

FY 2002 Accounting of Drug Control Funds

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Background

The accompanying report presents for the Congress the Fiscal Year 2002 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 statutory provision, ONDCP issued to all drug control agencies a Circular, *Annual Accounting of Drug Control Funds*. This Circular (Tab J) defines the detailed requirements for these annual accounting reports. In addition, the law requires that these 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.

FY 2002 ACCOUNTING OF DRUG CONTROL FUNDS

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 2002 drug control obligations were presented other than in compliance with criteria established by the Circular.

Table: Compliance and Attestation

Department/Bureau	Compliance w/ONDCP Circular	OIG/ Independent Auditor Attestation Review Pass/Fail
Defense ¹	Yes	Pass
Education	Yes	Pass
Health and Human Services:		
NIDA ²	No	Pass
SAMHSA ³	No	Pass
Justice:		
BOP	Yes	Pass
DEA	Yes	Pass
INS ⁴	Yes	Pass
OJP	Yes	Pass
OCDETF	Yes	Pass
Small Business Administration ⁵	Yes	n.a.
State	Yes	Pass
Transportation:		
U.S. Coast Guard	Yes	Pass
Treasury:		
U.S. Customs Service	Yes	Pass
ICDE	Yes	Pass
Veterans Affairs	Yes	Pass

¹The DoD did not submit the report not in accordance with the ONDCP Circular because obligations lacked a financial plan. However, the May 2002 Circulars required only the multi-agency agencies (DHS, Coast Guard, Customs and Veterans Health Administration) to submit financial plans.

²Although NIDA accurately reported the Obligations by Budget Decision Unit (OBDU), it inaccurately asserted that the OBDUs were the actual obligations from the NIH financial accounting systems. According to the CFO, NIDA used its own database system, not the NIH financial accounting systems, to determine the OBDUs. Also disclosures for *Drug Methodology*, *Methodology Modifications*, *Material Weaknesses or Other Findings*, and *Other Disclosures* did not accompany the Table as required by the Circular. Instead, NIDA commingled its disclosures in the narrative section required for its assertions that preceded its table of Drug Control Obligations.

³SAMHSA report was drafted and signed by an appropriate official, but was marked draft. SAMHSA official stated that the word draft should have been removed before the report issued. Changes to the methodology for reporting program commitments were not disclosed as required by the Circular. Also the source SAMHSA cited for the drug control obligations reported in its Table was not accurate. The obligations were obtained from various Program Support Center Core Accounting System systems, not the RTI2 report cited.

⁴The INS did not disclose the quantitative differences between the amounts reported using the new drug obligation methodology and the amounts that would have been reported under the old methodology.

⁵Under the Circular, agency submitted an alternative report because the requirements created an unreasonable burden. The alternative report was not subject to an attestation review.

FY 2002 ACCOUNTING OF DRUG CONTROL FUNDS

Summary of Agency Reports

Department of Defense (DoD): DoD submitted a detailed accounting of FY 2002 drug control funds, found at Tab C. This report includes management's assertions, an obligation table, an explanation of the drug methodology and internal reprogramming process, as well as the OIG's attestation review. The submission by Defense is in compliance with the ONDCP Circular.¹ Although the OIG could not attest to the amounts in the report, they did attest that the methodology described was the actual methodology used to generate those amounts. 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.

OIG did not attest to the amounts provided by DoD because those amounts were compiled manually by the Office of the DASD(CN) from data submitted by the Military Departments and other DoD agencies. The Services/Defense Agencies provide monthly obligation reports by project code to the Office of the Deputy Assistant Secretary of Defense for Counternarcotics (CN). The monthly obligation reports provided include obligation and expenditure data by project code, not down to the specific drug control function. In compliance with ONDCP's Circular, these data were reported as percentages for each project code.

ONDCP reports within the National Drug Control Strategy the amount of funds appropriated to the Counterdrug Central Transfer Account (CTA). The CTA accounts for all counterdrug resources for the Department of Defense with the exception of OPTEMPO and Active Duty MILPERS. Neither account is required under the revised National Drug Control Budget.

Department of Education: Education submitted a detailed accounting of FY 2002 drug control funds, found at Tab D. This report consists of a summary of previous year drug control obligations, program descriptions, disclosures, and assertions concerning the Safe and Drug-Free Schools and Communities (SDFSC) program. The submission by Education met all requirements established by ONDCP's Circular and the Inspector General found nothing to cause them to question Management's Assertions.

Education did not have any methodological modifications to disclose, nor did it report any material weaknesses that would affect the presentation of fiscal year 2002 drug-related obligations. However, the budgetary resources in the report include funds that did not support drug control activities—some of the funds support violence prevention and school safety activities that have no drug control-related nexus. Additionally, \$5.2 million of the SDFSC program funds include alcohol and other drug prevention projects for students enrolled in institutions of higher education. For college students 21 years of age or older, alcohol is a legal

¹ Note: The DoD IG found the report was not in accordance with the ONDCP Circular because obligations lacked a financial plan. ONDCP Circulars dated May 2002 required financial plans only from those agencies in which the relevant budget decision unit performed multiple missions, including both drug control and non-drug control missions. These agencies are INS, Coast Guard, Customs and the Veterans Health Administration.

drug. Consequently, any such students serviced by the program would fall outside the scope of the *National Drug Control Strategy*.

Department of Health and Human Services (HHS):

HHS submitted a detailed accounting of FY 2002 drug control funds, described below and found at Tab F.

National Institute on Drug Abuse (NIDA):

The submission for NIDA did not meet all requirements established by ONDCP's Circular because they did not present disclosures for Drug Methodology, Methodology Modifications, Material Weaknesses or Other Findings, and Other Disclosures as a separate exhibit. Instead, NIDA commingled its disclosures in the narrative section required for its assertions. The Inspector General found no material weaknesses and nothing in the NIDA submission to cause them to question Management's Assertions. However, although NIDA accurately reported the *Obligations by Budget Decision Unit (OBDU)*, the OIG noted that NIDA inaccurately asserted that the *OBDU* were the actual obligations from the National Institutes of Health (NIH) financial accounting system. In fact, NIDA used its own database system to determine the *OBDU*, not the NIH financial accounting system.

Substance Abuse and Mental Health Services Administration (SAMHSA):

SAMHSA did not meet all the requirements of the ONDCP Circular as noted below by the OIG. OIG reviewed the detailed accounting report submitted by SAMHSA and found nothing to indicate that management's assertions were not fairly stated, in all material respects. However, OIG found three issues of concern. First, the report submitted was marked "Draft." A SAMHSA official told the OIG that this marking should have been removed before the report was issued, but was not. Second, the source SAMHSA cited for the drug control obligations reported in its *Table* was not accurate. Drug control obligations were obtained from various Program Support Center (PSC) Core Accounting System (CAS) reports, not the B332 report cited. As a result, its assertions for *Drug Methodology* and *Application of Drug Methodology* as well as its disclosure for *Drug Methodology* were not accurate. Finally, SAMHSA changed its methodology for reporting program management without making the disclosures required by the Circular. Prior to FY 2002, SAMHSA did not report its program management Budget Decision Unit (BDU) at 100 percent. Under the ONDCP Circular issued May 30, 2002, all agencies are to report *Obligations by BDU* at 100 percent unless otherwise stated. The methodology change was not disclosed by SAMHSA, nor was the effect reported on drug control obligations.

Department of Justice (DOJ):

DOJ drug control agencies were in compliance with the ONDCP Circular. The accounting of FY 2002 drug control funds is described below and found at Tab D.

Bureau of Prisons (BOP):

BOP's disclosure no. 2 noted that the overall methodology to calculate drug control obligations has been modified. Under the new methodology, the BOP reports only direct obligations associated with Drug Treatment Programs. Previously, the BOP's Drug Control Budget was the percentage of the total budget. FY 2002 Drug Control Obligations include only those funds directly associated with treatment. No material weaknesses were reported relating to the accounting of obligations.

Drug Enforcement Administration (DEA):

DEA's accounting system tracks obligation data by a variety of attributes but does not track activities by ONDCP goal or function. Each program is evaluated to determine the ONDCP function it supports, and the corresponding obligations are prorated accordingly. The most recent audit of DEA's FY 2002 financial statements indicated that previously reported material weaknesses had improved significantly and were reduced in severity to reportable conditions. Disclosure no. 4 describes a number of reprogrammings and transfers for FY 2002.

Immigration and Naturalization Service (INS):

The OIG reported no material weaknesses or other findings related to the accounting of FY 2002 obligations. However, the INS did not disclose the quantitative differences between the amounts reported using the new methodology and the amounts that would have been reported under the old methodology. The overall calculation of drug control obligations was modified based on the May 30, 2002 ONDCP Circular, Drug Control Accounting. Under the new guidance, Border Patrol is the only decision unit scored as drug-related. Previously, the Inspections, Investigations, Detention and Removal, Intelligence, Training, Data and Communications, and Breached Bond/Detention Fund were also scored as partially drug-related.

Office of Justice Programs (OJP):

The OIG reported no material weaknesses or other findings related to the accounting of obligations. OJP has revised their drug control methodology to conform with the revised ONDCP guidance, which requires OJP to report 100 percent of the obligations related only to the eight programs, or decision units, specified by the ONDCP Circular, *Budget Formulation*, May 30, 2002. Disclosure no. 4 identifies the transfer of the Southwest Border Prosecution Program from COPS to OJP.

Organized Crime Drug Enforcement Task Forces (OCDETF):

The OIG reported that nothing came to their attention that lead them to believe that OCDETF's financial statement and related disclosures are not presented in all material respects in conformity with ONDCP's Circular.

Small Business Administration (SBA): SBA submitted a less comprehensive report (located at Tab E), citing that full compliance with the ONDCP Circular would create an unreasonable burden. The report included obligations of prevention and education funds related to the Drug-Free Workplace Act.

Department of State: State submitted a detailed accounting of FY 2002 drug control funds, found at Tab F. The report includes a letter from the CFO, OIG attestations, and material from the Bureau for International Narcotics and Law Enforcement Affairs (INL). In previous years the department reported on two other areas in addition to INL: certain non-broadcast Public Diplomacy functions, and the limited drug control activity in the Emergencies in the Diplomatic and Consular Services account. Based on the restructuring of the National Drug Control Budget described in the ONDCP Circular dated May 30, 2002, the department's report for FY 2002 addresses only the INL drug control program. State's submission fully complies with the Circular and was comprehensive in both its details and management assertions. On review, the Inspector General asserted that all material reliably represents the FY 2002 obligation data presented to ONDCP.

Department of Transportation: The United States Coast Guard submitted a detailed FY 2002 accounting report (located in Tab G-1) that adequately addresses each of the elements required by the Circular. The Office of the Inspector General did not report any negative findings.

Department of the Treasury:

Both the U.S. Customs Service and the Interagency Crime and Drug Enforcement were in compliance with the ONDCP Circular. The accounting of FY 2002 drug control funds is described below and found at Tab H.

U.S. Customs Service (USCS):

USCS submitted a detailed accounting of drug control expenditures for fiscal year 2002. The report complied with all requirements of the ONCP Circular. The Office of the Inspector General reported no material weaknesses, reprogramming or transfers, or other disclosures.

Interagency Crime and Drug Enforcement (ICDE):

Management of ICDE obligates drug control resources through reimbursable agreements ICDE has entered into with ATF, Customs, and IRS-CI. 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 offices. ICDE reported no methodological modifications and no disclosures. OIG reported no material weaknesses in the report.

Department of Veterans Affairs (VA): Although the VA transmittal letter and the OIG attestation letter identify the fiscal year as 2003, ONDCP has confirmed with the OIG that all

account data referred to as FY 2003 is actually for FY 2002. Wherever the report refers to FY 2003 it should be assumed to be FY 2002. The VA submission was in compliance with the ONDCP Circular. The accounting of FY 2002 drug control funds is described below and found at Tab 1.

The OIG concluded that estimated obligations of \$639.2 million reported for FY 2002 are reliable because patient counts could be verified. However, concerns relating to the unreliability of cost accounting data produced by VA financial systems have not been satisfied. The OIG also noted that all drug related activities are not reflected in the drug methodology. Except for these elements, nothing came to their attention that caused them to believe that the detailed accounting submission is not presented in conformity with the ONDCP reporting methodology.

VA's drug cost methodology acquired drug control-related costs from VA's Cost Distribution Report (CDR) system. The Department concedes that this accounting system has been shown to produce inconsistent and unreliable data. They intend to eventually replace the CDR system with a more accurate Decision Support System.



Department of Defense

FY 2002 Accounting of Drug Control Funds



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301-2500

03 JAN 2002

SPECIAL OPERATIONS/
LOW-INTENSITY CONFLICT

Mr. David J. Rivait
Associate Director
Office of Programs, Budget, Research and Evaluations
Office of National Drug Control Policy
750 17th Street, NW
Washington, DC 20503

Dear Mr. Rivait:

As the Department of Defense Deputy Assistant Secretary of Defense for Counterterrorism, I assert that the drug methodology used to calculate obligations by drug control function of Fiscal Year 2002 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.

Sincerely,

André D. Hollis
Deputy Assistant Secretary of Defense for
Counterterrorism

Enclosures:
As stated

CF
DODIG

FY 2002 Accounting of Drug Control Funds



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

January 30, 2003

MEMORANDUM FOR THE DEPUTY ASSISTANT SECRETARY OF DEFENSE (COUNTERNARCOTICS)

SUBJECT: Attestation Review of the January 3, 2003, DoD FY 2002 Drug Control Obligations Report

We are providing this memorandum in response to Public Law 105-277, "The Office of National Drug Control Policy Reauthorization Act." The law requires DoD to prepare a detailed accounting of funds expended on the National Drug Control Program and for the Office of the Inspector General of the Department of Defense (OIG DoD) to authenticate the detailed accounting before submission of such accounting to the Director, Office of National Drug Control Policy (ONDCP). ONDCP Circular, "Drug Control Accounting," May 30, 2002, provides the policies and procedures to be used in conducting a detailed accounting and authentication of the DoD funds expended on National Drug Control Program activities. The ONDCP Circular requires the OIG DoD to express a conclusion about the reliability of each assertion made in the report.

The Deputy Assistant Secretary of Defense (Counternarcotics) (DASD(CN)) provided that detailed accounting in a letter dated January 3, 2003, (the Report), which we reviewed in accordance with the ONDCP Circular. We compared the obligations in Tab A of the Report with the financial plan in the ONDCP National Drug Control Strategy Budget Summary, February 2002; reviewed management assertions on the methodology used to calculate the obligations included in Tab A; and reviewed reprogramming and transfer actions. We visited 13 sites within the Military Departments that obligated \$351.2 million of the \$818.9 million (about 42.9 percent) reported in Tab A. We performed our attestation review in accordance with the "Statements on Standards for Attestation Engagements" established by the American Institute of Certified Public Accountants. An attestation review is substantially less in scope than an examination, the objective of which is an expression of an opinion. Accordingly, we do not express such an opinion on the Report.


We cannot attest to the amounts in Tab A of the Report because those amounts were compiled manually by the Office of the DASD(CN) from data submitted by the Military Departments and other DoD agencies (DoD Components). In addition, the Report includes two functional areas that are not identified in the ONDCP National Drug Control Strategy Budget Summary. DoD National Drug Control Funds are managed through the DoD Central Transfer Account. Those funds are reprogrammed from the Central Transfer Account to DoD Components for execution by project code. DoD Components recorded their obligations in their own accounting systems, which fed into the official DoD accounting systems, and also in their own localized databases. DoD Components provided year-end obligation reports by project code to DASD(CN). DASD(CN) compared the reports to the funding provided to each Component and then consolidated them into one obligation report. In order to prepare and present the obligations by functional area, in compliance with ONDCP reporting requirements, DASD(CN)

applied percentages to each project code in the consolidated report to compute the amounts reported in Tab A. Although we cannot attest to the amounts in Tab A of the Report, we can attest that the methodology described in Tab B of the Report was the actual methodology used to generate those amounts.

The Report does not include all of the assertions required by the ONDCP circular. Specifically, the Report does not include the assertion that the data presented in Tab A are associated with obligations against a financial plan that fully complied with all fund control notices issued by ONDCP under section 1703(f), title 21, United States Code.

Although the Office of the DASD(CN) used percentages to calculate the obligations reported in Tab A, which also included two additional functional areas, and omitted a required assertion, nothing came to our attention during our review that caused us to believe that management assertions do not provide a reasonable basis for the obligation amounts reported in Tab A or that the obligations reported were used for purposes other than to support the National Drug Control Program.

We appreciate the courtesies extended to the review team. Questions on this review should be directed to Mr. Dennis E. Payne at (703) 604-8907 (DSN 664-8907) or Mr. Albert L. Patten at (703) 604-8779 (DSN 664-8779).


David R. Steensma
Deputy Assistant Inspector General
for Auditing

Attachment
The Report


Associate Director for Planning and Budget, ONDCP

FY 2002 Accounting of Drug Control Funds

CENTRAL TRANSFER ACCOUNT (in thousands)

	<u>FY02</u>
Intelligence	116,005
Interdiction	368,860
Investigative	65,303
Prevention	106,159
R&D	18,359
State & Local Assistance	138,398
Treatment	5,807
Total	818,891 *

*This total includes obligations for Plan Colombia. Of the \$300.6 million appropriated for plan Colombia in the FY 2000 Emergency Supplemental, \$186.4 was allocated in FY 2000, \$103.3 million was allocated in FY 2001, and \$10.9 million was allocated in FY 2002.

DRUG RESOURCES PERSONNEL SUMMARY

Total FTEs	<u>1,373</u>
	1,373

DRUG METHODOLOGY

Central Transfer Account

The Counterdrug Central Transfer Account (CTA) was established in PBD 878 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 Counterdrugs and forwarded to DoD Comptroller. Funds are reprogrammed to the applicable appropriation/budget activity at the Service/Defense Agency by project (e.g. Navy's Fleet Support, Ground Based Radars, Counterdrug RDT&E). The internal reprogramming (IR) action requires no congressional notification/approval. Attachment (1) outlines the sequence of events in a normal internal reprogramming process.

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

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

FY 2002 Accounting of Drug Control Funds

The Services/Defense Agencies provide monthly obligation reports by project code to the Office of the Deputy Assistant Secretary of Defense for Countermeasures (CN). 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 drug control function. In order to comply with ONDCP's circular and provide obligation data by function, it was necessary to use percentages for each project code.



THE
U.S. Department of
EDUCATION



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE DEPUTY SECRETARY

JAN 31 2003

John P. Walters
Director
Office of National Drug Control Policy
Executive Office of the President
Washington, D.C. 20500

Dear Mr. Walters:

In accordance with Section 1704(d) of Title 21 United States Code, enclosed please find a detailed accounting of all fiscal year 2002 Department of Education drug control funds, along with the Department of Education Deputy Inspector General's authentication of this accounting, consistent with the instructions in ONDCP Circular *Drug Control Accounting*, dated May 30, 2002.

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 2002 Drug Control Funds*, dated January 23, 2003

Enclosure # 2: Authentication letter from Deputy Inspector General Thomas A. Carter, dated January 30, 2003

cc: Thomas A. Carter



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

Office of Inspector General's Independent Report on the U.S. Department of Education's
Detailed Accounting of Fiscal Year 2002 Drug Control Funds, dated January 23, 2003.

We have reviewed management's assertions contained in the accompanying detailed accounting, titled *U.S. Department of Education's Detailed Accounting of Fiscal Year 2002 Drug Control Funds* and dated January 23, 2003 (the Accounting). The U.S. Department of Education's (management) is responsible for the Accounting and the assertions contained therein.

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. Accordingly, we do not express such an opinion.

We performed review procedures on the "Table of Prior Year Drug Control Obligations," "Disclosures," and "Assertions" contained in the accompanying Accounting. We did not review the "Program Descriptions" contained in the accompanying Accounting. In general, our review procedures were limited to inquiries and analytical procedures appropriate for our review engagement.

Based on our review, nothing came to our attention that caused us to believe that management's assertions, contained in the accompanying Accounting, are not fairly stated, in all material respects, based upon the Office of National Drug Control Policy Circular: *Drug Control Accounting*, dated May 30, 2002.

A handwritten signature in black ink, appearing to read "Thomas A. Carter".

Thomas A. Carter
Deputy Inspector General

January 30, 2003

DEPARTMENT OF EDUCATION



DETAILED ACCOUNTING OF FISCAL YEAR 2002 DRUG CONTROL FUNDS

IN SUPPORT OF THE
NATIONAL DRUG CONTROL STRATEGY

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

JANUARY 23, 2003

FY 2002 Accounting of Drug Control Funds

DEPARTMENT OF EDUCATION

DETAILED ACCOUNTING OF FISCAL YEAR 2002 DRUG CONTROL FUNDS

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FY 2002 Accounting of Drug Control Funds



UNITED STATES DEPARTMENT OF EDUCATION

(OFFICE OF THE DEPUTY SECRETARY)

JAN 23 2003

Mr. John P. Higgins, Jr.
Inspector General
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202-1510

Dear Mr. Higgins:

As required by Section 1704(d) of Title 21 United States Code, enclosed please find a detailed accounting of all fiscal year 2002 Department of Education drug control funds for your authentication, in accordance with the guidelines in Office of National Drug Control Policy (ONDCP) Circular *Drug Control Accounting*, dated May 30, 2002.

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, 2003, if possible. Please do not hesitate to contact me if you have any questions about the enclosed information.

Sincerely,

A handwritten signature in cursive script that reads "Thomas P. Skully".

Thomas P. Skully
Director, Budget Service

400 MARYLAND AVENUE, S.W., WASHINGTON, D.C. 20202-1510
202-755-5000

Our mission is to ensure quality education for all children and to promote educational excellence throughout the Nation.

FY 2002 Accounting of Drug Control Funds

TABLE OF PRIOR YEAR DRUG CONTROL OBLIGATIONS

	Fiscal Year 2002 Obligations (in \$ millions)
<u>Drug Resources by Function</u>	
Prevention	\$657,445
Total	657,445
 <u>Drug Resources by Decision Unit</u>	
Office of Elementary and Secondary Education Safe and Drug-Free Schools and Communities	
SDFSC State Grants	489,897 ¹
SDFSC National Programs:	
Federal Activities	125,048
National Coordinator Program	37,500
Alcohol Abuse Reduction	25,000
Subtotal, SDFSC National Programs	187,548
Total, OESE	657,445

¹ Excludes \$0.202 million in fiscal year 2002 obligations that were originally obligated in fiscal year 2001, recognized (absorbed) in fiscal year 2002, and reobligated in fiscal year 2002.

PROGRAM DESCRIPTIONS

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. In fiscal year 2002, the SDFSC program was administered by the Department's Office of Elementary and Secondary Education (OESE). The SDFSC program provides funding for research-based approaches to drug and violence prevention that support the *National Drug Control Strategy*. 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.

SDFSC State Grants

SDFSC State Grant funds are allocated by formula to States and Territories, half on the basis of school-aged population and half on the basis of each State's share, for the prior year, of Federal funds for "concentration grants to local educational agencies (LEAs) for improving the academic achievement of disadvantaged students" under section 1124A of Title I of the Elementary and Secondary Education Act (ESEA). Generally, Governors received 20 percent, and State educational agencies (SEAs) 80 percent, of each State's allocation. SEAs are required to subgrant at least 93 percent of their allocations to LEAs; these subgrants are based 60 percent on LEA shares of prior-year funding under Part A of title I of the ESEA, and 40 percent on enrollment. LEAs may use their SDFSC State Grant funds for a wide variety of activities to prevent or reduce violence and delinquency and the use, possession, and distribution of illegal drugs, and thereby foster a safe and drug-free learning environment that supports academic

achievement. Governors may use their funds to award competitive grants and contracts to LEAs, community-based organizations, and other public and private organizations for activities to provide safe, orderly, and drug-free schools and communities through programs and activities that complement and support activities of LEAs.

SDFSC National Programs

SDFSC National Programs authorizes funding for several programs or activities to help promote safe and drug-free learning environments for students and address the needs of troubled or at-risk youth, including Federal Activities (a broad discretionary authority that permits the Secretary to carry out a wide variety of activities designed to prevent the illegal use of drugs and violence among, and promote safety and discipline for, students); a National Coordinator Program, which primarily supports grants to LEAs to enable them to recruit, hire, and train individuals to serve as drug prevention and school safety coordinators in schools with significant drug and school safety problems; and an Alcohol Abuse Reduction Program to assist school districts in implementing innovative and effective programs to reduce alcohol abuse in secondary schools. SDFSC National Programs also authorizes (1) State grants for community service for expelled or suspended students, (2) mentoring programs, and (3) Project SERV (School Emergency Response to Violence, which is a crisis response program that provides education-related services to LEAs in which the learning environment has been disrupted due to a violent or traumatic crisis), all of which made obligations of funds in fiscal year 2002. However, as explained in the discussion of drug budget methodology below, funds for these three appropriation line items are not included in the ONDCP drug budget, and therefore they are not included in this obligations report.

DISCLOSURES

Drug Methodology

Consistent with the May 2002 ONDCP restructuring of the national drug control budget, this accounting submission includes 100 percent of all fiscal year 2002 obligations of funds under the Safe and Drug-Free Schools and Communities (SDFSC) Act, with the exception of those SDFSC National Programs that, by statute, have no clear drug control nexus. Accordingly, the amounts in the enclosed table of prior year drug control obligations include funding for the Federal Activities, National Coordinator Program, and Alcohol Abuse Reduction appropriations line items of SDFSC National Programs; but exclude obligations of funds for SDFSC Community Service State Grants, Mentoring Programs, and Project SERV (School Emergency Response to Violence).

Obligations by Drug Control Function

All obligations of funds for the SDFSC program shown in the table on page 2 of this report fall under the ONDCP drug control function category of prevention, which is the same functional category under which the budgetary resources for the SDFSC program are displayed for the Department of Education in the annual *National Drug Control Budget Summary* issued by ONDCP that accompanies the President's budget and the *National Drug Control Strategy*.

Obligations by Budget Decision Unit

All obligations of funds for the SDFSC program in the table on page 2 of this report are shown under Office of Elementary and Secondary Education (OESE) as the budget decision unit.

FY 2002 Accounting of Drug Control Funds

OESE is the same decision unit under which the budgetary resources for the SDFSC program are displayed for the Department of Education by ONDCP in the fiscal year 2002 *National Drug Control Budget Summary* and the fiscal year 2003 *National Drug Control Budget Summary* that accompanied the 2002 and 2003 President's budgets in support of the *National Drug Control Strategy*. In these years OESE was named the budget decision unit for the SDFSC program, because it is the organizational unit within the Department equivalent to the bureau level of other drug control agencies at which the initial formulation of the Department's drug prevention budget falls under the scope of ONDCP review and certification, pursuant to the Office of National Drug Control Policy Reauthorization Act of 1998, and the corresponding ONDCP Circulars, *Budget Formulation* (dated May 30, 2002), and *Budget Instructions and Certification Procedures* (dated May 5, 1998). Also, aside from a very few exceptions in fiscal year 2002 where specific SDFSC activities or responsibilities were assigned to be carried out by other Department of Education offices, the SDFSC program was administered by staff in OESE.

It should be noted, however, that fiscal year 2002 obligations of SDFSC funds in the amount of \$150,000 were incurred, on behalf of OESE, by the Department's Office of Special Education and Rehabilitative Services (OSERS); and, furthermore, that neither OSERS (which is not part of OESE), nor OESE, maintains its own accounting system separate from the Department's central accounting system. Consequently, this report displays all fiscal year 2002 obligations of SDFSC funds under the OESE drug budget decision unit.

More recently, under a Department of Education reorganization effective December 16, 2002, the SDFSC program is no longer administered by OESE, but by a newly created Office of Safe and Drug-Free Schools (OSDFS). Accordingly, beginning with the display of the *National Drug Control Budget Summary* that accompanies the 2004 President's budget, OSDFS will replace OESE as the Department of Education's drug budget decision unit.

Methodology Modifications

The Department does not have any drug control budget methodological modifications to disclose. We note, however, that the Department's fiscal year 2001 *Detailed Accounting of Drug Control Funds* was prepared pursuant to the ONDCP Circular *Annual Accounting of Drug Control Funds* dated December 17, 1999, while the fiscal year 2002 *Detailed Accounting of Drug Control Funds* was prepared pursuant to the revised ONDCP Circular *Drug Control Accounting* dated May 30, 2002. The revised Circular requires that the Department's fiscal year 2002 accounting of drug control funds be aligned with ONDCP's May 2002 restructuring of the national drug control budget. Accordingly, the drug budget methodology disclosed above for the Department of Education is consistent with the May 2002 ONDCP restructuring of the national drug control budget, and, as a result, this methodology is slightly different from the methodology used to prepare the Department's fiscal year 2001 *Detailed Accounting of Drug Control Funds*.

Material Weaknesses or Other Findings

The Department does not have any material weaknesses to disclose that affect the presentation of fiscal year 2002 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 (i) reprogrammings or transfers of drug-related budgetary resources in the Department of Education in fiscal year 2002.

Other Disclosures

The Department acknowledges the following limitations in the methodology described above for deriving the obligations of fiscal year 2002 drug control funds attributable to the SDFSC program:

- Although the budgetary resources in this report include 100 percent of obligations for SDFSC State Grants, 100 percent of obligations for SDFSC Federal Activities (exclusive of Project SERV), and 100 percent of obligations for the SDFSC National Coordinator Program, not all obligations of funds for these SDFSC programs support drug prevention activities — some of these funds support violence prevention and school safety activities that have no drug control-related nexus.
- Approximately \$5.2 million of the SDFSC National Programs funds included in the resource summary of this report (less than 1 percent of total fiscal year 2002 SDFSC reported drug control obligations) supports alcohol and other drug prevention projects 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*.

ASSERTIONS

Obligations by Decision Unit

The fiscal year 2002 obligations of drug control funds shown in this report for the OESE drug budget decision unit are the actual 2002 obligations of funds from the Department's accounting system of record for the SDFSC program. As disclosed on page 4 of this report, OESE does not have its own accounting system separate from the Department's central accounting system, and the table on page 2 of this report displays 100 percent of the Department's fiscal year 2002 obligations of SDFSC funds under the OESE drug budget decision unit, even though a small amount of fiscal year 2002 obligations of SDFSC funds was incurred by a Department of Education office outside of OESE.

Drug Methodology

The methodology used to calculate the fiscal year 2002 obligations of drug prevention funds presented in this report is reasonably accurate, to the extent that: (1) the methodology captures all of the obligations of funds under the SDFSC program that reasonably have a drug control-related nexus, and (2) these obligations of funds correspond directly to the display of resources for the SDFSC program in the Department's budget justifications to Congress that accompany the President's budget.

Data

No workload or other statistical information was applied in the methodology used to generate the fiscal year 2002 obligations of drug control funds presented in the table on page 2 of this report.

Other Estimation Methods

Where assumptions based on professional judgment were used as part of the drug methodology, the association between these assumptions and the drug control obligations being estimated is thoroughly explained and documented in the drug methodology disclosure on page 3 and in the other disclosures on page 5 of this accounting report.

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 Drug Methodology

The methodology disclosed in the narrative of this report was, indeed, the actual methodology used to generate the fiscal year 2002 obligations of drug control funds presented in the table on page 2.

Reprogrammings or Transfers

There were no reprogrammings or transfers of Department of Education drug control funds in fiscal year 2002; 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.

Fund Control Notices

The Director of ONDCP has never issued to the Department of Education any Fund Control Notices under 21 U.S.C. 1703(f) or Section 7 of the ONDCP Circular, Budget Execution, dated May 30, 2002. Therefore, the required assertion that the data presented in this report accurately reflect obligations of drug control funds that comply with all such Fund Control Notices is not applicable.



FY 2002 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

APR 17 2002

Mr. David J. Rivait
Acting Associate Director
Office of Planning and Budget
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Rivait:

Enclosed are the detailed accounting submissions with IG authentications for the Department of Health and Human Services for Fiscal Year 2002 as required by the ONDCP Circular entitled *Annual Accounting of Drug Control Funds*. If you have any questions, please contact Jean Augustine, Director, Office of Audit Resolution and Cost Policy at (202) 401-2804 or jean.augustine@dhs.gov.

Sincerely,


George Stratos
Deputy Chief Financial Officer

Enclosures

Notices

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the awarding agency will make final determination on these matters.



Department of Health and Human Services
OFFICE OF
INSPECTOR GENERAL

ATTESTATION REVIEW

NATIONAL INSTITUTE
ON DRUG ABUSE
DRUG CONTROL ACCOUNTING
REPORT FOR FISCAL YEAR 2002

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JANET REHNQUIST
Inspector General

April 2003
H-03-03-00368

FY 2002 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES


Office of Inspector General

Warning - This report contains restricted information for official use.

Washington, D.C. 20001

APR - 8 2003

To: Donna Jones
Chief Financial Officer
National Institute on Drug Abuse
National Institutes of Health

From: 
George M. Reeb
Acting Deputy Inspector General
for Audit Services

Subject: Attestation Review: National Institute on Drug Abuse Drug Control Accounting Report for Fiscal Year 2002 (A-03-03-00368)

The purpose of this report is to provide you the results of our attestation review of the National Institute on Drug Abuse (NIDA) drug control accounting report for Fiscal Year (FY) 2002. Our attestation 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 to express an opinion on management's assertions contained in its report; accordingly, we do not express such an opinion. We reviewed the attached revised NIDA report entitled, *Assertions Concerning Annual Accounting of Drug Control Funds*, dated March 4, 2003. The report is the responsibility of NIDA's management, and was prepared by NIDA under the authority of 21 U.S.C. Section 1704(d) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Drug Control Accounting, dated May 30, 2002.

IG's CONCLUSION

Nothing came to our attention that caused us to believe that management's assertions were not fairly stated, in all material respects. We did note two issues, as contained in the section below entitled *ISSUES*, that needed to be disclosed.

NIDA'S REPORT

The NIDA report included a *Table of Prior Year Drug Control Obligations (Table)* for FY 2002 that reported obligations totaling approximately \$893 million.

We performed review procedures on NIDA's Table and the related assertions and disclosures. In general, our review procedures were limited to inquiries and analytical procedures appropriate for our attestation review.

Insufficiency is limited to unauthorized officials.

ISSUES

We noted the following two issues with *NIDA's Drug Control Accounting Report for FY 2002*:

✓ *Assertion For Obligations By Budget Decision Unit Was Inaccurate*

Although NIDA accurately reported the *Obligations by Budget Decision Unit (OBDU)*, it inaccurately asserted that the *OBDU* were the actual obligations from the NIH financial accounting system. According to the Chief Financial Officer, NIDA used its own database system known as "NEPS," NIDA Extramural Project System, to determine the *OBDU*, not the NIH financial accounting system.

✓ *Disclosures Did Not Accompany Table as Separate Exhibits*

The NIDA did not present disclosures for *Drug Methodology*,¹ *Methodology Modifications*, *Material Weaknesses or Other Findings*, and *Other Disclosures* accompanying its *Table* as required. Instead, NIDA commingled its disclosures in the narrative section required for its assertions that preceded its *Table*.

This report is intended solely for the information and use of the Congress, ONDCP, and NIDA, and is not intended to be, and should not be, used by anyone other than these specific parties. If you have questions or comments, contact us or have your staff call Stephen Virtsinsky, Regional Inspector General for Audit Services, at (215) 861-4470.

Attachment

¹ The ONDCP review specifically required 4 separate exhibits for the *Drug Methodology* disclosure.

(Distribution is limited to authorized officials.)

ACKNOWLEDGMENTS

This report was prepared under the direction of Stephen Virbitsky, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

Bert Anker, *Auditor*
Dan Spears, *Auditor-In-Charge*
William Hardy, *Auditor*

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APPENDIX

FY 2002 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

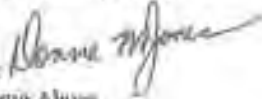
Public Health Service

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

March 4, 2005

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: 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," I make the following assertions regarding the attached annual accounting of drug control funds:

Obligations by Budget Decision Unit

I assert that obligations reported by budget decision unit are the actual obligations from the NIH financial accounting system for this budget decision unit.

Drug Methodology

I assert that the drug methodology used to calculate obligations of prior year budgetary resources by function for the institute was reasonable and accurate in accordance with the criteria listed in Section 6b(2) of the Circular. In accordance with these criteria, I have documented data which support the drug methodology, explained and documented other estimation methods (the assumptions for which are subject to periodic review) and determined that the financial systems supporting the drug methodology yield data that present fairly, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.

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

FY 2002 actual obligations were determined by identifying NIDA support for projects that address drug prevention and treatment. Projects for inclusion in the ONDCP budget are identified from the NIDA coding system and database known as the "NEPS" system.

FY 2002 Accounting of Drug Control Funds

(NIDA Extramural Project System). Data are entered into this system by program staff. 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 reduce the abuse of drugs and their consequences. NIDA's comprehensive research portfolio addresses a broad range of drug abuse and addiction issues, ranging from the support of fundamental neurobiology to clinic-based research. As our Nation looks for science-based approaches to enhance its prevention and treatment efforts, NIDA's broad portfolio and its continuing efforts to work with other Agencies and NIH Institutes on a variety of transdisciplinary issues will provide the tools necessary to move these efforts forward. Research serves as the cornerstone of NIDA's efforts to disseminate research information and educate health professionals and the public, especially our Nation's youth, about the factors influencing drug use, its consequences, and about science-based and tested treatment and prevention techniques. These research and dissemination efforts to develop, test, and disseminate information on the basis of addiction, its consequences, and enhanced therapeutic techniques support the ONDCP Goal 3 (treatment). Efforts to enhance the science base and disseminate information on the factors that inhibit and facilitate drug use and its progression to addiction and other health consequences, and on science-based approaches for prevention interventions support the ONDCP Goal 1 (prevention).

NIDA obligations are allocated between prevention and treatment research based on the professional judgment of scientific program officials on specific grant and contract projects. These scientists review the grant application, project purpose and methodology, and/or progress report to determine whether the project meets NIDA's criteria for categorization as prevention or as treatment research. Projects are coded and entered into the NEPS system prior to funding.

The total \$892,639,000 is the actual amount obligated and reconciles to the NIDA Database system. The total of \$892,639,000 does not reconcile to the FY 2002 column of the FY 2003 Congressional Justification (CJ). This is because the FY 2002 column of the FY 2003 CJ does not include (1) a real transfer of \$6,880,000 from ONDCP to NIDA, (2) a \$1,015,000 rescission and (3) a reduction of \$959,000 for the Secretary's one-percent transfer, and (4) an additional \$3,205,000 for accrued costs. These adjustments to the FY 2002 column are determined by the NIH and OMB.

Application of Methodology

I assert that the drug methodology described in the preceding section was the actual methodology used to generate the table required by Section 6a. NIDA has not modified its drug methodology from the previous year. The difference between NIDA's actual obligations and the National Drug Control Strategy Budget summary number are for the same reasons described above for the FY 2002 column of the FY 2003 CJ.

FY 2002 Accounting of Drug Control Funds

Reprogrammings or Transfers

I assert that the obligation data presented are associated 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 that occurred during the fiscal year. As described above, NIDA had the following adjustments: 1) a real transfer from ONDCP to NIDA in the amount of \$6,880,000, (2) a \$1,015,000 rescission, and 3) a reduction of \$959,000 for the Secretary's one-passout transfer, and 4) a decrease of \$3,205,000 for accrued costs that were included in the FY 2002 column of the FY 2003 CJ.

Fund Control Notices

I assert that the obligation data presented are associated against a financial plan that complied fully with all Fund Control Notices issued by the Director under 21 U.S.C. 1703(f) and Section 7 of the ONDCP Circular Budget Execution, dated May 30, 2002.

FY 2002 Accounting of Drug Control Funds

**NATIONAL INSTITUTES OF HEALTH
 NATIONAL INSTITUTE ON DRUG ABUSE
 FY 2002 Actual Obligations
 (Dollars in Thousands)**

I. RESOURCE SUMMARY

	FY 2002 Actual
Drug Resources by Function:	
Prevention	348,129
Treatment	544,610
Total	892,639
Drug Resources by Decision Unit:	
Demand Reduction	892,639
Total	892,639
HDTA Transfer	
ICDE Resources	

**Differences Between Actual Obligations and the FY 02 Column of the
 FY 01 CJ and the National Drug Control Strategy Budget**

Total 2002 Col. of the FY 2002 CJ	890,938
Comparative Transfer for Accrued Costs	-3,205
Revisions After CJ	-1,015
Secretary's One-percent Transfer	-650
Rival Transfer Received From ONDCP	6,060
Total Obligations	892,639

FY 2002 Accounting of Drug Control Funds

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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

ATTESTATION REVIEW

**SUBSTANCE ABUSE AND MENTAL
HEALTH SERVICES ADMINISTRATION
DRUG CONTROL ACCOUNTING
REPORT FOR FISCAL YEAR 2002**

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JANET REHNQUIST
Inspector General

April 2003
A-03-03-00367

FY 2002 Accounting of Drug Control Funds



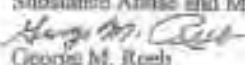
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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APH - 9 2005

To: Daryl W. Kade
Associate Administrator for Policy, Planning, and Budget
Substance Abuse and Mental Health Services Administration

From: 
George M. Roeb
Acting Deputy Inspector General
for Audit Services

Subject: Attestation Review: Substance Abuse and Mental Health Services Administration
Drug Control Accounting Report for Fiscal Year 2002 (A-03-03-00367)

The purpose of this report is to provide you the results of our attestation review of the Substance Abuse and Mental Health Services Administration (SAMHSA) drug control accounting report for Fiscal Year (FY) 2002. Our attestation 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 to express an opinion on management's assertions contained in its report; accordingly, we do not express such an opinion. We reviewed the attached SAMHSA report entitled, *Assertions Concerning Annual Accounting of Drug Control Funds*, dated December 9, 2002. The report is the responsibility of SAMHSA's management, and was prepared by SAMHSA under the authority of 21 U.S.C. Section 1704(d) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Drug Control Accounting, dated May 30, 2002.

DIG'S CONCLUSION

Nothing came to our attention that caused us to believe that management's assertions were not fairly stated, in all material respects. We did note three issues, as detailed in the section below entitled *ISSUES*, that needed to be disclosed.

SAMHSA'S REPORT

The SAMHSA report included a *Table of Five Year Drug Control Obligations (Table)* for FY 2002 that reported obligations totaling approximately \$2.3 billion.

We performed review procedures on SAMHSA's *Table* and the related assertions and disclosures. In general, our review procedures were limited to inquiries and analytical procedures appropriate for our attestation review.

Distribution is limited to authorized officials.

FY 2002 Accounting of Drug Control Funds

Page 2 - Daryl W. Kade

ISSUES

We noted the following three issues with SAMHSA's *Drug Control Accounting Report for FY 2002*:

✓ *Report Marked Draft*

The SAMHSA *Drug Control Accounting Report for FY 2002* was dated and signed by an appropriate SAMHSA official, but was marked "Draft." The SAMHSA official who prepared the report told us that "Draft" should have been removed before the report was issued, but it was not.

✓ *Inaccurate Source for Drug Control Obligations*

The source SAMHSA cited for the drug control obligations reported in its *Table* was not accurate. The drug control obligations were obtained from various Program Support Center (PSC) Core Accounting System (CAS) reports, not the B332 report cited. The SAMHSA budget technician who provided the figures for the *Table* was able to support each of the figures reported for *Obligations by Budget Decision Unit (BDU)* with reports from PSC's CAS. Because SAMHSA did not cite the correct sources for the drug control obligations reported in its *Table*, its assertions for *Drug Methodology* and *Application of Drug Methodology* as well as its disclosure for *Drug Methodology* were not accurate.

✓ *Methodology Change Not Disclosed*

The SAMHSA changed its methodology for reporting program management without making the required disclosures. The revised *ONDCP Circular* dated May 30, 2002 instructed agencies to report *Obligations by BDU* at 100 percent, unless otherwise stated. Prior to FY 2002, SAMHSA did not report its program management BDU at 100 percent. The SAMHSA did not disclose the methodology change or its effect on the reported drug control obligations as required. As a result, SAMHSA's assertion for *Application of Drug Methodology* and disclosure for *Methodology Modifications* did not meet all the requirements of the *ONDCP Circular*.

This report is intended solely for the information and use of the Congress, ONDCP, and SAMHSA, and is not intended to be, and should not be, used by anyone other than these specific parties. If you have questions or comments, please contact me or have your staff call Stephen Vitvitsky, Regional Inspector General for Audit Services, at (215) 861-4470.

Attachment

Dissemination is limited to authorized officials.

FY 2002 Accounting of Drug Control Funds

DRAFT

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

DEC -9 2002

MEMORANDUM TO: Director
Office of National Drug Control Policy

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

FROM: Associate Administrator for Policy, Planning, and Budget
Substance Abuse and Mental Health Services Administration 

SUBJECT: Assertions Concerning Drug Control Accounting

In accordance with the requirements of the Office of National Drug Control Policy Circular *Drug Control Accounting*, I make the following assertions regarding the attached annual accounting of drug control funds:

Obligations by Budget Decision Unit

I assert that obligations reported by budget decision unit are the actual obligations from SAMHSA's accounting system of record for these budget decision units, as certified by the SAMHSA CFO.

Drug Methodology

I assert that the drug methodology used to calculate obligations of prior year budgetary resources by function was reasonable and accurate in accordance with the criteria listed in Section 6h (2) of the Circular. In accordance with these criteria, I have documented/identified data which support the drug methodology, explained and documented other estimation methods (the assumptions for which are subjected to periodic review) and determined that the financial systems supporting the drug methodology yield data that present fairly, in all material respects, aggregate obligations from which drug-related obligation estimates are derived. (See Exhibit A.)

Application of Drug Methodology

I assert that the drug methodology disclosed in Exhibit A was the actual methodology used to generate the table required by Section 6h.

Reprogramming or Transfers

SAMHSA had no reportable reprogrammings or transfers in FY 2002, as certified by the SAMHSA CFO.

DRAFT

Page 2 - Director, Office of National Drug Control Policy

Fund Control Notices

I assert that the data presented are associated with obligations against a financial plan that properly reflects all changes that occurred during the fiscal year, and that complied fully with all Fund Control Notices issued by the Director under 21 U.S.C. 1703(f) and Section 7 of the ONDCP Circular, *Budget Execution*, dated May 30, 2002, as certified by the SAMHSA CFO.

Daryl W. Kado

Attachments:

Table of Prior Year Drug Control Obligations, FY 2002
Exhibit A - Drug Control Methodology

cc: Richard Kopanda, SAMHSA CFO

DRAFT

**SUBSTANCE ABUSE AND MENTAL HEALTH
SERVICES ADMINISTRATION**

**Table of Prior Year Drug Control Obligations
FY 2002
(Dollars in millions)**

Obligations by Drug Control Function

Prevention	560.3
Treatment	1,742.9
Total	\$2,303.2

Obligations by Budget/Decline Unit

Programs of Regional and National Significance	487.0
<i>Substance Abuse Prevention (Non-add)</i>	<i>(197.1)</i>
<i>Substance Abuse Treatment (Non-add)</i>	<i>(289.9)</i>
Substance Abuse Block Grant	1,725.0
Program Management	91.2
Total	\$2,303.2

DRAFT

Exhibit A

(1) **Drug Methodology** - Actual obligations of prior year drug control budgetary resources are derived from the B332 report, Object Class Report by Allowance, as provided by the Program Support Center (PSC) Core Accounting System, DHHS. Obligation details for FY 2002, as reported for the Center for Substance Abuse Prevention (CSAP), the Center for Substance Abuse Treatment (CSAT), and for SAMHSA Program Management are included in this report, and have been certified by the SAMHSA CFO.

(a) **Obligations by Drug Control Function** - SAMHSA distributes drug control funding into two functions, prevention and treatment:

Prevention: This total reflects the sum of the actual obligations for CSAP's Programs of Regional and National Significance (PRNS) direct funds; 20 percent of the actual obligations of the Substance Abuse Prevention and Treatment Block Grant (SAPTBG) funds; and 20 percent of the actual obligations of SAMHSA Program Management funds. Regarding allocation of 20 percent of the SAPTBG for the prevention function, the Public Health Service Act provides that "in expending the grant, the State involved will expend not less than 20 percent for programs for individuals who do not require treatment for substance abuse" (or, in other words, for primary prevention activities, reference Section 1922(a)(1)). For expediency and simplicity, program management actual obligations have also been allocated to the prevention function using the 20 percent factor as a proxy.

Treatment: This total reflects the sum of the actual obligations for CSAT's Programs of Regional and National Significance (PRNS) direct funds; 80 percent of the actual obligations of the Substance Abuse Prevention and Treatment Block Grant (SAPTBG) funds; and 80 percent of the funding for SAMHSA Program Management. Regarding allocation of 80 percent of the SAPTBG for the treatment function, rather than adding complexity to the allocation methodology, it has been determined and generally accepted that the full balance of 80 percent should be ascribed to the treatment function. Likewise, the 80 percent factor is also used to allocate the balance of program management obligations to the treatment function after the prevention allocation of 20 percent has been accomplished.

(b) **Obligations by Budget Decision Unit** - SAMHSA's budget decision units have been defined by Attachment B, ONDCP Circular, *Budget Formulation*, dated May 30, 2002. These units are:

- Programs of Regional and National Significance (PRNS) - Prevention (CSAP);
- Programs of Regional and National Significance (PRNS) - Treatment (CSAT);
- Substance Abuse Prevention and Treatment Block Grant (SAPTBG) - CSAT; and
- Program Management (PM) program - SAMHSA.

DRAFT

Included in this Drug Control Accounting report for FY 2002 are 100 percent of the actual obligations for these four budget decision units. Obligation data are derived from the B332 report, Object Class Report by Allowance, as provided by the Program Support Center (PSC) Core Accounting System, DHHS, and have been certified by the SAMHSA/CFQ.

- (1) **Methodology Modifications** - Consistent with the definitional changes in SAMHSA's budget decision units in the ONDCP Circular, *Budget Formulation*, dated May 30, 2002, SAMHSA has reported 100 percent of the actual obligations for the SAPTBG in this report. This is a modification from the methodology used in the FY 2001 report, which reduced the SAPTBG obligations by approximately 28.9 percent estimated for support to alcohol programs only. Had that same methodology been used for FY 2002, total obligations for the SAPTBG would be reduced by approximately \$498.5 million, for a revised obligation total of \$1,226.5 billion, split 20/80 percent between prevention and treatment.
- (2) **Material Weaknesses or Other Findings** - There were no material weaknesses identified in this program by SAMHSA or outside sources in FY 2002.
- (3) **Reprogrammings or Transfers** - SAMHSA had no reportable reprogrammings or transfers in FY 2002.
- (4) **Other Disclosures** - None.

REPORT DISTRIBUTION SCHEDULE
A-03-03-00367

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ACKNOWLEDGMENTS

This report was prepared under the direction of Stephen Virbitaky, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

Bert Anker, *Auditor*
Dan Spears, *Auditor-in-Charge*
Julian Murray, *Auditor*

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U.S. DEPARTMENT OF JUSTICE

FY 2002 Accounting of Drug Control Funds



U. S. Department of Justice

Office of the Inspector General

MAR 27 2003

Mr. David J. Rivait
Acting Associate Director
Office of Planning and Budget
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Rivait:

This letter transmits the FY 2002 attestation review reports from the U. S. Department of Justice. The five attestation review reports, along with the annual detailed accounting of funds expended by each drug control program agency is required by 21 U.S.C. § 1704(d), as implemented by the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 30, 2002.

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 K. Zimmerman".

Guy K. Zimmerman
Assistant Inspector General
for Audit

Enclosures

cc: Paul R. Cortis
Assistant Attorney General
for Administration
Chief Financial Officer
Justice Management Division

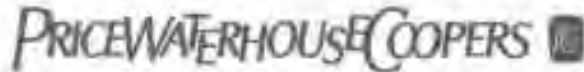
Mikki Atsatt
Special Assistant to the Director, Budget Staff
Justice Management Division

Lee Lofinus
Director, Finance Staff
Justice Management Division

Arthur Ross
Budget Analyst
Justice Management Division

BOP

Bureau of Prisons



PricewaterhouseCoopers LLP
1301 K Street, N.W. 00009
Washington, DC 20005-3331
Telephone: (202) 414 1000

REPORT OF INDEPENDENT ACCOUNTANTS

The Office of the Inspector General and the
Assistant Attorney General for Administration
United States Department of Justice

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, 2002. BOP's management is responsible for the Table of Drug Control Obligations and related disclosures.

Our review was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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, *Drug Control Accounting*, dated May 30, 2002.

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, *Drug Control Accounting*, as further described in Disclosure 1.

This report is intended solely for the information and use 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.

February 13, 2003
Washington, DC



U.S. Department of Justice

Federal Bureau of Prisons


Washington, DC 20534

**Bureau of Prisons
Management's Assertion Statement
For Fiscal Year Ended September 30, 2002**

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 systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from the BOP's accounting system of record for these budget decision units.
2. The methodology used by the BOP to calculate obligations of budgetary resources by function is reasonable and accurate in all material aspects.
3. The methodology disclosed in this statement was the actual methodology used to generate the Table.
4. Reprogrammings have been properly disclosed, and there were no transfers.
5. Department of Justice (DOJ) did not have any Office of National Drug Control Policy (ONDCP) Fund Control Notices issued in FY 2002.

We have documented the methodology used by the BOP to identify and accumulate FY 2002 drug control obligations in the Table and accompanying disclosures in accordance with the guidance of ONDCP's Circular, Drug Control Accounting, dated May 30, 2002. The BOP's drug control methodology has been changed from the previous year. Previously, resources considered drug-related included both corrections and treatment for Federal inmates. Under the modified drug control budget, only treatment for Federal inmates is included.


Bruce K. Sasser
Assistant Director
for Administration

1/30/02
Date

Bureau of Prisons
 Table of Drug Control Obligations
 For Fiscal Year Ended September 30, 2002
 (Dollars in thousands)

Actual 2002 Obligations

Drug Obligations by Function	
Treatment	\$43,386
TOTAL	43,386
Drug Obligations by Decision Unit	
Inmate Care and Programs	43,181
Crime Bill-Inmate Care and Programs	205
TOTAL	43,386
Drug Resources Personnel Summary	
Total FTEs (Direct Only)	392
Information	
Total Agency Obligations	4,432,669
Drug Percentage	.98%

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.

Under the New Methodology, the BOP's drug resources are dedicated one hundred percent to the drug treatment programs. The Drug Treatment Program includes: Drug Program Screening and Assessment; The Drug Abuse Education Program; Non- Residential Drug Abuse Counseling Services; The Residential Drug Abuse Treatment Program; and the Community Transitional Drug Abuse Treatment Programs. All drug-related resources support goal 3, "Increase the safety of America's citizens by substantially reducing drug-related crime and violence" of the National Drug Control Strategy.

The Table of Drug Control Obligations was prepared in accordance with the following ONICP circulars: (a) Annual Accounting and Authentication of Drug Control Funds, dated May 30, 2002. 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 drug treatment.

Data - All accounting information for the BOP is derived from the Financial Management Information System (FMIS). FY 2002 actual obligations for Drug Treatment Programs are reported as Drug Control Obligations since the entire focus is drug related.

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

Workyears (FTEs) - Using BOP FTE data from FMIS (as originated by the National Finance Center personnel payroll system and downloaded into the FMIS), the drug treatment FTEs were reported in the Table of Obligations.

Disclosure No 2. Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has been modified. Under the new methodology, the BOP has reported only direct obligations associated with Drug Treatment Programs.

FY 2002 Accounting of Drug Control Funds

in Table of Drug Control Obligations. Previously, the BOP's Drug Control Budget was the percentage of the total budget.

Drug Percentages for the Salaries and Expenses and Modernization and Repair program in the Buildings and Facilities (B&F) Budget was based on the number of inmates incarcerated for drug convictions during the year. The drug percentage for the New Construction program in the B&F budget reflected the number of inmates projected to be incarcerated for drug convictions at the time budget year initiatives were scheduled to become operational, three to five years after the appropriations. The drug percentage for Drug Treatment Programs was one hundred percent. The drug control funding was reported for the purpose of Corrections and Treatment. Under the new methodology, only direct funding associated with "Treatment" is reported as Drug Control Obligations.

With the new methodology, resources of \$43.386 million and 398 FTEs are reported as direct obligations for Drug Control Purposes. If the old Drug Methodology would have been utilized, resources of \$2.4 billion and 17,327 FTEs would have been reported (\$43.386 million for Treatment and \$2.38 billion for Corrections). This would have amounted to 55% of total obligations.

Drug Obligation by Function under old methodology:

	(\$000,000)
Corrections	\$2,381,571
Treatment	43,386
Total	2,424,957

Drug Obligations by Decision Unit under old methodology:

	(\$000,000)
Inmate Care & Programs	\$758,110
Institution Security and Administration	962,648
Contract Confinement	265,700
Management and Administration	87,222
New Construction	288,308
Modernization and Repair	67,964
Crime Bill: Inmate Care & Programs	205
Total	2,424,957

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

Obligations include all approved Reprogrammings and Transfers.

Disclosure No 5. Other Disclosures

The DOJ did not have any ONDCF fund control notices issued in FY 2002.

Attachment

FY 2002 Accounting of Drug Control Funds

Federal Prison System
 Total Direct Resources
 Reprogramming and Transfer
 FY 2002
 (Dollars in thousands)

	Unobligated Balances Brought Forward	Enclosed BA	Rescission	Repro- gramming	Transfer	Total Availability
Availability by Appropriation:						
Salaries and Expenses	5856	\$3,606,600	(\$3,482)	0	0	\$3,805,974
Buildings and Facilities	461,888	813,552	(5,744)	0	0	1,269,670
Total	462,724	4,622,152	(9,226)	0	0	5,075,650
Availability by Decision Unit:						
Inmate Care and Programs	(331)	1,311,333	0	534,000	0	1,345,004
Institution Security and Administration	718	1,728,049	(1,387)	25,500	0	1,750,878
Contract Confinement	(3)	620,145	(1,811)	(55,500)	0	559,031
Management and Administration	0	151,071	(464)	0	0	150,607
New Construction	385,382	880,784	(5,744)	0	0	1,060,422
Modernization and Repair	76,466	132,768	0	0	0	209,254
Crime Bill: Inmate Care and Programs	474	0	0	0	0	474
Total Availability	462,724	4,622,152	(9,226)	0	0	5,075,650

DEA

Drug Enforcement Administration



PriceWaterhouseCoopers LLP
101 E Street, N.W. 3000
Washington, DC 20005-3333
Telephone: (202) 414-1000

REPORT OF INDEPENDENT ACCOUNTANTS

The Office of the Inspector General and the
Assistant Attorney General for Administration
United States Department of Justice

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, 2002. DEA's management is responsible for the Table of Drug Control Obligations and related disclosures.

Our review was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, *Drug Control Accounting*, dated May 30, 2002.

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, *Drug Control Accounting*, as further described in Disclosure 1.

This report is intended solely for the information and use 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.

February 13, 2003
Washington, DC



U. S. Department of Justice
Drug Enforcement Administration

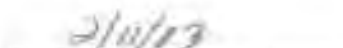
**Drug Enforcement Administration
Management's Assertion Statement
For Fiscal Year ended September 30, 2002**

On the basis of the Drug Enforcement Administration's (DEA's) management control program, we assert that the DEA system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from the DEA's accounting system of record for these budget decision units.
2. The methodology used by the DEA to calculate obligations of budgetary resources by function is reasonable and accurate in all material aspects.
3. The methodology disclosed in this statement was the actual methodology used to generate the Table.
4. Reprogrammings and transfers have been properly disclosed.
5. Data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices. The Department of Justice did not have any ONDCP Fund Control notices issued in FY 2002.

We have documented the methodology used by DEA to identify and accumulate FY 2002 drug control obligations in the Table and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Drug Control Accounting*, dated May 30, 2002. The DEA's drug control methodology has been consistently applied from the previous year.


Frank M. Kalder, Chief Financial Officer


Date

FY 2002 Accounting of Drug Control Funds

Drug Enforcement Administration
For Fiscal Year Ending September 30, 2002
(Dollars in thousands)

	FY 2002 Actual Obligations 1/
Drug Resources by Function:	
Investigations	1,032,892
Intelligence	183,039
International	233,870
State & Local Assistance	11,947
Prevention	7,533
Research and Development	-
Total	1,529,181
Drug Resources by Decision Unit:	
ADP	156,624
Chemical	19,413
Domestic Enforcement	431,294
Foreign	188,703
Intelligence	118,049
Labor	58,372
M&A	108,438
RETO	119,673
State & Local	229,090
Training	24,865
Total S&E	1,460,621
Construction	-
Drug Diversion Control Fee Account	78,560
Total	1,529,181
Drug Resources Direct Personnel Summary:	
Total FTE	7,563
Total Agency Budget	\$ 1,529,181
Drug Percentage	100.0%

Note:

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

Disclosure I: Drug Control Methodology

The mission of the Drug Enforcement Administration (DEA) is to enforce the controlled substances laws and regulations of the United States and to bring to the criminal and civil justice system of the United States or any other competent jurisdiction, those organizations, and principal members of organizations, involved in the growing, manufacture, or distribution of controlled substances appearing in or destined for illicit traffic in the United States; and to recommend and support non-enforcement 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 non-enforcement 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 May 30, 2002, and (b) Budget Instructions and Certification Procedures, dated May 30, 2002. The table represents obligations incurred by the DEA for drug control

FY 2002 Accounting of Drug Control Funds

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 function. Specifically, each program was evaluated to determine the ONDCP function 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 2002 and several supporting documents. Note that DEA does not track obligations and expenditures by ONDCP function. In the absence of such capability, estimates have been furnished, as indicated, and no corresponding documentation has been generated.

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. 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, the following methods were applied.

- a. Investigations Function. FY 2002 obligations associated with DEA's investigations efforts were estimated at \$1,092,692 thousands. 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.
- b. Intelligence Function. FY 2002 obligations associated with DEA's intelligence efforts were estimated at \$183,039 thousands. This includes 100% of the Intelligence, 26% of the RETO, and 12% of the ADP, M&A, and Training Decision Units.
- c. International Function. FY 2002 obligations associated with DEA's international efforts were estimated at \$233,870 thousands. 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.
- d. State & Local Assistance Function. FY 2002 obligations associated with DEA's state and local assistance efforts were estimated at \$11,947 thousands. The total Decision Units for ADP, M&A and Training were spread at a 1% rate for this function.

FY 2002 Accounting of Drug Control Funds

- e. **Prevention Function.** FY 2002 obligations associated directly with DEA's demand reduction efforts include actual payroll and program funds, and estimated overhead for Headquarters and Field offices at \$7,633 thousands.
- f. **Research and Development Function.** There were no FY 2002 obligations associated with DEA's research and development.
- g. **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 FPS.
- h. **FTEs.** One hundred percent of all DEA FTEs are dedicated to drug enforcement efforts. DEA's FTE total for FY 2002 was 7,563.
- i. **Summary Information.** One hundred percent of all DEA obligations are incurred for drug enforcement purposes.

Disclosure 2: Modification of Drug Enforcement Accounting Method

The DEA's method for tracking drug enforcement funds has not been modified. For FY 2002, DEA revised its distribution of funds for ONDCP Function "Prevention" which is located in DEA's Decision Unit M&A as shown below:

Drug Enforcement Administration Obligations by ONDCP Function (Dollars in thousands)				
Function	Old Percent	Funding	New Percent	Funding
Prevention % of \$108,438	3.00%	\$3,253	7.039%	\$7,633
The remaining balance, with percentage unchanged, is then spread as follows:				
Investigations	71%	\$74,681	71%	\$71,571
Intelligence	12%	12,622	12%	12,097
International	16%	16,830	16%	16,129
State & Local Assistance	1%	1,052	1%	1,008
Subtotal		\$105,185		\$100,805
Total with Prevention		\$108,438		\$108,438

The apparent difference between the old and the new percentage amounts reported against ONDCP Function "Prevention" is due to accounting for all the Demand Reduction payroll, program funding, and overhead associated with Prevention, and not just field payroll and program funding for 21 field offices. In this table DEA's obligations for Prevention increased by 135% due to the percentage of the overall program funding being higher and implementation of the IDEA initiative. The program

percentage for Prevention will change as program funding and salaries change in the coming years as approved by Congress.

Disclosure 3: Material Weaknesses and Other Findings

The most recent external audit of DEA's FY 2002 financial statements conducted by the accounting firm KPMG revealed no material weaknesses. KPMG noted that previously reported material weaknesses in the following areas had improved significantly and were reduced in severity to reportable conditions. These were:

1. The need to improve controls over obligated funds and ensure that deobligations, expended obligations and the related accounts payable are timely recorded.
2. The need to strengthen controls over inappropriate or unauthorized access to information systems.

DEA will continue with the comprehensive corrective actions undertaken during FY 2002 to further reduce the vulnerability of these process areas including business process improvements implemented DEA-wide, establishment of additional management oversight controls, and new technology.

Disclosure 4: Reprogramming and Transfers

The first reprogramming action within DEA is a one-time request of reprogramming VCRP prior year recoveries to implement DEA's Global Heroin Strategy. The following has been approved:

- 1) Congress approved and DEA reprogrammed \$15.1 million of prior year recoveries for the Operation Containment initiative which is part of the Global Heroin Strategy.

The 2nd reprogramming action within DEA reflects permanent and one-time alignments of program costs with the appropriate decision unit as follows:

- 1) Technical Realignment of positions and FTE: This is a permanent request to realign 44 positions and FTE between various Decision Units (DUs). This is a technical adjustment to correct an error in DEA's FY 2001 reprogramming Crosswalk spreadsheet. It will not change what DEA employees do, nor will any employees change their geographic or organizational locations.
- 2) Payroll Realignment/Shortfall: This is a one-time reprogramming action to realign \$6,386,000 of payroll resources in each of the ten DUs in a manner that is reflective of how DEA is realizing its actual payroll cost. Additionally, this reprogramming transfers \$2,700,000 into payroll to cover potential shortfalls. Of this amount, DEA has internally realigned \$1,013,000 within the same DU and requests approval to reprogram an additional \$1,685,000 into the DUs where projected funding shortfalls remain.

FY 2002 Accounting of Drug Control Funds

- 3) **Permanent Change of Station (PCS):** This is a permanent reprogramming of PCS funds of \$1,780,000 between various DUs. This action realigns funding to better reflect how costs will be expended.
- 4) **Technical Correction of FY 2002 Enacted Appropriation (Special Operations Division Program Correction):** This is a permanent reprogramming action to correctly align \$1,078,000 between the Research, Engineering and Technical Operations (RETO) DU, the Domestic Enforcement DU, and the Intelligence DU that was received in DEA's FY 2002 appropriation for the Special Operations Division initiative.
- 5) **Rest Shortfall – One time reprogramming of \$11,735,000**
- 6) **Operational Program Shortfalls – One time reprogramming of \$1,022,000.**

Disclosure 5: Other Disclosures

None.

FY 2002 Accounting of Drug Control Funds

Department of Justice
Drug Enforcement Administration
Table of FY 2002 Reprogrammings and Transfers
(Dollars in Thousands)

Recoveries and Unobligated Balances Brought Forward *	Enacted Budget Authority	Reversions	Reprogrammed	Transfers In	Transfers Out	Total Availability
Drug Resources by Function:						
Investigations	\$ 27,874	\$ (1,225)	\$ 1,823	\$ 17,179	\$ -	\$ 1,166,023
Intelligence	1,476	(17)	1,603	380	-	160,298
Interruptions	51,262	(9)	2,012	-	-	292,716
State & Local Assistance	124	(5)	(12)	676	-	13,465
Prevention	66	-	366	-	-	7,774
Research and Development	2,857	-	-	-	-	2,857
Total	\$ 84,437	\$ (1,254)	\$ -	\$ 19,126	\$ -	\$ 1,669,133
Drug Resources by Division Unit:						
ADP	\$ 666	\$ (35)	\$ 1,659	\$ -	\$ -	\$ 161,343
Drug and Chemical Diversion Control	309	(560)	(1,340)	-	-	17,560
Domestic Enforcement	12,167	(33)	4,489	-	-	45,228
Foreign Cooperative Investigations	9,215	(330)	1,418	-	-	246,406
Intelligence	1,161	-	(1,652)	276	-	119,992
Laboratory Services	1,162	-	(916)	946	-	62,166
Management and Administrative	948	-	9,679	-	-	110,423
Research, Engineering, and Technical Operations	262	-	(410)	18	-	121,438
State and Local Task Forces	12,702	(69)	(9,637)	16,888	-	264,240
Training	14	-	(79)	-	-	24,247
Control Unit	2,857	-	-	-	-	2,857
Diversion Control Fee Account	-	-	-	-	-	86,021
Total	\$ 84,437	\$ (1,254)	\$ -	\$ 19,126	\$ -	\$ 1,669,133

* Off-fiscal amount. \$26,267 thousand was obligated. Also, DEA brought forward \$22 million of fee FY2001 Salaries and Expenses Annual Appropriation Fund as authorized in Public Law 106-533 dated Dec. 21st 2000.

INS

IMMIGRATION AND NATURALIZATION
SERVICE



PriceWaterhouseCoopers LLP
1301 K Street, N.W., Room
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REPORT OF INDEPENDENT ACCOUNTANTS

The Office of the Inspector General and the
Assistant Attorney General for Administration
United States Department of Justice

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, 2002. INS' management is responsible for the Table of Drug Control Obligations and related disclosures.

Our review was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Except as discussed in the following paragraph, management of the 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, *Drug Control Accounting*, dated May 30, 2002.

The INS did not disclose the quantitative differences between the amounts reported using the new drug obligation methodology and the amounts that would have been reported under the old methodology.

Based on our review, except for the omission of the disclosure discussed in the preceding paragraph, 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, *Drug Control Accounting*, as further described in Disclosure 1.

This report is intended solely for the information and use 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 7, 2003
Washington, DC



U.S. Department of Justice
Immigration and Naturalization Service

Office of the Executive Associate Commissioner


425 I Street NW
Washington, DC 20536


**Immigration and Naturalization Service
Management's Assurance Statement
For the Fiscal Year Ended September 30, 2002**

On the basis of Immigration and Naturalization Service management control program, we assert that the Immigration and Naturalization Service system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. The methodology used by the Immigration and Naturalization Service to calculate obligations of budgetary resources by function and by budget decision unit is reasonable and accurate in all material aspects.
2. The methodology disclosed in this statement was the actual methodology used to generate the Table.
3. There were no reprogrammings or transfers in fiscal year 2002. INS did have rescissions of \$177,000 in fiscal year 2002.
4. The Department of Justice did not have any OMDCP Fund Control Notices issued in FY 2002.

We have documented the methodology used by Immigration and Naturalization Service to identify and accumulate FY 2002 drug control obligations in the Table and accompanying disclosures in accordance with the guidance of OMDCP's Circular, Drug Control Accounting, dated May 30, 2002. This revised guidance changed the Immigration and Naturalization Service's drug control methodology from the previous year by excluding programs that were formerly scored as drug-related.


George W. Behlinger, III
Executive Associate Commissioner
Office of Management


Date

**Department of Justice
Immigration and Naturalization Service
Table of Drug Control Obligations (\$000)
For the Fiscal Year Ending September 30, 2002**

Salaries and Expenses (Enforcement Only)	Actual 2002 Obligations
Drug Obligations by Function	
Interdiction	\$189,613
Total	<u>\$189,613</u>
Drug Obligations by Decision Unit	
Border Patrol	\$189,613
Total	<u>\$189,613</u>
Drug Resources Personnel Summary	
Total FTEs (direct only)	2,853
Information	
Total Agency Obligations*	\$2,754,095
Drug Percentage	6.88%

*Total Salaries and Expenses Agency obligations only include enforcement activities and exclude benefit activities and all fee accounts.

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's 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. The methodology has been changed again based on discussions between Justice Management Division Budget Staff and Office of National Drug Control Policy (ONDCP). Based on the May 30, 2002 New or Revised Office of National Drug Control Policy Circulars, only Border Patrol activities are scored as drug-related. INS incorporated this change with its FY 2004 OMB submission and will continue this methodology.

The percentage used to develop the drug budget for the INS reflects estimated work years devoted to INS' drug missions. The drug related percentages currently in use were developed as part of a cooperative effort between experienced program analysts for key enforcement related programs and members of the Service's and Department of Justice budget staffs.

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 database net of all reimbursable agreements.

Financial Systems - The FACS and FFMS systems provide INS with obligation data. Obligations that are derived from these systems can also be reconciled with the enacted appropriations.

Disclosure No 2. - Modifications to Drug Control Methodology.

The overall methodology to calculate drug control obligations was modified based on the May 30, 2002 memo from ONDCP listing Border Patrol as the only decision unit scored as drug-related. In previous years, the Inspections, Investigations, Detention and Removal, Intelligence, Training, Data and Communications, and Breached Bond/Detention Fund were also scored as drug related.

The Immigration and Naturalization Service is converting from several financial systems into one CORE financial system. Due to system limitations and conversion issues, the INS is unable to present drug obligations under its former methodology.

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.

The Department of Justice did not have any ONDCP Fund Control Notices issued in FY 2002.

FY 2002 Accounting of Drug Control Funds

Department of Justice
 Immigration and Naturalization Service
 Reprogrammings and Transfers
 FY 2002
 (Dollars in thousands)

Table Line Item	Unobligated Balance Brought Forward	Enacted BA	Revisions	Reprogrammings	Transfers		Total Availability
					In	Out	
Drug Obligations by Function:							
Inspection	-	210,678	177	-	-	-	210,501
Total	-	210,678	177	-	-	-	210,501
Drug Obligations by Decision Unit:							
Border Patrol		210,678	177				210,501
Total		210,678	177				210,501

OJP

OFFICE OF JUSTICE PROGRAMS



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REPORT OF INDEPENDENT ACCOUNTANTS

The Office of the Inspector General and the
Assistant Attorney General for Administration
United States Department of Justice

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, 2002. OJP's management is responsible for the Table of Drug Control Obligations and related disclosures.

Our review was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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, *Drug Control Accounting*, dated May 30, 2002.

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, *Drug Control Accounting*, as further described in Disclosure 1.

This report is intended solely for the information and use 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 11, 2003
Washington, DC



U.S. Department of Justice

Office of Justice Programs


Washington, D.C. 20531

**Office of Justice Programs
Management's Assertion Statement
for Fiscal Year Ended September 30, 2002**

On the basis of the Office of Justice Programs (OJP) management control program, we assert that OJP's system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from OJP's accounting system of record for these budget decision units.
2. The methodology used by OJP to calculate obligations of budgetary resources by function is reasonable and accurate in all material aspects.
3. The methodology disclosed in this statement was the actual methodology used to generate the Table.
4. Reprogrammings and transfers have been properly disclosed.
5. The Department of Justice did not have any ONDCP Fund Control Notices issued in FY 2002.

We have documented the methodology used by OJP to identify and accumulate FY 2002 drug control obligations in the Table of Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Annual Accounting and Authentication of Drug Control Funds*, dated May 30, 2002. As described in the attached, OJP's drug control methodology has been changed to conform with the revised ONDCP guidance, which requires OJP to report 100 percent of the obligations related only to the eight programs, or decision units, specified in Attachment B of the ONDCP Circular, *Budget Formulation*, May 30, 2002.



Kimberly Orben, Acting Director
Office of Budget and Management Services
OJP Official Responsible for Assertion

3-9-02

Date

FY 2002 Accounting of Drug Control Funds

Office of Justice Programs
Table of Drug Control Obligations
Drug Related Resources by Function and Decision Unit
For the Fiscal Year Ending September 30, 2002
(in thousands of dollars)

	2002 Actual Obligations
Drug Obligations by Function:	
Corrections	—
Intelligence	—
Jurisdiction	—
International	—
Investigations	—
Prevention	16,457
Prosecution	—
Research and Development	9,378
State and Local Assistance	172,221
Treatment	68,590
Total	\$286,754
Drug Obligations by Decision Unit:	
Arms and Drug Abuse Monitoring	9,378
Regional Information Sharing System	26,725
Juvenile Drug Prevention Program	9,865
Executive Office for Weed and Seed	85,924
Drug Courts Program	56,275
Residential Substance Abuse Treatment	68,590
Title V - Enforcing Underage Drinking Laws	24,607
Southwest Border Prosecution*	3,000
Total	\$286,754
Drug Resources Personnel Summary:	
- Total FTE	78.70
Information	
Total Agency Obligations**	\$4,077,375
Drug Percentage	6.9%

*Previously reported by COPC Budget Office

**Total Agency Obligations exclude PSDF and CIV.

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. As such, OJP's 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 and statistics.

The Table of Drug Control Obligations was prepared in accordance with the following ONDCP Circulars: (1) *Annual Accounting and Authentication of Drug Control Funds*, May 30, 2002, and (2) *Budget Formulation*, May 30, 2002.

The Budget Staff of OJP's Office of Budget and Management Services (OBMS) is responsible for the development and presentation of the annual OJP ONDCP Budget. Consistent with the 2002 ONDCP guidance, OJP's FY 2002 accounting of drug control obligations includes total obligations associated with the eight budget decision units identified for the National Drug Control Budget. Funds for seven of these decision units are directly appropriated to OJP; the funding for the Southwest Border Prosecution Program is appropriated to the Office of Community Oriented Policing Services (COPS), and then transferred to OJP for program implementation. These decision units include the following:

- Regional Information Sharing System (RISS)
- National Institute of Justice - Arrestee Drug Abuse Monitoring (ADAM) System
- Drug Courts
- Residential Substance Abuse Treatment (RSAT) Program
- Drug Prevention Demonstration Program
- Incentive Grants to Prevent Juvenile Crime - Enforcing Underage Drinking Laws
- Weed and Seed Program
- Southwest Border Prosecution Initiative

In determining the level of resources used in support of these eight budget decision units, OJP used the following methodology:

- Drug Program Obligations by Decision Unit: For seven of the budget decision units, data on obligations as of September 30 were gathered from OJP's Integrated Financial Management Information System (IFMIS), Report ID: GL2e - Obligations by Budget Activity by Fund Type (Accounting Period 200101 to 200112). However, for the ADAM program, obligations were provided by the National Institute of Justice (NIJ), the administering program office, using its internal tracking system. The total obligations presented for OJP is net reimbursements and funds obligated under the Crime Victims Fund and Public Safety Officers Benefit Program.
- Management and Administration (M&A) Data: M&A costs were calculated by applying the relative percentage of Full-Time Equivalent (FTE) assigned to the eight drug-related

decision units to total M&A obligations for OJP. The M&A obligations related to the Southwest Border Prosecution Program are included in the total direct obligations amount reported in the IPMIS Report ID: GL2e- Obligations by Budget Activity by Fund Type (Accounting Period 200101 to 200112).

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: prevention, research and development, state and local assistance, and treatment. The method used to allocate OJP funds to ONDCP function was derived through an analysis of individual program missions 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. The chart "Drug Related Resources by Function and Decision Unit, Fiscal Year 2002," by budget decision unit/program (1) the percentage deemed drug-related and (2) how a particular program's drug-related obligations are categorized by function and decision unit.

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

Function:	Using obligation data as reported from IPMIS and from NIJ (for ADAM), the appropriate drug-related percentage was applied to each program/decision unit line item and totaled by function.
Decision Unit:	In accordance with the revised ONDCP circulars, 100 percent of the actual obligations for each of the eight budget decision units was included.
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

For FY 2002, OJP is reporting 100 percent of the obligations related to the eight budget decision units included in the National Drug Control Budget, as specified in the ONDCP Circular, *Budget Formulation*, May 30, 2002. In previous years, OJP reported on the drug-related obligations associated with activities under 22 of its programs. The percentage of the total program obligations reported for each of these programs was based on an estimate of the proportion of drug-related activity supported by the program. While some program obligations were reported at 100 percent, most were reported at less than 100 percent.

The methodology used to determine the total FY 2002 obligations related to the seven programs appropriated to OJP is the same used in the FY 2001 disclosures statement. To calculate management and administration (M&A) costs related to these programs, OJP is continuing to use

the method it employed in FY 2001, which is consistent with the methods used to develop these costs for the annual statement of net cost (SNC) and the DOJ Annual Performance Plan. The SNC is an audited financial statement, which reports the net cost of administering programs by appropriation account and DOJ strategic function. The DOJ Annual Performance Plan reports the achievement that DOJ components experience in accomplishing set goals. Both the SNC and the DOJ Annual Performance Plan categorize funding by function and by DOJ strategic objective. In addition, both require the identification and assignment of FTEs across program activities. This methodology first assigns FTE by program based on a survey of program managers and then distributes M&A costs based on the percentage of FTE, by function, to total FTE. As noted above, the M&A obligations related to the Southwest Border Prosecution Program, which is appropriated to COPS and then reimbursed to OJP, are included in the total direct obligations amount reported in the IFMIS Report ID: GL2c- Obligations by Budget Activity by Fund Type (Accounting Period 200101 to 200112).

Disclosure 3: Material Weaknesses and Other Findings

The FY 2002 Financial Statement Audit Report found no material weaknesses or other findings related to the accounting for obligations that would affect either the amounts reported in the table or to management information systems that store and retrieve data necessary to complete the table.

Disclosure 4: Reprogrammings or Transfers

In accordance with the revised ONDCP Circular, OJP is reporting on obligations related to the Southwest Border (SWB) Prosecution Program, shown as a reimbursement of \$50 million in FY 2002. In the past, obligations for this program were reported by COPS.

Disclosure 5: Other Disclosures

The Department of Justice did not have any ONDCP Fund Control Notices issued in FY 2002.

FY 2002 Accounting of Drug Control Funds

Office of Justice Programs
For the Fiscal Year Ending September 30, 2002
Comparison of Pre- and Post-ONDCP Circular (May 2002) Obligations
(In thousands of dollars)

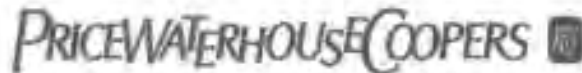
Drug Obligations by Function:	FY 2002 Obligations Pre-ONDCP 502 Circular	FY 2002 Obligations Post-ONDCP 502 Circular	Delta
Connecticut	—	—	0
Intelligence	—	—	0
Intimidation	—	—	0
Intelligence	—	—	0
Investigations	—	—	0
Prevention	\$101,813	\$16,457	(\$85,356)
Prosecution	—	—	0
Research and Development	0,100	0,378	102
State and Local Assistance	650,717	172,221	(\$478,496)
Treatment	147,011	0,000	(\$147,011)
Total	\$1,200,522	\$288,754	(\$911,768)
Drug Obligations by Decision Unit:			
Anti-Drug Abuse Monitoring Program	\$6,021	\$6,378	\$357
Criminal Justice Statistical Programs	1,467	—	(1,467)
Regional Information Sharing System	26,720	26,720	0
Anti-Drug Abuse, Byrne Formula Grants	391,285	—	(391,285)
Anti-Drug Abuse, Byrne Discretionary Grants	200,581	—	(200,581)
Juvenile Justice Programs	8,000	—	(8,000)
Title V - At-Risk - Tribal Youth	5,143	—	(5,143)
Title V - Enforcing Underage Drinking Laws	34,257	34,007	\$250
Juvenile Drug Prevention Program	9,880	9,880	172
Excessive Offense for Weed and Seed	31,742	95,924	\$64,182
VAWA - Law Enforcement and Prosecution Grant Program	28,860	—	(28,860)
Safe Start Program	3,283	—	(3,283)
VAWA - Civil Legal Assistance	7,933	—	(7,933)
VAWA - Rural Domestic Violence Program	7,579	—	(7,579)
VAWA - Escorting Arrest Victims	12,142	—	(12,142)
VAWA - Campus Violence	1,908	—	(1,908)
VAWA II - Elder Abuse	249	—	(249)
VAWA II - Women of Disabilities	300	—	(300)
Drug Courts Program	95,023	95,275	\$252
State Corrections Grants	7,001	—	(7,001)
Local Law Enforcement Block Grant Program	150,002	—	(150,002)
Residential Substance Abuse Treatment	88,251	88,808	\$557
Juvenile Justice Availability Incentive Block Grant Program	32,111	—	(32,111)
Indian Tribal Court Initiative	3,131	—	(3,131)
Indian Alcohol and Crime	102	—	(102)
Southwest Border Prosecution ¹	—	3,282	\$3,282
Management and Administration	21,222	—	(21,222)
Total	\$1,200,522	\$288,754	(\$911,768)
Drug Resources Personnel Summary:			
Total FTE	131	76.8	(54.2)
Information			
Total Agency Obligations ²	\$4,077,375	\$4,077,375	
Drug Percentage	29.6%	1.3%	

¹ - This Agency Discretionary Account (PDD) was CRT

² - Includes Federal Program and Other Agency (including CRT) obligations

OCDETF

ORGANIZED CRIME DRUG
ENFORCEMENT TASK FORCES



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REPORT OF INDEPENDENT ACCOUNTANTS

The Office of the Inspector General and the
Assistant Attorney General for Administration
United States Department of Justice

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the United States Department of Justice's Interagency Crime and Drug Enforcement - Organized Crime Drug Enforcement Task Forces (OCDETF) for the fiscal year ended September 30, 2002. OCDETF's management is responsible for the Table of Drug Control Obligations and related disclosures.

Our review was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 OCDETF prepared the Table of Drug Control Obligations and related disclosures in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 30, 2002.

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, *Drug Control Accounting*, as further described in Disclosure 1.

This report is intended solely for the information and use 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.

February 13, 2003
Washington, DC



U.S. Department of Justice

Criminal Division

Executive Office for the
Organized Crime Drug Enforcement Task Force

Washington, DC 20530

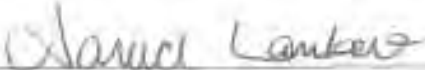
January 24, 2003

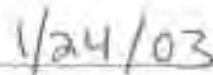
**Organized Crime Drug Enforcement Task Force (OCDETF)
Management's Assertion Statement
for Fiscal Year Ended September 30, 2002**

On the basis of OCDETF's management control program, we assert that the OCDETF program's system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from the OCDETF program's accounting system of record for these budget decision units.
2. The methodology used by OCDETF to calculate obligations of budgetary resources by function is reasonable and accurate in all material aspects.
3. The methodology disclosed in this statement was the actual methodology used to generate the Table.
4. Reprogrammings and transfers have been properly disclosed.
5. Data presented are associated with obligations against a financial plan. Note: the Department of Justice did not have any ONDCP Fund Control Notices issued in FY 2002.

We have documented the methodology used by OCDETF to identify and accumulate FY 2002 drug control obligations in the Table and accompanying disclosures in accordance with the guidance of ONDCP's Circular, Drug Control Accounting, dated May 30, 2002. The OCDETF program's drug control methodology has been consistently applied from the previous year.


Janice Lambert
Chief, Administration and Budget


Date

FY 2002 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, 2002**

Dollars in Thousands	Actual 2002 Obligations		
Drug Obligations by Function	Decision Unit Crosswalk		
	Previous	Realignment	Revised
Investigation:	\$230,993		\$230,993
Prosecution:	92,519		92,519
Intelligence:	16,053		16,053
Total	\$339,565		\$339,565
Drug Obligations by Decision Unit //			
Investigation:			
Drug Enforcement Administration	\$108,923	\$3,802	\$112,525
Federal Bureau of Investigation	102,272	14,540	116,812
Immigration & Naturalization Service	14,487	143	14,630
U.S. Marshals Service	3,049	50	3,079
Subtotal	228,731	18,515	247,045
Drug Intelligence:			
Drug Enforcement Administration	2,499	(2,499)	
Federal Bureau of Investigation	13,397	(13,397)	
Subtotal	15,896	(15,896)	
Prosecution:			
U.S. Attorneys	89,623	886	90,509
Criminal Division	1,026	10	1,036
Tax Division	964	10	974
Subtotal	91,613	906	92,519
Administrative Support:			
Executive Office for OIGDET	3,325	(3,325)	
Total //	339,565		339,565
Drug Resources Personnel Summary:			
Total FTEs (via reimbursement)	2,919		2,919
Information:			
Total Agency Obligations	\$339,565		\$339,565
Drug Percentage	100%		100%

// Decision Units reflect OMB approved restructuring. The OIGDET program's four decision units: Law Enforcement, Drug Intelligence, Prosecution, and Administrative Support are collapsed into two Decision Units: Investigation and Prosecution. The Administrative Support is pro-rata among decision units based on the percentage of appropriated OIGDET program funding.

⊗ Total obligated balance available includes reprogrammed corporate funds in the amount of \$2.19M to the Executive Office (\$1.55M), U.S. Marshals (\$1M) and the FBI (\$225K).

Disclosure No. 1 - Drug Control Methodology

The Interagency Crime and Drug Enforcement (ICDE) appropriation provides resources to support the Department of Justice agencies that participate in the Organized Crime Drug Enforcement Task Forces (OCDETF). The mission of the OCDETF Program is to identify, investigate and prosecute the most significant drug and money laundering organizations. Accordingly, the program's ICDE resources are considered to be 100 percent drug-related.

The attached Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars: (a) Drug Control Accounting, dated May 30, 2002 and (b) Budget Formulation, dated May 30, 2002. The Table represents obligations incurred by 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). ICDE resources are reported as 100 percent because the entire focus of the OCDETF program is drug-related.

Financial Systems - FMIS is the financial system used to provide all OCDETF obligation data. Obligations that are derived by this system reconcile with the enacted appropriations and carryover balances.

The Decision Units are divided according to the two major functions of the task force - Investigations and Prosecutions, and reflect the amount of reimbursable ICDE resources appropriated for each participating agency. With respect to the Table of Drug Control Obligations, the calculated amounts were derived from the FMIS system as follows:

- i. Investigations Function - This function includes the reimbursable resources that support investigative activities of the following participating DOJ agencies: the Drug Enforcement Administration, Federal Bureau of Investigation, U.S. Marshals Service, and Immigration and Naturalization Service. The methodology applies 100 percent of the resources that support OCDETF investigative activities.
- ii. Prosecutions Function - This function includes the reimbursable prosecution resources for the following participating DOJ agencies: the U.S. Attorneys and the Criminal and Tax Divisions of the DOJ. The methodology applies the total of 100 percent of OCDETF's Prosecution Decision Unit resources to the Prosecutions Function.
- iii. Intelligence Function - This function includes the reimbursable resources that support intelligence activities of the following participating DOJ agencies: the Drug Enforcement Administration and Federal Bureau of Investigation. The methodology applies 100 percent of the resources that support OCDETF investigative activities.
- iv. FTE - The reimbursable FTE levels reported by OCDETF participating agencies are reflected in the table as 100 percent drug-related. The estimate of the reimbursable workyears was derived by determining the estimated permanent positions and workyears for each agency in each program area. The total workyears was 2,919.

Disclosure No. 2 - Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified. However, the decision units reported in the Table of Drug Control Obligations reflect the OMB approved restructuring. Specifically, the OCDETF program's four previous decision units: Law Enforcement, Drug Intelligence, Prosecution, and Administrative Support are collapsed into two decision units: Investigations and Prosecutions (see attached decision unit crosswalk). The administrative support of the OCDETF Executive Office is pro-rated among decision units based on the percentage of appropriated ICDE program funding.

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 the management information systems that store and retrieve data necessary to complete the table. There is a material weakness relating to the accounting for obligations in the Offices, Boards and Divisions' (OBD) FY 2002 Report of Independent Accountants on Internal Controls that identified errors in the status of accounts payable and related obligations (undelivered orders) at various OBD components, of which OCDETF is one. The effect on the amounts reported in the table is undetermined.

Disclosure No. 4 - Reprogrammings or Transfers

Total availability consists of enacted budget authority plus unobligated balances brought forward. OCDETF FY 2002 obligations include all approved reprogrammings and transfers. In FY 2002, OCDETF reprogrammed \$500,000 to upgrade and maintain a replacement federal gun camp.

Disclosure No. 5 - Other Disclosures

OCDETF asserts that the information presented in the Table of Drug Control Obligations fairly presents the drug control obligations for OCDETF. The Department of Justice did not have any ONDCP field Control Notices issued in FY 2002.

FY 2002 Accounting of Drug Control Funds

Interagency Crime and Drug Enforcement Reprogrammings and Transfers FY 2002 (Dollars in thousands)

Line Item	Unobligated Balances Brought Forward ^{1/}	Enacted BA	Reprogrammings	Reversion	Transfers	Total Availability
Drug Resources by Function						
Investigations	\$7,204	\$230,204	-	-	-	\$237,408
Prosecution	415	92,394	-	-302	-	92,507
Intelligence	2,211	15,979	-	-	-	18,190
Total	9,830	338,577	-	-302	-	348,105
Drug Resources by Decision Unit ^{2/}						
Investigations:						
Drug Enforcement Administration	2,011	112,005	-	-	-	114,916
Federal Bureau of Investigation	3,237	116,048	-	-	-	119,285
Immigration & Naturalization Service	417	16,071	-	-	-	16,488
U.S. Marshall Service	1,054	2,069	-	-	-	3,113
Subtotal	7,019	246,193	-	-	-	253,802
Drug Intelligence:						
Drug Enforcement Administration	-	-	-	-	-	-
Federal Bureau of Investigation	-	-	-	-	-	-
Subtotal	-	0	-	-	-	-
Prosecution:						
U.S. Attorneys	2,156	90,082	-	-	-	92,238
Criminal Division	12	1,333	-	-302	-	1,043
Tax Division	23	909	-	-	-	932
Subtotal	2,211	92,394	-	-302	-	94,302
Total	9,830	338,577	-	-302	-	348,105

^{1/} Decision Units reflect OMB approved restructuring. The ICDETF program's four decision units: Law Enforcement, Drug Intelligence, Prosecution, and Administrative Support are collapsed into two Decision Units: Investigations and Prosecutions. The Administrative Support is pro-rated among decision units based on the percentage of appropriated ICDE program funding.

^{2/} Total unobligated balances available includes reprogrammed carryover funds in the amounts of \$2,700M to the Executive Office (\$1,505M), U.S. Marshall (\$1M) and the FBI (\$225M), and \$500K to maintain a replacement federal grant range.



**US Department of
Homeland Security**

FY 2003 Accounting of Drug Control Funds



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Washington, DC 20528

March 16, 2004

MEMORANDUM

TO: Admiral Thomas H. Collins
Commandant
U.S. Coast Guard

FROM: *Richard L. Hoover*
Clark Kent Ervin
Inspector General

SUBJECT: Review of the U.S. Coast Guard Reporting of FY 2003 Drug Control Funds -
Audit Report # OIG-04-19

We have reviewed management's assertions in Section B of the accompanying U.S. Coast Guard's (Coast Guard) annual report of FY 2003 drug control funds (Submittal). The Submittal, including the assertions made, is required by 21 U.S.C. §1794d and Office of National Drug Control Policy (ONDCP) Circular "Drug Control Accounting" (Circular), and is the responsibility of Coast Guard's management.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertions in Section B of the Submittal. Accordingly, we do not express such an opinion.

The Independent Auditor's Report for the FY 2004 financial statements of the Department of Homeland Security (DHS), of which Coast Guard is a part, identified a material weakness related to financial systems functionality and technology. Reportable conditions are matters coming to the auditor's attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in the auditor's judgment, could adversely affect DHS' ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, or omissions, that would be material to subjects in the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

FY 2003 Accounting of Drug Control Funds

Based on our review, except for the effects of the material weaknesses related to information systems functionality and technology, if any, nothing came to our attention that caused us to believe that management's assertions included in Section B of the accompanying Submission are not fairly stated in all material aspects based on the criteria set forth in the Circular.

This report is intended solely for the information and use of Coast Guard, DHS, the OIGDP, 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 J. Richard Bernau at (202) 254-4100. We appreciate the cooperation and the courtesies extended to our staff during the course of our review.

cc: U.S. Housewife, CFO, U.S. Coast Guard
Andrew Mauer, CFO, DHS

FY 2003 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 2003 DRUG CONTROL FUNDS
 &A. DETAILED OBLIGATION SUBMISSION

(a) Table of Prior Year Drug Control Obligations (dollars in millions)

RESOURCE SUMMARY	2002 Actual Obligations
Drug Resources by Function:	
• Identification	\$632,258
• Research and Development	1,245
Total Resources by Function	\$634,203
Drug Resources by Decision Unit:	
• Operating Expenses (OE)	\$494,834
– OE Drug Percentage	78.4%
• Reserve Training (RT)	\$8,719
– RT Drug Percentage	11.4%
• Acquisition, Construction, and Improvements (AC&I)	\$128,605
– AC&I Drug Percentage	16.3%
• Research, Development, Test and Evaluation (RDTE&E)	\$1,945
– RDTE&E Drug Percentage	3.0%
Total Drug Control Obligations	\$856,263

(i) Drug Methodology

Over twenty years ago, the Coast Guard designed its own allocation methodology to systematically allocate funding to the Coast Guard's primary mission areas. This methodology allocated Coast Guard costs based on the time that Coast Guard resources (cabin, aircraft, boat, and 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. However, for many years the only information taken into consideration was results of a past year's operational activity. Prior to 1998, operational data (mission hours) and obligation data were downloaded only at the end of the fiscal year to develop mission cost allocations for the year just completed and budgetary projections for current and future years taking into account incremental changes. Today, the methodology and software have been updated to take advantage of improved technology and the superior financial information available after successful audits under the Chief Financial Officers Act. Further, the Coast Guard has developed an operating hour baseline as a method to allocate resource hours for each resource class to multiple Coast Guard missions. This is the basis for funding allocations in budget projections. The operating hour allocation, or transfer, is developed and modified based upon the drug assets, congressional direction and national priorities.

FY 2003 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2003 DRUG CONTROL FUNDS
2.1 FUNDING BY FISCAL YEAR STRATEGIES

(1) Drug Methodology (Continued)

The Coast Guard's drug control funding estimates are compiled by closely examining the decision units, or appropriations, that comprise the Coast Guard's drug control budget estimates. These decision units consist of: Operating Expenses (OE); Acquisition, Construction, and Improvements (AC&I); Reserve Training (RT); and Research, Development, Test, and Evaluation (RDTE). Each decision unit contains its own methodology and is inherently unique. For example, AC&I includes funding that can last up to five years after appropriation and RDTE funding does not expire. OE and RT funding must be spent in the fiscal year it is appropriated.

Operating Expenses

The majority of the funds the Coast Guard allocates to the drug interdiction program are in the Operating Expenses (OE) decision unit. OE funds are used to operate Coast Guard facilities, maintain capital equipment, improve management effectiveness, and recruit, train, and sustain an active duty military and civilian workforce. In the OE budget, the amount allocated to the drug interdiction program is derived by allocating a share of the overall FY 2003 expenditures based upon the amount of time aircraft, crews, and boats spent conducting drug interdiction activities. The Coast Guard tracks the resource hours spent on each of the 11 Coast Guard programs by using a web-based Abstract of Operations (AOPS) data collection and report system. Coast Guard AOPS data is used to develop the amount of time that each asset class spent conducting each of the Coast Guard's missions. Using financial data gathered from over 1,000 coast 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 11 program areas consisting of: Drug Interdiction; Migrant Interdiction; Ports, Waterways and Coastal Security; Other Law Enforcement; Defense Readiness; Search and Rescue; Marine Safety; Ice Operations; Marine Environmental Protection; Living Marine Resources; and Aids to Navigation.

Acquisition, Construction, and Improvements

In scoring drug control funding requests within the web-based Acquisition, Construction, and Improvements (AC&I) decision unit, every line item requested in the FY 2003 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. If the new asset will not replace a similar asset, the new asset's drug-related contribution is either based on a like asset or on experienced professional judgment. The program percentage spreads for each of these drivers are extracted from the mission cost model. Furthermore, unlike OE's annual funding, AC&I funding is available for obligation for up to five years, depending on the nature of the project. Therefore, various spikes in operational activity (e.g. reduced/increased aircraft unit/or-crew resource hours) will directly effect OE cost allocations in a given fiscal year, but will have relatively little effect on AC&I obligations.

FY 2003 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
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FY 2003 DRUG CONTROL FUNDS
a. DETAILED OBLIGATION SUBMISSION

(1) Drug Methodology (Continued)

Reserve Training

The Coast Guard allocates a portion of the Reserve Training (RT) decision unit funds to the drug interdiction program. RT funds are used to support Coast Guard Selected Reserve personnel who support and operate Coast Guard facilities, maintain capital equipment, improve management effectiveness, and assist in sustaining all Coast Guard operations. The actual FY 2003 obligations for the RT decision unit is determined using the same methodology used by OIG.

Research, Development, Test and Evaluation

The final decision unit is Research, Development, Test and Evaluation (RDTE&E). As with the ACBL Appropriation, scoring of drug interdiction funding is accomplished within the cost-based RDTE&E decision unit. Every line item requested in the FY 2003 RDTE&E budget was evaluated for its anticipated contribution to drug interdiction efforts. Generally, each RDTE&E project has a discrete driver that is selected to allocate the funding for that project to the various mission areas of the Coast Guard. Otherwise the driver is the percentage of time a given project is expected to contribute to the drug control mission based upon experienced professional judgment. This is done, because direct project support funding is for R&D tasks either to assess and improve drug detection and interdiction (such as the test and evaluation of contraband detection equipment expected to improve search techniques under the Comprehensive Maritime Law Enforcement project), or which contribute significantly to detection and/or interdiction but which also benefit other Coast Guard missions. An example of this is the evaluation of vessel tracking devices, which are of potential benefit to the drug interdiction, migrant interdiction and other law enforcement programs.

(2) Methodology Modifications

The methodology described above has not been modified from the previous year.

(3) Material Weaknesses or Other Findings

There are no material weaknesses or material nonconformance to report.

(4) Reappropriation or Transfers

No reappropriations or transfers of drug related budget resources in excess of the ONDSCP's \$3 million threshold occurred during FY 2003.

(5) Other Disclosures

The following provides a synopsis of the United States Coast Guard's FY 2003 Drug Control Funds reporting which describes:

1. The agency's overall mission and the role of drug interdiction efforts within the Coast Guard's main mission structure.
2. The Coast Guard's drug control budget submission.

FY 2003 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2003 DRUG CONTROL FUNDS
6A. DETAILED OBLIGATION SUBMISSION

5) Other Disclosures (Continued)

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 11 complementary program areas: Drug Interdiction; Migrant Interdiction; Ports, Waterways and Coastal Security; Other Law Enforcement; Defense Readiness, Search and Rescue; Marine Safety; Ice Operations; Marine Environmental Protection; Living Marine Resources; and Aids to Navigation.

The Coast Guard faces many of the same challenges as the other four military services 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 Laws and Treaties must be divided between drug interdiction and migrant interdiction, as well as enforcement of fishing regulations and international 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 function, and function unit. The presentation by function 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, reserve support, 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 being forward. The Coast Guard continues to present supplementary budget information through the use of a model, which allocates its base funding and incremental requests by mission.

This general purpose Mission Cost Model serves as the basis for developing drug control budget estimates for the OF and ET appropriations and provides allocation percentages used to develop the drug control estimates for the AC&F appropriation. Similarly, this is the methodology used to complete our annual submission to ODCCP for the NM's Budget Summary.

FY 2003 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
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FY 2003 DRUG CONTROL FUNDS
6A. ASSERTIONS

(1) **Obligations by Budget Decision Unit** -- N/A. As a multi-mission agency, the Coast Guard is exempt from reporting under this section as noted in ONDCP Circular: *Drug Control Accounting*, Sections 6a(1)(b).

(2) **Drug Methodology**

The following methodology was applied to derive the drug control information presented in the table in section 6A. The information reported is timely, accurate, and repeatable and is derived from an allocation process involving the Coast Guard's audited financial statements information. 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 for the OE and RT appropriations, a combination of project analysis and OE-based allocators 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 for each of the four appropriations or decision units. The mechanics of how each decision unit's drug control data is derived as follows:

- **Operating Expenses (OE) and Reserve Training (RT)**— Budget Authority or Expenditures are allocated to the mission areas of the Coast Guard based upon the output of a Mission Cost Model (MCM). This tool is used in presenting the mission based data shown in the OE and RT budget submissions across the 11 Coast Guard programs. The following data sources feed the MCM:
 1. **Departmental Accounting & Financial Information System (DAFIS)** – annual expenditures data broken down by Operating Facility (OPFAC)/ Cost Center, Unit name, Allotment Fund Code, Object Class and dollar amount. This data is highly reliable, and is audited annually as part of the Chief Financial Officers Act audit process.
 2. **Abstract of Operations (AOPS)** – web-based information of how an asset (aircraft, boat, or cutter) spent its time performing various missions of the Coast Guard. Each unit or activity that performs a mission is responsible for including the resource hours in the AOPS database.
 3. **Other Expenses** – The drug related pieces that feed this area of the model are the Tactical Law Enforcement Teams (TACLET), the Law Enforcement Detachments (LEDDET) and the Special Projects. The percentage that drives the TACLET/LEDDET resource areas are computed from team deployment days divided by the total deployment days in the fiscal year for the drug interdiction mission. The Special Projects percentage driver is formulated from a professional judgment of how funding is used to support costs related to counter-drug operations such as Frontier Shield/Promer Lance as well as liaison costs for Coast Guard's Departured Drug Enforcement Task Force (OCDETF).

FY 2003 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
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OR ALLOTMENTS

(2) Drug Methodology (cont.)

4. **Mission Cost Model (MCM) Application & Results** - The MCM assigns a percentage of Coast Guard GE and RT expenditures allocated to each of the 11 programs.
5. **Normalize to BA or Obligations** - The program percentages derived from the MCM are then applied to total GE and RT fiscal year 2003 budget authority or expenditures (See Attachments A & B respectively) depending upon the reporting requirement. Budget Authority is derived from the agency's annual enacted Appropriation and expenditure data is derived from the final financial accounting Report of Budget Execution (SF-133).
6. **Acquisition, Construction & Improvements (AC&I)** - is a multi-year appropriation when funding is available for up to 3 years depending on the nature of the project. The methodology used to develop the drug funding estimate is systematically different than that of OE and RT. AC&I drug funding levels, for either BA or obligations, is 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 each of the Coast Guard's 11 programs. The program/line item spreads for these drivers are based on the MCM outputs. To ensure consistency, extracts used for the analysis of enacted BA for any fiscal year are used for the end of year analysis of obligations as well. For FY 2003 AC&I program and mission area spreads, the following data sources and methods were used:
 1. **Mission Cost Model** - is run as discussed above using the following data sets:
 - * FY 2003 DAFIS expenditures on categories using the percentage of total financial data broken down by Operating Facility (OPFAC), Cost Center, Unit name, Allotment Fiscal Code, Object Class and dollar amount.
 - * Annual FY 2003 Abstract of Operations (AOPS) - a report of how the assets (aircraft, boat, or other) spent their time performing various missions of the Coast Guard.
 2. **Drug Related Percentage** - The percentage spread for each driver is extracted from the MCM. This information is further analyzed to:
 - (a) Identify a discrete driver was applied to each project consistent through the life of the project or;
 - (b) A driver was used that was based upon historical or future projected use of an asset.
 3. **Mission Cost Results/Amplification** - Once the project drivers were reviewed, they were applied to the total BA or expenditures of the FY 2003 project/line item to derive the allocated drug levels (See Attachment C). The BA totals are derived from the agency's annual Appropriation Bill. The FY 2003 expenditure data is a data set from DAFIS of AC&I Obligated/Unobligated Balances by Project.

FY 2003 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
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OR ASSOCIATION

(2) Drug Methodology (cont.)

- **Research, Development, Test & Evaluation (RDTE&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 each project. The program/mission area percentages are based upon subject matter expert review. The method used to compile the FY 2003 data was:

1. **Funds on project/line item** requested in the Comprehensive Law Enforcement - Program, Project Activity (PPA) and the Technology Investment PPA.
2. **Subject matter expert review** of each project/line item to estimate their direct and indirect impact to the drug control percentage of effort.
3. **Apportionment** - Once the project drivers were reviewed, they were then applied to the total cost of the FY 2003 project/line item to derive the drug-associated costs (See Attachment C). Budget Authority (BA) data is derived from the agency's annual Appropriation and obligation data is extracted from a Large Unit Financial System (LUPS) transaction summary report by project.

- (b) **Other Estimation Methods** - Where the MCM 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, experienced professional judgment 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 the new Great Lakes icebreaker. In the past, icebreakers have dedicated a majority of their annual resource hours to ice breaking with the remainder of the annual resource hours being allocated to environmental response. The new icebreaker is being designed to meet a multi-mission asset that will be tasked with tasks to navigation, marine safety, and search and rescue missions in addition to its ice breaking activities. This change requires that the MCM allocation for this resource be manually adjusted, based on professional judgment, to reflect the change in the planned operating profile for the new icebreaker.

- (c) **Financial Systems** - Expenditure data is derived from DA53. No other financial systems or information are used in developing program or mission area allocations.

- (3) **Application of Drug Methodology** - The methodology discussed in this section was the actual methodology used to generate the table required by Section 6A. Documentation on each decision will be provided.

- (4) **Reprogramming or Transfer** - No reprogramming or transfer of drug-related budget resources in excess of the ONDCP's \$5 million threshold occurred during FY 2003.

FY 2003 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
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68. ADDENDUM

- (5) *Fund Control Notices*— The FY 2003 expenditure data presented herein is associated with obligations reported in Coast Guard's FY 2003 financial plan that fully complies with all Fund Control Notices issued by the Director under 21 U.S.C. Section 1703(f) and Section 8 of FONDCP Circular, *Budget Execution*, dated April 18, 2003.

*

FY 2003 Accounting of Drug Control Funds

Attachment A

**OPERATING EXPENSES (OE)
MISSION COST MODEL OUTPUT:**

	(dollars in thousands)	
	FY 2003	
	Obligations	% of total
1. Search and Rescue (SAR)	450,373	9.49%
2. Marine Safety (MS)	314,260	6.62%
3. Aids to Navigation (ATON)	707,939	14.92%
4. Ice Operations (IO)	151,889	3.20%
5. Marine Environmental Protection (MEP)	110,151	2.32%
6. Living Marine Resources (LMR)	334,704	7.05%
7. Drug Interdiction	494,934	10.43%
8. Migrant Interdiction	289,862	6.11%
9. Other Law Enforcement (OTH-LE)	186,571	3.93%
10. Ports, Waterways & Coastal Security (PWCS)	1,354,328	26.44%
11. Defense Readiness	449,599	9.47%
Total OE Obligations:	\$ 4,744,610	100%

Attachment B

**RESERVE TRAINING (RT)
MISSION COST MODEL OUTPUT:**

	(dollars in thousands) FY 2003	
	Obligations	% of total
1. Search and Rescue (SAR)	7,934	9.49%
2. Marine Safety (MS)	5,536	6.62%
3. Aids to Navigation (ATON)	12,471	14.92%
4. Ice Operations (IO)	2,676	3.20%
5. Marine Environmental Protection (MEP)	1,940	2.32%
6. Living Marine Resources (LMR)	5,896	7.05%
7. Drug Interdiction	8,719	10.43%
8. Migrant Interdiction	5,106	6.11%
9. Other Law Enforcement (OTH-LE)	3,287	3.93%
10. Ports, Waterways & Coastal Security (PWCS)	22,005	26.44%
11. Defense Readiness	7,920	9.47%
Total OE Obligations	\$ 83,580	100%

FY 2003 Accounting of Drug Control Funds

U.S. COAST GUARD FY 2003 ACT DRUG CONTROL OBLIGATIONS (Amounts in dollars)						Attachment C	
Fiscal Year	Fund	WFO Title	Activity Title	FY 2003 Act Obligations	401	Unmet	FY 2003
						Cost Share	Drug Obligations
2002							
01 (000) OBLIGATIONS ENCUMBERED							
1999	14	9900	120	REPAIR & MAINT - CITTIZEN'S BOATS	1	0.000	0.0
1999	14	9900	180	REPAIRS/REPLACEMENTS - BOATS	7		
1999	29	400	040	CHLORAL DOME LIGHT REPLACEMENT	100	1.075	0.0
1999	31	400	020	STEERING CONTROL SYSTEMS REPLACEMENT	5		
1999	37	470	100	AT VEHICLE IDENTIFICATION TAGS REPLACEMENT	101	1.000	0.0
1999	37	482	040	DECK LIGHTS REPLACEMENT	4		
1999	39	942	040	FRAGILE LIGHTS REPLACEMENT	30	0.500	0.0
1999	41	070	100	ALUMINUM BRACKET LIGHTS REPLACEMENT	7	0.000	0.0
1999	41	047	010	INDUSTRIAL CHAIRS REPLACEMENT	100	0.000	0.0
1999	42	000	100	CONSTRUCTION MANAGEMENT	5	0.000	
1999	44	000	100	ASBESTOS REMEDIATION	10		
1999	44	000	100	REPAIRS/REPLACEMENT	10		
1999	44	0	100	REPAIRS/REPLACEMENT	1		
TOTAL 2002				530			1.6
2003 (000) OBLIGATIONS ENCUMBERED				1	0.000		0

FY 2003 Accounting of Drug Control Funds

Attachment C

U.S. COAST GUARD FY 2003 ACT DRUG CONTROL OBLIGATIONS (Thousands of dollars)				FY 2003 Total Obligation		Balance Carried Forward		FY 2003 Drug Obligation	
FY 2003 Budget	FY 2003 Appr.	FY 2003 Est.	PROPERTY CODE						
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
Subtotal				21.0	21.0	18.0	3.0	3.0	0.0
TOTAL OBLIGATION				21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
Subtotal				21.0	21.0	18.0	3.0	3.0	0.0
TOTAL OBLIGATION				21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
Subtotal				21.0	21.0	18.0	3.0	3.0	0.0
TOTAL OBLIGATION				21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
Subtotal				21.0	21.0	18.0	3.0	3.0	0.0
TOTAL OBLIGATION				21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
Subtotal				21.0	21.0	18.0	3.0	3.0	0.0
TOTAL OBLIGATION				21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
Subtotal				21.0	21.0	18.0	3.0	3.0	0.0
TOTAL OBLIGATION				21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
Subtotal				21.0	21.0	18.0	3.0	3.0	0.0
TOTAL OBLIGATION				21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
Subtotal				21.0	21.0	18.0	3.0	3.0	0.0
TOTAL OBLIGATION				21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
Subtotal				21.0	21.0	18.0	3.0	3.0	0.0
TOTAL OBLIGATION				21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
992-00	000-000	000-000	ACQUISITION	21.0	21.0	18.0	3.0	3.0	0.0
Subtotal				21.0	21.0	18.0	3.0	3.0	0.0
TOTAL OBLIGATION				21.0	21.0	18.0	3.0	3.0	0.0

FY 2003 Accounting of Drug Control Funds

Attachment D

DEPARTMENT OF HOMELAND SECURITY
U.S. COAST GUARD
RESEARCH DEVELOPMENT, TEST AND EVALUATION
Annual Accounting of FY 2003 Drug Control Funds
(dollars in thousands)

Budget Object/Program/Line Item	FY 2003 Obligation	DRUG BUDGET	Pct. For Drug Law Enforcement
G1. Marine Safety	4,953	154	3.1%
a. Risk Compellency	375	39	
b. Human Effect/Human Performance	342	36	
c. Spectral Image Technology (Congressional request)	1,000	--	
d. Fire Safety for Commercial Vessels	236	--	
SUBTOTAL, NON-PERSONNEL	1,967	75	
Direct Project Personnel	2,986	79	
G2. Waterways Safety & Management and Aids to Navigation	3,433	77	2.2%
a. Navigation Aids	490	--	
b. Vessel Traffic	444	46	
SUBTOTAL, NON-PERSONNEL	934	46	
Direct Project Personnel	2,500	31	
G3. Marine Environmental Protection	2,576	--	0.0%
a. Oil Spill Response	1,024	--	
b. Aquatic Nuisance Species Control	772	--	
SUBTOTAL, NON-PERSONNEL	1,801	--	
Direct Project Personnel	775	--	
G4. Comprehensive Law Enforcement	5,107	871	17.1%
a. Improve Domain Awareness	1,000	209	
b. Controlled Detention and Vessel Stoppage	1,849	449	
SUBTOTAL, NON-PERSONNEL	1,849	658	
Direct Project Personnel	1,258	213	
G5. Technology Investment	4,508	423	9.4%
a. Technology Assessment	135	25	
b. Solent Projects	338	25	
c. Command Center Concept Exploration	736	77	
d. Composite Wood (Congressional request)	1,000	104	
e. Observation Systems (Congressional request)	250	--	
SUBTOTAL, NON-PERSONNEL	2,459	231	
Direct Project Personnel	2,049	192	
G6. R&D Personnel, Program Support & Operations	4,848	420	8.7%
a. Admin/Support Personnel & Related Costs	1,533	308	
b. Support and Operations	1,293	112	
TOTAL REQUEST	\$ 22,501	\$ 1,845	8.2%

FY 2003 Accounting of Drug Control Funds



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Washington, DC 20528

March 16, 2004

MEMORANDUM

TO: Michael J. Garcia
Assistant Secretary

FROM: *Richard L. Stinner*
Clark Kent Eryx
Inspector General

SUBJECT: Review of the Bureau of Immigration and Customs Enforcement's (ICE) Reporting of FY 2003 Drug Control Funds— Audit Report # OIG-04-17

The Office of the Inspector General attempted to perform a review, in accordance with attestation standards established by the American Institute of Certified Public Accountants, of the assertions in Section B of the accompanying Bureau of Immigration and Customs Enforcement's (ICE) report of FY 2003 drug control funds (Submission). The Submission and our review are required by 2) U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *Drug Control Accounting* (Circular), dated April 18, 2003. The Submission is the responsibility of ICE's management.

In the Submission, ICE reported that it used program percentages to derive obligations related to drug control functions. ICE was unable to provide, prior to the completion of our review, all of the program percentages, including a clear description of items, used to calculate obligations for eight of the nine drug control functions listed in the Submission's Table of Drug Control Obligations. Therefore, we were unable to assess the reliability of management's assertions number one and number two regarding the reasonableness and accuracy of ICE's methodology and thus the methodology disclosed was the actual methodology used in the Submission.

Because of the matters stated in the second paragraph, the scope of our work was not sufficient to enable us to provide an opinion or other type of assurance, and we do not express an opinion or other type of assurance, on the assertions in Section B of the Submission.

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

FY 2003 Accounting of Drug Control Funds

Should you or your staff have any questions, you may contact J. Richard Herman at (202) 254-4100.

cc: Paul Ladd
Andrew Minor

FY 2003 Accounting of Drug Control Funds

U.S. Department of Homeland Security
Bureau of Immigration and Customs Enforcement

42 / June 04
Budgetary DOC 2003

Immigration and Customs Enforcement Management's Assurance Statement For the Fiscal Year Ending September 30, 2003

On the basis of Immigration and Customs Enforcement (ICE) management control, we assert that the Immigration and Customs Enforcement system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. The methodology used by the Bureau of Immigration and Customs Enforcement to calculate obligations of budgetary resources by function and by budget decision unit is reasonable and accurate in all material aspects.
2. The methodology disclosed in this statement was the actual methodology used to generate the Table.
3. There were no reprogrammings or transfers in fiscal year 2003. ICE drug control functions were subject to rescissions of \$1,704,324 in fiscal year 2003.
4. The Department of Homeland Security did not have any ONDCP Final Control Notices issued in FY 2003.

We have determined the methodology used by ICE to identify and accumulate fiscal year 2003 drug control obligations in the Table and accompanying disclosures in accordance with the guidance of ONDCP's Circular, Drug Control Accounting, dated April 18, 2003.


Paul Ladd
Chief Financial Officer


1/12/04
[Name]

FY 2003 Accounting of Drug Control Funds

OCB Office of Budget
 700: Policy Review
 302-314-6256
 January 13, 2004

**Department of Homeland Security
 Bureau of Immigration and Customs Enforcement
 Table of Drug Control Obligations
 For the Fiscal Year Ending September 30, 2003**

Enforcement Activities	Actual FY 2003 Obligations
Drug Revenue by Drug Control Function	
Intelligence	\$927,468
Investigative	\$10,685,600
Inspectional	\$23,821,708
Intelligence	\$31,673,038
Personnel/Overtime/Training	\$1,875,148
Publication	\$0
Research & Development	\$0
State & Local Assistance	\$1,861,210
Treatment	\$0
Total	\$38,904,264
Drug Revenue by Budget Division Unit	
Software/Expenses	\$12,170,041
Operations and Maintenance	\$1,791,001,886
Total	\$1,803,171,927
Submissions	
Total Agency Budget	\$3,024,000,000
Drug Control Percentage	17%

* Total obligations include only enforcement activities and exclude all fire accounts.

FY 2003 Accounting of Drug Control Funds

ICE Office of Budget
PAC Policy Profile
002-574-0250
January 12, 2004

Discussions No. 1: Drug Control Methodology

As the largest investigative arm of the Department of Homeland Security, U.S. Immigration and Customs Enforcement (ICE) brings a unified and coordinated focus to the enforcement of federal immigration laws, customs laws, and, as of November 2002, air security laws. ICE brings to bear all of the considerable resources and authorities leveraged to it to fulfill its primary mission: to detect vulnerabilities and prevent violations that threaten national security.

ICE works to protect the United States and its people by detecting, interdicting, and investigating threats arising from the movement of people and goods into and out of the United States; and by profiling and securing federal government facilities across the nation. Forty-two (42) percent of investigative missions, and 30 percent of Air and Marine operations are dedicated to the ICE drug enforcement mission and support the *National Drug Control Strategy*. These percentages fluctuate from year to year based on the caseload that ICE Special Agents complete.

The drug control level of effort for ICE's Air and Marine Operations, Investigations and Intelligence programs was originally established at the U.S. Customs Service under the Department of Treasury in consultation with program reports and analysis assigned to the program. The basis for the percentages estimates was the expertise of the individuals surveyed by the U.S. Customs Office of Budget at that time.

On March 1, 2003, the Air and Marine Operations, Investigations and Intelligence programs were transferred to ICE under the Department of Homeland Security.¹ The basis for the FY 2003 percentages estimates has not been changed by the transition.

¹ ICE is one of three Department of Homeland Security Bureau units which the former Immigration and Naturalization Service was divided on March 1, 2003. The other two Bureaus are Customs and Border Protection (CBP) and Citizenship and Immigration Services (CIS). These three bureaus were created from the former U.S. Customs Service, an agency of the Department of the Treasury, and the Immigration and Naturalization Service (INS) an agency of the Department of Justice.

At the time of transition, the drug control functions of the U.S. Border Patrol transitioned with the program, from the former INS to CBP, and the drug control functions of the Office of Investigations (including the Air and Marine, Investigations and Intelligence operations) transitioned from the former U.S. Customs Service to ICE. The transition included the transition of ongoing FY 2003 operations. Therefore, ICE reported FY 2003 actuals for Air and Marine, Investigations and Intelligence operations in the FY 2003 version of the FY 2003 OMB budget submission. ICE is also reporting FY 2003 actuals for only these programs in this certification for audit, because this is consistent with the FY 2003 submission to OMB for the FY 2003 President's Budget Request. It is ICE's understanding the CBP is reporting FY 2003 actuals for the U.S. Border Patrol.

FY 2003 Accounting of Drug Control Funds

ICE Office of Budget
FDC: Priority Funding
202-318-8258
January 13, 2004

The percentage used to develop the drug control budget for ICE reflects estimated work years devoted to ICE's drug control mission.

Data – All accounting information for the FY 2003 execution of the Air and Marine Operations, Investigations and Intelligence programs is based on reports that the program experts and analysts extracted from the CBP Federal Financial System (FFS), which can also be reconciled with the enacted appropriations.

Obligations related to drug control functions for the Air and Marine Operations, Investigations and Intelligence programs is derived by applying program percentages to obligations reported from the accounting databases net of all reimbursable agreements.

Disclosure No. 2: Modifications to Drug Control Methodology

There have been no modifications to the methodology used to calculate drug control obligations for the Air and Marine Operations, Investigations and Intelligence programs. However, because ICE does not have direct access to the CBP FFS, we have relied on experienced analysts in the key programs to provide FY 2003 actual obligations based on their analysis of CBP financial system reports.

Disclosure No. 3: Material Weakness and Other Findings

There are no known material weaknesses or other findings relating to the accounting for obligations or its source management information systems that would affect the amounts reported in the table.

ICE did not have any OIGDCP fund-control review issues in FY 2003.

FY 2003 Accounting of Drug Control Funds

Department of Homeland Security
 Division of Security and Counter Terrorism
 FY 2003 Accounting of Drug Control Funds

Fund/Activity	FY 2003 Available Budget	FY 2003 Actual	Balance	FY 2003 Unexpended Available Balance	Balance	Funds		FY 2003 Total Available
						In	Out	
Drug Control Activities:								
Border Patrol	11,138,411	10,774	11,127,637	461,181	11	11	11	11,138,411
Immigration and Customs Enforcement	14,238,444	4,984,479	9,253,965	1,614,114	49	49	49	14,238,444
Maritime Operations	1,112,000	4,208,413	3,096,413	133,132,327	39	39	39	1,112,000
Special Operations	1,112,000	84,251	1,027,749	84,251	42	42	42	1,112,000
Training and Development	1,112,000	11	1,101,889	11	33	33	33	1,112,000
Security & Compliance	1,112,000	1,112,000	0	0	41	41	41	1,112,000
Community Outreach	1,112,000	1,112,000	0	0	41	41	41	1,112,000
Hazardous Materials	1,112,000	1,112,000	0	0	41	41	41	1,112,000
Total	20,714,855	11,794,217	8,920,638	133,132,327	200	200	200	20,714,855
Drug Enforcement Response Core	11,138,411	11,138,411	0	0	11	11	11	11,138,411
Border Patrol	11,138,411	11,138,411	0	0	11	11	11	11,138,411
Total	11,138,411	11,138,411	0	0	11	11	11	11,138,411

FY 2003 Accounting of Drug Control Funds



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Washington, DC 20528

March 15, 2004

MEMORANDUM

TO: Robert C. Bonner
Commissioner
U.S. Customs and Border Protection

FROM: *Clark Kent Ervin*
Clark Kent Ervin
Inspector General

SUBJECT: Review of the U.S. Customs and Border Protection's (CBP) Reporting of FY 2003 Drug Control Funds - Audit Report # OIG-04-16

We have reviewed management's assertions in Section B of the accompanying U.S. Customs and Border Protection's (CBP) annual report of FY 2003 drug control funds (Submission). The Submission, including the assertions made, is required by 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular "Drug Control Accounting" (Circular), and is the responsibility of CBP's management.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertions in Section B of the Submission. Accordingly, we do not express such an opinion.

The *Independent Auditors' Report* for the FY 2004 financial statements of the Department of Homeland Security (DHS), of which CBP is a part, identified a material weakness related to financial systems functionality and technology. Reportable conditions are matters coming to the auditors' attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in the auditors' judgment, could adversely affect DHS' ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, or amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

FY 2003 Accounting of Drug Control Funds

We also noted that \$15 million in obligations, identified in supporting documentation as FY 2003 initiatives funded by Congress, was included in drug control obligations totaling \$611 million. The methodology to derive the \$15 million was not described in the Submission as required by the Circular.

Based on our review, except for the effects of the material weakness related to information systems functionality and technology, if any, and the omission of the methodology description related to \$15 million, nothing came to our attention that caused us to believe that management's assertions included in Section B of the accompanying Submission are not fairly stated in all material respects based on the criteria set forth in the Circular.

This report is intended solely for the information and use of CBP, DHS, 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 J. Richard Herman at (202) 254-4100. We appreciate the cooperation and the courtesies extended to our staff during the course of our review.

cc: Jo Cohen, Acting CFO, CBP
Andrew Maser, CFO, DHS

U.S. CUSTOMS AND BORDER PROTECTION
Department of Homeland Security

Memorandum

DATE: FEB 24 2004

FILE: BUD-4-OF-BD/FO TGC

TO: Chief Financial Officer,
Department of Homeland Security

FROM: Executive Director, Budget
Office of Finance

SUBJECT: FY 2003 National Drug Control Funds

Attached is the Customs and Border Protection FY 2003 Report on the National Drug Control Funding. Please transmit this information to the Office of National Drug Control Policy. In FY 2003, Customs and Border Protection reported an expenditure against direct obligations of \$611.1 million. There were two changes to this previously signed transmittal letter, made as a result of the audit being performed by the IG's Office, that contributed to the change in the Drug Control number being reported. These changes are outlined below. Data was reported incorrectly, which contributed to an understatement of funds of \$44.3 million.

To address any questions you have regarding this submission, your staff may contact Mr. Kurt Hahn on 927-4084.


Carol A. Dunham

Attachment

cc: Sunday Okumina, IG
David Nicholson, BTS

Vigilance ★ *Service* ★ *Integrity*

FY 2003 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY
CUSTOMS AND BORDER PROTECTION
Annual Reporting of FY 2003 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

A Table of FY 2003 Drug Control Obligations

(Dollars in Millions)

Drug Resources by Function:	
Intelligence	\$ 36,510
Inspection	587,796
Investigation	4,193
Research and Development	3,600
TOTAL	611,101
Drug Resources by Appropriation:	
Salaries and Expenses	\$ 611,101
TOTAL	611,101

i Drug Methodology

On the basis of past practice, five organizations within Customs and Border Protection (CBP), the Office of Field Operations, the Office of Information Technology, the Office of Training and Development, the Office of International Affairs, and Border Patrol were provided with guidance on preparing estimates for the FY 2003 annual reporting of drug control funds. These offices were asked to estimate, on the basis of their expert opinion, what portion of their activities is related to drug enforcement. In addition, these organizations were also asked to only provide data for obligations against budget authority that became available in FY 2003.

(i) five organizations identified resources in their financial plans that support the drug enforcement mission of the agency.

OFFICE OF FIELD OPERATIONS

The Inspection and Security Division of the Office of Field Operations has identified 2,646 inspector positions that are currently related to drug enforcement. In August 2003, CBP established a Consolidated National Inspection Arts Technology Contraband Enforcement Team Policy (A-TCET). Under A-TCET, the former Contraband Enforcement Team (CET), Manifest Review Unit (MRU), Non-Intrusive Inspection, Canine, and Outboard teams will be united to form a single enforcement team, A-TCET. The A-TCET teams also work closely with the Passenger Enforcement Rover Team (PERT) and Passenger Analytical Unit (PAU) teams to coordinate all enforcement activities. Although the primary mission of the A-TCET teams is anti-terrorism, they will also focus on all types of contraband, including narcotics. In the past, 100 percent of CET inspector time has been devoted to drug enforcement. Since the primary focus of A-TCET is anti-terrorism, it is estimated that 95 percent of their time is devoted to drug enforcement. Although the primary focus of CET enforcement teams has changed, there is only a slight decrease in time devoted to drug enforcement due to similarities in

FY 2003 Accounting of Drug Control Funds

function. The smuggling methodologies and their indicators are believed to be similar to both narcotics and anti-terrorism activities.

By the end of FY 2003, there were 721 Customs Enforcement Officers, including 17 Currency Carrier Enforcement Officers, that were nearly 100 percent devoted to smuggling interdiction.

There were nearly 6,000 other CBP inspectors that, in addition to the interdiction of contraband and illegal drugs, also enforce hundreds of laws and regulations of many other Federal government agencies. For example, these agencies include the U.S. Fish and Wildlife Service, the Bureau of Alcohol, Tobacco, Firearms, and Explosives, and the Bureau of Export Administration among many others. CBP subject matter experts estimate that roughly 30 percent of these inspectors' time is devoted to drug-related activities.

Given a mission whose primary focus is now anti-terrorism, coupled with the expansion of the scope of CFO's and the new CBP's responsibilities in the Department of Homeland Security, the FY 2003 estimated drug-related salary and benefit obligations are lower than prior years.

The intelligence and interdiction functional split estimates are based on prior year TECS-generated SAS Reports relating to narcotics seizures. Activities were generated as a result of prior information received from sources such as Customs, DEA, NCIC, TECS, and other intelligence, or as a direct result of the narcotics interdiction efforts of inspectors.

Staffing data was derived as follows: Enforcement Inspector numbers were based on results of a prior survey of ports and field operations offices on the number and types of employees dedicated to enforcement; the remainder are based on Human Resources Management data. Average salaries and benefits for inspectional staff are based on HRMS data.

OFFICE OF INTERNATIONAL AFFAIRS

The Office of International Affairs used as its source of data, the Investigative Case Management system to arrive at man-years worked on narcotics issues in Fiscal Year 2003. We applied the Foreign Position Model, developed in August 2002 for Part 2 of Exhibit 58 of the Customs Service FY02 submission to the Office of Management and Budget, to arrive at the annual narcotics investigative costs for the Office of International Affairs personnel assigned to our foreign locations.

OFFICE OF TRAINING AND DEVELOPMENT

The Office of Training and Development's mission support, while vital to the Customs Service, is not entirely drug related.

Training arrived at its estimates by reviewing all courses conducted in FY 2003 at all airports if the course contained drug enforcement related material. If the course was found to contain drug related material, it was then categorized by interdiction, investigation, or intelligence. In addition, the percentage of drug related material was identified and the total cost for the course was then multiplied by the drug content percentage.

-

The costs associated with training delivery were recorded under operations as well as in the three individual drug functions. Estimates from the Federal Law Enforcement Training Center (FLETC) were derived based on classes conducted, instructors, and support personnel. Firearms training was deemed 100 percent drug related in its mission and headquarters personnel were denoted as a support function to all field representatives.

Total drug resources for Training are further broken down into a 85/21/15-percent split between the interdiction, intelligence, and investigation functions respectively.

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 (ATD). Approximately 43 percent of research and development resources, 50 percent of base resources, 50 percent of support and maintenance resources, and 50 percent of resources devoted to the acquisition of non-intrusive imaging systems and accompanying inspection technology are dedicated to drug enforcement.

BORDER PATROL

There are over 10,000 Border Patrol agents that are assigned the mission of detecting and apprehending any illegal entrants between the ports-of-entry along the 8,000 miles of the United States land borders. These legal entries include aliens and drug smugglers, potential terrorists, wanted criminals, and persons seeking to avoid inspection at the designated ports of entry due to their undocumented status, thus preventing their legal entry. It has been determined that 15% of the total agent time nationwide is related to drug interdiction activities. These activities include staffing 26 permanent border traffic checkpoints nationwide including over 300 canine units trained in the detection of humans and certain illegal drugs that are concealed within cargo containers, truck trailers, passenger vehicles and boats. In addition, agents perform law-enforcement functions in designated border areas that are frequent entry points for the smuggling of drugs and people into the United States.

ii. Technology Modifications

- (A) Last year's Office of Information and Technology submission used 50% of base resources, 43% of research and development resources, 36% of acquisition resources, and 50% of support and maintenance resources were dedicated to drug enforcement. In this submission, these percentages have been increased to 50% of base resources, 43% of research and development resources, 50% of acquisition resources, and 50% of support and maintenance resources are dedicated to drug enforcement. If last year's percentages had been used, Customs obligation estimates would have increased by \$4.5 million.

Overall, these changes increase the Customs obligation estimate in this submission by \$4.5 million. We believe that this estimate fairly characterizes our efforts and provides a better path to transparency against past estimates.

iii. Manual Processes or Other Findings

None

FY 2003 Accounting of Drug Control Funds

4.

A. Reprogramming or Transfers

In accordance with the transition to The Department of Homeland Security, the Border Patrol has been included in this year's estimates and the Office of Investigations has been excluded.

B. Other Disclosures

None

B. Assurances

1. Drug Methodology

CBP asserts that the methodology used to estimate drug enforcement related 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. While there have been certain adjustments made to the methodology that ONDCP approved on February 13, 2001, these are seen as necessary to present a fair and accurate picture of the CBP drug enforcement mission.

b. Other Estimating Methods

None

c. Financial Systems

CBP's 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.

d. Application of Methodology

The methodology described in section A.1 above was used to prepare the estimates contained in this report.

2. Reprogrammings or Transfers

No changes were made to the Customs Service Financial Plan that required ONDCP approval per the ONDCP Circular dated April 18, 2003.

3. Fund Control Notices

No assertions are made in this area since Fund Control Notices were not issued during FY 2003.



**U.S. SMALL BUSINESS
ADMINISTRATION**



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

JAN 06 2003

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

Dear Mr. Rivait:

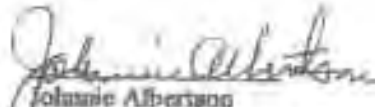
As requested, this is the U.S. Small Business Administration's (SBA) response to the ONDCP Circular: *Drug Control Accounting*.

Drug Methodology Fiscal Year 2002

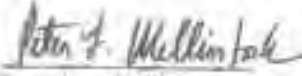
<u>Drug Function</u>	<u>Budget Decision Unit</u>
Prevention - \$1M	Education - \$3M

If you have any questions concerning this report, please contact Joan Brady in SBA's Office of Small Business Development Centers at 202-205-7384.

We attest that full compliance with the ONDCP Circular would create an unreasonable burden on the SBA.


Johanne Albertson
Associate Administrator
Small Business Development Centers


Thomas Dunning
Chief Financial Officer


Peter L. McClintock
Acting Inspector General

SBA IS AN EQUAL OPPORTUNITY EMPLOYER AND PROVIDER





U.S. Department of State

FY 2002 Accounting of Drug Control Funds



United States Department of State

Washington, D.C. 20520

FEB 19 2003

Dear Mr. Rivait:

In accordance with the Office of National Drug Control Policy (ONDCP) Circular, Drug Control Accounting, dated May 30, 2002, the Department of State is submitting Fiscal Year (FY) 2002 obligation information on its drug control program along with the Inspector General's attestation.

Program Areas:

In previous years the Department reported on three drug control programs: that of the Bureau of International Narcotics and Law Enforcement Affairs (INL), certain non-broadcast Public Diplomacy functions, and the limited drug control activity in the Emergencies in the Diplomatic and Consular Services account, even though the latter two programs were below the \$50 million reporting threshold. However, based on the restructuring of the National Drug Control Budget described in the ONDCP Circular: Budget Formulation, dated May 30, 2002, the Department's annual report for FY 2002 addresses only the INL drug control program.

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 6a of the ONDCP Circular, Drug Control Accounting. To enhance disclosure, the Department prepared the obligation information in a comparative format to show Department performance on the INL drug control program in FY 2001 and FY 2002. The reprogramming, direct apportionment, and transfer information for FY 2002 immediately follows the table of drug control obligations. The reprogramming, direct apportionment, and transfer information for FY 2002 is complete and all reprogramming over \$5 million was approved by ONDCP.

Mr. David J. Rivait,
Acting Associate Director,
Office of Planning and Budget,
Office of National Drug Control Policy,
Executive Office of the President,
Washington, D.C. 20503

FY 2002 Accounting of Drug Control Funds

2

**Bureau of International Narcotics
and Law Enforcement Affairs**

Drug Control Obligations:

	(In Millions)	
	FY 2001 Actual ¹	FY 2002 Actual ²
Drug Resources by Drug Control Function		
Interdiction	\$ 13,776	\$ 27,955
International	<u>412,668</u>	<u>695,627</u>
Total	\$ 426,444	\$ 723,582
 Drug Resources by Decision Unit		
International Narcotics and Law Enforcement (INCLEI)	\$ 426,444	\$ 165,019
INCLE - Pakistan ERP Supplemental	0,000	32,435
Arms Counterdrug Initiative (ACI)	<u>0,000</u>	<u>528,128</u>
Total	\$ 426,444	\$ 723,582
 Drug Resources by Function and Decision Unit		
Interdiction:INCLE	\$ 13,776	\$ 23,121
Interdiction:ACI	0,000	4,834
International: INCLE	412,668	141,899
International: ACI	0,000	521,394
International: INCLE - Pakistan ERP Supplemental	<u>0,000</u>	<u>32,435</u>
Total	\$ 426,444	\$ 723,582
 Drug Resources Personnel Summary		
Total FTE (Direct Hire)	141	143
 Information:		
Total Agency Budget	\$ 448,499	\$ 796,308
Drug-Related Percentage	95.1%	90.9%

¹ FY 2001 and FY 2002 obligations include funding from the FY 1999 and FY 2000 Emergency Supplementals.

² These figures do not include Anticrime transfers from USAID (\$110,304 million) and reimbursements from other USG agencies (\$18,250 million). They do include \$25.75 million (INCLE funds) and \$88 million (Plan Colombia funds) transferred to USAID for alternative development programs.

³ These figures do not include Anticrime transfers from USAID (\$102,873 million) and reimbursements from other USG agencies (\$13,807 million). They do include \$11.5 million (INCLE funds) transferred to USAID for Afghanistan; \$13.4 million (INCLE) transferred to USAID for Bolivia; and \$219 million (ACI funds) appropriated to USAID for alternative development, support for democracy, and administration of justice programs.

Transfers, Direct Apportionments, and Reprogramming

The transfer, direct apportionment, and reprogramming actions listed below are included in the FY 2002 drug-related obligations reported in the preceding table.

1. Directly apportioned \$219 million of ACI funds to USAID for programs in Bolivia, Colombia, Ecuador and Peru.
2. Transferred \$20 million of INCLE funds to ACI.
3. Transferred \$11.5 million of INCLE funds to USAID for programs in Afghanistan.
4. Transferred \$13.4 million of INCLE funds to USAID for an alternative development program in Bolivia.
5. Reprogrammed \$8.5 million of INCLE funds (\$3.5 million from Asia/Middle East Regional and \$5 million from INL Anticrime Programs) to Afghanistan.
6. Reprogrammed \$8.5 million of FY 2002 supplemental funds to the Asia/Middle East Regional (\$3.5 million) and INL Anticrime Program (\$5 million).
7. Reprogrammed \$6.6 million of INCLE funds (from Bolivia Alternative Development) to Indonesia.

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 support of the President's National Drug Control Strategy. This strategy calls for a 10 percent reduction in the domestic availability of illicit drugs over the next two years and 25 percent reduction over the next five years.

To help achieve this goal, INL targets drugs at the source and in transit. Bureau goals include: reducing drug cultivation through enforcement, eradication, and alternative development programs; strengthening the capacity of law enforcement institutions to investigate and prosecute major drug trafficking organizations and to block and seize their assets; improving the capacity of host national police and military forces to attack narcotics production and trafficking centers; and fostering regional and global cooperation against drug trafficking. INL functions 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. Obligations for program funding for the Caribbean, Central America, and Mexico directed at interdiction, intelligence and law enforcement activities are reported as Interdiction. All other drug control obligations are reported as International. Funding under the Andean Counterdrug Initiative (ACI) appropriation started in FY 2002. This addition resulted in INL funding being divided between two decision units. There were no changes in the drug methodology between FY 2001 and FY 2002.

ASSERTIONS

Drug Methodology and Other Disclosures

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

All Department of State INL programs, except those appropriated for international anti-drug activities, are scored as 100 percent drug-related. The Department's

accounting system tracks the international anticrime obligations separately from those of the drug control programs through a combination of the appropriation point limitation and the allotment. This arrangement clearly separates all the drug control obligations being reported from other funds managed by INL. Only obligations recorded under the drug control point limitations and allotments are included in the drug control obligation figures in this report.

Application of Methodology

I assert that the drug methodology for the Department of State INL drug control program has not been modified over the past year. The underlying decision criteria, information sources, and management processes for managing drug programs and reporting obligation amounts remain unchanged.

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

FY 2002 CFO Audit Material Weakness

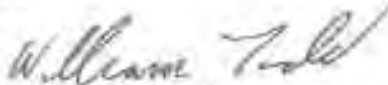
I believe the information for the Department of State in this submission is reliable and accurate, since the Department's last six fiscal year financial statements have been audited and received unqualified "clean" opinions.

Although the independent audit work performed on the FY 2002 financial statements disclosed a material weakness related to computer access controls and three reportable conditions associated with (1) the inadequacy of the financial management systems, (2) management of unliquidated obligations, and (3) implementation of the Managerial Cost Accounting Standards, the Department has undertaken steps to address these findings. The Department has continued to improve the information systems security program and is working on a comprehensive plan to have systems certified and accredited. Substantial compliance with the Federal Financial Management Improvement Act is a top priority of the Department and improvement initiatives to achieve this goal are well underway. Strengthening the management of unliquidated obligations and implementation of the Managerial Cost Accounting Standards are other important financial management initiatives.

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 2002 transfers and fund reprogramming actions are duly noted. The obligation data presented in the report for INL are associated with the INL financial plan, as revised during FY 2002 to reflect changes, including the reprogramming and transfers in excess of \$5 million. In addition, there are no reprogramming or transfers for INL that affected drug control resources in excess of the total \$68.5 million listed on page three of this report.

For purposes of the ONDCP Circular 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 concur with all assertions associated with INL.



William E. Todd, Executive Director
Bureau of International Narcotics and Law
Enforcement Affairs
February 12, 2003

If you would like to address any questions associated with our submission, please call me on (202) 887-7490.

Sincerely,



Christopher H. Burnham
Assistant Secretary for
Resource Management and
Chief Financial Officer

Enclosure: As stated.

FY 2002 Accounting of Drug Control Funds



United States Department of State
and the Broadcasting Board of Governors

Inspector General
February 10, 2003

MEMORANDUM

TO: RM – Mr. Christopher B. Burnham

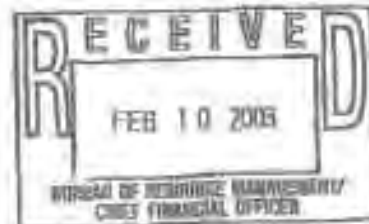
FROM: OIG – Anne M. Sigmond, Acting

SUBJECT: Attestation Review of Annual Accounting of Drug Control Funds for FY 2002

Attached is OIG's Independent Attestation Review of the Annual Accounting of Drug Control Funds for FY 2002 for the Department of State. Based on this review, OIG did not discover any irregularities that would suggest that the Department's submission did not meet the requirements of the Office of National Drug Control Policy.

If you have any questions concerning the attached attestation, please contact Luther L. Atkins, Acting Assistant Inspector General for Audits, at 202-284-2600.

Attachment: As stated.



Address correspondence to: U.S. Department of State, Office of Inspector General, Washington, D.C. 20520-8847

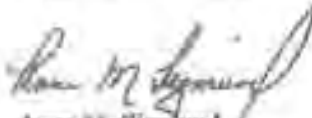
**Independent Attestation Review
Annual Accounting of Drug Control Funds for FY 2002
by the Department of State
AID/PS-03-23**

OIG has reviewed the accompanying Chief Financial Officer's FY 2002 detailed accounting submission to the Director of the Office of National Drug Control Policy (ONDCP). The Chief Financial Officer prepared the submission in compliance with ONDCP Circular: *Annual Accounting of Drug Control Funds*, dated May 30, 2002. The Department of State is responsible for this submission.

OIG conducted its review in accordance with the attestation standards established by the American Institute of Certified Public Accountants, as specified in Section 6 of the ONDCP circular. The scope of a review is substantially less than an examination, the objective of which is to express an opinion. Consequently, OIG does 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 this review of the accounting submission, OIG did not detect any irregularities that would lead OIG to surmise that the accompanying assertions do not, in all material respects, reliably represent the FY 2002 obligation data presented to ONDCP.


Anne M. Sigmund
Inspector General, Acting

Date: 3/8/02



U.S. Department of Transportation



U.S. COAST GUARD

FY 2002 Accounting of Drug Control Funds

U.S. Department
of Transportation
United States
Coast Guard



Commissariat,
United States Coast Guard

2100 Second Street, S.W.
Washington, DC 20593-0001
Staff Symbol: G-CBU
Phone: (202) 267-2400
FAX: (202) 267-4152

10 APR 2003

7100

Mr. Robert B. Eiss
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. Eiss,

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 2002 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 May 30, 2002.

If you have any questions, please feel free to contact Mr. Dave Pokora at (202) 267-2415.

Sincerely,

A handwritten signature in cursive script that reads "L. G. Davis".

L. G. DAVIS,
Acting Chief, Office of Budget
By direction

- Encl: (1) U.S. Coast Guard detailed Accounting of FY 2002 Accounting of Drug Control Funds.
(2) Authentication letter from Deputy Assistant Inspector for Financial and Information Technology, John L. Meche, dated January 21, 2003.

Copy: Mr. John L. Meche

FY 2002 Accounting of Drug Control Funds

**DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2002 DRUG CONTROL FUNDS
0A. DETAILED OBLIGATION SUBMISSION**

(a) Table of Prior Year Drug Control Obligations (dollars in millions)

RESOURCE SUMMARY	2002 Actual
Drug Resources by Function:	Obligations
• Interdiction	\$599,767
• Research and Development	2,728
Total Resources by Function	\$602,495
Drug Resources by Decision Unit:	
• Operating Expenses (OE)	\$458,626
– OE Drug Percentage	12.2%
• Reserve Training (RT)	\$10,226
– RT Drug Percentage	12.2%
• Acquisition, Construction, and Improvements (AC&I)	\$130,915
– AC&I Drug Percentage	17.9%
• Research, Development, Test and Evaluation (RDT&E)	\$2,728
– RDT&E Drug Percentage	12.9%
Total Drug Control Obligations	\$602,495

(1) Drug Methodology

Over twenty years ago, the Coast Guard designed its cost allocation methodology 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 officers, 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 to take advantage of improved technology and the superior financial information available after three consecutive successful audits under the rigorous Chief Financial Officers Act regime. Further, 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.

FY 2002 Accounting of Drug Control Funds

DEPARTMENT OF TRANSPORTATION UNITED STATES COAST GUARD ANNUAL ACCOUNTING OF FY 2002 DRUG CONTROL FUNDS 6A. DETAILED OBLIGATION SUBMISSION

(1) Drug Methodology (Continued)

The Coast Guard's drug control funding estimates are computed by closely 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); Reserve Training (RT); 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 and RT's annual funding).

Operating Expenses

The majority of the funds both available to the Coast Guard and allocated to its drug control mission area are in the Operating Expenses (OE) decision unit. OE funds are used to operate Coast Guard facilities, maintain capital equipment, improve management effectiveness, and recruit, train, and sustain an all-volunteer active duty military and civilian workforce. In the OE budget, the amount allocated to the drug control mission area is derived by allocating a share of the actual FY 2002 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 major Coast Guard missions by using a detailed system of tracking operating hours, the Abstract of Operations Report. Using the reported hours logged by commanding officers of ships and by aircraft commanders, the Coast Guard can determine which missions employ Coast Guard personnel and assets. This detailed information is used to allocate actual asset operating costs, and projecting future costs to drug interdiction and other missions. Using financial data gathered from over 3,000 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 primary mission areas.

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 2002 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 extracted from the mission cost model. 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/increased aircraft and/or cutter resource hours, will directly effect OE budget estimates in a given budget year, but will have no relative effect in the AC&I appropriation.

**DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2002 DRUG CONTROL FUNDS
6A. DETAILED OBLIGATION SUBMISSION**

(1) Drug Methodology (Continued)

Reserve Training

A portion of the funds available to the Coast Guard and allocated to its' drug control mission areas are highlighted in the Reserve Training (RT) decision unit. RT funds are used to support CG Selected Reserve personnel who in turn support and operate Coast Guard facilities, maintain capital equipment, improve management effectiveness, and assist in sustaining all Coast Guard operations. In the RT budget, allocating a share of the actual FY 2002 obligations using the same methodology used for OE derives the amount allocated to the drug control mission areas.

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 2002 projects begins with an expert subject matter review of the project digest. Those projects determined to be drug related are further analyzed for a distinct drug percentage. This is done because direct project support funding is for R&D tasks either done solely to assist and improve drug detection and interdiction (such as the test and evaluation of drug detection equipment to improve search techniques under the Comprehensive Maritime Law Enforcement project), or which contribute significantly to detection and/or interdiction but which also benefit other Coast Guard missions. An example of this is the evaluation of various sensor technologies, which are of potential benefit to illegal migrant alien interdiction, fisheries law enforcement and search and rescue efforts as well as drug interdiction. Ultimately, a reasonable drug percentage was then applied to each applicable project's obligation data recorded in FY 2002.

(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

DEPARTMENT OF TRANSPORTATION
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 2002 DRUG CONTROL FUNDS
 5A. DETAILED OBLIGATION SUBMISSION

(3) Material Weaknesses or Other Findings (Continued)

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 allocations associated with an agency that requires it to change missions sometimes on a minute-to-minute basis, the Coast Guard has done an admirable job developing a methodology that allows it to determine how much needs to be allocated to each mission area. Realizing the challenge of trying to understand the Coast Guard's approach to its multi-mission budget estimates, the Coast Guard has sought to improve the ability for the public to comprehend its budget by incorporating an activity based costing technique. This development may provide a clearer understanding of how much funding actually goes toward the drug interdiction effort.

The challenges of resource allocation in a multi-mission agency have not deterred the Coast Guard from conducting rigorous budget analyses on a yearly basis. Rather, the Coast Guard has developed a model that is precise in its ability to track resources used in each mission area, and has the ability to project out for the upcoming year in terms of meeting national goals for the drug interdiction mission. While no budgeting methodology is perfect, the Coast Guard has developed one that could serve as a template for improving the ways which other law enforcement agencies determine their drug control budgets."

(4) Reprogrammings or Transfers

No reprogrammings or transfers of drug related budget resources in excess of the ONDCIP's \$5 million threshold occurred during FY 2002.

(5) Other Disclosures

The following provides a synopsis of the United States Coast Guard's FY 2002 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 complementary mission areas: search and rescue, aids to navigation, marine safety, ice operations, marine environmental protection, enforcement of laws and treaties, and defense readiness.

DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2002 DRUG CONTROL FUNDS
6A. DETAILED OBLIGATION SUBMISSION

(5) Other Disclosures (Continued)

Coast Guard Mission (Continued)

The Coast Guard faces many of the same challenges as the other four military services when it comes to deciding which assets should be deployed for what mission 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 Laws 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 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, reserve support, 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. The Coast Guard continues to present supplementary budget information through the use of a model, which allocates its base funding and incremental requests by mission.

This general purpose mission cost model serves as the basis for developing drug control budget estimates for the OE and RT appropriations and provides allocation information used for developing the drug control estimates for the AC&I appropriation. Similarly, this is the methodology used to complete our annual submission to ONDCI for the NDSC Budget Summary.

**DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2002 DRUG CONTROL FUNDS
6A. ASSAULTS**

(1) Obligations by Budget Decision Unit - N/A. As a multi-mission agency, Coast Guard is exempt from reporting under this section as noted in ONDCP Circular: *Drug Control Accounting*, Sections 6a(1)(b) and 6b(1).

(2) Drug Methodology

The following methodology was applied to derive the drug control information presented in the table in section 6A. The information reported is timely, accurate, and repeatable and is derived from an allocation process involving the Coast Guard's audited financial statement information. 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 for the OE and RT appropriations, a combination of project analysis and OE-based allocations for the ACMI 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 four appropriations or decision units. The mechanics of how each decision unit's drug control data is derived follows:

- **Operating Expenses (OE) and Reserve Training (RT)** - Budget Authority or Obligations are allocated to the operating mission areas of the Coast Guard based upon the output of a mission cost model. This tool is used in presenting the mission based data shown in the OE and RT 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 Mission Cost Program (MCP) model:
 1. **Departmental Accounting & Financial Information System (DAFIS)** - annual obligation data broken down by Operating Facility (OPFAC)/ Cost Center, Unit name, Allotment Fund Code, Object Class and dollar amount. These data are highly reliable, having been successfully audited as part of the Chief Financial Officers Act audit process in 2000, 2001, and 2002.
 2. **Abstract of Operations (AOPS)** - annual records of how the asset (aircraft, boat, or cutter) spent its time performing various missions of the Coast Guard. These records are 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 2002.

FY 2002 Accounting of Drug Control Funds

DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2002 DRUG CONTROL FUNDS
6B. ASSERTIONS

4. **Mission Cost Program (MCP) Model Application & Results** – The MCP model produces an allocation of all OE and RT 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.
 5. **Normalize to BA or Obligations** – The operating program and mission area percentages were then applied to total OE and RT FY 2002 budget authority or obligations (See Attachments A & B respectively) 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 5 years hence, depending on the nature of the project. The methodology used to develop the drug-funding estimate is systematically different than that of OE and RT. 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 the mission cost model. To ensure consistency, extracts used for the analysis of enacted BA for any fiscal year are used for the end of year analysis of obligations as well. For FY 2002 AC&I program and mission area spreads, the following data sources and methods were used:
1. **Mission Cost Model** - is run as discussed above using the following data sets:
 - FY 2002 DAFIS obligations on categories using the percentage of audited financial data broken down by Operating Facility (OPFAC)/ Cost Center, Location name, Allotment Fund Code, Object Class and dollar amount.
 - Actual FY 2002 AOPS Baseline - a report of how the assets (aircraft, boat, or cutter) spent 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 consistent through the life of the project or,
 - (b) A driver was used that was based upon historical or future projected use of an asset.
 3. **Mission Cost Results/Application** - Once the project drivers were reviewed for their reasonability, they were then applied to the total BA or obligations of the FY 2002 project/line item to derive the allocated drug levels (See Attachment C). The BA levels are derived from the agency's Congressional budget submission. The FY 2002 obligation data is a data run from DAFIS of AC&I Obligated/Unobligated Balances by Project.

FY 2002 Accounting of Drug Control Funds

DEPARTMENT OF TRANSPORTATION
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2002 DRUG CONTROL FUNDS
6B. ASSERTIONS

- **Research, Development, Test & Evaluation (RDY&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 2002 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 to the total cost of the FY 2002 project/line item to derive the drug-associated costs (See Attachment D). 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 the mission cost model 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 judgment 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 icebreaker. In the past, icebreakers 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 icebreaker 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 MCP model allocation for this resource be manually adjusted, based on professional judgment, to reflect this change in the operating profile of the new icebreaker.

- (c) **Financial Systems** - Obligation data are derived from DAFIS. No other financial systems or information is used in developing program or mission area allocations.

- (d) **Application of Drug 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.

- (4) **Reprogrammings or Transfers** - No reprogrammings or transfers of drug related budget resources in excess of the ONDCP's \$5 million threshold occurred during FY 2002.

- (5) **Fund Control Notices** - N/A. FY 2002 obligation data predates ONDCP's direction regarding the requirement of a financial plan that fully complies with all Fund Control Notices issued by the Director under Section 7 of ONDCP Circular, *Budget Execution*, dated May 30, 2002.

Attachment A

**OPERATING EXPENSES (OE)
MISSION COST PROGRAM MODEL OUTPUT:**

	FY 2002	
	Obligations	
Attn To Navigation (ATON)	674,100	17.95%
Defense Readiness (DR)	30,810	0.82%
Enforcement of Laws & Treaties (ELT) - Other than Drug	719,576	19.17%
Ice Operations (IO)	123,442	3.29%
Marine Environmental Protection (MEP)	104,756	2.79%
Marine Safety (MS)	1,237,977	32.97%
Search and Rescue (SAR)	405,286	10.79%
Total OE Obligations	3,754,553	100%

**RESERVE TRAINING (RT)
MISSION COST PROGRAM MODEL OUTPUT:**

	FY 2002	
	Obligations	
Aids To Navigation (ATON)	14,936	18.02%
Defense Readiness (DR)	8,817	10.64%
Enforcement of Laws & Treaties (ELT) - Other than Drug Ice Operations (IO)	11,194	13.55%
Marine Environmental Protection (MEP)	15,264	18.42%
Marine Safety (MS)	2,735	3.30%
Search and Rescue (SAR)	2,328	2.81%
	10,462	12.72%
Total RT Obligations	82,682	100%

Note: Numbers may not add do to rounding

FY 2002 Accounting of Drug Control Funds

Attachment C

U.S. COAST GUARD FY 2002 ACl DRUG CONTROL OBLIGATIONS

FISCAL YEAR	APPROPRIATION	FUND	SUB-FUND	PROJECT TITLE	APPROPRIATION	FY01 TOTAL (DAM)	FY02 TOTAL	BPT	Percent of Budget	FY01 DRUG OBLIGATIONS	
											IN FY02'S
1999	01	000		REWARD BOUNTY	0	0000	0				
1999	02	000		REWARD BOUNTY	1000	0	0				
REWARD BOUNTY TOTAL					1000	0000	0				
1999	21	040	1001	SUPPLY & MAINTENANCE TOW & BOATS	800	001	0				
1999	21	041	1002	SEARCHING BOAT TOW (WLB) REPLACE	4000	4000	0				
1999	21	041	1003	COASTAL BUOY TOW (WLB) REPLACE	1000	1000	1000				
1999	21	041	1004	WATER LEARNING BOAT (WLB) REPLACE	0000	0000	0				
1999	21	041	1005	ATLAS REPLACEMENT	2000	0000	0000		0.0%	000	
1999	21	041	1006	POLARIS REPLACEMENT	000	000	000		0.0%	000	
1999	21	041	1007	COASTAL PATROL BOAT (CPB)	0000	0000	000		0.0%	000	
1999	21	041	1008	SURFACE SEARCH (WLB) REPLACEMENT	0000	0000	000		0.0%	000	
1999	21	041	1009	OBSERVATION CAPABILITY (CONCEPT EXP)	0000	0000	000		0.0%	000	
1999	21	041	1010	POLARIS CLASS RELIABILITY PROJECT	0000	0000	000		0.0%	000	
1999	21	041	1011	COORDINATION MANAGEMENT	0000	0000	000		0.0%	000	
1999	21	041	1012	LAKE LAKES (WLB) REPLACE	0000	0000	000		0.0%	000	
1999	21	041	1013	LAKE LAKES (WLB) REPLACE	0000	0000	000		0.0%	000	
1999	21	041	1014	WLB - COMMISSION	0000	0000	000		0.0%	000	
1999	21	041	1015	ACB	0	0	0				
1999	21	041	1016	REWARD BOUNTY (WLB) REPLACE	0	0	0				
TOTAL PROJECTS					12000	10000	1000			1000	
TOTAL APPROPRIATIONS (excluding reimbursements)					223,100	202,340	1,000			0	100

FY 2002 Accounting of Drug Control Funds

Attachment C

U.S. COAST GUARD FY 2002 ACF DRUG CONTROL OBLIGATIONS

FISCAL YEAR	PROGRAM	PROJECT TITLE	FY01 APPROPRIATION ON BUDGET	FY01 TOTAL OBLIGATIONS	FY02 TOTAL OBLIGATIONS	% of Budget	FY02 FTE POSITIONS	
1999	1A	H	7000	APPEAL/PERIODIC/INSURANCE	0			
1999	1A	H	2000	APPOINTED BOARD MEMBERS	0			
REPLACEMENT OF FY1999			10000	30000	0			
1999	1A	WMA	1301	SURVEY & DESIGN - CUTTERS & BOATS	500	491	38%	7.7
1999	1A	WMA	1302	BEACONING BODY TENDERS W/BL REPLACE	75000	71400	35%	
1999	1A	AWL	1303	COASTAL BUOY TENDERS W/BL REPLACE	27000	26250	33%	101.5
1999	1A	AWP	1304	STERN/CANNAS BUOY BOAT W/BL REPL	11720	11720	0	
1999	1A	AWP	1305	47 BOYDS / KRASAT W/BL REPLACEMENT	23000	19000	100%	5.5
1999	1A	AW	1306	ROLAN COSSWAGES REPLACEMENT PH	7100	7000	80%	3.0
1999	1A	GA1	1307	COASTAL TENDERS BOAT COB REPLACEMENT	37000	34700	29%	64.1
1999	1A	AWA	1308	SURFACE SEARCH BOATS REPLACEMENT	8400	8200	10%	2.0
1999	1A	SA1	1309	DISPATCH SUPPLY REPLACEMENT	20000	20000	7%	2.0
1999	1A	AWA	1310	LOOKING PLATON MANAGEMENT	2000	2000	10%	0.1
1999	1A	AWA	1311	ATS-1 CONVERSION	10000	10000	20%	
1999	1A	AWL	1312	SHOBBAN REPLACEMENT	5500	5714	140%	
1999	1A	H	7000	REPLACEMENT (RESERVE)	0	0	44.00%	0.0
TOTAL, FY1999			210000	200000	0		1.0	
TOTAL APPROPRIATION (excluding reimbursements)			240,000	200,000	6,700		0	

FY 2002 Accounting of Drug Control Funds

Attachment C

U.S. COAST GUARD FY 2002 ACI DRUG CONTROL OBLIGATIONS

FISCAL YEAR	FUND	PROJECT TITLE	AMOUNT APPROPRIATED BY CHIEF	FY01 TOTAL (CARRIED OVER) OBLIGATIONS	FY02 TOTAL OBLIGATIONS	BIBACAN Cost Program % of Total	FY02 OBLIGATIONS
2002 001	0254 1401	SMYRNA/23000-GITTSBORO/02'S	300	300	7	30.00%	1.7
2002 001	0401 1400	BRADDOCK BUNY TENDER REPLACEMENT	77000	10071	1100	2.10%	99.3
2002 001	0401 1404	CYREN (LOADING) SIO / BOAT REPLACEMENT	1000	400	100		
2002 001	0401 1400	4011 MOTOR (L) BOAT REPLACEMENT	1000	1510	0	1.00%	0.1
2002 001	0401 1400	POLAR (23000) REPLACEMENT (P) (S)	1000	100	0		
2002 001	0401 1407	COASTAL PATROL BOAT REPLACEMENT	1000	0	0	0.00%	0.0
2002 001	0401 1407	BOAT (23000) REPLACEMENT	4000	2070	0	0.00%	0.0
2002 001	0401 1411	POLAR CLASS RELIABILITY IMPROVEMENT	1000	0	1000		
2002 001	0401 1412	COASTAL PATROL BOAT (23000)	1000	0	0	0.00%	0.0
2002 001	0401 1413	MACONAHY REPLACEMENT	1000	0	100		
TOTAL FY01			100000	11000	1014		0
TOTAL APPROPRIATION (excluding non-obligations)			100,000	11,000	10,014		0
2002 001	0401 1413	MACONAHY REPLACEMENT	0	0	0		
TOTAL FY02			0	0	0		
TOTAL APPROPRIATION			0	0	0		

FY 2002 Accounting of Drug Control Funds

Attachment C

U.S. COAST GUARD FY 2002 ACP DRUG CONTROL OBLIGATIONS

FY02 FUND	FY02 PROGRAM	FY02 ACT	FY02 NO.	PROJECT TITLE	FY02 APPROX. OBLIGATIONS (\$ MIL)	FY02 TOTAL OBLIG. (\$ MIL)	FY02 TOTAL OBLIGATIONS	Match Code	Match % of Drug	FY02 DRUG OBLIGATIONS
0001	000	000	0000	DIRECT PERSONNEL COST	54107	51077	1100	00	14.30%	2842
0001	000	000	0000	DRUG ACQUISITION COSTS	9500	9500	24	00	14.30%	42
GRAND TOTAL					63607	60577	1124			31
TOTAL APPROXIMATE					63607	60577	1124			
0001	000	000	0000	FIELD RECD INSURANCE COMPUTER VEHICLE	9000	9000	207	0000	10.00%	900
0001	000	000	0000	FIELD RECD INSURANCE LIFE COVER	7000	7000	0			
0001	000	000	0000	WATERWAY BUA ATOL MAINTENANCE	9900	9911	340	00	14.30%	64
0001	000	000	0000	NO CUTTER HEAVY MAINTENANCE SUPPORT	28000	28000	3013	00	14.30%	1000
AIRPORT FY 2001					17000	17000	1047			3
0001	000	000	0000	DEFWATCH CAPABILITY REPLACE PROJ	4000	4000	2000	00	14.30%	110
CONTRACTS/PROJECT					4000	4000	2000			3
0001	000	000	0000	FLEET LOGGING SYSTEM (PLS)	6000	6000	100	000000	10.00%	1000
0001	000	000	0000	PORTS & WATERWAYS SAFETY SYSTEM	1000	1000	0			
0001	000	000	0000	GLOBAL MARITIME DISTRESS & SAFETY	2000	2000	0			
0001	000	000	0000	SWAMP INFO FOR SAFETY & LAW ENF	2000	2000	3000			
0001	000	000	0000	AIRPORT LOGISTICS NIGHT SYSTEM	1000	1000	200	00	14.30%	100
0001	000	000	0000	NAVY DISTRESS & RESPONSE SYSTEM	2000	2000	4000	000000	10.00%	2000
0001	000	000	0000	DISPATCH LOGGING SYSTEM (DMS)	2000	2000	0			
0001	000	000	0000	PORT NIGHT INFO SYS CORE IMPROV	2000	2000	300	00	14.30%	100
0001	000	000	0000	COMMERCIAL SALES/TC CORE IMPROV	2000	2000	4000	00	14.30%	2000
0001	000	000	0000	LOCAL NOTICES TRANSMISSION PROJ	2000	2000	100			
0001	000	000	0000	LOCAL NOTICES TO SWAMPING (LNTS)	2000	2000	0	00	14.30%	
TOTAL CONTRACT PROJECT					60100	60000	10000			3
0001	000	000	0000	RESEARCHABLE - KIDS PROJECT	0	0	500			
0001	000	000	0000	RESEARCHABLE - LITIGATION PROJECT	0	0	10000			
TOTAL CONTRACT PROJECT					0	0	10500			
0001	000	000	0000	WATERS AND CANALS	1000	1000	2000	00	14.30%	2000
0001	000	000	0000	WATERWAYS ATOL INFRASTRUCTURE	4700	4700	1000			
0001	000	000	0000	CO HOURS - VARIOUS	10000	10000	0	00	14.30%	
0001	000	000	0000	MECH ACP CONSTRUCTION PROJECTS	3000	4000	1100	00	14.30%	1000
0001	000	000	0000	TRANSPORTATION IMPROV AT ENDA CA	2000	2000	400	00	14.30%	100
0001	000	000	0000	CS MEDIAN IMPROVEMENT CUTTER POINTS	1000	1000	10	000000	10.00%	10
0001	000	000	0000	MODERNIZE CG FACILITY CAPE MAY	2000	2000	0	00	14.30%	
0001	000	000	0000	REBUILD CG STA PORT HENRI PAU	2000	2000	0	00	14.30%	
0001	000	000	0000	MODERNIZE CG STA PORT ANDERSON WA	2000	2000	0	00	14.30%	100
0001	000	000	0000	RECONSTRUCT HIGH CONCRETE DAMS AT	2000	2000	0	00	14.30%	
0001	000	000	0000	REPAIR MODERNIZATION CGSAL AN	1000	1000	0	00	14.30%	
0001	000	000	0000	RENOVATE NH STA WASSAR ROAD AN	2000	2000	100	00	14.30%	100
TOTAL CONTRACT PROJECT					61000	61000	2000			3
TOTAL APPROXIMATE					124607	121577	3124			
0001	000	000	0000	RENT - ST COASTAL PATROL BOAT	0	0	0			
0001	000	000	0000	STORAGE FACILITY PROJECT	0	0	100			
0001	000	000	0000	TRUST FUND SHARE OF EXPENSES	0	0	0			
0001	000	000	0000	ANYC RESEARCHABLE	2000	2000	0			
TOTAL CONTRACT PROJECT					2000	2000	100			

FY 2002 Accounting of Drug Control Funds

Attachment C

U.S. COAST GUARD FY 2002 ACF DRUG CONTROL OBLIGATIONS

FISCAL YEAR	APPROP.	PROJ. NO.	PROJECT NAME	APPROX. OBL. \$-MPS	FY01 TOTAL OBL. \$-MPS	FY02 TOTAL OBL. \$-MPS	EST.	Percent % of Total	FY02 OBL. \$-MPS	
2001	0W	008	0801	BATTERY & GEARBOX CYCLERS & BOLTS	280	74	(7)	Completed	11.2%	266
2001	0W	ANL	2102	RESCUER BOAT TANKER REPLACEMENT	116500	63223	20115	168,938	45%	801
2001	0W	0A	1014	POLAR CLASS ROCKET BOAT REPAIRS	1400	900	0			1400
2001	0W	AWP	002	37 FT WATCO BOAT REPLACEMENT	3000	1700	1140	277,000	22.6%	1410
2001	0W	AWP	009	SUBSPACE GEARBOX MOTOR REPLACEMENT	1100	0	0	207,000	41.3%	1100
2001	0W	03	0201	POLAR CLASS ICEBERGERS (REPAIRS)	9400	0	4100			9400
2001	0W	03	1012	EXPERIMENTAL SAMANOWICH SYSTEM	2000	2000	0	OUTSTOOD	21.2%	0
2001	0W	03	1014	ALICE WALKER COMMISSION PROJECT #1	2000	2000	0			2000
2001	0W	3D	1001	OMNI-TRAC PERSON CUTTER BOATS	1000	440	500	20,000	44.0%	1000
2001	0W	08	1000	ICE PATROL CRAFT COMMISSION PROJ	1000	0	0			1000
2001	0W	08	1000	TRAC (100) SERIES OF EXPLORATION	0	0	0			0
Unavail. Funds					10000	10000	10000			0
TOTAL APPROPRIATION (excluding miscellaneous)				164,400	82,400	102,020				0

FY 2002 Accounting of Drug Control Funds

Attachment C

U.S. COAST GUARD FY 2002 ACSI DRUG CONTROL OBLIGATIONS

FISCAL YEAR	FUND	PROGRAM	PROJECT TITLE	AMOUNT APPROVED IN SFY02	FYE TOTAL OIGM OBLIGATIONS	FYE TOTAL OIGM OBLIGATIONS	BY	Percent of Budget	FYE OIGM OBLIGATIONS
2002	08	030	ACSI PERSONNEL COSTS	2000	0	2000	Sea. ACS	17.8%	(148.1)
2002	08	030	ACSI CORE COMPETENCY & CAPABILI	300	0	300	Sea. ACS	11.8%	7.7
GROSS TOTAL				2300	0	2300			\$ (140.4)
TOTAL APPROVALS				2300	0	2300			
2002	08	030	AVIATION PARTS & SUPPORT	2000	0	4400	AC	14.8%	101.7
2002	08	030	C OBI OPS PROFESSIONAL & TRAINI	300	0	300	CFR	20.0%	1.61
AMOUNT FY 2002				2300	0	4700			\$ 86.3
2002	08	030	PORTS & WATERWAY SAFETY SYS PRIOR	2000	0	2774	Sea. OC	13.9%	178.1
2002	08	030	GLOBAL MARINE DISTRESS & SAFETY	2000	0	2000			
2002	08	030	MAINE INFORMATION FOR SAFETY A I	7500	0	2400	Sea. OC	32.0%	425.8
2002	08	030	NATURAL OBSTACLE & RESPONSE SYS	3000	0	3000	Sea. OC	10.0%	399.4
2002	08	030	OFFSHORE MESSAGING SYS ONE SPLITA	1000	0	1000	Sea. OC	10.0%	150.4
2002	08	030	COMMERCIAL SATELLITE COM ESTOON	1000	0	1000	Sea. OC	10.0%	15.1
2002	08	030	SEARCH & RESCUE CAPABILITY ENH	1000	0	1000			
2002	08	030	70TH DISTRICT MESSAGING MODERNI	800	0	784	Sea. OC	98.0%	29.0
2002	08	030	NAVY NAVSTAR COMMUNICATION SYS	2100	0	2000	Sea. OC	95.2%	278.1
2002	08	030	SEARCH CAPABILITY RE-RECAPITALIZO	1000	0	973	Sea. OC	97.3%	68.2
2002	08	030	COMMERCIAL SATELLITE COM & DATA REL	100	0	100	Sea. OC	10.0%	6.7
2002	08	030	70TH DISTRICT MESSAGING MODERNI	2000	0	1900	Sea. OC	95.0%	284.4
2002	08	030	CORPORATE MANAGEMENT PROGRAM	3000	0	3000	Sea. OC	10.0%	417.1
2002	08	030	SELF-CONTAINED UNDETECTABLE APPROXO	1000	0	800	Sea. OC	80.0%	91.4
2002	08	030	MARITIME ELECTRONIC OPTICAL WEAPON	4000	0	1400	Sea. OC	35.0%	288.4
2002	08	030	SEA DETECTOR RADAR COMBINA AK	800	0	0			
GROSS TOTAL				2300	0	4920			\$ 1,096
2002	08	030	COMMERCIAL SATELLITE COM	1000	0	1400			
TOTAL APPROVALS				2300	0	4400			
2002	08	030	SEARCH & RESCUE BUREAU OPS PROJECT	4000	0	3934	Sea. OC	98.4%	328.7
2002	08	030	WATERWAY AIDS TO NAVIGATION RPH	8000	0	7700			
2002	08	030	COAST GUARD SEARCHING WINDING LOCAT	10000	0	9480			
2002	08	030	SEARCH ACSI SEARCH WINDING PROJECT	4000	0	3900	Sea. OC	97.5%	401.1
2002	08	030	PROCESSED LOG OPR WAREHOUSE CON	12000	0	11000	Sea. OC	91.7%	1,280.0
2002	08	030	REPLACE CIG STA PART (WINDING)	2100	0	2040	CFR	97.1%	1.2
2002	08	030	CONSTRUCT NEW STA WINDING	3000	0	2840	Sea. OC	94.7%	402.4
2002	08	030	REPLACE 2ND BOSTON BELLEME & JTY	4000	0	3427	Sea. OC	85.7%	112.3
2002	08	030	RECONSTRUCT & WALL STANBISH DOCK	300	0	0			
2002	08	030	CONSTRUCT NEW STA WINDING	2000	0	1900	Sea. OC	95.0%	299.4
2002	08	030	CONSOLIDATION OF KODAK AIA SPT	5000	0	4100	CFR	82.0%	467.1
2002	08	030	REBUILD BIC SEARCH WINDING PROJECT	10000	0	0			
2002	08	030	CY WAREHOUSE SAFETY & RESCUE STA CH	2000	0	0			
2002	08	030	RECRUITING PROJECT (CFR) (WINDI)	0	0	0			
GROSS TOTAL				21000	0	20000			\$ 1,297.1

FY 2002 Accounting of Drug Control Funds

Attachment C

U.S. COAST GUARD FY 2002 ACI DRUG CONTROL OBLIGATIONS

FISCAL YEAR	FUND	AMOUNT APPLICABLE TO	AMOUNT APPLICABLE TO	FY01 TOTAL (2001) OBLIGATIONS	FY02 TOTAL OBLIGATIONS	FY02	Station Cost Program % of Budget	FY02 OBLIGATIONS
APPROP	0000	ML	BUDGET TITLE	IN SP/1475				
01	100			0	0	0		
02	200			0	0	0		
03	300			0	0	0		
04	400			0	0	0		
05	500			0	0	0		
06	600			0	0	0		
07	700			0	0	0		
08	800			0	0	0		
09	900			0	0	0		
10				0	0	0		
11				0	0	0		
12				0	0	0		
13				0	0	0		
14				0	0	0		
15				0	0	0		
16				0	0	0		
17				0	0	0		
18				0	0	0		
19				0	0	0		
20				0	0	0		
21				0	0	0		
22				0	0	0		
23				0	0	0		
24				0	0	0		
25				0	0	0		
26				0	0	0		
27				0	0	0		
28				0	0	0		
29				0	0	0		
30				0	0	0		
31				0	0	0		
32				0	0	0		
33				0	0	0		
34				0	0	0		
35				0	0	0		
36				0	0	0		
37				0	0	0		
38				0	0	0		
39				0	0	0		
40				0	0	0		
41				0	0	0		
42				0	0	0		
43				0	0	0		
44				0	0	0		
45				0	0	0		
46				0	0	0		
47				0	0	0		
48				0	0	0		
49				0	0	0		
50				0	0	0		
51				0	0	0		
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71				0	0	0		
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73				0	0	0		
74				0	0	0		
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76				0	0	0		
77				0	0	0		
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90				0	0	0		
91				0	0	0		
92				0	0	0		
93				0	0	0		
94				0	0	0		
95				0	0	0		
96				0	0	0		
97				0	0	0		
98				0	0	0		
99				0	0	0		
00				0	0	0		
TOTAL APPROPRIATION				0	0	0		

FY 2002 Accounting of Drug Control Funds

EXHIBIT III-C DETAIL-

Attachment D

MODE: COAST GUARD
ACCOUNT: RESEARCH, DEVELOPMENT, TEST AND EVALUATION
Drug Law Enforcement Budget
(\$Thousands)

<u>Budget Sheets/Programs/Line Items</u>	FY 2002 Obligations	DRUG BUDGET	Pct. For Drug Law Enforcement
G1. Marine Safety	3,716	-	
a. Improved Search and Rescue Capability	-		
<i>Search Planning Tool Methodology</i>	-		
b. Marine Safety Research	735		
<i>Analytical Methods to Support Risk-based Pmg & Maint</i>	695		
<i>Risk Management Initiatives in Maritime Safety Regulation & Inspection Effort</i>	-		
<i>Future Communications Systems</i>	-		
<i>USCG Global Incident Notification</i>	30		
c. Human Effort/Human Performance	1,213		
<i>HF in Casualty Investigations</i>	300		
<i>Human Error in Commercial Operations</i>	-		
<i>Human Performance & Safety for CG Operations</i>	360		
<i>Shipboard Fatigue & Countermeasures Analysis</i>	300		
d. Fire Safety for Commercial Vessels	150		
<i>Development of Improved Fire Safety Methods for Tank Vessels</i>	-		
<i>IMO Fire Protection Support</i>	150		
e. Support Interagency Ship Structure Committee (SSC)	100		
SUBTOTAL, NON-PERSONNEL	2,198		
Direct Project Personnel (17)	1,518		
G2. Waterways Safety & Management and Aids to Navigation	1,921	-	
a. Vessel Traffic Management Research	737		
b. Intelligent Waterways Research	-		
c. Aid Mix- A System Analysis of Aids to Navigation	475		
SUBTOTAL, NON-PERSONNEL	1,232		
Direct Project Personnel (6)	689		
G3. Marine Environmental Protection	1,328	-	
a. Planning, Management and Training	80		
<i>Un-Scum Contaminant & Control System (USC2)</i>	80		
<i>Oil Spill Prevention Initiatives</i>	-		
b. Aquatic Nuisance Species Control	648		
<i>Aquatic Nuisance Species Prevention</i>	-		
<i>Development of Ballast Water Mgmt. Practices for Coastal Shipping</i>	648		
SUBTOTAL, NON-PERSONNEL	728		
Direct Project Personnel (7)	600		

FY 2002 Accounting of Drug Control Funds

EXHIBIT III-C DETAIL

Attachment D

MODE: COAST GUARD
 ACCOUNT: RESEARCH, DEVELOPMENT, TEST AND EVALUATION
 Drug Law Enforcement Budget
 (\$Thousands)

<u>Budget Sheets/Programs/Line Items</u>	FY 2002 Obligations	DRUG BUDGET	Pct. For Drug Law Enforcement
04. Comprehensive Law Enforcement	5,091	1,136	
a. Improve Surveillance Capability	2,029	609	
Sensor Technology Evaluation	1,570	474	30%
Surveillance Improvements	-	-	30%
Improved Tactical Data Exchange	-	-	30%
Sensor/Data Fusion for Decision Support	459	135	30%
b. Improve Vessel Search Capabilities	505	227	
Vessel Search via Low-cost/ry Imaging Techniques (Ultrasonic)	250	125	50%
Contraband Detection Capability Enhancement	-	-	40%
Suspect Vessel Space and Compartment Accountability Technology	255	102	40%
c. Compliance Capability	750	300	
Non-Lethal Disabling Technologies Assessment	750	300	40%
Improved Nonlethal Disabling Technologies	-	-	40%
SUBTOTAL, NON-PERSONNEL	3,284	1,136	
Direct Project Personnel (20)	1,807	-	
05. Technology Investment	4,588	190	
a. Technology Assessment	350	70	20%
b. Select Projects	700	40	0
Other Select Projects	200	40	20%
Engineered Wood Composites	500	-	
c. Field Solutions Through Rapid Technology Deployment	917	-	
Port Domain R&D	917	120	20%
d. Low Exposure & Risk Analysis Methodology	350	-	
e. Fuel Cell Propulsion/Energy Conservation Technology	570	80	
Fuel Cell Propulsion for a WMSC	389	80	10%
USCG Vessel Energy Alternatives	150	48	32%
Energy Advancements	-	-	20%
Shore Facility Fuel Cell Demonstration	100	-	
f. CG Mobile Communications	250	-	
Mobile Communications Infrastructure	250	-	
SUBTOTAL, NON-PERSONNEL	2,837	190	
Direct Project Personnel (21)	1,851	-	
06. R&D Personnel, Program Support & Operations	4,399		
a. Admin/Support Personnel (35) & Related Costs	2,865		
b. Support and Operations	1,533		
TOTAL REQUEST	21,153		
Drug LE Project \$\$		1,326	12.9%
Drug LE Personnel, Support & Operations \$\$		1,462	
TOTAL, Drug LE \$\$		2,728	
Drug LE FTE		14	



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

Office of Inspector General

January 21, 2003

Office of Inspector General's Independent Report on the U.S. Department of Transportation, U.S. Coast Guard's Report of Fiscal Year 2002 Drug Control Obligations, Drug Control Methodology and Assertions, dated December 20, 2002.

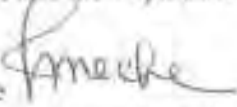
We reviewed the accompanying report, *U.S. Department of Transportation, U.S. Coast Guard's Report of Fiscal Year 2002 Drug Control Obligations, Drug Control Methodology and Assertions*, dated December 20, 2002. The report and our review are required by 21 U.S.C. § 1704 (d).

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 2002 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 (6a) and Assertions (6b). In general, our review processes were limited to inquiries and analytical procedures appropriate for an attestation review.

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 2002 Drug Control Obligations, Drug Control Methodology and Assertions* is not presented in conformity with the Office of National Drug Control Policy Circular *Annual Accounting of Drug Control Funds*, dated May 30, 2002.

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 
Assistant Inspector General for Financial
and Information Technology Audits



U.S. Treasury



U.S. Customs Service

Memorandum

DATE: JAN 24 2003

FILE: BUD-4-OF:BD:FO TGC

TO: Barry K. Hudson
Acting Deputy Chief Financial Officer
Department of the Treasury

FROM: Executive Director, Budget
Office of Finance

SUBJECT: Annual Reporting of Fiscal Year 2002 Drug Control Funds

The U.S. Customs Service Annual Reporting of FY 2002 Drug Control Funds is attached.

Should there be any questions, please contact Kurt Hahn, Director, Budget Formulation Division at (202) 927-4084.


Carol A. Dunham

Attachment

cc: Annie Dixon
Carl Moravitz

TRANSMISSION

✓

RECEIVED

✓

RECORDED

FY 2002 Accounting of Drug Control Funds

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE
Annual Reporting of FY 2002 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2002 Drug Control Obligations

(Dollars in Millions)

<u>Drug Resources by Function:</u>	
Intelligence	\$ 32,031
Interdiction	573,063
Investigations	168,477
<u>Research and Development</u>	<u>3,725</u>
TOTAL	784,296
<u>Drug Resources by Decision Unit:</u>	
Salaries and Expenses	\$ 609,447
Operations and Maintenance	114,849
Violent Crime Reduction Trust Fund	0
<u>Facilities, Construction and Improvements</u>	<u>0</u>
TOTAL	784,296

1. Drug Methodology

On the basis of past practice, five organizations within Customs, the Office of Investigations, the Office of Field Operations, the Office of Information Technology, the Office of Training and Development, and the Office of International Affairs were provided with guidance on preparing estimates for the FY 2002 annual reporting of drug control funds. These offices were asked to estimate, on the basis of their expert opinion, what portion of their activities is related to drug enforcement. In addition, these organizations were also asked to only provide data for obligations against budget authority that became available in FY 2002.

All five organizations identified resources in their financial plans that support the drug enforcement mission of the agency. The Office of International Affairs has provided estimates this year for the first time since its take over of the Office of Foreign Operations from the Office of Investigations.

OFFICE OF INVESTIGATIONS

The Office of Investigations drug related activities can be broken down into the following six categories: investigative work in field offices, programmatic headquarters support of investigative work, tactical communications division, activities of the intelligence division air and marine interdiction division activity, and cross-programmatic administrative and executive support at headquarters. 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 this year

that 57.5 percent of investigative resources are dedicated to the Customs drug enforcement mission and support the goals of the National Drug Control Strategy.

Resources for investigative work in field offices, programmatic headquarters support of investigative work, and tactical communications are broken down further into a 25/75-percentage split for the interdiction and investigative functions respectively.

Resources that support the intelligence activity managed by the intelligence division are considered to be 100 percent intelligence and resources supporting the Air and Marine interdiction division are considered to be 100 percent interdiction. While resources that support the cross-programmatic administrative and executive support at headquarters are estimated with a weighted-application of the above percentages.

OFFICE OF FIELD OPERATIONS

The Office of Field Operations has identified 2,147 inspector positions that are specifically identified with drug enforcement because they are either Contraband Enforcement Team (CET) Inspectors, Passenger Enforcement Rover Team (PERT) Inspectors, Manifest Review Unit (MRU) Inspectors, Passenger Analytical Unit (PAU) Inspectors, or Outbound Currency Inspectors. The salaries of these positions are assumed to be \$63,000 per annum and to contribute 100 percent of their time to drug enforcement.

There are 650 Customs Enforcement Officers that are 100 percent devoted to smuggling interdiction and 21 Currency Control Enforcement Officers who are also 100% devoted to drug smuggling related interdiction.

There are 6,087 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 such as 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 to name a few. Customs subject matter experts estimate that 30 percent of these inspectors time was devoted to drug related activities in FY 2002.

Total drug resources for Field Operations are further broken down into a 12/88-percentage split between the intelligence and interdiction functions respectively.

OFFICE OF INTERNATIONAL AFFAIRS

The Office of International Affairs has recently acquired the foreign operations division from the Office of Investigations and is therefore providing estimates for the first time this year. International Affairs identifies and tracks the hours that its agents spend on a wide variety of cases, including narcotics smuggling and overseas money laundering cases related to narcotics smuggling, which support the Customs drug enforcement mission.

International Affairs arrived at its estimates through the use of the investigative case management system to derive the FTE worked on narcotics issues in fiscal year 2002. The foreign position model was then used to arrive at the annual narcotics investigative costs for the Office of International Affairs personnel assigned to our foreign locations.

OFFICE OF TRAINING AND DEVELOPMENT

The Office of Training and Development's mission support, while vital to the Customs Service, is not entirely drug related. As a consequence, the Office of Training and Development estimates were excluded from last year's submission. The Office of Training has provided estimates this year for Customs drug enforcement mission.

Training arrived at its estimates by reviewing all courses conducted in FY 2002 to determine if the course contained drug enforcement related material. If the course was found to contain drug related material, it was then categorized by interdiction, investigation, or intelligence. In addition, the percentage of drug related material was identified and the total cost for the course was then multiplied by the drug content percentage.

The costs associated with training delivery were recorded under operations as well as in the three individual drug functions. Estimates from the Federal Law Enforcement Training Center (FLETC) were derived based on classes conducted, instructors, and support personnel. Firearms training was deemed 100 percent drug related in its mission and headquarters personnel were denoted as a support function to all field representatives.

Total drug resources for Training are further broken down into a 81/2/17 percentage split between the Interdiction, Intelligence, and Investigations functions respectively.

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.

The Office of Information Technology estimates that 50 percent of base resources, 43 percent of research and development resources, 36 percent of acquisition resources, and 50 percent of support and maintenance resources are dedicated to drug enforcement.

ii. Methodology Modifications

- (a) In accordance with the approved methodology that ONDCP approved in February 2001, the Office of Training has been included in this year's estimates. If Customs had not reported the Office of Training and Development estimates, obligation estimates would decrease by approximately \$10 million.
- (b) Last year's Office of Information and Technology submission used 90% of base resources, 95% of research and development resources, 94% of acquisition resources, and 85% of support and maintenance resources were dedicated to drug enforcement. In this submission, these percentages have been lowered to 50% of base resources, 43% of research and development resources, 36% of acquisition resources, and 50% of support and maintenance resources are dedicated to drug enforcement. If last year's percentages had been used, Customs obligation estimate would have increased by \$52.9 million.

Overall, these changes lower the Customs obligation estimates in this submission by \$42.9 million, but we believe that it more fairly characterizes our efforts and provides a better point for comparison against past estimates.

The following changes affected the distribution of resources between goals and functions, but not the overall amount:

- (c) In this submission, the Office of Investigations retrieved its information at a lower level of detail. It gathered its information from the sub- allotment level rather than the budget plan level, which allows for greater accuracy in the application of percentages. This estimate will fluctuate from year to year based on the casework that Customs Special Agents conduct.
- (f) Intelligence activity, managed by the Intelligence division, is being reported under the intelligence function, rather than being reported within the interdiction and investigations functions as it was last year. This estimate will also fluctuate from year to year based on the casework that Customs Special Agents conduct.

3. Material Weakness or Other Findings

None

4. Reprogramming or Transfers

None

5. Other Disclosures

None

B. Assertions

1. Drug Methodology

Customs asserts that the methodology used to estimate drug enforcement related 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. While there have been certain adjustments made to the methodology that ONDCP approved on February 13, 2001, these are seen as necessary to present a fair and accurate picture of the Customs drug enforcement mission.

b. Other Estimate Methods

None

c. 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

-5-

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. Reprogrammings or Transfers

No changes were made to the Customs Service Financial Plan that required ONDCP approval per the ONDCP Circular dated May 30, 2002.

4. Fund Control Notices

No assertions are made in this area since Fund Control Notices were not issued during FY 2002.

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

Commissioner
Assistant Commissioner, Office of Finance
Director, Evaluation Oversight, Office of Planning
Executive Director, Budget Division, Office of Finance

Office of Management and Budget

OIG Budget Examiner

**FINANCIAL MANAGEMENT:
Review of Assertions Included in the
U.S. Customs Service's
Annual Reporting of Fiscal Year 2002
Drug Control Funds**

OIG-03-051

January 29, 2003



Office of Inspector General

GAO/IG-03-051

The Department of the Treasury

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U.S. Customs Service's Annual Accounting of Fiscal Year 2002 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*

Robert C. Bonner
Commissioner
United States Customs Service

We have reviewed management's assertions in Section B of the accompanying U.S. Customs Service (Customs) Annual Reporting of FY 2002 Drug Control Funds (Submission).

Our review was conducted in accordance with generally accepted government auditing standards, which incorporate the attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

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

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

Your staff has reviewed our report, and have no comments. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Louis C. King, Director, Financial Audits, at (202) 927-5774. We appreciate the cooperation and the courtesies extended to our staff during the course of our review.



William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits
January 16, 2003

Appendix 1
Major Contributors To This Report

Financial Audits Division

Louis C. King, Director
Sunday Okunure, Audit Manager
Edward Thomas, Auditor

**FINANCIAL MANAGEMENT:
Review of Assertions Included in the
Interagency Crime and Drug Enforcement's
Fiscal Year 2002
Annual Accounting of Drug Control Funds**

OIG-03-050

January 24, 2003



Office of Inspector General

The Department of the Treasury

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Appendices

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Interagency Crime and Drug Enforcement's FY 2002 Annual Accounting of Drug Control Funds

Abbreviations

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

OIG

**Report of the Office of
Inspector General**

*The Department of the Treasury
Office of Inspector General*

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

We have reviewed management's assertions included in Section b of the accompanying Interagency Crime and Drug Enforcement's (ICDE) Fiscal Year (FY) 2002 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. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. 51704(d) and Office of National Drug Control Policy (ONDCP) Circular: "Drug Control Accounting" (Circular), and is the responsibility of ICDE's management.

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

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

Review of Assertions Included in the Interagency Crime and Drug
Enforcement's Fiscal Year 2002 Annual Accounting of Drug Control Funds
(030-03-080)

Page 3

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



William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits
January 21, 2003

Appendix 1
Major Contributors To This Report

Financial Audits Division

Mike Fitzgerald, Director
Adé Bankole, Audit Manager
Ken Harness, Auditor
Nakita Parker, Auditor

Appendix 2
Report Distribution

The Department of the Treasury

Deputy Chief Financial Officer
Office of Undersecretary for Enforcement
Office of Financial Management
Office of Accounting and Internal Control

Office of Management and Budget

OIG Budget Examiner



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 20, 2002

MEMORANDUM FOR DIRECTOR FITZGERALD
OFFICE OF INSPECTOR GENERAL

FROM: Anna Dixon 
Director, Finance and Administration
(Enforcement)

SUBJECT: Revised FY 2002 Annual Reporting of Drug
Control Funds

Attached is a revised consolidated reporting by Departmental Offices, regarding the Interagency Crime Drug Enforcement (ICDE) accounting submission for National Drug Control Program activities. This report was prepared in accordance with the Office of National Drug Control Policy (ONDCP) Circular on Drug Control Accounting, dated May 30, 2002.

Please assign an auditor to conduct an attestation review, consistent with the Statement for Standards of Attestation Engagements, promulgated by the American Institute of Certified Public Accountants. If you have any additional questions relating to this matter please do not hesitate to contact me at (202) 622-0370 or you may contact Michael Paine, OCDETF Advisor, at (202) 622-1277.

Thank you for your assistance in this matter.

cc: Joseph McAndrew, AIC

**DEPARTMENT OF THE TREASURY
DEPARTMENTAL OFFICES
INTERAGENCY CRIME AND DRUG ENFORCEMENT
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS
FY 2002**

in accordance with Office of National Drug Control Policy (ONDCP) Circular on Drug Control Accounting, dated May 30, 2002, the information requested in Section 5a, (items 1-5) and Section 6b (items 1-5) are provided as follows:

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 2002 Drug Control Obligations

(in \$000's)

	<u>DO</u>	<u>ATF</u>	<u>IRS-CI</u>	<u>USCS</u>	<u>Total</u>
Drug Resources by Function					
Investigations	\$ 492	\$ 11,128	\$ 85,675	\$ 30,281	\$ 107,576
Drug Resources by Decision Unit					
DO	\$ 492				\$ 492
ATF		\$ 11,128			11,128
IRS-CI			\$ 85,675		85,675
USCS				\$ 30,281	30,281
Totals	<u>\$ 492</u>	<u>\$ 11,128</u>	<u>\$ 85,675</u>	<u>\$ 30,281</u>	<u>\$ 107,576</u>

(1.) 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-CI. 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 Offices. The methodologies the bureaus use to request reimbursements are described below.

DO

In 1998, fiscal responsibility for the ICDE was divided between the Department of Treasury and the Department of Justice, giving the Treasury bureaus 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 the Treasury, Office of Enforcement created (WO

FY 2002 Accounting of Drug Control Funds

Organized Crime Drug Enforcement Task Force (OCDETF) Advisor positions. Special agents from the Treasury enforcement bureaus subsequently filled the two positions.

The drug control obligations incurred for DO relate to salaries, travel and miscellaneous expenses incurred by two full-time OCDETF Advisors, and expenses incurred for the National OCDETF Conference and a financial training seminar.

AIF

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

IRS-CI

Information obtained from the Internal Revenue Service's Criminal Investigation Management Information System (CIMIS) for FY 2002, disclosed that IRS-CI dedicated 12.8 percent of its Direct Investigative Time (DIT) to the investigation and prosecution of ICDE related investigations. This resulted in 514 full time equivalents (FTE) and \$69.454 million dedicated to the ICDE Program. During FY 2002, IRS-CI expended more resources on ICDE investigations than actual reimbursement (468 FTE and \$65.675 million) received.

The programs in IRS-CI that are reported as ICDE related programs are Organized Crime Drug Enforcement Task Forces (OCDETF) and High Intensity Drug Traffic Areas (HIDTA/OCDETF). The percent of DIT for each of these areas is obtained from CIMIS. These percentages are applied to the total realized full time equivalents (FTE) for CI for the year ending 9/30/02 to compute the total ICDE related FTE. The total CI realized FTE are obtained from the year-end Report of Plan Execution (ROPE), less the Earned Income Tax Credit (EITC) appropriation. The total resources attributable to the FTE expended on ICDE programs are computed by multiplying the ICDE related FTE by the costs that apply to a single FTE. The costs per FTE are computed by dividing the total dollars realized for Criminal Investigation as shown in the year-end ROPE (less the Earned Income Tax Credit appropriation), and dividing the resulting amount by the total realized FTE. For example, 514 FTE multiplied by \$135,124 per FTE in FY 2002 equals \$69.454 million.

USCS

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

(E.) Methodology Modifications

None

FY 2002 Accounting of Drug Control Funds

(3.) Material Weaknesses or Other Findings

None

(4.) Reprogramming or Transfers

ICDE made two transfers during FY 2002. Modifications were made to the original reimbursement agreements. A summarization of the total transfers made are as follows:

(in \$000's)

	<u>DO</u>	<u>ATF</u>	<u>IRS-CI</u>	<u>USCS</u>	<u>Total</u>
Orig. Agmt	\$ 672	\$ 11,128	\$ 65,585	\$ 30,191	\$ 107,576
Mod. #1	(180)		90	90	
Total	<u>\$ 492</u>	<u>\$ 11,128</u>	<u>\$ 65,675</u>	<u>\$ 30,281</u>	<u>\$ 107,576</u>

(5.) Other Disclosures

None

b. Assertions

(1.) Obligation by Budget Decision Unit Methodology

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

(2.) Drug Methodology

The management of ICDB asserts that the methodology used to calculate obligations of FY 2002 budgetary resources by function and decision unit is reasonable and accurate.

(3.) Application of Drug Methodology

The drug methodology disclosed in section a above was the actual methodology used to generate the Table of FY 2002 Drug Control Obligations.

(4.) Reprogrammings or Transfers

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

(5.) Fund Control Notices

The data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21 U.S.C. Section 1703 (F) and Section 7 of the ONDCP Circular, Budget Execution, dated May 30, 2002.



Department of Veterans Affairs

FY 2002 Accounting of Drug Control Funds



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

APR 2 2003

* Mr. David J. Rivall
Chief, Budget Branch
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Rivall:

Attached is the Department of Veterans Affairs (VA) Office of Inspector General Report: *Attestation of the Department of Veterans Affairs Detailed Accounting Submission for Fiscal Year 2003 (Report No. 03-00440-80)*. The report was provided the VA's Assistant Secretary for Management on April 2, 2003, to accompany the VA Detailed Accounting Submission as required by the Office of National Drug Control Policy 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)

FY 2002 Accounting of Drug Control Funds



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

APR 2 2003

* Assistant Secretary for Management (004)

Subject: Attestation of the Department of Veterans Affairs Detailed Accounting Submission for Fiscal Year 2003 (Report No. 03-00440-80)

We have reviewed the accompanying Detailed Accounting Submission of the Department of Veterans Affairs (VA) for Fiscal Year (FY) 2003 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:

- 1) Estimated obligations of \$639.2¹ million reported for FY 2003 are reliable because patient counts could be verified, and we tested VA's reporting methodology to assure ourselves that VA appropriately applies the methodology approved by the Office of National Drug Control Policy (ONDCP). Patient counts are important because they form the basis for calculating expenditures. Additionally, as reflected in prior attestation reports, our concerns relating to the unreliability of cost accounting data produced by VA financial systems have not been satisfied.
- 2) All activities conducted by VA having a drug related nexus are not reflected in the drug methodology. However, the costs associated with unreported drug-related activities may not be material relative to the aggregate costs reported.

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 the ONDCP reporting methodology.


STEPHEN L. GASKELL

Director, Central Office Operations Division (5200)

APPENDICES

¹ VA reported \$633.9 million, but our review determined that this figure was understated because certain workload had not been counted. The cost of the unreported workload was \$5.3 million, bringing the total obligations that should be reported to \$639.2 million.

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, 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 May 30, 2002, 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.² 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 FY 2002 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. Our scope included a review of the data extracted from VA systems used to prepare the Detailed Accounting Submission. 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 annual accounting, and (3) changes to the agency financial plan affecting drug control obligations. Specifically, ONDCP requires the following:

Required Assertion

- b. *Assertions – At a minimum, each report shall include a narrative section where the following assertions are made regarding the obligation data presented in the table required by Section 6a:*

² 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.

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- (1) *Obligations by Budget Decision Unit* - With the exception of the bureaus noted in Section 6a(1), reports under this section shall include an assertion that obligations reported by budget decision unit are the actual obligations from the bureau's accounting system of record for these budget decision units.
- (2) *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 by function and by budget decision unit for Customs, Coast Guard, INS, and VHA. 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) *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 an explanation of the assumptions used for estimating drug-related costs and associates those assumptions with the drug reporting methodology.

VA's substance abuse program is organized around the following types of treatment settings:

- Inpatient substance abuse programs (14 units)
- Residential (domiciliary) programs (68 units)
- Intensive outpatient substance abuse clinics (73 units)
- Standard outpatient substance abuse clinics (85 units)

VA reported \$633.9 million in drug treatment expenditures in FY 2002. Patients were treated in specialized inpatient substance abuse units, in non-specialized substance abuse units, outpatient specialized substance abuse clinics, and in domiciliary extended care units. All expenses for specialized inpatient, outpatient care, and extended care are incorporated in the spending model. All non-specialized care expenditures are calculated by taking the appropriate per diem rate for the unit and multiplying it by the total days of care. However, our review found that VA had not

APPENDIX I

counted certain extended care drug patients who were treated in non-specialized extended care units. Inclusion of this workload required an increase in VA's reported FY 2002 drug treatment expenditures to \$639.2 million.

VA asserted that the FY 2002 drug control-related obligations reported in the FY 2003 Resource Summary were based on a methodology that uses the Inpatient Treatment File (ITF), the Extended Care Treatment File (ECTF), and the Outpatient Treatment File (OPTF) from the VA medical center based Veterans Information Systems and Technology Architecture (VISTA) computer systems. When combined with data from all VAMCs and outpatient clinics, these files are called the National Patient Care Database (NPCD).

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 domiciliary substance abuse, inpatient treatments in specialized substance abuse programs, and outpatient substance abuse clinics. VA relies on the Cost Distribution Report (CDR) to determine costs in various bed sections and clinical settings. The following table compares the CDR cost totals and drug abuse treatment percentages for the past two fiscal years.

FY 2002 Accounting of Drug Control Funds

APPENDIX I

Department of Veterans Affairs
Revised Detailed Accounting Reports
For Fiscal Years 2001 and 2002
Dollars in thousands of dollars (\$00)

Specialized Treatment Costs	2001 - CDR			2002 - CDR			Change	
	2001 CDR	Drug Abuse %	2001 Report	2002 CDR	Drug Abuse %	2002 Report	Net Change	Percent of Change
Domiciliary Substance Abuse	\$48,829	84.22%	\$41,134	\$49,734	75.99%	\$17,793	(\$3,331)	8.10%
Inpatient Substance Abuse	\$128,961	66.61%	\$83,901 ¹	\$119,856	62.18%	\$81,718	(\$4,183)	-4.67%
Outpatient Substance Abuse	\$198,026	29.90%	\$178,025	\$194,189	99.30%	\$175,353	(\$2,672)	-1.50%
Total Specialized Treatment Costs			\$308,060			\$294,864	(\$10,186)	-3.34%
Non-Specialized Treatment Costs								
	Patients	Per Diem		Patients	Per Diem			
Inpatient Substance Abuse Treated in a Non-Substance Abuse Setting	83,298	Various	\$62,704	84,386	Various	\$54,526	(\$8,178)	-13.04%
Outpatient Substance Abuse Treated in a Non-Substance Abuse Setting	1,267,298	\$238.27	\$301,957	1,141,094	\$243.82	\$276,019	(\$25,938)	-8.59%
Extended Care Substance Abuse Treatment*					Various	\$5,317	\$5,317	100.00%
Total Costs Based on Approved Reporting Methodology			\$669,711			\$630,726	(\$38,985)	-5.82%
Research**			\$11,186			\$8,483	(\$2,697)	-24.12%
Grand Total, Drug Treatment			\$680,897			\$639,209	(\$41,682)	-6.12%

*In previous years, VA has not reported Other Specialized Care for patients in Extended Care Units. During our review of the data, we determined that various patients in VA's workload had not been counted. These patients were assigned to Non-Substance Abuse Nursing Home Care Units, General Domiciliary Beds, Psychiatric Units, and Compensated Work Therapy Units. Properly counting this workload results in additional reported costs of \$5.3 million.

**VA reported in their package to OMDCP that Research Expenditures for FY 2002 were \$18,264. Subsequent to the submission to OMDCP, VA revised the Research Expenditures to \$8,483.

	2002 VA Report To OMDCP	\$633,092
	Add: Unreported Extended Care Substance Abuse Treatment costs identified.	\$5,317
	Adjusted Reported Costs	\$638,409

We determined that the information above accurately represents values from the CDR. VA used patient counts from NPCD and CDR data to calculate per diem rates. VA determined the non-specialized care expenses by multiplying the patient counts obtained by applying their methodology to the NPCD times the per diem rates for each category. As discussed earlier, our review of reported workload determined that VA had not counted all extended care patients. As a result, we analyzed the nature of the extended care drug patient data and calculated the cost of those missed patients at \$5.3 million.

¹ A reporting error of \$29,350 caused an overstatement of expenditures for depreciation associated with inpatient substance abuse programs reported for FY 2001. The above costs have been adjusted to correct the reporting error that occurred.

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For the specialized substance abuse treatment programs and clinics, VA used CDR data. Costs were allocated based on a proportional distribution for indirect expenses such as 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, Depreciation, and Engineering. For treatments in non-substance abuse clinics, VA used the appropriate International Classification of Diseases (ICD-9-CM³) diagnostic codes to determine the numbers of patients treated and applied a per diem rate for each clinical setting to calculate the costs.

The following is a description of the methodologies the Program Evaluation and Resource Center (PERC) uses to compute the costs and full-time equivalent employees (FTEE) associated with treating patients with substance abuse disorders in specialized and non-specialized treatment settings.⁴ This is the revised methodology approved by ONDCP. VA provided us with examples of output from queries to establish the basis of their reporting on patient visits. VA used various computer programs to create multiple datasets from the NPCD. VA provided us with their computer programs that we independently processed and reviewed in order to establish the validity of the methodology used to accumulate data regarding the volume of patients treated. The ONDCP approved methodology used by VA is as follows:

Identifying Days Of Specialized Substance Abuse Inpatient Care For Patients With Drug Abuse Diagnoses

The PTF is used to identify all bed section episodes of care for patients discharged from a substance abuse bed section with a drug abuse diagnosis during that treatment episode (i.e., ICD-9-CM coded discharge diagnosis of 292, 304, or 305). Substance abuse bed sections include 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 include ICD-9-CM codes 292, 304, and 305.

All days of care for these bed section episodes are 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

³ ICD-9-CM is a Medical Industry standard listing of diagnostic codes for diseases and procedures for treatment of patients developed by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services. By using the modified codes, medical practitioners communicate the diagnosis of a patient and treatment procedures used with various parties to third parties. VA adopted this system in 1996 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 ICD-9-CM diagnosis and treatment codes into the database for all medical centers and all patients, VA can track patient diagnosis and treatment to various clinical settings throughout the entire VA Health Care system, and can query the database to determine the numbers of patients and the treatments afforded patients on a national basis.

⁴ Prepared by the Director, PERC, March 29, 2001.

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Using 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. From these treatment episodes, episodes in which the patients' primary discharge diagnosis was drug abuse are identified. Primary diagnoses are defined as the first of the five ICD-9-CM coded discharge diagnoses. The total number of days for each bed section type is calculated and the sum across bed sections is used to assess the total days of care of non-specialized substance abuse treatment for patients with drug abuse disorders.

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. VA 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 Table⁵ 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 bed section type was then multiplied by the staffing ratios (FTE/1000 patients treated) from the Traditional Activity Table. The products are 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 OPPTF, 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, alcohol treatment individual session, substance abuse individual session, substance abuse home visit, compensated work therapy/substance abuse, compensated work therapy treatment substance abuse, substance abuse/PTSD, substance abuse HUD/VASH, methadone visit, intensive substance abuse, substance abuse day hospital, drug dependency group session, alcohol treatment group session, and substance abuse group session. Visits were counted regardless of whether the drug abuse diagnosis was the first, second, or another listed

⁵ This is a per diem calculation table prepared by VHA that is used to determine individual activity per diem rates in this table. VA brings together the CDM adjusted obligations for various activities (bed sections, contract facilities, and outpatient clinics), the FTEE associated with each activity, the total patients treated, and the average daily census. By dividing the obligations for each activity by the patients treated, the activity per diem rate is calculated.

APPENDIX I

ICD-9 code. 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 OPTE, 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 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. VA then multiplied 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.

Reported Drug Treatment Costs Decreased in FY 2002

For FY 2002, VA reported \$633.9 million (adjusted to \$639.2 million) in drug treatment related expenditures. This represents a decrease (6.12 percent) from the \$680.9 million in the drug treatment related expenditures reported in FY 2001. Reported costs decreased as VA has closed all but 14⁷ inpatient substance abuse programs and moved patients to other substance abuse residential (domiciliary) programs or to outpatient programs⁸. VA substance abuse programs are patient driven meaning that patients must present themselves to VA for treatment. Additionally, in order to be treated, patients must meet certain eligibility requirements including service connection and income. Patients may be required to make certain co-payments and provide information on private medical insurance before they are treated.

Completeness

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.

⁷ According to the Director, PERC.

⁸ According to the results of the 2000 Drug and Alcohol Program Survey (dated July 2001, page 10). Since this is a biennial survey, more current data is not available.

APPENDIX I

- Investigation of crime involving illegal drug use on VA property.
- Investigation of crime involving illegal drug use by VA employees.

ONDSCP has revised the reporting requirements for agencies with a drug-related nexus. VA is not required to identify the costs of these activities. VA is only required to report on VHA treatment programs.

Reliability of VA Financial Systems

VA's drug cost methodology acquired drug control-related costs from VA's CDR. This cost accounting system has been shown to produce inconsistent and unreliable data. VA should disclose the reliability of cost data used to prepare the Resource Summary in future Detailed Accounting Submissions. VA intends to eventually replace the CDR system with a commercial off the shelf cost accounting and management information system--the Decision Support System.

Required Assertion

- (3) *"Application of Drug Methodology - Each report shall include an assertion that the drug methodology disclosed in this section was the actual methodology used to generate the table required by Section 6a. Calculations must be sufficiently well documented to independently reproduce these data. Calculations should also provide a means to ensure consistency of data between reporting years."*

Conclusion

Application of Drug Methodology

We have independently reproduced patient counts used by VA. As a result, we were able to verify the accuracy of the estimated \$639.2 million in expenditures reported for FY 2002. The accuracy of VA's reported data is dependent on two factors: (1) per diem rates used to calculate patient treatment costs, and (2) the total number of patients treated. VA provided sufficient data to support the per diem rates used for calculating patient drug treatment costs. Additionally, VA provided adequate support for the number of patients treated. Appropriate verification of this data was also important since VA reported a decrease in the number of patients treated in non-substance abuse clinic settings. This decrease in workload also contributed to a 6.12 percent decrease in reported drug treatment costs.

Required Assertion

- (4) *"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 ONDSCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$5 million."*

APPENDIX I

Conclusion

Reprogrammings or Transfers

According to VA's Budget Office, there were no requirements to reprogram funds during FY 2002. Reprogramming of funds does not specifically affect drug control-related funding because drug control expenditures are reported on the basis of patients served in various VA clinical settings.

Required Assertion

- (5) *"Fund Control Notices - Each report shall also include an assertion that the data presented are associated with obligations against a financial plan that fully complies with all Fund Control Notices issued by the Director under 21 U.S.C. § 1703(f) and Section 7 of the ONDCP Circular, Budget Execution, dated May 30, 2002."*

Conclusion

Fund Control Notices

VA did not make a specific assertion on Fund Control Notices in the Detailed Accounting Submission. On March 13, 2003, the ONDCP Acting Associate Director for Planning and Budget notified VHA that ONDCP had accepted VA's Financial Plan for 2003 and had rescinded its Fund Control Notice 2003-9 that had previously withheld one-half of VHA's funding for drug control activities.

DEPARTMENT OF VETERANS AFFAIRS (VA)

DETAILED ACCOUNTING SUBMISSION FOR FY 2002¹

I. RESOURCE SUMMARY

	(Budget Authority in Millions)		
	2002 Actual	2003 Estimate	2004 Estimate
Drug Resources by Function			
Treatment	\$625,409	\$654,409	\$681,998
Research and Development	\$8,483	\$9,331	\$10,264
Total	\$633,892	\$663,740	\$692,262
Drug Resources by Decision Unit			
Medical Care	\$625,409	\$654,409	\$681,998
Research	\$8,483	\$9,331	\$10,264
Total	\$633,892	\$663,740	\$692,262
Drug Resources Personnel Summary			
Total FTEs (direct only)	3,594	3,594	3,594
Information			
Total Agency Budget	\$51,910,000	\$57,633,000	\$61,421,000
Drug Percentage	1.22%	1.15%	1.12%

II. METHODOLOGY

- On December 19, 2000 the ONDCP approved the Department's change in methodology regarding the definition of Other Related Treatment. In the past, Other Related Treatment involved other costs associated with secondary and associative diagnosis. Under the approved methodology Other Related Treatment is described as follows:

Other Related Treatment - VA's drug budget estimates also include 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 diagnosis are factored into the drug budget. Indeed, a primary drug abuse diagnosis suggests that a drug use disorder was the focus of treatment in the non-specialized setting.

- Specialized Treatment Costs - VA's drug budget estimates include all costs generated by the treatment of patients with drug use disorders treated in specialized substance abuse treatment programs.
- For comparative purposes the full funding for Federal Retiree costs is not factored in the calculations.

¹ Preparation of the Detailed Accounting Submission is the responsibility of VA management.

APPENDIX II

- This budget 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.

III. PROGRAM SUMMARY

- VA, through its Veterans Health Administration, operates a network of substance abuse treatment programs located in the Department's medical centers, domiciliarys 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).
- The investment in health care and specialized treatment of veterans with drug abuse problems, 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) on how to best employ outreach and treatment models, VA has been a participant in the development of a variety of Treatment Improvement Protocols (TIP).
- In coordination with the CSAT on how to best employ outreach models, VA has been a participant in the 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.¹⁰
- 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.
- VA, in keeping with modern medical practice, continues to improve service delivery by expanding primary care and shifting treatment services to lower cost settings when clinically appropriate. Included in this shift to more efficient and cost effective care delivery has been VA's substance abuse treatment system. Recent data trends suggest these shifts in care delivery will continue to impact budgets in future years. The full extent of the impact cannot be determined until additional data becomes available.

¹⁰ VA incorrectly included this paragraph in the accounting submissions. It is essentially the same paragraph as the preceding paragraph.

APPENDIX II

IV. BUDGET SUMMARY

2003 Estimate

- In 2003, VA estimates spending \$654.4 million for medical care, which includes \$308.4 million for specialized treatment and \$346 million for other related treatment.
- The 2003 funding also includes \$8.5 million for research and development to be applied toward drug abuse related research.

2004 Estimate

- The 2004 estimate is \$692.3 million, which consists of \$682 million for medical care and \$10.3 million for drug abuse related research. This represents a \$28.5 million increase over 2003 estimate.
- In conjunction with the Department of Health and Human Services (HHS) and the Department of Defense (DoD), VA will make available to both Departments 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 (CESATE) and its PERC. These two entities already provide these services within VA and will be made available for integration into similar activities within HHS and DoD.
- 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 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.

APPENDIX II

V. VA POLICY ACTIONS

- In an effort to overcome the difference between available resources and the demand for VA health care services forecast by the actuarial model for 2004, policy actions to reduce health care demand are anticipated in FY 2003 and FY 2004. These actions would help ensure that the remaining, higher priority veterans are able to access needed health care services in a timely, and medically appropriate manner. The effect of the policy options on the number of drug patients that VA treats is expected to be minimal.

VI. PROGRAM ACCOMPLISHMENTS

- Specialized substance abuse treatment services are available at 137 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. 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.
- Through the Quality Enhancement Research Initiative program, VA is steadily expanding the availability of methadone maintenance clinics for heroin-dependent veterans.
- 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 15 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.

FINAL REPORT DISTRIBUTION

VA Distribution

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

May 30, 2002

TO: THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

FROM: JOHN P. WALTERS
DIRECTOR

SUBJECT: New or Revised Office of National Drug Control Policy
(ONDCP) Circulars

In February, the Administration announced a proposal to bring greater accountability and oversight to the National Drug Control Budget by better associating these resources with actual account-level detail in the annual Budget of the President. To implement this proposal, today I have issued the attached circulars, which define the new budget structure, as well as highlight ONDCP's authority over the budget and drug policy. These documents include the following:

- **Budget Formulation** – This circular provides instructions for agencies and bureaus in preparing drug control budget proposals to be submitted to ONDCP for review, certification, and inclusion in the National Drug Control Budget.
- **Budget Execution** – ONDCP has several authorities related to the obligation and spending of funds. This circular includes procedures for reprogramming requests, the transfer of drug control funds between accounts, and the establishment of financial plans for certain bureaus. This document also details ONDCP's Fund Control Notice authority, which may limit the obligation of all or part of an amount appropriated to a National Drug Control Program agency.
- **Policy Coordination** – This circular provides guidance for agencies in obtaining ONDCP's approval for initiating a change in drug policy. Advance approval of a policy change is required by law. Also, to ensure the close coordination of the drug control program of the President, this circular outlines the procedures for ONDCP's review of agency reports and testimony that may have a drug control nexus.
- **Drug Control Accounting** – By statute, agencies are required to conduct an annual detailed accounting of all funds expended for National Drug Control Program activities. Further, this accounting is authenticated by agency Inspectors General. This circular provides the procedures for producing these accounting reports.

To assist ONDCP, I request that you require appropriate budget and policy officials of your agency to become familiar with these circulars.

Attachments



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D.C. 20503

ONDCP Circular: Budget Formulation

May 30, 2002

TO: THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Budget Formulation

1. **Purpose.** This circular provides instructions for use by National Drug Control Program agencies when preparing drug control budgets to be submitted to the Office of National Drug Control Policy (ONDCP) for review, certification, and inclusion in the consolidated National Drug Control Budget.

2. **Rescission.** This circular rescinds and replaces the ONDCP Circular, *Budget Instructions and Certification Procedures*, dated May 5, 1999.

3. **Authority.** *The Office of National Drug Control Policy Reauthorization Act of 1998* (P.L. 105-277, dated October 21, 1998) provides the authority for review and certification of budget requests of National Drug Control Program agencies and for preparation and submission of an annual consolidated National Drug Control Budget. In relevant part, this law has been codified at 21 U.S.C. § 1701-1712.

4. **Definitions.** As used in this circular—

- a. **National Drug Control Program** means, pursuant to 21 U.S.C. § 1701(6), "... programs, policies, and activities undertaken by National Drug Control Program agencies pursuant to the responsibilities of such agencies under the National Drug Control Strategy."
- b. **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 [of ONDCP] and the head of the agency.” Attachment A enumerates the National Drug Control Program agencies.

- c. **Bureau** means any component of an agency.
- d. **Drug Methodology** means the process by which drug-related financial statistics identified for certain agencies or bureaus are calculated. The following bureaus utilize a drug methodology for calculating their aggregate portion of the National Drug Control Budget: the Immigration and Naturalization Service, the U.S. Customs Service, the U.S. Coast Guard, and the Veterans Health Administration. All bureaus utilize a drug methodology for presenting their drug budget by drug control function.

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 drug control activities. Agencies and bureaus may use any of 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.

- e. **Drug Control Functions** correspond to the nine specific program areas that encompass all possible drug control activities. A complete list of drug control functions, as well as the associated definitions of these functions, is presented at Attachment D.
- f. **Budget Decision Units** correspond to discrete program categories that are identifiable components of budget accounts enumerated in the Budget of the President.

5. **Coverage.** The provisions of this circular apply to all National Drug Control Program agencies and their bureaus.

b. **Drug Budget Review and Certification Process.** Pursuant to 21 U.S.C. § 1703(o)(1), agencies are required to submit drug control budget requests to the Director for review and certification. This is a two-tier process, consisting of a summer review of bureau submissions and a fall review/certification of agency submissions. This requirement applies to the list of bureaus and agencies in Attachment A. (See Sections 9 and 10 of this circular.) Bureau heads will transmit their drug control budget proposals to ONDCP at the same time their budget requests are sent to their respective agency heads. For this purpose, the submission by a bureau head of a budget proposal to the agency's Chief Financial Officer, Budget Director, or other senior level financial executive, triggers the same requirement under the statute to submit this budget material to ONDCP.

In the fall, the agencies prepare their drug budget submissions to ONDCP, consisting of the individual budget proposals of each agency bureau. These agency submissions will be transmitted to ONDCP before they are sent to the Office of Management and Budget (OMB).

In addition to the two-tier budget review process, the Director may elect to require specified bureau components to submit program budgets for review under the authority of 21 U.S.C. § 1703(c)(1)(A). Program budgets reviewed under this authority would be requested by separate correspondence, and submissions would be reviewed by ONDCP using the Summer Certification Review process (see Section 9).

7. Structure of the National Drug Control Budget. This circular gives effect to a significant restructuring of the National Drug Control Budget, as outlined in the Fiscal Year 2003 Budget of the President. To the maximum extent possible, resources included in the drug budget will now tie directly to identifiable line items in the Budget of the President or agency budget justifications for Congress, accompanying the budget.

- a. **Account Structure:** The first drug budget formulated under this circular will support an update of the *National Drug Control Strategy (Strategy)*, to be issued in February 2003. The drug budget is defined by the account structure presented in Attachment B. Agencies and bureaus with responsibilities under the updated *Strategy* are listed in Column A. For each bureau, Column B displays the budget accounts in the Budget of the President that are associated with drug control activities. Column C identifies the specific budget decision units for accounts that are included in the drug budget. Unless otherwise noted, 100 percent of the funding for each budget decision unit listed is part of the National Drug Control Budget. Budgets for the following multi-mission bureaus are an exception to this general principle: the Immigration and Naturalization Service, the U.S. Customs Service, the U.S. Coast Guard, and the Veterans Health Administration. For each of these bureaus, the drug control budget is defined by an established drug methodology.
- b. **Amendments to Account Structure:** The National Drug Control Budget defined in Attachment B is consistent with the account structure presented in the FY 2003 Budget of the President. If subsequent appropriations substantively modify this account structure by adding or eliminating programs with a drug control nexus, then the Associate Director for Planning and Budget, ONDCP, shall notify the senior budget officials of affected agencies of the changes by decision unit that would define the revised National Drug Control Budget.
- c. **Certain Presidential Initiatives:** In order to simplify the display of the National Drug Control Budget in *Strategy* documents, certain initiatives shall be consolidated into one line item – *Presidential Initiatives*. Initiatives included in this line item may change each year, depending on final funding decisions for the President's Budget.

- d. **Financial Plans for Multi-Mission Bureaus:** To ensure that all drug control funding under the revised budget structure closely links with the President's Budget, the multi-mission bureaus identified in Section 7a. shall establish a detailed financial plan for the budget year under formulation. This plan shall identify how drug funding calculated by a bureau's drug methodology will support in the year of execution each budget decision unit and the major programs, projects, and activities under those decision units. The ONDCP Circular, *Budget Execution*, dated May 30, 2002, provides guidance on these financial plans. ONDCP requests that a draft of this financial plan be included as part of the following documents: (1) bureau budget proposals to agency heads, (2) agency head budget proposals to OMB, and (3) Congressional budget justification documents accompanying the President's Budget.

8. Budget Submission Elements. Budget submissions by agencies or bureaus shall include the following components:

- a. **Transmittal Letter:** A cover letter shall be included to transmit each drug control budget submission, addressed from the responsible budget official to the Director, Office of Planning and Budget, ONDCP. The cover letter shall summarize the budget request, including major changes to base funding and key funding initiatives.
- b. **Resource Summary Table:** Attachment C provides an example of a resource summary table highlighting budget authority (net of offsetting collections) by function and budget decision unit. Transfers and reimbursements from the Organized Crime Drug Enforcement Task Forces Program and the High Intensity Drug Trafficking Areas Program shall not be included in the agency's or bureau's total budget authority but shall be shown as separate line entries. Agencies and bureaus shall report decision units as those reflected in their Congressional budget submissions.
- c. **Copy of Budget Submission:** In the summer, the budget submission to ONDCP shall include a copy of the relevant sections of the bureau head's budget proposal that was transmitted to the agency head. In the fall, the budget submission to ONDCP shall include a copy of the relevant sections of the agency head's budget proposal that has been prepared for OMB. Relevant sections of the budget are those components that justify spending for budget decision units related to drug control and are identified in Attachment B of this circular. As an alternative to extracting this information from these budget documents, agencies and bureaus may provide ONDCP with a copy of their entire bureau-level submission to the agency or agency-level submission to OMB. For multi-mission bureaus, budget submissions to ONDCP shall also include a copy of the financial plans referenced in Section 7d. of this circular.
- d. **Ranking of Priorities:** Budget submissions to ONDCP shall include an exhibit that disaggregates both base funding and funding for new initiatives into discrete program elements. These program elements for base funding and proposed new funding then shall

be ranked to identify high priorities and low priorities. In preparing this exhibit, all programs need not be ranked – only the several high and low priorities, as defined by the agency or bureau.

- e. **Strategic Plan, Performance Plan, and Performance Report:** Budget submissions shall include the portions that relate to drug control of the current Strategic Plan, as well as the Annual Performance Plan and Annual Performance Report submitted to OMB pursuant to the *Government Performance and Results Act (GPRA)*. For a bureau-level submission to ONDCP, this information may constitute the bureau's input to the agency for these key GPRA documents. If applicable, beginning with the FY 2005 Budget, the requirement to submit a Strategic Plan may be met by representing in the transmittal letter to ONDCP that the plan submitted for the FY 2004 Budget remains in effect.

9. **Review of Summer Drug Budget Submissions.** The Director (ONDCP) will review bureau summer drug control budget submissions to determine if they are adequate to implement the *Strategy*. Requests will be evaluated on the basis of how closely proposed funding corresponds to priorities identified by ONDCP pursuant to 21 U.S.C. §1703(b)(8). (See Section 11 of this circular.) This review and evaluation will result in one of the following actions:

- a. **Adequate Requests** – The Director will issue a written notice to the bureau head, with a copy to the agency head, confirming the adequacy of the bureau's budget request to implement the *Strategy* (21 U.S.C. §1703(c)(3)(B)(ii)); or
- b. **Inadequate Requests** – The Director will issue a written notice to the bureau head that the bureau's budget request is not adequate to implement the *Strategy*. This correspondence will outline funding levels and specific initiatives that would make the request adequate (21 U.S.C. §1703(c)(3)(B)(i)). In addition, the Director will notify the agency head with responsibility for the bureau of the specific requirements for additional funding. The Director's certification under Section 10a. will depend on the inclusion of these changes in the agency's full budget.

10. **Review and Certification of Fall Budget Submissions.** Pursuant to 21 U.S.C. §1703(c)(3)(D), the Director shall review and certify each agency's fall drug control budget submission. (As highlighted in Section 6, agency budget submissions consist of the individual drug budget proposals of each agency bureau.) As with the summer process, the Director will review agency fall drug control budgets prepared in accord with Section 8 of this circular to determine if they are adequate to implement the *Strategy*. Requests will be evaluated based on how closely proposed funding corresponds to priorities identified by ONDCP (see Section 11) and whether requests address enhancements identified in Section 9b. of this circular. This fall review and evaluation will result in one of the following actions:

- a. **Adequate Requests: Certification** – The Director will issue a written notice to the agency head certifying as to the adequacy of their fall budget submission to implement the *Strategy* (21 U.S.C. § 1703(c)(3)(B)(ii)); or
- b. **Inadequate Requests: Decertification** – The Director will issue a written notice to the agency head that their fall budget submission is not adequate to implement the *Strategy* and is decertified (21 U.S.C. § 1703(c)(3)(D)(ii)). As a consequence of the Director's decertification, the following additional actions shall be taken by the agency and ONDCP:
 - (1) **Amended OMB Budget Request** – The Director shall submit to the agency head a written description of the funding levels and specific initiatives that would make the fall budget request adequate to implement the *Strategy* (21 U.S.C. § 1703(c)(3)(B)(i)), and the agency head shall include the funding levels and initiatives described by the Director in the budget submission for that agency to OMB (21 U.S.C. § 1703(c)(3)(C)(i)).
 - (2) **Impact Statement** – The head of an agency that has altered a budget submission under Section 10b(1) shall include as an appendix to the OMB budget submission an impact statement that summarizes the changes made to the budget and the impact of those changes on the ability of that agency to perform its other responsibilities, including any impact on specific missions or programs of the agency (21 U.S.C. § 1703(c)(3)(C)(ii)). Further, the agency head shall submit a copy of any impact statement prepared under this section to the Senate and the House of Representatives at the same time the budget for the agency is submitted to Congress under section 1105(a) of title 31, United States Code (21 U.S.C. § 1703(c)(3)(C)(iii)).
 - (3) **ONDCP Congressional Notification** – In addition to the agency Congressional notification required under Section 10b(2), the Director shall transmit to the Senate and the House of Representatives a copy of the decertification and new funding requirements identified under Section 10b(1), along with a copy of the ONDCP funding priorities issued pursuant to 21 U.S.C. § 1703(b)(8) (see Section 11 of this circular) that support the Director's requirement for additional funding (21 U.S.C. § 1703(c)(3)(D)(i)).

11. **Funding Priorities.** In formulating drug control budgets, each agency and bureau should consider resource needs to support the *Strategy's* funding priorities over a five-year budget period. Five-year funding guidance will be issued each year prior to July 1, pursuant to 21 U.S.C. § 1703(b)(8). Until updated guidance is issued, prior five-year guidance issued under 21 U.S.C. § 1703(b)(8) remains in effect for agency and bureau budget formulation purposes.

12. **Coordination with Office of Management and Budget.** To the maximum extent possible, ONDCP will closely coordinate with OMB. Consistent with the requirements of 21 U.S.C. §

Budget Formulation

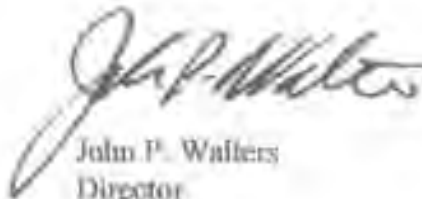
1703(e)(2) to prepare a consolidated budget proposal to implement the *Strategy*, ONDCP shall provide OMB with specific drug funding recommendations by agency, bureau, and account, prior to preliminary decisions on the President's Budget in November.

13. **Preparation of *Budget Summary*.** In the fall, ONDCP will issue separate guidance for the preparation of the *National Drug Control Strategy Budget Summary*. The *Budget Summary* guidance will specify format requirements for this document, which, at a minimum, will include detail by function and budget decision unit at the same level of detail as presented in Attachment C. The resource summary data displayed in the *Budget Summary* shall include final budget authority enacted in the prior year, current year enacted budget authority, and requested budget authority for the budget year under formulation.

14. **Annual Estimate: Cost of Drug Use to Society.** The National Drug Control Budget, as restructured, does not include budget estimates associated with the secondary consequences of drug control enforcement. Funding for certain activities of agencies where drug control is incident to broader agency missions is also excluded from the modified drug budget. Although this funding is not associated with specifically assigned agency responsibilities under the *Strategy*, these resources represent a real cost of drug use. Each year, ONDCP will conduct a special analysis to estimate the aggregate cost of drug use to society, which will include an estimate of aggregate federal spending devoted to drug-related activities. This estimate will capture both resources displayed in the restructured drug budget, as well as drug-related funding associated with the secondary consequences of drug enforcement and certain other activities. Generally, these costs will be consistent with the aggregate drug budget estimates reported by bureau under the drug budget presentation and methodologies employed prior to May 2002. Drug control agencies and other affected agencies, including the Departments of Interior and Agriculture, will receive a separate annual detailed request for these data.

15. **ONDCP Point of Contact.** Agencies and bureaus shall provide their drug control budget submissions to the following address:

Associate Director for Planning and Budget
Office of National Drug Control Policy
750 17th Street, N.W.
Washington, DC 20503



John P. Walters
Director

NATIONAL DRUG CONTROL PROGRAM AGENCIES

(A) Drug Control Program Agency (fall budget submissions)

Department of Defense

Department of Education

Department of Health and Human Services

Department of Justice

Department of State

Department of Transportation

Department of the Treasury

Department of Veterans Affairs

Attachment A

(B) Bureau(s) Submitting Budgets (summer budget submissions)

Office of the Assistant Secretary for
Special Operations and Low Intensity
Conflict

Office of Elementary and Secondary
Education

Substance Abuse and Mental Health
Services Administration

National Institutes of Health –
National Institute on Drug Abuse

Bureau of Prisons

Drug Enforcement Administration

Office of the Deputy Attorney
General – Organized Crime Drug
Enforcement Task Forces Program

Office of Justice Programs

Immigration and Naturalization Service

Bureau of International Narcotics and
Law Enforcement Affairs

United States Coast Guard

U.S. Customs Service

Office of the Under Secretary for
Enforcement – Organized Crime Drug
Enforcement Task Forces Program

Veterans Health Administration

NATIONAL DRUG CONTROL PROGRAM AGENCIES

(A) Drug Control Program Agency
(fall budget submissions)

(B) Bureau(s) Submitting Budgets
(summer budget submissions)

Corporation for National and Community Service

Bureau level submission not applicable

Small Business Administration

Bureau level submission not applicable

Note: In addition to these agencies, the Office of National Drug Control Policy is also a National Drug Control Program agency, as defined by 21 U.S.C. § 1701(7).

DEFINITION OF NATIONAL DRUG CONTROL BUDGET

(A) <u>National Drug Control Program Agency</u>	(B) <u>Account Name – President's Budget</u>	(C) <u>Applicable Budget Decision Units</u>
1. Department of Defense Office of the Assistant Secretary for Special Operations and and Low Intensity Conflict	<i>Drug Interdiction and Counter-drug Activities</i>	All
2. Department of Education Office of Elementary and Secondary Education	<i>School Improvement Programs</i>	* Safe and Drug-Free Schools and Communities (With the exception of those National Programs, which by statute have no clear drug control nexus – e.g., Community Service Grant Program, Mentoring Program, Project SERV)
3. Department of Health and Human Services (HHS) Substance Abuse and Mental Health Services Administration	<i>Substance Abuse and Mental Health Services</i>	* Programs of Regional and National Significance -- Prevention -- Treatment * Substance Abuse Block Grant * Program Management

(A)	(B)	(C)
<u>National Drug Control Program Agency</u>	<u>Account Name – President's Budget</u>	<u>Applicable Budget Decision Units</u>
3. HHS (continued)		
National Institutes of Health – National Institute on Drug Abuse	<i>National Institute on Drug Abuse</i>	All
4. Department of Justice		
Bureau of Prisons	<i>Salaries and Expenses</i>	* Inmate Care and Programs – Drug Treatment
Drug Enforcement Administration	<i>Salaries and Expenses</i>	All
Organized Crime Drug Enforcement Task Forces	<i>Diversion Control Fee Account</i>	All
Office of Justice Programs	<i>Interagency Crime and Drug Enforcement</i>	All
	<i>Justice Assistance</i>	* Regional Information Sharing System * National Institute of Justice – Arrestee Drug Abuse Monitoring System
	<i>State and Local Law Enforcement Assistance</i>	* Drug Courts * Residential Substance Abuse Treatment

(A) <u>National Drug Control Program Agency</u>	(B) <u>Account Name – President's Budget</u>	(C) <u>Applicable Budget Decision Units</u>
4. Department of Justice (continued)	Office of Justice Programs (continued)	* Drug Prevention Program * Incentive Grants to Prevent Juvenile Crimes – Enforcing Underage Drinking Laws
	<i>Juvenile Justice Programs</i>	All
	<i>Need and Seed Program Fund</i>	* Southwest Border Prosecutors
	<i>Community Oriented Policy Services</i>	All
	<i>Immigration Enforcement</i>	A portion of the following decision unit is scored as drug-related, according to an approved drug methodology:
5. Office of National Drug Control Policy	<i>Executive Office of the President</i>	* Border Enforcement – Border Patrol
	<i>High Intensity Drug Trafficking Areas</i>	* Office of National Drug Control Policy (Salaries and Expenses)
	<i>Special Forfeiture Fund</i>	All
	<i>Counterdrug Technology Assessment Center</i>	All

(A) <u>National Drug Control Program Agency</u>	(B) <u>Account Name – President's Budget</u>	(C) <u>Applicable Budget Decision Units</u>
6. Department of State		
Bureau of International Narcotics and Law Enforcement Affairs	<i>International Narcotics and Law Enforcement</i>	All but international crime decision units
	<i>Andean Counterdrug Initiative</i>	All
7. Department of Transportation		
United States Coast Guard	<i>Operating Expenses</i>	For each Coast Guard account, decision units, and portions scored as drug-related for each, are defined by an approved drug methodology.
	<i>Acquisition, Construction, and Improvements</i>	
	<i>Research, Development, Test, and Evaluation</i>	
8. Department of the Treasury		
U.S. Customs Service	<i>Operation, Maintenance, and Procurement, Air and Marine Interdiction Programs</i>	All
	<i>Salaries and Expenses</i>	For this account, decision units, and portions scored as drug-related for each, are defined by an approved drug methodology.
Office of the Under Secretary for Enforcement		All

(A)	(B)	(C)
<u>National Drug Control Program Agency</u>	<u>Account Name - President's Budget</u>	<u>Applicable Budget Decision Units</u>
9. Department of Veterans Affairs	Veterans Health Administration (VHA)	For each VHA account, decision units, and portions scored as drug-related for each, are defined by an approved drug methodology.
	<i>Medical Care</i>	
	<i>Medical and Prosthetic Research</i>	
10. Corporation for National and Community Service	<i>National and Community Service Programs Operating Expenses</i>	* Parents Drug Corps
11. Small Business Administration	<i>Salaries and Expenses</i>	* Non-Credit Programs - Drug-Free Workplace Grants

FORMAT – DRUG CONTROL BUDGET RESOURCE SUMMARY

	CY	RY	BY
	BA	BA	BA
Drug Resources by Drug Control Function:			
Intelligence	\$x.xxx	\$x.xxx	\$x.xxx
Interdiction	\$x.xxx	\$x.xxx	\$x.xxx
International	\$x.xxx	\$x.xxx	\$x.xxx
Investigations	\$x.xxx	\$x.xxx	\$x.xxx
Prevention	\$x.xxx	\$x.xxx	\$x.xxx
Prosecution	\$x.xxx	\$x.xxx	\$x.xxx
Research & Development	\$x.xxx	\$x.xxx	\$x.xxx
State & Local Assistance	\$x.xxx	\$x.xxx	\$x.xxx
Treatment	\$x.xxx	\$x.xxx	\$x.xxx
Total	\$xx.xxx	\$xx.xxx	\$xx.xxx
Drug Resources by Budget Decision Unit:			
XXXXXXXXXXXX	\$x.xxx	\$x.xxx	\$x.xxx
XXXXXXXXXXXX	\$x.xxx	\$x.xxx	\$x.xxx
XXXXXXXXXXXX	<u>\$xx.xxx</u>	<u>\$xx.xxx</u>	<u>\$xx.xxx</u>
Total	\$xx.xxx	\$xx.xxx	\$xx.xxx
HIDTA Transfer	\$x.xxx	\$x.xxx	\$x.xxx
ICDE Resources	\$x.xxx	\$x.xxx	\$x.xxx

BA = Budget Authority

CY = Current fiscal year

RY = Request fiscal year

BY = Budget fiscal year under formulation

Note: Funding for the Interagency Crime and Drug Enforcement Accounts (ICDE) and HIDTA should be included in this display only on the lines shown. This funding should not be displayed by function or decision unit, and this funding should not be included as part of agency totals in these categories.

DEFINITIONS OF DRUG CONTROL BUDGET FUNCTIONS

FUNCTION	DESCRIPTION
Intelligence	Activities or programs with a primary focus to provide guarded information for use by national policy makers, strategic planners, or operational/tactical elements, primarily in the areas of national security and law enforcement. Activities include collecting, processing, analyzing, and disseminating information related to drug production and trafficking organizations and their activities (including production, transportation, distribution, and finance/money laundering) and the willingness and ability of foreign governments to carry out effective drug control programs. (Amounts allocated for drug interdiction, international, and domestic law enforcement should be separately identified.)
Interdiction	Activities designed to interrupt the trafficking of illicit drugs into the United States by targeting the transportation link. Specifically, interdiction encompasses intercepting and ultimately disrupting shipments of illegal drugs, their precursors and the fruits of drug distribution.
International	Activities primarily focused on or conducted in areas outside of the United States, including a wide range of drug control programs to eradicate crops, seize drugs (except air and riverine interdiction seizures), arrest and prosecute major traffickers, destroy processing capabilities, develop and promote alternative crops to replace drug crops, reduce the demand for drugs, investigate money laundering and financial crime activities, and promote the involvement of other nations in efforts to control the supply of and demand for drugs.
Investigations	Federal domestic law enforcement activities engaged in preparing drug cases for the arrest and prosecution of leaders and traffickers of illegal drug organizations, seizing drugs and assets, and ensuring that federal laws and regulations governing the legitimate handling, manufacturing, distribution, etc. of controlled substances are properly followed.
Prevention	Activities focused on discouraging the first-time use of controlled substances and outreach efforts to encourage those who have begun to use illicit drugs to cease their use.
Prosecution	Federal activities related to the conduct of criminal proceedings against drug trafficking and money laundering organizations, with the aim of bringing a civil or criminal judgment against their members, forfeiting their assets, divesting leaders of their power, and, as appropriate, extraditing, deporting and excluding their members.
Research & Development	Activities intended to improve the capacity, efficiency, or quality of drug control activities. (Amounts allocated for drug interdiction, international, treatment, prevention and domestic law enforcement research should be separately identified.)
State & Local Assistance	Federal drug control assistance to help state and local law enforcement entities to reduce drug related violent crime and the availability of illegal drugs.
Treatment	Activities focused on assisting regular users of controlled substances to become drug-free through such means as counseling services, in-patient and out-patient care, and the demonstration and provision of effective treatment modalities, etc.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D. C. 20503

ONDCP Circular: Budget Execution

May 30, 2002

TO: THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Budget Execution

1. **Purpose.** This circular provides guidance to National Drug Control Program agencies on ONDCP's authorities related to the execution of the National Drug Control Budget. This includes information and procedures related to reprogramming requests, the transfer of drug control funds between accounts, Fund Control Notices, and the establishment of financial plans for certain bureaus.

2. **Authority.** *The Office of National Drug Control Policy Reauthorization Act of 1998* (P.L. 105-277, dated October 21, 1998) provides the authority for ONDCP's oversight of the National Drug Control Budget. In relevant part, this law has been codified at 21 U.S.C. § 1701-1712.

3. **Definitions.** As used in this circular, key terms related to the National Drug Control Program and budget are defined in Section 4 of the ONDCP Circular, *Budget Formulation*, dated May 30, 2002. These terms include: *National Drug Control Program, National Drug Control Program Agency, Bureau, Drug Methodology, Drug Control Functions, and Budget Decision Units.*

4. **Coverage.** The provisions of this circular apply to all National Drug Control Program agencies. Further, consistent with 21 U.S.C. § 1701(7), the provisions of Sections 5, 6, and 7 of this circular apply to agencies that receive funding included in the National Drug Control Budget by transfer from a National Drug Control Program agency. Such funds continue to be part of the National Drug Control Budget.

5. **Reprogramming Requests.** As referenced in this circular, a reprogramming or transfer is any change to an agency or bureau's financial plan that requires Congressional notification.

- a. **ONDCP Review:** Pursuant to 21 U.S.C. § 1703(c)(4)(A), "[n]o National Drug Control Program agency shall submit to Congress a reprogramming or transfer request with respect to any amount of appropriated funds in an amount exceeding \$5,000,000 that is included in the National Drug Control Program budget unless the request has been approved by the Director [of ONDCP]." For a change in a financial plan to accomplish a single purpose, agencies or bureaus shall not structure multiple reprogramming or transfer transactions of less than \$5 million in order to limit ONDCP's opportunity to review such proposals.

b. **Reporting Requirements:** Each agency reprogramming request to ONDCP shall include the following elements:

- (1) **Revised Financial Plan** – As referenced here, a financial plan is the detailed presentation of the agency or bureau's budget that has been presented to the Congress. The reprogramming or transfer request to ONDCP shall include a presentation showing the changes in funding levels between budget decision units, or changes in the programs, projects and activities within budget decision units, that comprise the proposed revisions to the financial plan for the current fiscal year.
- (2) **Explanation of Changes** – The request shall provide a narrative explanation of the proposed changes to the financial plan, which highlights the effects of these changes on the National Drug Control Program.
- (3) **Effect on Future Fiscal Years** – The reprogramming or transfer proposal shall also discuss how the proposed changes to the financial plan in the current fiscal year will affect agency resource levels for the highlighted budget decisions units, as well as programs, projects and activities, in future fiscal years.
- (4) **Draft Notification to Congress** – The material provided to ONDCP for review shall include the draft letter notifying Congress of the proposed changes.

c. **ONDCP Action:** After prompt review of the material provided by the agency under Section 5b., the Director's determination under this Section will be communicated in writing to the responsible agency official.

d. **Agency Appeals:** Pursuant to 21 U.S.C. § 1703(c)(4)(B), an agency head may appeal to the President for the reconsideration of the Director's disapproval of a reprogramming or transfer request under Section 5c. of this circular.

6. **Transfers.** In order to address particular needs during the year, the Director of ONDCP may transfer funds from one account of the National Drug Control Budget to another account of the National Drug Control Budget (21 U.S.C. § 1703(d)(8)), with such accounts defined in the ONDCP Circular, *Budget Formulation – Attachment B: Definition of the National Drug Control Budget*. A proposal to transfer funds between accounts may be initiated by the Director or may be recommended by the head of any agency. Agency proposals submitted to ONDCP for a transfer of funds shall detail the programs, projects and activities affected in the sending and receiving accounts. ONDCP may execute such transactions, subject to the following conditions:

- a. **Limitation:** The authority to make such transfers may be limited in annual appropriations acts or other provisions of law (21 U.S.C. § 1703(d)(8)(A)).
- b. **Agency Concurrence:** This authority may only be exercised with the concurrence of the head of each affected agency (21 U.S.C. § 1703(d)(8)(B)).

- c. **Transfer Limit:** In the case of an interagency transfer, the total amount of transfers in a fiscal year under this authority may not exceed 3 percent of the total amount of funds made available for National Drug Control Strategy programs and activities to the agency from which those funds are to be transferred (21 U.S.C. § 1703(d)(8)(C)).
- d. **Authorized Programs:** Funds transferred to an agency under this authority may only be used to increase funding for programs or activities that have been authorized by Congress (21 U.S.C. § 1703(d)(8)(D)).
- e. **Reports to Congress:** On the approval by ONDCP of any transfer proposals under this section, the Director shall notify Congress of the transfer proposal before giving it effect. Notifications shall include correspondence to the Committees on Appropriations of the Senate and House of Representatives, ONDCP's authorizing committees, and any other committees of jurisdiction (21 U.S.C. § 1703(d)(8)(E)).

7. **Fund Control Notices.** The Director of ONDCP may limit the obligation of all or part of the amount appropriated to a National Drug Control Program agency through a Fund Control Notice (21 U.S.C. § 1703(f)). Funds subject to a Fund Control Notice are those included in the National Drug Control Budget, as defined in Attachment B of the ONDCP Circular, *Budget Formulation*, dated May 30, 2002.

- a. **Control Categories:** Pursuant to 21 U.S.C. § 1703(f) –

“A fund control notice may direct that all or part of an amount appropriated to the National Drug Control Program agency account be obligated by –

- (A) months, fiscal year quarters, or other time periods; and
- (B) activities, functions, projects, or object classes.”

- b. **Responsible Agency Officials:** A Fund Control Notice shall be issued in writing to the Chief Financial Officer, or comparable level senior financial executive, of the affected agency or bureau. This official is responsible for ensuring compliance with this ONDCP guidance.
- c. **Prohibited Actus:** An officer or employee of a National Drug Control Program agency shall not make or authorize an expenditure or obligation contrary to a Fund Control Notice (21 U.S.C. § 1703(f)(2)).
- d. **Violations:** Pursuant to 21 U.S.C. § 1703(f)(3), “...[i]n the case of a violation of [a Fund Control Notice] by an officer or employee of a National Drug Control Program agency, the head of the agency, upon the request of and in consultation with the Director, may subject the officer or employee to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office.”

8. Financial Plans for Certain Multi-Mission Bureaus. All funding included in the National Drug Control Budget must be closely associated with account-level detail in the Budget of the President. Linking the drug budget with the operating budget of each agency and bureau provides policy officials with the information they need to make resource allocation decisions as part of the budget formulation process, as well as adjustments to agency and bureau financial plans during the year of execution. Much of the drug control budget is a subset of identifiable components of the President's Budget. For some bureaus, however, aggregate drug funding is calculated pursuant to a drug methodology that is subject to ONDCP's approval. These bureaus include:

- U.S. Customs Service,
- U.S. Coast Guard,
- Immigration and Naturalization Service (INS), and
- Veterans Health Administration (VHA)

Drug funding for these bureaus must be reflected in agency and bureau financial systems of record with a level of accountability that is comparable to drug control funding identified for all other bureaus. For other bureaus, this is accomplished through the appropriations process – funding is provided consistent with the established account structure defined by the President's Budget. For the multi-mission bureaus identified in this section – Customs, Coast Guard, INS, and VHA – the same level of accountability will be imposed administratively, rather than through the appropriations process. ONDCP will require that financial systems of record recognize drug control funding for these bureaus. This will be accomplished through the development of bureau financial plans for drug control funding and ONDCP review and approval of these plans in the year of budget execution.

- a. **Bureau Financial Plans:** For the year of budget execution, each of the bureaus identified in this section shall develop a detailed financial plan for their drug control funding. This plan shall identify how: (1) drug funding calculated pursuant to the bureau's approved drug methodology supports specific accounts included in the Budget of the President; and (2) how this funding by account further supports particular bureau budget decision units and projects under those budget decision units. Within these parameters, the format and content of these financial plans is at the discretion of the bureaus. Details of a plan could consolidate elements included in portions of the Congressional budget justification documents relating to drug control, if such language provided an adequate explanation. However, such plans should include sufficient detail to explain fully the connection between the bureau's drug budget calculation and the programs described in the bureau's budget justification documents accompanying the President's Budget.


Bureau financial plans shall be submitted to ONDCP for review as soon as possible after final appropriations are enacted. Also, ONDCP requests that versions of these financial plans, consistent with the President's Budget, be included in the bureau's Congressional budget justification documents. This will provide Congress and the public with an explanation of how drug funding relates to the bureau's operating budget. It also will facilitate an expeditious review of the bureau's financial plan, once appropriations are enacted.

h. **ONDCP Oversight:** To ensure bureau compliance with the provisions of this section, ONDCP shall issue a Fund Control Notice pursuant to Section 7 of this circular that will limit the obligation of drug control funding until the Director of ONDCP has reviewed a bureau financial plan, based on final annual appropriations, prepared pursuant to Section 8a. of this circular. To ensure continued recognition of drug control funding in agency financial systems of record throughout the fiscal year, the Director may issue further Fund Control Notices that would limit the obligation of drug control funding by time period.

9. **Coordination with the Office of Management and Budget (OMB).** In implementing the authorities enumerated in this circular, ONDCP will closely coordinate its actions with OMB. This will avoid potential conflicts in guidance and will ensure full compliance with all federal laws governing budget execution.

10. **ONDCP Point of Contact.** The ONDCP point of contact for all matters referenced in this circular is:

Associate Director for Planning and Budget
Office of National Drug Control Policy
750 17th Street, N.W.
Washington, DC 20503



John P. Walters
Director



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D. C. 20503

ONDCP Circular: Policy Coordination

May 30, 2002

TO: THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Policy Coordination

1. **Purpose.** This circular provides guidance for National Drug Control Program agencies for obtaining approval for initiating a change in drug policy. Also, to ensure the close coordination of the drug control program of the President, this circular outlines the procedures for ONDCP review of agency reports and testimony that may have a drug control nexus.

2. **Authority.** *The Office of National Drug Control Policy Reauthorization Act of 1998* (P.L. 105-277, dated October 21, 1998) provides the authority for ONDCP's oversight of the National Drug Control Program. In relevant part, this law has been codified at 21 U.S.C. § 1701-1712.

3. **Coverage.** The provisions of this circular apply to all National Drug Control Program agencies, as well as all of their constituent bureaus that are involved in any aspect of drug control.

4. **Definitions.** As used in this circular, key terms related to the National Drug Control Program are defined in Section 4 of the ONDCP Circular, *Budget Formulation*, dated May 30, 2002. These terms include *National Drug Control Program*, *National Drug Control Program agency*, and *bureau*.

5. **Certification of Policy Changes.** Pursuant to 21 U.S.C. § 1704(b), "... the head of a National Drug Control Program agency shall, unless exigent circumstances require otherwise, notify the Director [of ONDCP] in writing regarding any proposed change in policies relating to the activities of that agency under the National Drug Control Program prior to implementation of such change. The Director shall promptly review such proposed change and certify to the head of that agency in writing whether such change is consistent with the National Drug Control Strategy."

α. **Exigent Circumstances.** Pursuant to 21 U.S.C. § 1704(b)(2), if prior notice of a proposed change under this Section is not practicable, then -

(1) "the head of the National Drug Control Program agency shall notify the Director of the proposed change as soon as practicable; and"

(2) "upon such notification, the Director shall review the change and certify to the head of that agency in writing whether the change is consistent with the National Drug Control Program."


b. **Annual Report on Policy Changes.** To assist in the development of the National Drug Control Strategy under 21 U.S.C. § 1705, by August 1 of each year every agency head shall report to ONDCP on the effects of all changes in policy initiated and implemented by their agency and its bureaus during the previous 12 months, which were related to activities under the National Drug Control Program. If applicable, the report under this section may be brief correspondence, highlighting that the agency has initiated no change in drug control policy in the past year.

6. **Review of Testimony and Reports.** Pursuant to 21 U.S.C. § 1704(a), "...[u]pon the request of the Director [of ONDCP], 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 ... drug abuse control; or ... the manner in which amounts made available to that agency for drug control are being used by that agency." Consistent with this provision, and to ensure that drug control policy is well coordinated throughout the Executive Branch, proposed reports or testimony prepared for Congress with any nexus to drug control shall be provided to ONDCP for review, prior to the delivery of this information. Exceptions to this requirement are as follows:

- a. **Survey Data:** Reports associated with routine, periodic collection of data related to drug use or drug law enforcement are not subject to an advance review under this section. However, agencies and bureaus shall provide ONDCP with a timely copy of such reports when issued.
- b. **OMB Process:** Reports or testimony cleared through the process established by OMB's Circular A-19, *Legislative Coordination and Clearance*, are exempt from the requirements of this section. ONDCP will comment on this material as part of the established OMB process for reviewing Legislative Referral Memoranda.

7. **ONDCP Point of Contact.** The ONDCP point of contact for all matters referenced in this circular is:

Associate Director for Planning and Budget
Office of National Drug Control Policy
750 17th Street, N.W.
Washington, DC 20503



John P. Walters
Director



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D.C. 20503

ONDCP Circular: Drug Control Accounting

May 30, 2002

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: 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. **Rescission.** This circular rescinds and replaces the ONDCP Circular, *Annual Accounting of Drug Control Funds*, dated December 17, 1999.
3. **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. 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. –"
4. **Definitions.** As used in this circular, key terms related to the National Drug Control Program and budget are defined in Section 4 of the ONDCP Circular, *Budget Formulation*, dated May 30, 2002. These terms include: *National Drug Control Program*, *National Drug Control Program Agency*, *Bureau*, *Drug Methodology*, *Drug Control Functions*, and *Budget Decision Units*. Further, Reprogrammings and Fund Control Notices referenced in Section 6 of this circular are

defined in Section 5 and Section 7 of the ONDCP Circular, *Budget Execution*, dated May 30, 2002.

5. **Coverage.** The provisions of this circular apply to all National Drug Control Program agencies. The reports and accounting requirements defined by this circular apply to Fiscal Year 2002 and each fiscal year thereafter. Any outstanding FY 2001 Accounting Reports due to ONDCP by February 1, 2002 shall be prepared pursuant to the ONDCP Circular, *Annual Accounting of Drug Control Funds*, dated December 17, 1999.

6. **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 Drug Control Function and Budget Decision Unit, as these categories are 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. For obligations calculated pursuant to a drug methodology, this presentation shall include sufficient detail to explain fully the derivation of all obligations data presented in the table.

(a) **Obligations by Drug Control Function** – All bureaus employ a drug methodology to report obligations by Drug Control Function.

(b) **Obligations by Budget Decision Unit** – For certain multi-mission bureaus – Customs, Coast Guard, the Immigration and Naturalization Service, and the Veterans Health Administration (VHA) – obligations reported by Budget

¹Consistent with reporting requirements of the ONDCP Circular, *Budget Formulation*, dated May 30, 2002, resources received from the following accounts are excluded from obligation estimates: (1) ONDCP - High Intensity Drug Trafficking Areas (HIDTA) and (2) the Organized Crime Drug Enforcement Task Forces Program. 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.

Decision Unit shall be calculated pursuant to an approved drug methodology. For all other bureaus, drug control obligations reported by Budget Decision Unit shall represent 100 percent of the actual obligations of the bureau for those Budget Decision Units, as they are defined for the National Drug Control Budget. (See Attachment B of the ONDCP Circular, *Budget Formulation*, dated May 30, 2002.)

- (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; for each such reprogramming or transfer, the effect on drug-related obligations reported in the table required by this section also shall be identified.
 - (5) **Other Disclosures** – Agencies may make such other disclosures as they feel are necessary to clarify any issues regarding the data reported under this circular.
- b. **Assertions** – At a minimum, each report shall include a narrative section where the following assertions are made regarding the obligation data presented in the table required by Section 6a:
- (1) **Obligations by Budget Decision Unit** – With the exception of the multi-mission bureaus noted in Section 6a(1)(b), reports under this section shall include an assertion that obligations reported by budget decision unit are the actual obligations from the bureau’s accounting system of record for these budget decision units.
 - (2) **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 by function for all bureaus and by budget decision unit for

²For changes that did not receive prior approval, the agency or bureau shall submit such changes to ONDCP for approval under separate cover.

Customs, Coast Guard, INS, and VHA. 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) **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.
- (3) **Application of Drug Methodology** – Each report shall include an assertion that the drug methodology disclosed in this section was the actual methodology used to generate the table required by Section 6a. Calculations must be sufficiently well documented to independently reproduce these data. Calculations should also provide a means to ensure consistency of data between reporting years.
- (4) **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.
- (5) **Fund Control Notices** – Each report shall also include an assertion that the data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21 U.S.C. § 1703(f) and Section 7 of the ONDCP Circular, *Budget Execution*, dated May 30, 2002.

7. Inspector General Authentication. Each report defined in Section 6 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.

8. **Unreasonable Burden.** Unless a detailed report, as specified in Section 6, is specifically requested by ONDCP, an agency or bureau included in the National Drug Control Budget 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 6a, 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.

9. **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 6, along with the IG's authentication(s) defined in Section 7, to the attention of the Associate Director for Planning and Budget, 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. Agency management must submit reports to their Office of Inspector General (OIG) in sufficient time to allow for review and IG authentication under Section 7 of this circular. ONDCP recommends a 31 December due date for agencies to provide their respective OIG with the required reports and information.



John P. Walters
Director