 million of reimbursements from other agencies. Includes \$46 million in Alternative Development transfers to USAID from the INL appropriation and \$197.5 million in Plan Colombia funds to USAID and the Department of Treasury.

Reprogramming or Transfers: All the transfer and reprogramming actions below are included in the drug-related obligations reported in the table.

1. Transferred \$123.5 million Plan Colombia supplemental funds to USAID.
2. Transferred \$70.0 million Plan Colombia supplemental funds to Treasury.
3. Transferred \$25 million to USAID for alternative development programs in Peru.
4. Transferred \$16 million to USAID for alternative development and administration of justice programs in Bolivia.
5. Transferred \$5.0 million to USAID for alternative development programs in Colombia.
6. Reprogrammed \$5.925 million from Mexico to Colombia. Cleared by ONDCP.
7. Reprogrammed \$ 7.5 million from Asia/Africa/Middle East Regional programs to Pakistan. Cleared by ONDCP.
8. Reprogrammed \$ 5 million to PD&S. Cleared by ONDCP.

FY 2000 Accounting of Drug Control Funds

PUBLIC DIPLOMACY (PD)

Drug Control Obligations:	(in Thousands)		Actual
	FY 1999 Actual (USIA)	FY 2000	
Drug Resources by Goal			
Goal 5	\$8,500	\$8,000	
Total	\$8,500	\$8,000	
Drug Resources by Function			
International	\$8,500	\$8,000	
Total	\$8,500	\$8,000	
Drug Resources by Decision Unit			
Overseas Missions	\$6,300	\$6,500	
Information Program and Exchanges	\$1,600	\$1,400	
Broadcasting	\$600	—	
Total	\$8,500	\$8,000*	
Drug Resources Personnel Summary			
Total FTEs (direct only)	83	78*	
Information			
Total Public Diplomacy Budget	\$1,101,600	\$447,000	
Drug Percentage	.7%	1.8%*	

*The budget reflects the Diplomatic and Consular Program appropriation, Public Diplomacy activities (\$225.5 million), plus Educational and Cultural Exchanges appropriation (\$12.7 million). Excluded are elements of the former United States Information Agency (USIA) including Broadcasting, which became an independent entity on October 1, 1999, and the research office, which merged with the Department's Bureau of Intelligence and Research. Neither element remained part of the Department's public diplomacy function in FY 2000.

Reprogramming or Transfers:

None

FY 2000 Accounting of Drug Control Funds

EMERGENCIES IN THE DIPLOMATIC AND CONSULAR SERVICE (EDCS)

Drug Control Obligations:	(in Thousands)	
	FY 1999 Actual	FY 2000 Actual
Drug Resources by Goal		
Goal 5	\$37	\$1,008
Total	\$37	\$1,008
Drug Resources by Function		
Institutional	\$37	\$1,008
Total	\$37	\$1,008
Drug Resources by Decision Unit		
National Rewards	\$37	\$1,008
Total	\$37	\$1,008
Drug Resources Personnel Summary		
Total FTEs (direct only)	0	0
Information		
Total Budget	\$17,475	\$13,022
Drug Percentage:	2%	7.7%*

*The total EDCS no-run budget at the end of FY 2000 was \$13,022 million. Includes \$1,477 million in regular appropriation, and carryover from FY 1999 of \$1,546 million emergency security supplements. Does not include \$1.01 million of reimbursements. None of the supplemental was for "drug control" activities.

Reprogramming or Transfers:

None

Drug Methodology and Other Disclosures

The mission of the Bureau of International Narcotics and Law Enforcement Affairs (INL) is to develop, implement and monitor U.S. international counternarcotics strategies and foreign assistance programs in accordance with Goals 4 and 5 supporting the President's National Drug Control Strategy (NDCS). Two of INL's primary mandates are in response to the Andean Strategy, which provides the focus for drug control in the major coca producing countries, and the Heroin Strategy, which addresses global aspects of the problem. INL functions also include foreign policy formulation and coordination, program management and diplomatic initiatives. All obligations presented in the INL table of drug control obligations are 100 percent drug-related. The drug methodology did not change between FY 1999 and FY 2000 and there are no material weaknesses or other findings identified for this program. The increase in obligations between FY 1999 and FY 2000 is a result of the Assistance for Counternarcotics Activities (Plan Colombia) of the Emergency Supplemental Act, 2000 (P.L. 106-248).

The Public Diplomacy program is directed at informing foreign audiences about U.S. Government policies. This program, previously performed by USIA, supports goal 5 of the NDCS under the leadership of the Department's Under Secretary for Public Affairs and Public Diplomacy. Through the use of multilingual media products, exchange programs and the activities of the Department's overseas posts, Public Diplomacy explains policy within a host country's media, academic institutions, government departments and Non-Government Organizations (NGOs). Public Diplomacy officers abroad also seek to facilitate contact and broaden the dialogue between U.S. institutions and their counterparts in other countries. During FY 2000, the Department is reporting obligations of 38.0 million under this program as noted in the drug control obligation table. This obligation amount is less than the amount reported for OESA in FY 1999 primarily because the FY 1999 obligations associated with the former USIA broadcast program element are not part of the State Department's program that was subsequently consolidated in FY 2000. The drug methodology for Public Diplomacy funds was not modified during FY 2000, and there are no material weaknesses or other findings for this program.

In addition to the above, the Department of State has a small amount of appropriated funds devoted to a narcotics control program under the **Emergencies in the Diplomatic and Consular Service (EDCS)** account. 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 2000, this program

supports Goal 5 of the NDCS. As noted in the drug control obligation table, EDCS obligated \$1.0 million dollars in FY 2000. The drug methodology for EDCS was not modified during FY 2000 and there are no material weaknesses or other findings for this program.

ASSERTIONS

Drug Methodologies And Other Disclosures

I assert that the drug methodologies used to calculate obligations of prior year budgetary resources are reasonable, that the data presented is complete, and, except for Public Diplomacy, that the financial systems supporting the drug methodologies yield data that fairly present, in all material respects, aggregated obligations from which the drug-related obligations estimates are derived.

All Department of State, Bureau of International Narcotics and Law Enforcement Affairs (INL) programs, except those appropriated for international anti-crime activities, are scored as 100 percent drug-related. The Department's accounting system tracks the international anti-crime obligations under a separate allotment from the drug control allotments. This arrangement clearly separates all the drug control obligations being reported from other funds managed by INL. Only obligations recorded under the drug control allotment are included in the figures in this report.

The FY 1999 submission for Public Diplomacy (PD) noted that the obligation amounts were based entirely on the professional judgment of USIA and Public Diplomacy officers. For FY 2000, the obligations and total staff time being reported continue to be based on the professional judgment of PD officers in the regional bureaus, the Office of International Information Programs and the Bureau of Education and Cultural Affairs. Most program activities are multi-purpose or part of a larger group (e.g., international visitors) and no system-based accounting data supports the reported amounts except in rare instances where a single activity (e.g., a speaker or a pamphlet) dealt only with drug control issues. The only material change in the amounts presented for FY 1999 and FY 2000 relates to the broadcasting and research elements of the former USIA program that did not become part of the consolidated PD program at the Department of State on October 1, 1999.

The drug portion of the Emergencies in the Diplomatic and Consular Services (EDCS) appropriation is used to fund the narcotics 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. Obligation amounts are based entirely on these decisions.

Application of Methodology

I assert that the drug methodology for the three Department of State programs has not been modified over the past year. While Broadcasting is no longer a part of Public Diplomacy, the Department asserts that the reporting methodology has not been changed. The underlying decision criteria, information sources and management processes for managing drug programs and reporting obligation amounts remain unchanged in all areas including Public Diplomacy.

I assert that the methodology disclosed in this report was the actual methodology used to generate the tables included here.

FY 2000 CFO Audit Material Weakness

I believe the information for the Department of State in this submission is reliable and accurate, since the Department's last four fiscal year financial statements have been audited and received unqualified "clean" opinions.

While the Department acknowledges that the independent audit work performed on the FY 2000 financial statements disclosed a material weakness related to computer access controls and three reportable conditions associated with (1) the financial management systems, (2) management of unliquidated obligations, and (3) managerial cost accounting information requirements, the Department is taking steps to address these findings. Substantial compliance with the Federal Financial Management Improvement Act is a top priority of the Department and improvement initiatives to achieve this goal are underway. Strengthening the management of the unliquidated obligations is also an important financial management initiative and the Department continues to develop reports and procedures to use in reviewing obligations.

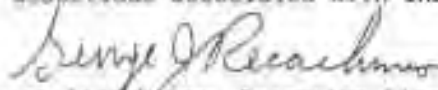
Financial Plan

I assert that the obligation amounts presented in the drug control obligation tables are associated with a financial plan that properly reflects any changes that occurred during the fiscal year. All FY 2000 transfers and fund reprogramming actions are duly noted. The data presented for in the report for Bureau of International Narcotics and Law Enforcement Affairs (INL) are associated with obligations against INL's financial plan that, when revised during FY 2000 reflects those changes, including the reprogramming and transfers affecting drug-related resources

FY 2000 Accounting of Drug Control Funds

revised during FY 2000 reflects those changes, including the reprogramming and transfers affecting drug-related resources in excess of \$5 million. In addition, there are no reprogramming or transfers for INL that affected drug control related resources in excess of the \$246.7 million documented in this report.

For purposes of Section 5a reporting, I certify that the information presented for the Bureau of International Narcotics and Law Enforcement Affairs (INL) is true and correct and concurs with all assertions associated with INL.



George Reaschinas, Executive Director
Bureau of International Narcotics and Law
Enforcement Affairs
March 30, 2001

As cited above, this report is a Departmental submission for all drug control programs under the Secretary of State including the programs falling below the \$50 million threshold stated in the circular. If you would like to address any questions associated with our submission, please call me on (202) 641-8630.

Sincerely,



J. Eisenhart
Acting



United States Department of State
and the Broadcasting Board of Governors

Inspector General

Independent Attestation Review
Annual Accounting of Drug Control Funds
by the Department of State
01-FP-M-032

We have reviewed the accompanying Chief Financial Officer's FY 2000 detailed accounting submission to the director of the Office of National Drug Control Policy (ONDCP). The Acting Chief Financial Officer prepared the submission in compliance with ONDCP Circular: Annual Accounting of Drug Control Funds, dated December 17, 1999. This submission is the responsibility of the Department of State.

Our review was conducted in accordance with attestation 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 submission. 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 accounting submission, nothing came to our attention that caused us to believe that the accompanying assertions do not, in all material respects, reliably represent the Fiscal Year 2000 obligation data presented in the submission.


Anne M. Sigmund
Acting Inspector General

Date: 4-8-00



U.S. Department of Transportation



Federal Aviation Administration

FY 2000 Accounting of Drug Control Funds



U.S. Department
of Transportation
Federal Aviation
Administration

200 Independence Ave. NW
Washington, DC 20591

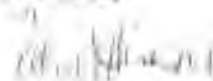
Mr. N. Ross Deck
Director, Office of Programs,
Budget, Research and Evaluation
Office of National Drug Control
Policy
Washington, DC 20503

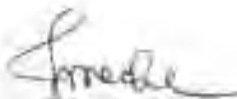
Dear Mr. Deck:

In accordance with the Office of National Drug Control Policy Circular, Annual Accounting of Drug Control Funds, the Federal Aviation Administration's (FAA) Fiscal Year 2000 Drug Control Obligation Summary is attached. FAA'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.

FAA's point of contact for this report is Mrs. Carol Smaggio, and she can be reached on (202) 267-7732 if you require further assistance.

Sincerely,


Patricia J. Scuderi
Acting Director, Office of
Financial Management


John L. Meade
Deputy Assistant Inspector
General for Financial,
Information Technology and
Departmentwide Programs

FY 2000 Accounting of Drug Control Funds

FEDERAL AVIATION ADMINISTRATION
FISCAL YEAR 2000 DRUG CONTROL OBLIGATIONS SUMMARY
FY 2000 ESTIMATE
(Dollars in Millions)

FY 2000
Estimate

Drug Strategy by Goal:

- 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 3	8.0
	Goal 4	15.9
Totals		23.8

Drug Function:

	Total
Drug Investigations	7.0
Prevention	8.9
Interdiction	6.9
Research and Development	1.1
Totals	23.8

Drug Budget Decision Unit:

	Operations	22.8
	Research, Engineering and Development	1.1
Totals		23.8



U.S. Department of Transportation





U.S. Department
of Transportation
**National Highway
Traffic Safety
Administration**

400 Seventh St., E.W.
Washington, D.C. 20590

February 01, 2001

Mr. N. Ross Deck
Director, Office of Programs, Budget, Research and Evaluation
Office of National Drug Control Policy
Washington, DC 20503

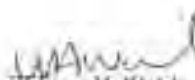
Dear Mr. Deck:

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 2000 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 summary 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-Frindexter, 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 L. Meche
Deputy Assistant Inspector General
for Financial, Economic, and Information Technology

Enclosure (1)





U.S. Department of Transportation



FY 2000 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 20523-0001
Dist Symbol: G-034
Phone: (202) 857-3400
FAX: (202) 207-4100

7100
28 MAR 2001


Mr. Robert E. Eise
Director, Office of Programs,
Budget, Research and Evaluation
Office of National Drug Control Policy
Executive Office of the President
750 - 17th Street, N.W.
Washington, D.C. 20503

Dear Mr. Eise,

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 2000 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. NICHOLSON
REAR ADMIRAL
U.S. COAST GUARD
DIRECTOR OF RESOURCES

Encl: (1) U.S. Coast Guard detailed Accounting of FY 2000 Accounting of Drug Control Funds

Encl: (2) Authentication letter from Deputy Assistant Inspector for Financial and Information Technology, John L. Meche, dated February 27, 2001

Copy: Mr. John L. Meche

**DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
Table of Prior Year Drug Control Obligations
(dollars in millions)**

RESOURCE SUMMARY

	2000 Actual
Drug Resources by Goal	
Goal 4: Shield America's Air, Land and Sea Frontiers from the Drug Threat	\$721,518
Goal 5: Break Foreign and Domestic Sources of Supply	2,209
Total	\$723,727
Drug Resources by Function	
Interdiction	\$719,900
Research and Development	3,827
Total	\$723,727
Drug Resources by Decision Unit	
Operating Expenses (OE)	\$590,947
OE Drug Percentage	19.4%
Acquisition, Construction, and Improvements (AC&I)	128,953
AC&I Drug Percentage	26.7%
Research, Development, Test and Evaluation (RDT&E)	3,827
RDT&E Drug Percentage	19.8%
Total Obligations	\$723,727

ENCLOSURE(1)

DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2000 DRUG CONTROL FUNDS
5A. DETAILED OBLIGATION SUBMISSION

Overview

The following provides a synopsis of the United States Coast Guard's FY 2000 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 ACAI appropriation. Similarly, this is the methodology used to complete our annual submission to ONDCP for the NDCS Budget Summary.

**DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2000 DRUG CONTROL FUNDS
5A. DETAILED OBLIGATION SUBMISSION**

I. Drug Methodology

In the late 1970's, the Coast Guard designed this cost allocation methodology, called Program Budget, 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 (RDT&E). Each decision unit contains its own methodology and is inherently unique (AC&I and RDT&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 rapid 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 2000 obligations 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 dynamic 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 mission 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
ANNUAL ACCOUNTING OF
FY 2000 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 2000 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 judgment. The program percentage spreads for each of these drivers are estimated from the Program Budget. Furthermore, unlike OE funding, which is requested for and normally 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/integrated aircraft and/or cutter resource hours, will directly affect 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 2000 projects begins with an expert subject matter review of the project output. 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 benefits other Coast Guard missions. An example of this is the evaluation of various sensor technologies, which are of potential benefits 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 2000.

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 NDCC Goal 5 (Break foreign and domestic drug sources of supply) is documented in the National Drug Control Strategy, and in the NDCC 2001 Budget Summary on pages 217 and 218 of the 2000 Annual Report. As shown in the Table of Prior Year Drug Control Funding, nearly 99% of Coast Guard's FY 2000 drug control resources supported Goal 4. The Goal 5 allocation represents costs to fund the salaries of Coast Guard billets operating in support of international training, intelligence concentrated on source country activities and liaison support of source zone interdiction efforts.

DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2000 DRUG CONTROL FUNDS
5A. DETAILED OBLIGATION SUBMISSION

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 conclusion 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 in 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. Reprogrammings or Transfers

No reprogrammings or transfers of drug related budget resources in excess of the ONDCP's \$3 million threshold occurred during FY 2000.

DEPARTMENT OF TRANSPORTATION
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 2000 DRUG CONTROL FUNDS
 Sr. ASSERTIONS

(1) 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 missions 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 AC&I appropriation, and a combination of project analysis and subject matter review for the RDT&E appropriation.

(a) **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) Cost Center, Unit name, Allocation 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 annotates 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 2000 DRUG CONTROL FUNDS
5B. ASSERTIONS**

5. **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. The percentage of operating program and mission spreads are developed from this information.
 6. **Normalize to BA or Obligations** - The operating program and mission area percentages were then applied to total FY 2000 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 selected BA for any fiscal year are used for the end of year analysis of obligations as well. For FY 2000 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 2000 DAFIS obligations in categories using the percentage of financial data broken down by Operating Facility (OPFAC), Cost Center, Unit name, Allocation Fund Code, Object Class and dollar amount.
 - Projected FY 2000 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 Percentage** - 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 throughout 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 responsibility, they were then applied to the total BA or obligations of the FY 2000 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 2000 obligation data is a data run from DAFIS of AC&I Obligated/Unobligated Balances by Project.

DEPARTMENT OF TRANSPORTATION
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 2000 DRUG CONTROL FUNDS
 5B. ASSUMPTIONS

- 2. **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 projects/line items, but the program/mission area percentages are based upon subject matter expert review. The method used to compile the FY 2000 data was:

 - 1. **Focus on projects/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 items 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 in the total cost of the FY 2000 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 (LUFS) transaction summary report by project.

- (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, seasoned 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 DAFTS. 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 2000.



U.S. Department of
Transportation
Office of the Secretary
of Transportation

Official Issuance Covers

February 27, 2001

Office of Inspector General's Independent Report on the U.S. Department of Transportation, U.S. Coast Guard's Report of Fiscal Year 2000 Drug Control Obligations, Drug Control Methodology and Assertions, dated February 15, 2001

We reviewed the accompanying report, *U.S. Department of Transportation, U.S. Coast Guard's Report of Fiscal Year 2000 Drug Control Obligations, Drug Control Methodology and Assertions*, dated February 15, 2001. 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 2000 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 2000 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, Information Technology, and Departmentwide Programs

ENCLOSURE(2)



U.S. Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

April 23, 2001

Mr. David Rivait
Chief, Budget Branch
Executive Office of the President
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Rivait:

FY 2000 "Annual Accounting of Drug Control Funds" reports for the following Department of the Treasury bureaus are enclosed:

Bureau of Alcohol, Tobacco, and Firearms
U.S. Customs Service
Departmental Offices - Interagency Crime and Drug Enforcement Funds
Executive Office of Asset Forfeiture
Financial Crimes Enforcement Network
Federal Law Enforcement Training Center
Internal Revenue Service
U.S. Secret Service

Each report also includes the required attestation review performed by the Treasury Office of Inspector General or the Treasury Inspector General for Tax Administration (Internal Revenue Service).

Thank you for your assistance in this matter. If you have any questions or need additional information, please contact Joseph McAndrew at (202) 622-0807.

Sincerely,


James R. Lingelbach
Acting Deputy Chief Financial Officer

Enclosures

cc: William Pugh, OIG
Maurice Moody, TIGTA

FINANCIAL MANAGEMENT:
Review of Assertions Included in the
Bureau of Alcohol, Tobacco and Firearms'
Fiscal Year 2000
Annual Report of Drug Control Funds

OIG-01-054

March 23, 2001



Office of Inspector General

The Department of the Treasury

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Bureau of Alcohol, Tobacco and Firearms' Amended Annual Reporting of Fiscal Year 2000 Drug Control Funds

Abbreviations

ATF	Bureau of Alcohol, Tobacco and Firearms
FY	Fiscal Year
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code

OIG

**Report of the Office of
Inspector General**

*The Department of the Treasury
Office of Inspector General*

March 23, 2001

Bradley A. Buckles
Director
Bureau of Alcohol, Tobacco and Firearms

We have reviewed the assertions in Section b of the accompanying Bureau of Alcohol, Tobacco and Firearms' (ATF) Amended Annual Reporting of Fiscal Year (FY) 2000 Drug Control Funds (Submission).

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 management's assertions in Section b of the accompanying Submission. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. 11704(d) and Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds* (Circular), dated December 17, 1999, and is the responsibility of ATF's management.

ATF's drug methodology entailed the application of the percentage of total budgetary resources devoted to drug activities to the total obligations to determine the drug control obligations. The percentage applied was derived by dividing the total number of defendants arraigned under U.S.C. 18 section 924(c) provisions and narcotic crimes by the total number of defendants from all

Review of Submissions Included in the Bureau of Alcohol, Tobacco and
Firearms' Fiscal Year 2000 Annual Report of Drug Control Funds
(DIO-01-054)

Page 2

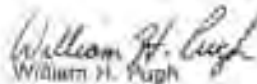
arrangements. ATF could not locate documentation to support the data used in the determination of this percentage. This matter was first reported in our report on our FY 1998 review. In FY 2000, ATF made progress in documenting the data used in calculating this percentage. ATF's management anticipates utilizing fully documented and updated data to prepare the FY 2001 Report of Drug Control Funds.

Based on our review, with the exception of the matter described in the preceding paragraph, nothing came to our attention that caused us to believe that the assertions included in Section 5 of the accompanying Submission are not presented in all material respects based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of ATF, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Our report has been reviewed by your staff and their comments have been included in Appendix 1 of this report. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5759. We appreciate the cooperation and the courtesies extended to our staff.


William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits

January 26, 2001

Appendix I
Management's Response



DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
WASHINGTON, DC 20535

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MEMORANDUM TO: Deputy Assistant Inspector General for
Financial Management and Information
Technology Audits

FROM: Assistant Director (Management)/CFD

SUBJECT: Draft Report on the Review of the
Bureau of Alcohol, Tobacco and
Firearms' Fiscal Year 2000 Annual
Report of Drug Control Funds

Thank you for the opportunity to comment on the subject
report. The Bureau concurs with its findings.

In order to revalidate our methodology, we have
reviewed the information in our financial system to
ensure it is accurate and captures the breakout we
require. We have also issued guidance to field
agents ensuring that actions involving a drug nexus are
captured by our law enforcement information system.
Our methodology will be revalidated for the FY 2001
annual report.

Should there be any questions, please contact Harry
Chelton of the ATF Budget Office, (202) 527-7833.


William T. Earle

Appendix 2
Major Contributors To This Report

Financial Audits Division

Michael Fitzgerald, Director
Marie McGuire, Audit Manager
Ade Bankole, Lead Auditor
Alex Biggs, Auditor

Appendix 3
Report Distribution

The Department of the Treasury

Office of Accounting and Internal Control
Office of Budget

Bureau of Alcohol, Tobacco and Firearms

Director
Deputy Director
Assistant Director, Management / Chief Financial Officer
Assistant Director, Inspection
Assistant Director, Liaison and Public Information

Office of Management and Budget

OIG Budget Examiner

FY 2000 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
WASHINGTON, DC 20226

FEB 20 2001

404011:HCB
1941.9

MEMORANDUM TO: James E. Lingebach
Deputy Chief Financial Officer

FROM: Acting Budget Officer

SUBJECT: Amended Annual Reporting of FY 2000
Drug Control Funds

This memorandum is to transmit an amended version of the Bureau of Alcohol, Tobacco and Firearms' (ATF) Annual Reporting of FY 2000 Drug Control Funds. The original report (dated December 29, 2000) reflected an administrative error misstating the calculation used to derive the pro-rating percentage of resources applicable to support anti-drug programs.

Sections a.(1) and b.(1)(a) of the report were amended to state the actual methodology applied, where the Bureau divided "the number of defendants arraigned under U.S.C. 18 section 924(c) provisions and/or a narcotics crime" as the numerator of the equation, by "the total of all defendants charged in a year", and not vice versa.

This was the sole change to the report. The calculations and methodologies used are unchanged. Should there be any questions, please contact Harry Chelpon of the ATF Budget Office, (202) 927-7833.

Melissa L. McCoy
Melissa L. McCoy

Attachment

WWW.ATF.TREAS.GOV

DEPARTMENT OF THE TREASURY
 BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
 Annual Reporting of FY 2000 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

4. Table of FY 2000 Drug Control Obligations

(\$ in millions)

Drug Resources By Goal		FY 2000
Goal 1		8.0
Goal 2		250.0
Total		258.0
Drug Resources By Function		
Investigation		250.0
Prevention		8.0
Total		258.0
Drug Resources By Decision Unit		
Reduce Violent Crime		258.0
Protect the Public		0.0
Collect the Revenue		0.0
Total		258.0

(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 investigators that result in drug-related charges being filed against defendants. Based upon national case statistics, ATF has devoted approximately 58 percent of the FTE achieved and obligations incurred under its Reduce Violent Crime Activity for drug investigations or community outreach-oriented prevention projects. The Bureau divided the number of defendants arraigned under U.S.C. 15 section 324(c) provisions and/or a narcotics crime by the total of all defendants charged in a year to derive a ratio. This ratio is used to pro-rate the share of total ATF budgetary resources, including both requested appropriations and anticipated reimbursable authority, applicable to support anti-drug programs. We revalidate this methodology whenever significant changes are suspected. We anticipate a revalidation prior to our FY 2001 Annual Report. The "Reduce Violent Crime" major budget activity encompasses approximately 78 percent of the Bureau's FY 2000 Net Costs.

(2) Methodology Modifications

None

(3) Material Weaknesses or Other Findings

None

(4) Reprogramming or Transfers

None

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
Annual Reporting of FY 2000 Drug Control Funds

(5) Other Disclosures

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.

II. 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-related charges being filed against a defendant. ATF budgetary resources devoted to the drug budget are derived from a ratio by dividing the number of defendants assigned under U.S.C. 19 section 924(j) provisions and/or narcotics crimes by the total of all defendants in a year. 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 78% of its resources to the RVC Activity in FY 2000. 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 2000 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 2000 Drug Control Funds

(d) Financial Systems

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 related financial systems. The new Financial Resources Desktop (FRaD) was brought on-line October 1, 1999. In FY 2000, the method for tracking estimated drug-related obligations was the Financial Resources Desktop (FRaD) utilizing elements such as gross obligations, project coding and obligations against earmarked initiative funding.

(2) Application of Methodology

For FY 2000, the methodology used to estimate obligations and FTE utilization is consistent with the narrative descriptions provided in paragraphs b.(1)(x) and b.(1)(d) above. This was the actual methodology utilized to generate the "Table of Prior Year Drug Obligations." However, fluctuations may occur from year-to-year based on the percentage of Bureau resources devoted to the "Reduce Violent Crime" Activity. The fluctuations 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 OVDOP approval per OVDOP Circular dated 12/17/99.

FINANCIAL MANAGEMENT:
Review of Assertions Included in the
U.S. Customs Service's
Fiscal Year 2000
Annual Reporting of Drug Control Funds

OIG-01-064

April 20, 2001



Office of Inspector General

The Department of the Treasury

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U.S. Customs Service's Annual Reporting of Fiscal Year 2000 Drug Control Funds

Abbreviations

Customs	United States Customs Service
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code

OIG

**Report of the Office of
Inspector General**

*The Department of the Treasury
Office of Inspector General*

April 20, 2001

Charles Wirwood
Acting Commissioner
United States Customs Service

We have reviewed the assertions in Section b of the accompanying U.S. Customs Service (Customs) Annual Reporting of Fiscal Year (FY) 2000 Drug Control Funds (Submission).

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 management's assertions in Section b of the accompanying Submission. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds* (Circular), dated December 17, 1999, and is the responsibility of Customs' management.

Customs' drug methodology entailed the application of the percentage of total budgetary resources devoted to drug activities to the total obligations to determine the drug control obligations. The percentages applied were derived based on the relationship between total investigative hours spent and those spent on narcotics and money laundering cases as determined by subject matter experts.

Review of Assertions Included in the U.S. Customs Service's Fiscal Year 2000 Annual Reporting of Drug Control Funds (OIG-01-064) Page 2

In FY 2000, Customs made material changes to its drug methodology, which was approved by the ONDCP on February 13, 2001. The ONDCP Circular *Annual Accounting of Drug Control Funds*, dated December 17, 1999 requires disclosures for methodology changes, their purpose, and the quantitative differences in the amounts reported using the new methodology versus the amounts that would have been reported under the old methodology. However, Customs did not make such disclosures.

Because we were unable to review the reasonableness and accuracy of the methodology used in FY 1999, and we were unable to determine whether this methodology was the actual methodology used to generate the FY 1999 table of Drug Control Obligations, we could not assess the effect of the change in methodology.

Based on our review, with the exception of the matter described in the preceding paragraphs, nothing came to our attention that caused us to believe that the assertions included in Section b of the accompanying Submission are not presented in all material respects based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of Customs, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Tom Moschetta, Director, Financial Management Audits, at (202) 927-5074. We appreciate the cooperation and the courtesies extended to our staff.


William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits

April 12, 2001

Appendix I
Major Contributors To This Report

Financial Management Audits Division

Tom Mochetto, Director
Robert Todera, Audit Manager
Sunday Okurume, Auditor

Appendix 2
Report Distribution

The Department of the Treasury

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

U.S. Customs Service

Acting Commissioner
Assistant Commissioner, Office of Finance
Director, Evaluation Oversight, Office of Planning
Executive Director, Budget Division, Office of Finance

Office of Management and Budget

DIG Budget Examiner



U.S. Customs Service

Memorandum

DATE: APR 13 2001

MEMORANDUM FOR JAMES R. LINGBACH
DEPUTY CHIEF FINANCIAL OFFICER

FROM: Executive Director, Budget
Office of Finance

SUBJECT: Amended Annual Reporting of FY 2000 Drug
Control Funds

The purpose of this memorandum is to transmit an amended version of the U.S. Customs Service Annual Reporting of Drug Control Funds. The original report (dated March 26, 2001) did not include actual obligation estimates or the assertions required by the Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds dated December 17, 1995. The attached report is consistent with the guidelines established in the ONDCP circular.

If you have any questions please contact me or have a member of your staff contact Mr. Kurt Hehn on (202) 927-4084.


Carol A. Johnson

Attachment

FY 2000 Accounting of Drug Control Funds

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE
Annual Reporting of FY 2000 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2000 Drug Control Obligations

(Dollars in Millions)

<u>Drug Resources By Goal:</u>	
Goal 2	348,200
Goal 4	529,306
Goal 5	165,744
<u>TOTAL</u>	<u>841,280</u>
<u>Drug Resources by Function:</u>	
Intelligence	20,385
Interdiction	607,510
Investigations	211,974
Research and Development	1,401
<u>TOTAL</u>	<u>841,280</u>
<u>Drug Resources by Disposal Unit:</u>	
Salaries and Expenses	596,503
Operations and Maintenance	165,270
Violent Crime Reduction Trust Fund	79,575
Facilities, Construction, Improvements	1,932
<u>TOTAL</u>	<u>841,280</u>

B. Drug Methodology

All Customs organizations were provided with a copy of the May 5, 1999, ONDCP Circular, Budget Instructions and Certification Procedures, and asked to estimate, on the basis of their expert opinion, what portion of their activities are related to drug enforcement activities. Four organizations within Customs have been able to specifically identify resources in their financial plans that support the drug enforcement mission of the agency.

OFFICE OF INVESTIGATIONS

The Office of Investigations can be broken down into two basic resource components, those that support the Air and Marine Interdiction function and those that support the remaining investigative function. The Office of

Investigations identifies and tracks the hours that its agents spend on a wide variety of cases, including narcotics smuggling and money laundering cases related to narcotics smuggling.

Based on the relationship between total investigative hours spent and those spent on narcotics and money laundering cases, subject matter experts have concluded that 65.72 percent of investigative resources are dedicated to the Customs drug enforcement mission and support the goals of the National Drug Control Strategy. Of this amount, 11.2 percent supports goal 2, 54.8 percent supports goal 4, and 34.2 percent supports goal 5 of the Strategy.

Investigative resources supporting goal 2 and goal 4 are broken down further into a 25/75-percent split for the interdiction and investigative functions, respectively. Goal 5 totally supports the investigative function.

Resources that support the Air and Marine Interdiction program are considered to be 95 percent drug related. This amount totally supports goal 4 of the Strategy and the interdiction function.

OFFICE OF FIELD OPERATIONS

The Office of Field Operations has identified 1,779 Inspector positions that are specifically identified with drug enforcement because they are either Contraband Enforcement Team (CET) Inspectors, Outbound Enforcement/Currency Team Inspectors, Currency Canine Enforcement (CCE) Officers, or Narcotics CCEs. The salaries of these positions are assumed to be \$65,000 per annum and to contribute 100 percent of their time to drug enforcement.

There are approximately 5,200 other Customs Inspectors that, in addition to the interdiction of contraband and illegal drugs, also enforce the 400 laws and regulations of many other Federal government agencies. These agencies include the Animal, Plant and Health Inspection Service (APHIS), the U.S. Fish and Wildlife Service, the Bureau of Alcohol, Tobacco, and Firearms (ATF), and the Bureau of Export Administration.

Currently, the U.S. Customs Service does not have a certifiable methodology to determine what portion of these Inspectors' time is attributable to drug enforcement. The U.S. Customs is working to develop this methodology in calendar year 2001. For the purpose of the FY2000 Office of National Drug Control Policy submission, it is assumed that 41 percent of the time these Inspectors spend on the job is related to drug enforcement. This is the same proportion that was used in the past and has been agreed to by ONDCP.

Total drug resources for Field Operations support goal 4 of the Strategy and are further broken down into a 100-percent split between the intelligence and interdiction functions.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology, which oversees the research, development, acquisition, and support and maintenance of technology such as non-intrusive inspection systems through its Applied Technology Division (ATD), supports the Customs drug enforcement mission.

In FY2001, 90 percent of base resources, 95 percent of research and development resources, 94 percent of acquisition resources, and 85 percent of support and maintenance resources are dedicated to drug enforcement and support goal 4 of the Strategy.

In FY2001, ATD identified \$4.9 million in resources supporting the research and development function. 90% of this funding supports the Customs interdiction mission.

OFFICE OF TRAINING AND DEVELOPMENT

The Office of Training and Development identified specific resources falling under its purview and applied the following percentages depending on the program supported:

Passenger Processing	41%
Cargo Examination	13%
Canine Enforcement	100%
Financial Investigations	80%
Illegal Export Investigations	5%
Interdiction Investigations	100%
Firearms	100%

2. Methodology Modifications

This submission is consistent with the methodology approved by the Office of National Drug Control Policy (ONDCP) on February 13, 2001.

3. Material Weaknesses or Other Findings

None

4. Reprogramming or Transfers

None

5. Other Disclosures

None

II. Assertions

I. Drug Methodology

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:

a. Data

The estimate of drug enforcement related costs is based on the methodology described in section A. 1 above. This methodology was approved by the Office of National Drug Control Policy on February 13, 2001.

b. Other Estimation Methods

None

c. Completeness

All United States Customs Service drug-related activities are presented in this report.

d. Financial Systems

The United States Customs Service financial systems are capable of providing data that fairly present, in all material respects, aggregate obligations. The drug methodology described in section A. 1 above is used to estimate what portion of these obligations may reasonably be considered to be associated with drug enforcement related activities.

2. Application of Methodology

The methodology described in section A, 1 above was used to prepare the estimates contained in this report.

3. Financial Plan – Including Reprogramming or Transfers

No changes were made to the Customs Service Financial Plan that required ONDCP approval per the ONDCP Circular dated 12/17/99.

FINANCIAL MANAGEMENT
Review of Assertions Included in the
Federal Law Enforcement Training Center's
Fiscal Year 2000
Annual Report of Drug Control Funds

OIG-D1-053

March 26, 2001



Office of Inspector General

The Department of the Treasury

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Federal Law Enforcement Training Center's Revised Annual Report of Fiscal Year 2000 Drug Control Funds

Abbreviations

FLETC	Federal Law Enforcement Training Center
FY	Fiscal Year
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code

OIG

**Report of the Office of
Inspector General**

*The Department of the Treasury
Office of Inspector General*

March 28, 2001

W. Ralph Basham
Director
Federal Law Enforcement Training Center

We have reviewed the assertions in Section V of the accompanying Federal Law Enforcement Training Center's (FLETC) Revised Annual Report of Fiscal Year (FY) 2000 Drug Control Funds (Submission).

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 management's assertions in Section V of the accompanying Submission. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds* (Circular), dated December 17, 1999, and is the responsibility of FLETC's management.

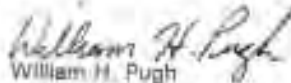
Based on our review, nothing came to our attention that caused us to believe that the assertions included in Section V of the accompanying Submission are not presented in all material respects based on the requirements set forth in the Circular.

Review of Assertions Included in the Federal Law Enforcement Training
Center's Fiscal Year 2000 Annual Report of Drug Control Funds
(OIG-01-059)

Page 2

This report is intended solely for the information and use of the management of FLETG, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Our report has been reviewed by your staff and their comments have been included in Appendix 1 of this report. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5788. We appreciate the cooperation and the courtesies extended to our staff.



William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits

March 16, 2001

Appendix I
Management's Response



DEPARTMENT OF THE TREASURY
FEDERAL LAW ENFORCEMENT TRAINING CENTER
GLYNCO, GEORGIA 31524

BUD 1-8

March 22, 2001

MEMORANDUM TO:

William H. Pugh
Deputy Assistant Inspector General
Financial Management and Information
Technology Audits

FROM:

Michael R. Hemmell
Deputy Associate Director/CFO
Planning and Resource Directorate

SUBJECT:

FY 2000 Report of Drug Control Funds Attestation Review

The Federal Law Enforcement Training Center (FLETC) agrees with your findings on the attestation review. In addition, I want to take this opportunity to thank you for your efforts during this review.

If you need any further information or have questions please contact me, my telephone number is (912) 267-2209.

Appendix 2
Major Contributors To This Report

Financial Audits Division

Michael Fitzgerald, Director
Marie Maguire, Audit Manager
Ade Bankole, Auditor

Appendix 3
Report Distribution

The Department of the Treasury

Office of Accounting and Internal Control
Office of Budget

Federal Law Enforcement Training Center

Director
Deputy Associate Director for Planning and Resources/Chief
Financial Officer

Office of Management and Budget

DIG Budget Examiner

FY 2000 Accounting of Drug Control Funds




DEPARTMENT OF THE TREASURY
FEDERAL LAW ENFORCEMENT TRAINING CENTER
GLYNCO, GEORGIA 31824

BUD 1-6

February 15, 2001

MEMORANDUM TO: James Langobski
Acting Deputy Chief Financial Officer

FROM: Michael R. Hannold 
Deputy Associate Director/CFO
Office of Planning and Resources

SUBJECT: Revised Annual Report of FY 2000 Drug Control Funds

In accordance with the Office of National Drug Control Policy (ONDCP) Circular dated December 17, 1999, the attachment is provided as the Federal Law Enforcement Training Center's (FLETC) revised annual report of FY 2000 Drug Control Funds to include the assertions as requested by the circular.

If you have any further questions, FLETC's point of contact is Alan L. Tins and may be reached at (912) 267-2946.

Attachment:

cc: Anna F. Dixon
Director, OF&A
Office of Enforcement

Joe McAndrew
Office of Accounting and Internal Control

Mike Fitzgerald
Office of Inspector General

FEDERAL LAW ENFORCEMENT TRAINING CENTER

I. RESOURCE SUMMARY

(Dollars in Millions)

<u>Drug Resources by Goal</u>	FY 2000 <u>Actual</u>
Goal 2	\$23,138
Goal 5	147
Total	\$23,285

<u>Drug Resources by Function</u>	
Investigations	\$22,509
State & Local Assistance	629
International	147
Total	\$23,285

<u>Drug Resources by Decision Unit</u>	
Salaries and Expenses	\$17,458
Acquisition, Construction, Improvements, and Related Expenses	4,053
Violent Crime Reduction Program	1,774
Total	\$23,285

<u>Drug Resources Personnel Summary</u>	
Total FTEs (direct only)	116
Total FTEs (w/ reimbursable)	121
Total Agency Budget	\$114,142
Drug Percentage	20.4%

For INTERNATIONAL TRAINING PROGRAMS— Currently all foreign programs have a drug nexus and will be included 100%.

Once the total student weeks of drug related training is identified using the above parameters FLETC will calculate the percentage of student weeks of drug related training to the total student weeks of training. That will be the percent age used to calculate the amount of FLETC resources that were in support of the ONDCP programs.

The following is the calculation for FLETC's FY 2000 percentage using the proposed new methodology.

Type of Training	Student-Weeks
Basic Programs	14,490
Agency Advanced Programs	2,506
FLETC Advanced Programs	520
State & Local Advanced Programs	1,217
GREAT Programs	326
International Programs	576
Total Drug Related Programs	19,635

The total number of student-weeks of training conducted by FLETC during FY 2000 was 97,336. The percentage of drug related training to the total training conducted for FY 2000 is 20.4%.

III. PROGRAM SUMMARY

The FLETC is an interagency training facility serving 74 Federal law enforcement agencies. The major training effort is in the area of basic programs to teach law enforcement skills to investigators and 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 in Glynn, Georgia, and in Artesia, New Mexico.

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 of 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. The following are the two goals that the FLETC supports in the fight against drugs:

Goal 2: Increase the safety of America's citizens by substantially reducing drug related crime and violence.

The total drug control resources for Goal 2 activities for FY 2000 is \$21.138 million.

Goal 5: Break foreign and domestic drug sources of supply.

The total drug control resources for Goal 5 activities for FY 2000 is \$147 million.

The total drug control resources in support of the National Drug Control Strategy for FY 2000 is \$23.285 million.

IV. PROGRAM ACCOMPLISHMENTS

The FLETC's actual accomplishments for FY 2000 are as follows:

	FY 2000 Actual
Basic Training: -Student-Weeks	14,490
Agency Advanced Training: -Student-Weeks	2,506
Center Advanced Training: -Student-Weeks	530
State and Local Training: -Student-Weeks	1,743
International Training: -Student-Weeks	576
Total Training -Student-Weeks	19,835

V. 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 2000 Drug Control obligations is the same as stated in section II above.
- (3) Financial Plan – The obligations presented for FY 2000 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.

VI. 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.

VII. MATERIAL WEAKNESSES OR OTHER FINDINGS

The FLETC has no material weaknesses or other findings to report.

FINANCIAL MANAGEMENT:
Review of Assertions Included in the
Financial Crimes Enforcement Network's
Fiscal Year 2000
Annual Report of Drug Control Funds

DIG-01-065

March 23, 2001



Office of Inspector General

The Department of the Treasury

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Financial Crimes Enforcement Network's Annual Report of FY 2000 Drug Control Funds

Abbreviations

FinCEN	Financial Crimes Enforcement Network
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy

OIG

**Report of the Office of
Inspector General**

*The Department of the Treasury
Office of Inspector General*

March 23, 2001

James F. Sloan
Director
Financial Crimes Enforcement Network

We have reviewed the assertions in Section B of the accompanying Financial Crimes Enforcement Network's (FinCEN) Annual Report of Fiscal Year (FY) 2000 Drug Control Funds (Submission).

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 management's assertions in Section B of the accompanying Submission. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. § 1704(d) and Office of National Drug Control Policy (ONDCP) Circular: "Annual Accounting of Drug Control Funds" (Circular), dated December 17, 1999, and is the responsibility of FinCEN's management.

Based on our review, nothing came to our attention that caused us to believe that the assertions included in Section B of the accompanying Submission are not presented in all material respects based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of FinCEN, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Review of Assertions Included in the Financial Crimes Enforcement Network's
Fiscal Year 2000 Annual Report of Drug Control Funds (DIG-01-068)

Page 2

Our report has been reviewed by your staff and their comments have been included in Appendix 1 of this report. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789. We appreciate the cooperation and the courtesies extended to our staff.

William H. Pugh

William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits

January 25, 2001

Appendix I
Management's Response



DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

March 11, 2001

MEMORANDUM FOR WILLIAM H. PUGH
DEPUTY ASSISTANT INSPECTOR GENERAL FOR
FINANCIAL MANAGEMENT AND INFORMATION
TECHNOLOGY AUDITS

FROM: Nicholas A. Proscian *N. Proscian*
Assistant Director (Management/CFO)

SUBJECT: Draft Report on the Review of Financial Crimes Enforcement
Network's Fiscal Year 2000 Annual Report of Drug Funds

We have reviewed the draft report on FinCEN's FY 2000 Annual Report on Drug Control Funds and have no comments. We appreciate the professional approach taken by the Inspector General staff in conducting this review and look forward to working with you again in FY 2002.

If additional information is needed, I can be reached at (703) 905-2840 or Mary Mazzoni (Budget Analyst) at (703) 905-3615.

cc: Joe McAndrew
Office of Accounting and Internal Control

Appendix 2
Major Contributors To This Report

Financial Audits Division

Michael Fitzgerald, Director
Marie McGuire, Audit Manager
Kimberly Fleming, Lead Auditor
Ken Harness, Auditor

Appendix 3
Report Distribution

The Department of the Treasury

Office of Accounting and Internal Control
Office of Budget

Financial Crimes Enforcement Network

Director
Assistant Director, Management / Chief Financial Officer

Office of Management and Budget

OIG Budget Examiner



DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

DEC 01 2000

MEMORANDUM FOR DIRECTOR, OFFICE OF PROGRAMS, BUDGET,
RESEARCH AND EVALUATION
OFFICE OF NATIONAL DRUG CONTROL POLICY

FROM: Nicholas A. Proctor *N. Proctor*
Assistant Director (Management/CFO)

SUBJECT: Annual Report of FY 2000 Drug Control Funds

Attached is the Financial Crimes Enforcement Network (FinCEN) Annual Report of FY 2000 Drug Control Funds. FinCEN obligated \$8.7 million and utilized 51 FTE in support of the National Drug Control Program.

If additional information is needed, it can be reached at 703-905-3540 or Mary Messeri (Budget Analyst) at 703-905-8615.

Attachment

cc: Adam F. Dixon
Director, OF&A
Office of Enforcement

Joe McAndrew
Office of Accounting and Internal Control

Mike Fitzgerald
Office of the Inspector General

FY 2000 Accounting of Drug Control Funds

FINANCIAL CRIMES ENFORCEMENT NETWORK
\$000 in millions

A. Table of FY 2000 Drug Control Obligations

	FY 2000 Actual
Drug Resources by Goal	
Goal 2	6,944
Goal 3	1,776
Total	8,680
Drug Resources by Function	
Intelligence	8,680
Total	8,680
Drug Resources by Decision Unit	
Salaries and Expenses	8,130
Violent Crime Trust Fund	550
Total	8,680
Drug Resources Personnel Summary	
Total FTEs (direct only)	51
Information	
Total FinCEN Obligations	28.9
Drug Percentage of 30%	8.7

(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 broad-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 is '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 30% to 33%. 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 1999 and FY 2000 numbers were revised to reflect this change.

(3) Material Weaknesses or Other Findings

None.

(4) Reprogramming or Transfer

None.

B. Assertions

(1) Drug Methodology

The drug methodology used to calculate obligations of budgetary resources in the Table of FY 2000 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 2000 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 reprogramming to treaties affecting drug resources in excess of \$5 million.

FINANCIAL MANAGEMENT:
Review of Assertions Included in the
Interagency Crime and Drug Enforcement's
Fiscal Year 2000
Annual Report of Drug Control Funds

OIG-01-062

April 18, 2001



Office of Inspector General

The Department of the Treasury

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Interagency Crime and Drug Enforcement Fiscal Year 2000 Annual Accounting of Drug Control Funds

Abbreviations

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

OIG

**Report of the Office of
Inspector General**

*The Department of the Treasury
Office of Inspector General*

April 19, 2001

Steven O. App
Acting Chief Financial Officer

We have reviewed the assertions in Section b of the accompanying Interagency Crime and Drug Enforcement (ICDE) Fiscal Year (FY) 2000 Annual Accounting of Drug Control Funds (Submission).

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 management's assertions in Section b of the accompanying Submission. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular, *Annual Accounting of Drug Control Funds* (Circular), dated December 17, 1999, and is the responsibility of ICDE's management.

The ICDE's FY 2000 Table of Drug Control Obligations presented drug control obligations under two of the ONDCP's Strategy Goals. The allocation of the total obligations between the two goals was determined by the entities that received ICDE funds including the Departmental Offices, the Internal Revenue Service (IRS), the Bureau of Alcohol, Tobacco and Firearms and the United States Customs Service. The IRS allocated its total ICDE drug control obligations between 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 Resources Supplies) by applying

Review of Assertions Included in the Interagency Crime and Drug
Enforcement's Fiscal Year 2000 Annual Report of Drug Control Funds
(OIG-01-062)

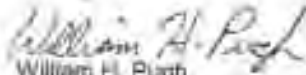
Page 1

certain resource utilization percentages to its total ICDE drug control obligations. However, the ICDE could not provide support for the calculation of these percentages.

Based on our review, with the exception of the matter described in the preceding paragraph, nothing came to our attention that caused us to believe that the assertions included in Section b of the accompanying Submission are not presented in all material respects based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of ICDE, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Our report has been reviewed by your staff and the staff of the Office of the Undersecretary for Enforcement. Based on mutual agreement, we are issuing this report as final. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5788. We appreciate the cooperation and the courtesies extended to our staff.



William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits

April 17, 2001

Appendix 1
Major Contributions To This Report

Financial Audits Division

Michael Fitzgerald, Director
Marie Maguire, Audit Manager
Ade Bankole, Lead Auditor
Ken Harness, Auditor

Appendix 2
Report Distributor

The Department of the Treasury

Deputy Chief Financial Officer
Office of the Undersecretary for Enforcement
Office of Financial Management
Office of Accounting and Internal Control
Office of Budget

Office of Management and Budget

OIG Budget Examiner

FY 2000 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 19, 2001

MEMORANDUM FOR JAMES R. LINGEBACH
ACTING DEPUTY CHIEF FINANCIAL OFFICER

FROM: BARRY HUDSON *B. Hudson*
DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT

SUBJECT: Annual Reporting of Fiscal Year 2000 Drug Control Funds

Attached is a revised report for the Department of the Treasury's Departmental Offices' Annual Accounting of Drug Control Funds for FY 2000.

Should there be any questions, please contact Michael Fainella from the Office of Enforcement on (202) 622-1277.

Attachment:

cc: Office of Enforcement

FY 2000 Accounting of Drug Control Funds

INTERAGENCY CRIME DRUG ENFORCEMENT ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS FY 2000

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 2000 Drug Control Obligations (\$000)

	DO	ATF	IRS	USCB	Total
Drug Resources By Goal					
Goal 2	\$ 378	\$ 10,182	\$ 22,000	\$ 27,867	\$ 60,527
Goal 3			\$ 14,728		\$ 14,728
Total	\$ 378	\$ 10,182	\$ 36,816	\$ 27,867	\$ 75,243
Drug Resources by Function					
Investigative	\$ 378	\$ 10,182	\$ 36,816	\$ 27,867	\$ 75,243
Intelligence					\$
Interruption					\$
Total	\$ 378	\$ 10,182	\$ 36,816	\$ 27,867	\$ 75,243
Drug Resources by Decision Unit					
Reduce Victim Crime		\$ 10,182			\$ 10,182
Protect the Public	\$ 378				\$ 378
Nonvictims Crimes			\$ 36,816	\$ 27,867	\$ 64,713
Total	\$ 378	\$ 10,182	\$ 36,816	\$ 27,867	\$ 75,243

(L) Drug Methodology

Management of Interagency Crime and Drug Enforcement (ICDE) obligates drug control resources through reimbursable agreements ICDE has entered into with ATF, Customs, and IRS. ICDE's drug control obligations also include obligations related to salaries and expenses of two Organized Crime Drug Enforcement Task Force positions within the Departmental Office. The methodologies the bureaus use to request reimbursements are described below.

DO

In 1998, fiscal responsibility for the Interagency Crime Drug Enforcement Program (ICDE) was divided between the Department of Treasury and the Department of Justice, giving the Treasury bureau a degree of autonomy in the program. Since receiving independence for the ICDE program, the Department of Treasury has recognized that the future success of the program is directly related to its ability to service the needs of the Treasury enforcement bureaus. To this end, the Department of Treasury, Office of Enforcement created two Organized Crime Drug Enforcement Task Force

FY 2000 Accounting of Drug Control Funds

(OCDETF) Advisor positions. Special agents from the Treasury enforcement bureaus subsequently filled the two positions.

The OCDETF Advisors are responsible for budget formulation, budget execution and policy issues affecting the Department of the Treasury's involvement in the ICDE programs. The OCDETF Advisors coordinate the ICDE budget formulation process with the Treasury enforcement bureaus. Based on information received from the Treasury bureaus a consolidated ICDE budget is prepared and forwarded through channels. The advisors follow the budget through the approval process and are responsible for coordinating responses from the Treasury enforcement bureaus during this process. With respect to budget execution, the advisors prepare various year-end reports. In addition, during a data call, information obtained from the bureaus and consolidated into one report, which is forwarded to the requesting agency.

The OCDETF Advisors are also involved in the review and evaluation of the OCDETF program and coordinate with the Office of National Drug Control Policy (ONDCP) regarding the High Intensity Drug Trafficking Program (HIDTA). The Advisors participate in the Black Market Pouch Working Group, Money Laundering Strategy and attend bureau case briefings. The primary purpose for their participation in these areas is to identify issues having a direct impact on the OCDETF Program.

The drug control obligations incurred for DO relate to salaries, travel and other miscellaneous expenses, incurred in the assignment of the two full-time OCDETF employees to the ICDE program.

ATF

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

IRS

The Internal Revenue Service (IRS) Drug Control Budget contains two components: Criminal Investigation (CI) Narcotics Related Financial Crime Program and Currency Reporting Forms Processing.

During FY 2000, information obtained from the Case Management Information System (CMIS) disclosed that IRS-CI dedicated 21.47 percent of its Direct Investigative Time (DIT) to the investigation and prosecution of narcotics organizations and narcotics money laundering. Approximately 75% of total DIT (21.47%) were spent on ICDE investigations. The IRS-CI narcotics program supports Goals 2 and 5 of the National Drug Control Strategy. During FY 2000, IRS-CI expended more Direct Investigative Time on ICDE investigations, than actual reimbursement (\$36,816) received.

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 Casino 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 4 of the National Drug Control Strategy.

USCS

The USCS captures its ICDE investigative hours through the Case Management module within the Treasury Enforcement Communications System (TECS). The investigative hours captured in TECS are subsequently translated into expenses and submitted to the Department of the Treasury for reimbursement through the Online Payment and Collection System (OPAC).

(2.) Methodology Modifications (DO - ATF - IRS - USCS)

None

(3.) Material Weaknesses or Other Findings (DO - ATF - IRS - USCS)

None

(4.) Reprogramming or Transfers (DO - ATF - IRS - USCS)

None

(5.) Other Disclosures

DO - None

ATF

The information and data does not reflect methodology consistent with the formulation of the drug budget, as ATF's drug budget does not include funds identified in this report (ICDE)

IRS

The information reflects the FY 2000 Service's position in relationship to the drug budget and no policy variance can be assumed.

USCS - None

ii. Assertions

(1) Drug Methodology

The drug methodology used to calculate obligations of FY 2000 ICDE budgetary resources in the Table is reasonable and accurate.

The management of ICDE relies on the law enforcement bureaus within the Department of the Treasury to provide the methodology they used to derive the drug-related obligations from the funds reimbursed by the ICDE during the fiscal year. Based upon the submissions we received from these Treasury law enforcement bureaus for FY 2000, we assert that the drug methodology used to calculate the obligations presented in the above Table of Drug Control Obligations is reasonable and accurate.

(2) Application of Methodology

The management of ICDE asserts that the methodology disclosed in section (1) above was the actual methodology that was used to generate the Table of FY 2000 Drug Control Obligations above.

(3) Financial Plan

ICDE asserts that the data presented is associated with obligations against its financial plan for FY 2000. ICDE made no transfers or reprogramming affecting drug-related resources in FY 2000.

**Letter Report: Attestation Review of the
Internal Revenue Service's Fiscal Years 1999
and 2000 Office of National Drug Control
Policy Accounting Submissions**

January 2001

Reference Number: 2001-10-044

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



OFFICE OF INSPECTOR
GENERAL
U.S. DEPARTMENT OF THE
TREASURY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 31, 2001

MEMORANDUM FOR LAWRENCE W. ROGERS
ACTING CHIEF FINANCIAL OFFICER

FROM: Pamela J. Gardner
Deputy Inspector General for Audit

SUBJECT: Letter Report – Attestation Review of the Internal Revenue
Service's Fiscal Years 1999 and 2000 Office of National Drug
Control Policy Accounting Submissions

This Letter Report presents the results of our Attestation Review of the Internal Revenue Service's Fiscal Years 1999 and 2000 Office of National Drug Control Policy (ONDCP) Detailed Accounting Submissions. In summary, except for one matter concerning fiscal year 1999 documentation, nothing came to our attention that caused us to believe that the assertions associated with the Submissions are not presented, in all material respects, in accordance with ONDCP-established criteria.

We have included your comments agreeing with our conclusions as Appendix III to this report.

Copies of this report are also being sent to Internal Revenue Service and Department of Treasury managers who are affected by the report conclusions. Please contact me at (202) 622-6510, or Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8503 if you have questions.

**Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
Submissions**

Background

The Anti-Drug Abuse Act of 1988 establishes as a policy goal the creation of a drug-free America. A key provision of the Act is the establishment of the ONDCP to set priorities, implement a national strategy, and certify federal drug control budgets. The IRS' Narcotics Program supports the National Drug Control Strategy through continued support of joint agency task forces including the Interagency Crime Drug Enforcement task force and High Intensity Drug Trafficking Area task force, through the use of asset forfeiture, assistance in developing money laundering and asset forfeiture legislation, and international training and assistance programs.

The Strategy established five goals and thirty-two supporting objectives as the basis for a coherent, long-term national effort. The IRS' CI focuses on two goals, which are to reduce drug-related crime and to reduce sources of supplies.

The National Drug Control Program agencies are required by 21 U.S.C. § 1704(d) to submit to the Director of the ONDCP, not later than February 1 of each year, a detailed accounting of all funds expended (the ONDCP Circular requires amounts obligated) by the agencies for National Drug Control Program activities during the previous fiscal year. Further, it requires such accounting to be authenticated by the Inspector General of each agency prior to its submission.

Results

We reviewed the accompanying IRS ONDCP Detailed Accounting Submissions and assertions for the Fiscal Years ended September 30, 1999, and September 30, 2000 (Appendix IV). These submissions, including the assertions made, were prepared pursuant to 21 U.S.C. § 1704(d) and the ONDCP Circular, *Annual Accounting of Drug Control Funds*, dated

**Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
Submissions**

Appendix I

Major Contributors to This Report

*Manuel S. Moolty, Associate Inspector General for Audit (Headquarters Operations and
Exempt Organizations Program)*
John K. Wright, Director
Thomas Brunetto, Audit Manager
Timothy Haley, Senior Auditor
Melinda Pope, Senior Auditor
Richard London, Auditor

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Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
Submissions

Appendix II

Report Distribution List

Commissioner N.C.
Deputy Commissioner N.D.K.
Chief Counsel C.C.
Chief, Criminal Investigation C.I.
National Taxpayer Advocate T.A.
Director, Office of Program Evaluation and Risk Analysis N.A.D.C.R.O.
Director, Legislative Affairs C.L.L.A.
Management Controls Coordinator A.
Department of the Treasury, Deputy Chief Financial Officer M.D.
Audit Liaisons:
 Chief Financial Officer N.C.P.O.
 Chief, Criminal Investigation C.I.

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Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
Submissions

Appendix III

Management's Response to the Draft Report



U.S. FISCAL OFFICE

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20548

JANUARY 30, 2001



MEMORANDUM FOR: PAMELA J. GARDNER,
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Lawrence W. Rogers, *Lawrence W. Rogers*
Acting Chief Financial Officer

SUBJECT: Draft Letter Report - Attestation Review of the
Internal Revenue Service's Fiscal Years 1999 and
2000 of National Drug Control Policy (ONDOP)
Accounting Submissions

I have read the TIGTA report of the Service's FY 1999 and FY 2000 Office of National Drug Control Policy (ONDOP) Accounting budget submissions and I agree with TIGTA's attestation of the contents.

I have not identified any information in the report that needs to be protected under the Freedom of Information Act or other applicable laws.

If I can be of further assistance or if you have any questions please call Margaret Whelan in the Office of Budget Formulation on (202) 822-4731.

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Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
Submissions

Appendix IV

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	\$40,791	\$22,210
Goal 5	\$71,629	\$18,805
Total:	\$72,410	\$37,010
Drug Resources by Function:		
Investigative	\$58,731	\$37,010
Intelligence	\$16,292	0
International	\$1,387	0
Total:	\$72,410	\$37,010
Drug Resources by Destination:		
Narcotic States	\$57,204	\$17,010
Currency Transaction Reports	\$15,206	0
Total:	\$72,410	\$17,010

11.) 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 12 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. Webster, IRS Commissioner (Retiree) 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.

**Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
Submissions**

**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 Cash Coincidence Transaction Reports (C-CTRY), Suspicious Activity Reports (SAR's), and Foreign Bank Account Reports (FBAR's) as well as Forms 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 3 of the National Drug Control Strategy.

(2.) Methodology Modifications

None

(3.) Material Weaknesses or Other Findings

None

(4.) Reprogramming or 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 variations can be assumed.

b. Assertions

- (1.) Drug Methodology** - The methodology used to calculate obligations of prior year budgetary resources is reasonable and accurate.

(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 on 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 Crime Program, the Legal Income Financial Crime Program and the Narcotics-Related Financial Crime Program.

Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
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INTERNAL REVENUE SERVICE
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS

Related Financial Crimes program is utilized to realize 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 OCBDF and MIDTA/OCBDF Narcotics-Related Financial Crimes sub-programs are applied to realized FTE as indicated by the IRS Automated Financial System (AFS) to determine the number of FTE expended by the sub-programs. Reimbursed FTE for these sub-programs are limited to resources received from Treasury's ICDF appropriations. Non-reimbursed FTE used on the OCBDF and MIDTA/OCBDF sub-programs are included in the IRS funded portion of the Criminal Investigation Narcotics-Related Financial Crimes Program.

After the quantity of FTE included in the IRS funded portion of the Criminal Investigation Narcotics-Related Financial Crimes program have been determined, related dollar amounts 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.) Assumptions

The Internal Revenue Service (IRS) Drug Control Budget includes two components: Criminal Investigation (CI) Narcotics Related Financial Crime Program and Customs Reporting System Priority.

(d.) Financial Systems

The Service's Automated Financial System (AFS) is the method used for tracking drug-related obligations estimates through a separate coding of submitted funds.

(2) Application of Methodology -The methodology discussed in this section was the actual methodology used to generate the table required by Section 7A. Calculations are sufficiently well documented to independently reproduce this data and ensure consistency of data between reporting years.

CI/MS 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 FTE's to determine the IRS funded Narcotics-Related Financial Crime program IRS-CI.

**Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
Submissions**

**INTERNAL REVENUE SERVICE
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS**

Item devotes 60% of narcotics-related DIT in support of Goal 2 of the National Drug Control Strategy; 40% to support Goal 5.

New initiatives are costed using the Service's established Unit Cost Rates (UCRs) for the budget year.

(f) Financial Plan – Including Reprogramming or Transfers - The data presented is associated with obligations against a financial plan and properly reflects any revisions occurring during the fiscal year including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$5 million.

There were no revisions.

Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
Submissions

INTERNAL REVENUE SERVICE
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS

DETAILED ACCOUNTING SUBMISSION

2. Table of FY 2000 Drug Control Obligations

Drug Resources by Goal		
Goal 2	IRS - CI	ICDE
	\$41,318	\$22,090
Goal 5	\$22,298	\$14,728
Total:	\$73,612	\$36,818
Drug Resources by Function		
Investigation	\$44,149	\$26,816
Intelligence	\$17,574	0
International	\$1,893	0
Total:	\$73,612	\$36,816
Drug Resources by Decision Unit		
Narcotics Crimes	\$56,478	\$36,816
Currency Transaction Reports	\$17,134	0
Total:	\$73,612	\$36,816

1.1 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.
- During FY 2000 IRS-CI dedicated 21.47 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.
- 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 Casino 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.

Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
Submissions

INTERNAL REVENUE SERVICE
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS

(2.) Methodology Modifications

None

(3.) Material Weaknesses or Other Findings

None

(4.) Reprogramming or Transfers

None

(5.) Other Disclosures

The information reflects the FY 2000 Service's position in relationship to the drug budget and no policy variances can be assumed.

b. Assertions

(L.) Drug Methodology -- The methodology used to calculate obligations of paid (and budgetary) resources is reasonable and accurate.

(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. The percentage of DIT used on 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-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.

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-CJ budget obligations and simply dividing this amount by the number of FTE expended.

(b.) Other Estimation Methods

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.

**Letter Report: Attestation Review of the Internal Revenue Service's
Fiscal Years 1999 and 2000 Office of National Drug Control Policy Accounting
Submissions**

**INTERNAL REVENUE SERVICE
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS**

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 final authority for IRS resource obligations.

(2) Application of Methodology - The methodology disclosed in this section was the actual methodology used to generate the table required by Section 5A. Calculations are sufficiently well documented to independently reproduce the data and ensure consistency of data between reporting years.

CBMS tracks DIT of agencies by program area. The annual percentage of DIT related to Narcotics-Related Financial Crime 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 devotes 80% of narcotics-related DIT in support of Goal 2 of the National Drug Control Strategy; 40% to support Goal 5.

New initiatives are costed using the Service's established Unit Cost Rates (UCRs) for the budget year.

(3) Financial Plan - Including Reprogramming or Transfers - The data presented is associated with obligations against a financial plan and properly reflects any revisions occurring during the fiscal year including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$5 million.

There were no revisions.

FINANCIAL MANAGEMENT:
Review of Assertions Included in the
United States Secret Service's Fiscal Year 2000
Annual Report of Drug Control Funds

OIG-01-057

March 23, 2001



Office of Inspector General

The Department of the Treasury

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United States Secret Service's Updated Annual Reporting of Actual FY 2000 Drug Control Funds

Abbreviations

OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
Secret Service	United States Secret Service

OIG

**Report of the Office of
Inspector General**

*The Department of the Treasury
Office of Inspector General*

March 23, 2001

Brian L. Sufford
Director
United States Secret Service

We have reviewed the assertions in Section V of the accompanying United States Secret Service's (Secret Service) Updated Annual Reporting of Actual Fiscal Year (FY) 2000 Drug Control Funds (Submission).

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 management's assertions in Section V of the accompanying Submission. Accordingly, we do not express such an opinion.

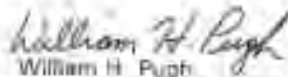
The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds* (Circular), dated December 17, 1999, and is the responsibility of Secret Service's management.

Secret Service's drug methodology entailed the calculation of the percentage of time spent on drug-related activities by each of its functional areas. These percentages were determined by dividing the drug related full time equivalent (FTE) by the total FTE for the functional area. Although Secret Service prepared a schedule that showed the calculation of these percentages, the documentation to support the FTEs used on this schedule could not be located. In addition, Secret Service has not reexamined the reasonableness and accuracy of these percentages since they were initially established in 1990. This matter was first reported in our FY 1999 review.

Based on our review, with the exception of the matters described in the preceding paragraph, nothing came to our attention that caused us to believe that the assertions included in Section V of the accompanying Submission are not presented in all material respects based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of Secret Service, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Our report has been reviewed by your staff. Based on mutual agreement, we are issuing this report as final. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-6789. We appreciate the cooperation and the courtesies extended to our staff.



William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits
January 26, 2001

Appendix 1
Major Contributors To This Report

Financial Audits Division

Michael Fitzgerald, Director
Marie McGuire, Audit Manager
Kimberly Fleming, Lead Auditor

Appendix I
Report Distribution

The Department of the Treasury

Office of Accounting and Internal Control
Office of Budget

United States Secret Service

Director
Assistant Director, Administration / Chief Financial Officer
Director, Financial Management Division
Director, Office of Inspection
Budget Officer
Deputy Budget Officer

Office of Management and Budget

DIG Budget Examiner

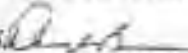
FY 2000 Accounting of Drug Control Funds



DEPARTMENT OF THE TREASURY
UNITED STATES SECRET SERVICE

January 20, 2001

MEMORANDUM FOR JAMES LINGERBACH
ACTING DEPUTY CHIEF FINANCIAL OFFICER

FROM: DANA A. BROWN 
ASSISTANT DIRECTOR OF ADMINISTRATION
AND CHIEF FINANCIAL OFFICER

SUBJECT: UPDATED ANNUAL REPORTING OF ACTUAL FY 2000 DRUG
CONTROL FUNDS

For your review, attached is a revised FY 2000 Detailed Accounting Submission for National Drug Control Program activities. When the previous accounting was submitted to you on November 20, 2000 actual obligations for FY 2000 were not available, and as a result the previous report was based on the FY 2000 budget. This updated accounting is now based on FY 2000 actual obligations and replaces the previous version.

If you have any questions or require any additional information please call Melanie Eckler on 406-5791.

Attachments:

- cc: Director, Office of Finance and Administration
Office of Enforcement
Departmental Budget Officer

FY 2000 Accounting of Drug Control Funds

UNITED STATES SECRET SERVICE

I. RESOURCE SUMMARY

	(Budget Authority in Millions)
	FY 2000 Net Obligations
Drug Resources by Goal	
Goal 2	\$79,747
Goal 3	9,617
Total	\$89,364
Drug Resources by Function	
Investigative Operations	\$77,404
Support Operations	6,134
Crime Control Act	2,343
Protective Operations	2,483
Total	\$89,364
Drug Resources by Decision Unit	
Investigative Operations	\$77,404
Support Operations	6,134
Crime Control Act	2,343
Protective Operations	2,483
Total	\$89,364
 Drug Resources Personnel Summary	
FTE:	
Direct	719,330
Information:	
Salaries & Expenses	\$722,560
Drug Percentage	(1,963 %)
Violent Crime Reduction Trust Fund	\$6,007
Drug Percentage	39,000 %

II. METHODOLOGY

It is estimated that 39% of the workload of the Service's Investigative Operations is drug related. This estimate is based upon an analysis of base staffhours expended. It is also

It was estimated that 7% and 1% of the workload of the Protective and Support Operations activities respectively is drug-related.

III. PROGRAM SUMMARY

The Secret Service drug-related investigative activities support goal 1 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 persons committing an offense against the laws relating to currency, coins, obligations, and securities of the United States or foreign governments.

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, benefit 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. PROGRAM ACCOMPLISHMENTS

U.S. Secret Service investigations 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 investigations 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 narcotic 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 advance 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 utilized sophisticated fraud schemes in the area of bank fraud, false identification, insurance fraud and credit card fraud. However, the most prevalent and successful type of fraud perpetrated by Nigerian groups today is advance fee fraud. U.S. Secret Service Nigerian Organized Crime Task Forces currently operate in ten cities across the U.S. and these advance fee fraud scams remain a priority investigation. These U.S. Secret Service Task Forces are currently evolving into Inter-Agency Nigerian Organized Crime Task Forces pursuant to the Attorney General's mandate on Nigerian Criminal Activity. In addition to the U.S. Task Forces, the U.S. Secret Service established a Task Force in Lagos, Nigeria in January of 1999, which works operationally with the Nigerian National Police Special Frauds Unit and Interpol authorities. As a result of these concentrated task force efforts, the Secret Service has recognized a continued growing trend among the Nigerian organized groups to use the illicit proceeds obtained from fraud schemes, such as advanced fee fraud, to further finance other criminal operations, such as narcotics trafficking, or to facilitate anonymity through the use of fictitious identification.

ASIAN Organized Criminal Groups

Asian-based financial crime is a growing concern on many different levels. Through ongoing investigations, the Secret Service continues to identify the relationship between Asian organized crime groups across to cells throughout the United States. These cells establish a lucrative and compartmentalized enterprise focusing on credit card fraud, counterfeit currency, counterfeit financial instruments, fictitious instruments, cellular telephone fraud and computer fraud. The proceeds from these frauds are then diverted back to the Asian organized criminal groups for the purpose of drug trafficking and other illicit activities.

One of the main focal points regarding Asian organized crime is the emergence of skimming. Skimming, the replication of track data on a credit card that allows valid authorization to occur, can occur anywhere and is generally compromised at either the merchant location, as it passes from one organization to another during authorization, or when it is stored. This information is then used to counterfeit credit cards.

Evolving Technology with Organized Criminal Groups

The United States Secret Service has seen the emergence of several international organized groups systematically attacking the financial systems through financial institution fraud, credit card fraud and other related fraudulent activity. The growth and evolution of the Internet has provided numerous commercial and financial opportunities to criminal groups, to include the Nigerians and Asians, specifically in the areas of electronic commerce. The U.S. Secret Service views these growing electronic crime trends as a preview to more organized criminal activity in the future. One example of evolving technology is the "smart card."

The advent of the integrated circuit card or smart card presents new challenges to law enforcement on several fronts. The most prevalent issue addressed thus far regarding organized criminal activity and smart cards has been the issue of money laundering. Money laundering with smart cards is a concern to law enforcement due to the ability to make anonymous peer to peer or card to card transfers of monetary value. The ability to move money across borders via chips containing value is also a concern. With smart cards, an individual has the ability to move hundreds of thousands of dollars, or more, across borders with a device that is extremely concealable. 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.

V. 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 3a 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.

FINANCIAL MANAGEMENT:
*Review of Assertions Included in the
Executive Office for Asset Forfeiture's
Fiscal Years 2000 and 1999
Annual Reports of Drug Control Funds*

OIG-01-056

March 23, 2001



Office of Inspector General

The Department of the Treasury

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Executive Office for Asset Forfeiture's Annual Reporting of FY 2000 Drug Control Funds

Executive Office for Asset Forfeiture's Revised Annual Reporting of FY 1999 Drug Control Funds

Abbreviations

EOAF	Executive Office for Asset Forfeiture
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy

OIG

**Report of the Office of
Inspector General**

*The Department of the Treasury
Office of Inspector General*

March 23, 2001

Raymond M. Dineen
Director
Executive Office of Asset Forfeiture

We have reviewed the assertions in Section b of the accompanying Executive Office for Asset Forfeiture's (EOAF) Annual Reporting of FY 2000 Drug Control Funds and Revised Annual Reporting of FY 1999 Drug Control Funds (Submissions).

Our reviews were 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 management's assertions in Section b of the accompanying Submissions. Accordingly, we do not express such an opinion.

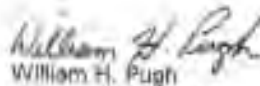
The Submissions, including the assertions made, were prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular, "Annual Accounting of Drug Control Funds" (Circular), dated December 17, 1999, and are the responsibility of EOAF's management.

Based on our reviews, nothing came to our attention that caused us to believe that the assertions included in Section b of the accompanying Submissions are not presented in all material respects based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of EOAF, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Review of Assertions Included in the Executive Office for Asset Forfeiture's Fiscal Years 2000 and 1999 Annual Reports of Drug Control Funds (OIG-01-056) Page 2

Our report has been reviewed by your staff and their comments have been included in Appendix I of this report. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789. We appreciate the cooperation and the courtesies extended to our staff.



William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits

January 25, 2001

FY 2000 Accounting of Drug Control Funds

Appendix 1 Management's Response



DEPARTMENT OF THE TREASURY OFFICE OF THE UNDER SECRETARY FOR ENFORCEMENT

EXECUTIVE OFFICE FOR ASSET FORFEITURE
180 15TH ST. N.W. WASHINGTON, D.C. 20522

TELEPHONE: (202) 622-6666
FAX: (202) 622-8610

FEB 21 2001

MEMORANDUM FOR WILLIAM H. PUGH
DEPUTY ASSISTANT INSPECTOR GENERAL FOR
FINANCIAL MANAGEMENT AND INFORMATION
TECHNOLOGY AUDITS
OFFICE OF INSPECTOR GENERAL

FROM: BRUCE HAMPL *B. Hampl*
ASSISTANT DIRECTOR FOR FINANCIAL MANAGEMENT/O

SUBJECT: Draft Report on the Review of the Executive Office for Asset
Forfeiture's Fiscal Years 2000 and 1999 Annual Reporting of Drug
Control Funds

We have reviewed your draft report on the review of our Annual Reporting of Fiscal Year 2000 Drug Control Funds and Revised Annual Reporting of FY 1999 Drug Control Funds and have no comments.

Please extend my appreciation and personal thanks to all of your uniters who participated in this review. They were extremely professional and I appreciate the time and assistance they provided to me and my staff. We look forward to working with you and your staff again in the future.

If you have further questions or comments, please feel free to contact me at (202) 622-2168, or a member of your staff may contact Holly Miller at (202) 622-5891.

Review of Assertions Included in the Executive Office for Asset Forfeiture's
Fiscal Years 2000 and 1999 Annual Reports of Drug Control Funds
DDO-01-056

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Appendix E
Major Contributors To This Report

Financial Audits Division

Michael Fitzgerald, Director
Robert Todero, Audit Manager
Kimberly Fleming, Lead Auditor
Ken Harness, Auditor

Appendix B
Report Distribution

The Department of the Treasury

Office of Accounting and Internal Control
Office of Budget

Executive Office of Asset Forfeiture

Director
Assistant Director For Financial Management /
Chief Financial Officer

Office of Management and Budget

OIG Budget Examiner

FY 2000 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) 822-8600
FAX: (202) 822-8610

DEC 22 2000

MEMORANDUM FOR JAMES LINGEBACH
ACTING DEPUTY CHIEF FINANCIAL OFFICER

FROM: ERIC E. HAMPL *Eric E. Hampl*
ASSISTANT DIRECTOR FOR FINANCIAL MANAGEMENT/CFD

SUBJECT: ANNUAL REPORTING OF FY 2000 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.

If further information is required, please contact me on 202-822-2568.

Attachment

cc: Joe McAndrew (Office of Accounting and Internal Control)
Mike Fitzgerald (Office of Inspector General)

FY 2000 Accounting of Drug Control Funds

TREASURY FORFEITURE FUND ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 2000 Drug Control Obligations

Drug Resources by Goal	
Goal 2	\$265,815
Goal 4	<u>200</u>
Total	\$266,015
Drug Resources by Function	
Intelligence	\$ 200
Investigation	189,145
State and Local Assistance	<u>76,670</u>
Total	\$266,015
Drug Resources by Demographic Unit	
Permanent - Indefinite Authority	\$266,015

(1) Drug Methodology

Each Treasury law enforcement bureau (including the U.S. Coast Guard) submits to the Forfeiture Fund a percentage of expenses that they project to be drug related for the fiscal year. A cumulative weighted average is then calculated and applied to the Fund's financial plan for that year. For FY 2000, a weighted average of 70 percent of resources expended was calculated and is reflected in the above figures.

(2) Methodology Modifications

None

(3) Material Weaknesses of Other Findings

None

(A) Reprogrammings or Transfers

None.

(5) Other Disclosures:

The information reflects reliance upon participating bureau estimates of drug related percentages of effort in case investigations.

b. Assertions

(1) Drug Methodology

Although EOAF relies on the law enforcement bureaus to provide drug-related case percentages processed by their organization during the fiscal year, EOAF asserts that the drug methodology used to calculate obligations of FY 2000 budgetary resources is reasonable and accurate.

(a) Data

Participating bureaus are requested to provide their professional 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 case comparison. This situation is complicated by the cross-application 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 bureaus, 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.

(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.

EOAF asserts that the methodology disclosed above was the actual methodology used to generate the Table of FY 2000 Drug Control Obligations above.

(3) Financial Plan – Including Reprogramming or Transfers

EOAF asserts that the data presented is associated with obligations against its financial plan for FY 2000. EOAF made no transfers or reprogrammings affecting drug-related resources in FY 2000.

FY 2000 Accounting of Drug Control Funds



Executive Office for Asset Forfeiture
Fiscal Years 1999 and 2000
A-FS-00-043
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) 622-5600
FAX: (202) 622-8612

JAN 3 2001

MEMORANDUM FOR JAMES LINGERBACH
ACTING DEPUTY CHIEF FINANCIAL OFFICER

FROM: ERIC E. HAMPL *Eric E. Hampl*
ASSISTANT DIRECTOR FOR FINANCIAL MANAGEMENT/CFO

SUBJECT: REVISED ANNUAL REPORTING OF FY 1999 DRUG CONTROL FUNDS

After extensive review by the Executive Office for Asset Forfeiture and the Office of Inspector General, we have revised our figures for the Annual Reporting of FY 1999 Drug Control Funds. Our drug-related percentage has been recalculated and the revised drug control obligations are reflected in the attached report. In addition, we have added the necessary assertions, as required by Section 5.10 of the Office of National Drug Control Policy Circular *Annual Accounting of Drug Control Funds* dated December 17, 1999.

If further information is required, please contact me on 202-622-2160.

Attachment:

cc: Joe McAndrew (Office of Accounting and Internal Control)
Mike Fitzgerald (Office of Inspector General)

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	\$239,898
Goal 4	<u>134</u>
Total	\$240,032
Drug Resources by Function	
Interdiction	\$ 134
Investigations	134,350
State and Local Assistance	<u>105,548</u>
Total	\$240,032
Drug Resources by Duration (a)	
Permanent/Indefinite Authority	\$240,032

(i) Drug Methodology

Each Treasury law enforcement bureau (including the U.S. Coast Guard) submits to the Forfeiture Fund a percentage of expenses that they project to be drug related for the fiscal year. A cumulative weighted average is then calculated and applied to the Fund's financial plan for that year. For FY 1999, a weighted average of 69 percent of resources expended was calculated and is reflected in the above figures.

(j) Methodology Modifications

None

(k) Material Weaknesses of Other Findings

None

(l) Reprogrammings or Transfers

- 1 -

None

(8) Other Disclosure

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. Assumptions

(i) Drug Methodology

Although EOAF relies on the law enforcement bureaus to provide drug-related case percentages processed by their organization during the fiscal year, EOAF asserts that the drug methodology used to calculate obligations of FY 1999 budgetary resources is reasonable and accurate.

(ii) 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 systems available for accounting costs comparisons. This situation is complicated by the cross-application 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 bureaus, 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 seizures. 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.

(a) 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.

EOAF asserts that the methodology described above was the actual methodology used to generate the Table of FY 1999 Drug Control Obligations above.

(3) Financial Plan - Including Reprogramming or Transfers

EOAF asserts that the data presented is associated with obligations against its financial plan for FY 1999. EOAF made no transfers or reprogrammings affecting drug-related resources in FY 1999.



Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

MAY 1 2001

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

Dear Mr. Rivait:

Attached is the Department of Veterans Affairs (VA) Office of Inspector General report: *Attention of the Department of Veterans Affairs "Detailed Accounting Submission" for Fiscal Year 2001 (Report No. 01-00750-56)*. The report was provided to VA's Acting Principal Deputy Assistant Secretary for Management on April 30, 2001, to accompany the VA "Detailed Accounting Submission" as required by the Office of National Drug Control Circular: *Annual Accounting for Drug Control Funds*.

A handwritten signature in black ink, appearing to read "Stephen L. Gaskell".

STEPHEN L. GASKELL
Director, Central Office Operations Division (5200)

Enclosure



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

AG 201

Acting Principal Deputy Assistant Secretary for Management (004)

Subject: Attestation of the Department of Veterans Affairs "Detailed Accounting Submission" for Fiscal Year 2001 (Report No. 01-00750-56)

We have reviewed the accompanying "Detailed Accounting Submission" of the Department of Veterans Affairs (VA) for Fiscal Year (FY) 2001 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.

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:

Estimated obligations reported for FY 2000 are reliable based on the approved change in the methodology used to calculate drug treatment expenditures limited by our concerns relating to the unreliability of cost accounting data produced by VA's financial systems and the inconsistent application of depreciation when presenting costs and computing per diem rates.

Except for the preceding qualification, 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 criteria.

For the Assistant Inspector General for Auditing:

Handwritten signature of Stephen L. Gaskell in black ink.

STEPHEN L. GASKELL
Director, Central Office Operations Division (S200)

APPENDICES

APPENDIX I

BACKGROUND, SCOPE, AND RESULTS

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 requires that such accounting be authenticated by the agency's Inspector General (IG) prior to submission.

"ONDCP Circular: Annual Accounting for Drug Control Funds," dated December 15, 1999, implements the statutory requirement and defines IG authentication as an attestation review, consistent with the Statements for Standards of Attestation Engagements, promulgated by the American Institute of Certified Public Accountants.¹ 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) 2001 including the "Table of Prior Year Drug Control Obligations" and required assertions relating to "Drug Methodology," "Application of Methodology," and "Financial Plan - Including Reprogramming and Transfers." We expanded our review to include an examination of the three prior year's obligations because VA received authority to change its drug cost reporting methodology from ONDCP. As a condition to changing the methodology, ONDCP requested that VA submit data back to the beginning of the ONDCP program (1981) that reflected the changed methodology. VA was able to provide actual cost data back to 1998. Years prior to 1998 were based on a reverse extrapolation (i.e. estimated annual drug expenditures). 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."

Results

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 actual accounting, and (3) changes to the agency financial plan affecting drug control obligations. Specifically, ONDCP requires the following:

¹ An attest engagement is one in which the practitioner is engaged to express conclusions regarding the reliability of written 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 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.

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 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."

Conclusion

Data and Estimation Methods

VA includes a thorough explanation of the assumptions used for estimating drug-related costs and associates these assumptions with the drug methodology.

VA asserted that the FY 2000 drug control-related obligations reported in the FY 2001 "Resource Summary" were based on a methodology that uses information from the Inpatient Treatment File (ITF) and the Outpatient Treatment File (OTF) compiled from data reported at the VA Medical Center level.

VA considers substance abuse to include both alcohol abuse and drug abuse. Both conditions are treated in VA substance abuse clinics. The ONDCP has requested that VA provide information only on drug abuse patients. To that end, VA has determined the percentage of patients treated in substance abuse settings for Detachments Substance Abuse, Inpatient Treatment in Specialized Substance Abuse Clinics, and Outpatient Substance Abuse Clinics. VA relies on its Cost Distribution Report (CDR) to determine costs in various clinical settings. The following table lists the CDR cost totals and drug abuse treatment percentages for each year that the IG was required to attest.

FY 2000 Accounting of Drug Control Funds

APPENDIX I

Department of Veterans Affairs
Revised Detailed Accounting Reports
For Fiscal Years 1998, 1999, and 2000
Dollars in thousands of dollars (000)

DESCRIPTION	1998 - CDR			1999 - CDR			2000 - CDR		
	DRUG CDR	Drug Abuse %	1998 Report	DRUG CDR	Drug Abuse %	1999 Report	DRUG CDR	Drug Abuse %	2000 Report
Specialized Treatment Costs									
Detoxification Substance Abuse	\$18,496	71.04%	\$13,287	\$28,483	71.72%	\$18,600	\$74,851	75.71%	\$18,496
Total Inpatient Substance Abuse Clinic Costs	\$187,211	60.97%	\$132,077	\$148,573	65.49%	\$55,953	\$113,417	64.88%	\$78,883
Total Outpatient Substance Abuse Clinic Costs	\$172,888	81.37%	\$154,386	\$178,637	89.45%	\$136,144	\$177,656	89.8%	\$105,180
Total Specialized Treatment Costs			\$286,463			\$192,097			\$284,063
Non-Specialized Treatment Costs									
Substance Abuse Care in a Non-Substance Abuse Setting			\$49,142			\$46,166			\$55,445
Outpatient Substance Abuse Care in a Non-Substance Abuse Setting			\$172,726			\$172,257			\$153,479
Revised Total Based on New Methodology			\$221,130			\$218,423			\$238,924
Revisions			\$4,523			\$7,547			\$7,247
Total Costs			\$225,653			\$225,970			\$246,171

We ascertained that the information above accurately represents reported values from the CDR. Patient counts used to determine various per diem rates were computed by VA from the same CDR data, and patient counts used to calculate per diem rates came from independent sources.

For the specialized treatment clinics, VA used un-adjusted CDR data. The Veterans Health Administration (VHA) allocated on a proportional basis, indirect expenses including Education & Training-Trainee Salary, Education & Training-Instructional Support, Education & Training-Administrative Support, Education & Training-Continuing Education Medical Research Support, Prosthetic Research Support, administration, environmental management, and engineering. Although VA accounting policy requires inclusion of depreciation expenses in consideration of cost accounting systems, VA did not allocate depreciation expenses to the associated cost centers, but chose to ignore depreciation in calculating expenses for specialized treatment programs. (The effect of this understatement is discussed below.)

For treatments in non-substance abuse clinics, VA used the appropriate International Classification of Diseases (ICD-9-CM¹) diagnostic codes to determine the numbers of patients

¹ ICD-9-CM is a Medical Industry standard listing of diagnosis codes by disease and procedures for treatment of patients developed by the U.S. Department of Health and Human Services, Health Care Financing Administration. By using the standard codes, medical professionals communicate the diagnosis of a patient and treatment procedures used with various patients to third parties. VA adopted the system in 1988 to ease the billing of third party insurers for medical care cost-recovery. VA has maintained patient treatment files for several years. By incorporating the

APPENDIX I

treated and applied a per diem rate for each clinical setting to calculate the costs. We confirmed that the obligations reported for FY 2000 were prepared using patient counts and per diem rates calculated on information in the PTF and OPTF and in the CDR. Per diem rates were calculated using adjusted CDR units including an allocation of depreciation amongst all cost centers.

The following is a description of the methodology the Program Evaluation and Resource Center (PERC) used to estimate the costs and full-time equivalent employees (FTEs) associated with treating patients with substance abuse disorders in specialized and non-specialized treatment settings.³ This is the revised methodology approved by ONDCP. We did not independently query either the PTF or the OPTF in order to validate the data used in the methodology described below.

Identifying Days Of Specialized Substance Abuse Inpatient Care For Patients With Drug Abuse Diagnoses

The PTF Bed Section File was used to identify all bed section episodes of care for patients discharged from substance abuse bed sections with a drug abuse diagnosis during the treatment episode (i.e., ICD-9-CM coded discharge diagnosis of 292, 304, or 305). Substance abuse bed sections included the following: substance abuse residential rehabilitation, substance abuse compensated work therapy treatment, alcohol treatment, drug treatment, substance abuse, psychiatric substance intensive care, substance abuse domiciliary, and substance abuse sustained treatment and rehabilitation. Drug use disorder diagnoses included ICD-9-CM codes 292, 304, and 305.

All days of care for these bed section episodes were summed to calculate the total number of days of specialized substance abuse inpatient care for patients with drug diagnoses.

Inpatient Days Of Care For Patients With Drug Disorder Diagnoses Treated Outside Of Specialized Substance Abuse Treatment Units

From the PTF, all bed section episodes of care in units other than specialized substance abuse treatment units (psychiatric units, medical units, surgical units, and intermediate units) were identified. Episodes in which the patients' primary discharge diagnosis was drug abuse was identified. "Primary diagnosis" were defined as the first of the five ICD-9-CM coded discharge diagnoses. The total number of days for each bed section type was calculated and the sum across bed sections was used to identify the total days of care of non-specialized substance abuse treatment for patients with drug abuse disorders.

ICD-9-CM diagnosis and treatment codes into the database for all medical centers and all patients. VA can track patient diagnosis and treatment in various clinical settings throughout the entire VA health care system, and can query the database to determine the numbers of patients and the treatments offered patients on a national basis.

Prepared by the Office, Department of Veterans Affairs Program Evaluation and Resource Center, March 20, 2001.

APPENDIX I

Other Related Medical Costs For Inpatients With Drug Disorders

The total number of days of care for patients with drug diagnoses treated in non-substance abuse bed sections was calculated as described above. VHA then multiplied the number of days of psychiatric, medical, surgical, and intermediate bed section care by their respective per diem rates as reported in the "Traditional Activity Table" for the fiscal year to generate the cost of care in each bed section type. The sum of the cost of care across bed sections was reported as the other related medical costs for patients with primary drug diagnoses.

Other Related FTEE For Inpatients With Drug Disorders

The total number of episodes of psychiatric, medical, surgical, and intermediate bed section care for patients discharged with a drug diagnosis was calculated. Episodes are defined as separate discharges in the PTF file. The total number of episodes of care in each type of bed section type was then multiplied by the staffing ratios (FTEE/1000 patients treated) from the Traditional Activity Table. The products were then added to produce the total FTEE across all non-substance abuse bed sections. Episodes of care in specialized substance abuse units for patients with drug abuse diagnoses also were identified and the FTEE for these episodes of care were calculated using the ratio for psychiatric care.

Visits To Specialized Substance Abuse Clinics For Patients With Drug Diagnoses

Using the OPTF, all episodes of outpatient care in specialized substance abuse clinics were identified, and from these episodes, visits by patients with a drug abuse diagnosis during that clinic visit were counted. Substance abuse clinic visits include the following: drug dependency individual session (507), alcohol treatment individual session (508), substance abuse individual session (513), substance abuse home visit (514), compensated work therapy/substance abuse (517), compensated work therapy treatment substance abuse (518), substance abuse/PTSD (519), substance abuse HUD/VASH (522), methadone visit (523), intensive substance abuse (547), substance abuse dry hospital (548), drug dependency group session (555), alcohol treatment group session (556), and substance abuse group session (560). Visits were counted when ever a drug abuse ICD-9 code was listed. The total number of specialized substance abuse clinic visits for drug abuse patients was then calculated.

Visits To Other Clinics For Patients With Drug Diagnoses

Using the OPTF, all episodes of outpatient care in clinics other than specialized substance abuse clinics were identified. From these episodes, visits by patients with a primary drug

* This is a per diem calculation table prepared by VHA that is used to determine individual activity per diem rates. In this table, VHA brings together the FTEE adjusted obligations for various activities (both inpatient medical facilities and outpatient clinics), the FTEE associated with each activity, the total patients treated, and the average daily session. By dividing the obligations for each activity by the patients treated, the activity per diem rate is calculated.

APPENDIX I

abuse diagnosis during that clinic visit were selected, where "primary" is defined as the first listed ICD-9 code. The total numbers of such visits were then calculated.

Other Related Medical Costs For Outpatients With Drug Disorders

The total cost of non-substance abuse outpatient care for patients with a drug diagnosis was calculated by summing the number of visits to clinics other than substance abuse clinics in which a patient received a primary drug diagnosis, and multiplying that total by the per visit cost of outpatient care in the Traditional Activity Table.

Other Related FTEE For Outpatients With Drug Disorders

"Other related FTEE" for outpatient care was calculated by multiplying the total number of non-substance abuse outpatient visits for patients receiving a primary drug diagnosis by the FTEE/1000 visits estimate in the Traditional Activity Table.

Revised Reporting Methodology Has Significantly Reduced Reported Expenditures

For FY 2000 VA reported over \$1 billion in drug treatment expenditures. With implementation of the revised ONDCP reporting methodology, VA's reported drug treatment expenditures for FY 2000 was reduced by \$556.8 million. Under the previous methodology, VA included as drug treatment expenditures the costs of treating secondary and tertiary diagnostic procedures. With the revised methodology, VA no longer includes secondary and tertiary expenditures.

For instance, if a patient with a drug diagnosis presents himself or herself for treatment of a broken leg caused by falling down the stairs while they were under the influence of a controlled substance, that treatment was included as a secondary drug treatment. Counting these treatments was cumbersome because it required scanning the treatment files for patients that were previously treated for substance abuse in a substance abuse setting and then counting each of their non-substance abuse treatments as secondary or tertiary drug treatment. Certainly there were instances where these treatments had a drug nexus, but it became counter productive to use this methodology.

Compliance

All activities conducted by VA having a drug-related nexus were not reflected in the drug methodology, specifically workload and costs associated with:

- Accounting and inventory control of pharmaceuticals, narcotics, and controlled substances.
- Investigation of theft or losses of VA pharmacy inventory.
- Investigation of crime involving illegal drug use on VA property.
- Investigation of crime involving illegal drug use by VA employees.

APPENDIX I

However, VA reported in its "Detailed Accounting Submission" that the cost of these activities was not material in relation to the aggregate VA costs reported.

Reliability of VA Financial Systems

VA's drug cost reporting methodology acquires drug control-related costs from VA's 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 operational in FY 2001. 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 Summary in future "Detailed Accounting Submissions."

VA's cost accounting policy and its related handbook states that all costs associated with supplying goods and services must be included when computing the costs of those services. The policy handbook clearly discusses equipment and building and the costs associated with depreciation of those assets. Depreciation may be considered either a direct cost of that service if it can be clearly shown that the equipment or building directly reflects on the cost of providing a particular product or service. If it does not directly contribute to a singular product or service, depreciation should be considered overhead or indirect costs. Those costs must be allocated amongst all products or services provided by the cost center.

When determining the per diem rates for non-specialized treatment, VA included all of the costs associated with the providing both inpatient and outpatient treatments. On the other hand, for specialized treatments including Detoxiliary Substance Abuse, Inpatient Substance Abuse and Outpatient Substance Abuse Clinics, VA chooses to ignore depreciation when computing the costs of providing these services. This practice caused VA to understate each year's cost of providing these services. We estimate these understatements are as follows:

In thousands of dollars (000)	1998	1999	2000
Reported Costs (including Depreciation)	\$305,817	\$277,435	\$266,945
Expenses Reported To ONDCP	299,770	272,756	264,914
No Understatement Reported To ONDCP	\$6,047	\$4,679	\$2,031

In future reporting to the ONDCP, VA should include appropriate depreciation costs to more accurately reflect all costs associated with treating patients with drug use disorders in specialized and non-specialized treatment settings.

Required 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 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."

APPENDIX I

Conclusion

VA has asserted that the "Drug Methodology" described above was the actual methodology used to accumulate the data shown in the "Resource Summary." The PERC prepared electronic worksheets after querying the PTF bed session files for periods of inpatient stays and the OPTF for clinical visits. By applying the per diem rates established by the Budget Office, we reconstructed costs associated with drug treatment patients. Nothing came to our attention that indicated we should be concerned with the data reported.

The ONDCP revised the VA accounting submission for FY 2000 to include two new paragraphs and to delete one paragraph VA previously submitted. The revised submission discusses the fact that VA changed its methodology to account more accurately for drug-related treatment funding. The following paragraphs were added to the report:

- "As displayed in this volume, the Department of Veterans Affairs' (VA) drug control budget methodology has been changed to more accurately account for drug-related treatment funding. As a result of improved tracking mechanisms within the cost accounting system regarding drug patients, VA is now better able to account for the drug-related resources associated with medical treatment costs for patients with substance abuse disorders. Previously, VA included 'other related treatment costs' of patients treated with primary, secondary or associated drug diagnoses-various percentages of treatment costs were applied depending on the patient's drug diagnosis. This data was then extrapolated from previous years to current years by applying the medical Consumer Price Index. This process resulted in capturing costs that were not directly related to anti-drug treatment. As a result, a change in drug methodology has been implemented that more accurately accounts for drug-related treatment."
- "For fiscal year 2000, the revised methodology has resulted in a scorekeeping adjustment of \$556.8 million from the amount reported in last year's *Budget Summary*. Adjustments have been made to the historical data series for all fiscal years in which VA has reported drug funding. This change reflects a technical scorekeeping adjustment only and has no adverse effect on the actual level of VA's resources devoted to drug treatment."

The changes made by ONDCP fairly represent the approved methodology. Since VA had not disclosed the impact of the methodology change in its original submission to ONDCP, the inclusion of the scorekeeping adjustment of \$556.8 million appropriately advises the reader of the magnitude of the downward revision of VA's FY 2000 reported costs.

Required Assertion

"Financial Plan – Including Reprogramming 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 reprogramming or transfers affecting drug related resources in excess of \$5 million."

APPENDIX I

Conclusion

We confirmed that PL 106-113 removed \$79.5 million from government-wide budget authorities to meet discretionary spending caps for FY 2000. However, this did not specifically affect drug control-related funding because drug control expenditures are reported on the basis of patients served by various VA clinical settings. Nothing came to our attention indicating that the reprogramming had an effect on drug control-related activities or aggregate obligations.

APPENDIX II

DEPARTMENT OF VETERANS AFFAIRS

DETAILED ACCOUNTING SUBMISSION FOR FY 2001¹

I. RESOURCE SUMMARY

	(Budget Authority in Millions)		
	2000 Final	2001 Enacted	2002 Request
Drug Resources by Goal			
Goal 3	\$554,628	\$572,915	\$580,766
Drug Resources by Function			
Treatment	\$546,831	\$564,303	\$571,358
Treatment Research	7,797	8,612	9,408
Total	\$554,628	\$572,915	\$580,766
Drug Resources by Division Unit			
Medical Care	\$546,831	\$564,303	\$571,358
Research	7,797	8,612	9,408
Total	\$554,628	\$572,915	\$580,766
Drug Resources Personnel Summary			
Total FTEs (direct only)	3,611	3,969	3,818
Information			
Total Agency Budget	\$45,503.0	\$47,442.0	\$51,652.5
Drug Percentage	1.22%	1.21%	1.12%

II. METHODOLOGY

- Specialized Treatment Costs - Includes all costs generated by the treatment of patients with drug use disorders treated in specialized substance abuse treatment programs.
- Other Related Treatment - Includes all costs generated by the treatment of patients with a primary drug use diagnosis treated in any other treatment setting. No "other costs" associated with secondary and associative diagnoses is factored into the drug budget. A primary drug abuse diagnosis suggests that a drug use disorder was the focus of treatment in the non-specialized setting.
- This summary accounts for drug-related costs for VHA Medical Care and Research. It is not all encompassing of drug-related costs for the agency. VA incurs costs related to accounting and security of narcotics and other controlled substances and costs of law enforcement related to illegal drug activity; however, these costs are assumed to be relatively small and would not have a material effect on the aggregate VA costs reported.

¹ The Detailed Accounting Submission for FY 2001 is the responsibility of VA management.

APPENDIX II

- As displayed in this volume, VA's drug control budget methodology has been changed to more accurately account for drug-related treatment funding. As a result of improved tracking mechanisms within the cost accounting system regarding drug patients, VA is now better able to account for the drug-related resources associated with medical treatment costs for patients with substance abuse disorders. Previously, VA included "other related treatment costs" of patients treated with primary, secondary or associated drug diagnoses - various percentages of treatment costs were applied depending on the patient's drug diagnosis. This data was then extrapolated from previous years in current years by applying the Medical Consumer Price Index. This process resulted in capturing costs that were not directly related to anti-drug treatment. As a result, a change in drug methodology has been implemented that more accurately accounts for drug-related treatment.
- For FY 2000, the revised methodology has resulted in a scorekeeping adjustment of \$556.8 million from the amount reported in last year's *Budget Summary*. Adjustments have been made to the historical data series for all fiscal years in which VA has reported drug funding. This change reflects a technical scorekeeping adjustment only and has no adverse effect on the actual level of VA's resources devoted to drug treatment.

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, 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 *Strategy*.
- The investment in health care and specialized treatment of veterans with drug abuse problems identified as funded by the resources in Medical Care helps avoid future health, welfare and crime costs associated with illegal drug use.
- In coordination with the Center for Substance Abuse Treatment (CSAT) in how to best employ outreach models, VA has been a participant in the Treatment Improvement Protocol (TIP) initiative. A component of this project is the specific development of TIP number 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 practices, 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 budgets in future years. The exact nature of the impact, if any, cannot be determined until additional trend data becomes available.

APPENDIX II

IV. BUDGET SUMMARY

FY 2001 Program Level by Strategy Goal

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

- In FY 2001, VA will spend \$572.9 million for treatment activities that support Goal 3 of the Strategy. This includes \$564.4 million for medical care; \$264.6 million for specialized treatment; \$299.4 million for other related treatment that provides treatment of patients with a primary drug use diagnosis treated in any other treatment setting, and \$8.6 million for research and development to be applied towards drug abuse related research.

FY 2002 Significant Program Changes

- The FY 2002 request is \$580.8 million, which consists of \$571.4 million for medical care and \$9.4 million for drug abuse related research. This represents a \$7.9 million increase over FY 2001 enacted levels.
- In conjunction with the Department of Health and Human Services (HHS) and the Department of Justice (DOJ), 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 (CESTATE) and its Program Evaluation and Research 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.
- 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 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 CSAT of SAMHSA, Department of Health and Human Services. 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 available to VA treatment programs, and have been used in VA's continuing education activities. This effort will continue in the future.

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V PROGRAM ACCOMPLISHMENTS

- Specialized substance abuse treatment services are available at 153 VA medical facilities. These are predominantly ambulatory treatment programs.
- VA continues to provide inpatient treatment services to veterans with significant substance abuse and psychosocial problems: 54 percent are 50 and older, 75 percent are not married, 37 percent are members of an ethnic minority, and 31 percent have service-connected disabilities. Among patients with drug diagnoses treated in specialized inpatient substance abuse units, 50 percent abuse cocaine, 34 percent abuse opioids, and 38 percent have coexisting psychiatric diagnoses.
- Improved rates of treatment retention: The 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 VA Medical Centers 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 collected on over 3,000 patients; one- and two-, and five-year follow-ups have been conducted. Findings obtained include:
 - A total of 40 percent of the patients were abstinent from alcohol and drugs in the three months before the 1-year follow-up compared with only 2 percent in the three months before treatment intake. Additionally, at follow-up, 30 percent of the patients had no problems due to substance use, whereas at intake only 3 percent had no such problems. Psychological, legal and employment functioning also improved, but less substantially.
 - Casemix-adjusted (statistically controlled for differences in patient characteristics across the different types of programs) 1-year outcomes showed that patients in 12-step programs were most likely to be abstinent, free of substance abuse problems, and employed. Patients who obtained more regular and more intensive outpatient mental health care, and those who participated more in 12-step self-help groups, were most 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 is more beneficial for certain types of patients than is the other treatment approach.
 - Dually diagnosed patients and those with only substance use disorders had comparable substance use outcomes. However, patients with major psychiatric disorders fared worse on

APPENDIX II

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 2,200 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 PERC 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 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.

APPENDIX II

Department of Veterans Affairs
 Drug Control Funding by Goal and Function: FY 2000 – FY 2001
 (Budget Authority in Millions)

Drug Resources by Goal

	Strategy Goal	FY 2000 Final BA	FY 2001 Enacted
Department of Veterans Affairs	3	\$554,628	\$572,915

Drug Resources by Function

	Drug Function	FY 2000 Final BA	FY 2001 Enacted
Department of Veterans Affairs	Treatment	\$546,831	\$564,363
	Research & Development	\$7,797	\$8,552
Total, Department of Veterans Affairs		\$554,628	\$572,915

APPENDIX III

FINAL REPORT DISTRIBUTION

VA Distribution

Acting Principal Deputy Assistant Secretary for Management (004)
Chief Financial Officer, Veterans Health Administration (17)

Non-VA Distribution

Chief, Budget Branch, Office of National Drug Control Policy



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.

(5) **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.

6. **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.

/s/
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