

FY 2004 Accounting of Drug Control Funds

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FY 2004 Accounting of Drug Control Funds

Executive Summary

Background: The accompanying report presents for the Congress the Fiscal Year 2004 Accounting of Drug Control Funds. As part of the 1998 law that reauthorized the Office of National Drug Control Policy (ONDCP), a provision was added (Public Law 105-277, Oct 21, 1998 [Div.C, Title VII], Section 705(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 under subparagraph (A).”

In order to implement this statutory provision, ONDCP issued a Circular, *Annual Accounting of Drug Control Funds* (Tab J), to all drug control agencies defining the detailed requirements for these annual accounting reports. 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, the term “authentication” 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 review the financial reporting and to provide negative assurance. Negative assurance, based on the criteria established by the ONDCP Circular, indicates that nothing came to the attention of the OIG that would cause them to believe an agency’s submission was presented other than fairly in all material respects

FY 2004 Accounting of Drug Control Funds

Department Compliance and Attestation Reviews

Most National Drug Control Program agencies were able to comply with the provisions of the ONDCP Circular dated April 18, 2003, and, based on reviews conducted or supervised by agency Inspectors General, most of the agency accounting information was acceptable. The accompanying table provides a summary of compliance by each Department/Bureau with the provisions of the ONDCP Circular. It also indicates whether an agency passed or failed the required attestation review. In this context, “pass,” indicates that the Inspector General was able to complete their review and nothing adverse of a material nature was identified. Conversely, “fail” suggests that an agency’s assertions regarding its FY 2004 drug control obligations were not reviewable or were presented other than in compliance with criteria established by the ONDCP Circular.

Table: Compliance and Attestation Review Summary:

<i>Department/Bureau</i>	Compliance with ONDCP Circular (Yes/No)	OIG/ Independent Auditor Attestation Review (Pass/Fail)
Defense	Yes	Pass
Education	Yes	Pass
Health and Human Services		
National Institute on Drug Abuse	Yes	Pass
Substance Abuse and Mental Health Services Administration	Yes	Pass
Homeland Security		
U.S. Coast Guard ¹	Yes	Pass
Immigration and Customs Enforcement ²	Yes	Fail
Customs and Border Protection	Yes	Pass
Justice		
Bureau of Prisons	Yes	Pass
Drug Enforcement Administration	Yes	Pass
Organized Crime and Drug Enforcement Task Forces	Yes	Pass
Office of Justice Programs ³	Yes	Fail

FY 2004 Accounting of Drug Control Funds

State	Yes	Pass
Transportation		
National Highway Traffic Safety Administration ^{/4}	Yes	n.a.
Veterans Affairs		
Veterans Health Administration	Yes	Pass
Small Business Administration ^{/4}	Yes	n.a.

Notes:

^{1/}The DHS OIG found material weaknesses in Coast Guard's financial reporting, fund balance with Treasury, budgetary accounting, and undelivered orders. The Coast Guard failed to indicate corrective action currently underway or contemplated, as is required by the ONDCP Circular. However, the DHS OIG does offer assurance that Coast Guard's reporting is materially accurate.

^{2/}The DHS OIG found serious accounting problems at ICE, which preclude the OIG from providing the opinion required by the ONDCP Circular.

^{3/}The Independent Auditor hired to review OJP's reporting and assertions indicated OJP did not provide adequate supporting documentation and information for the auditor to complete their work. As a result, the OIG indicated that they cannot express an opinion whether the reporting is materially correct as required by the ONDCP Circular.

^{4/} In compliance with the ONDCP Circular, the Agency submitted an alternative report because the requirements created an unreasonable burden. The alternative report was not subject to an attestation review.

FY 2004 Accounting of Drug Control Funds

Summary of Agency Reports

Department of Defense (Defense): Defense submitted a detailed accounting of FY 2004 drug control funds (Tab A). This submission includes the Defense Office of Inspector General's (OIG's) attestation review, an obligations table for FY 2004, and management's assertions, which provides an explanation of the drug methodology and internal reprogramming process.

While the Defense 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.

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

ONDCP reports within the National Drug Control Strategy the amount of Defense funds appropriated to the Counterdrug Central Transfer Account (CTA). 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.

The Defense OIG offered a negative assurance indicating nothing came to their attention that caused its office to believe that the obligations reported in the obligations table were used for purposes other than the National Drug Control Program. Accordingly, the submission by Defense met all requirements established by ONDCP's Circular and the Inspector General found nothing to cause them to question management's assertions. The submission by Defense complies with the ONDCP Circular and is given a rating of "pass."

Department of Education (Education): Education submitted a detailed accounting of FY 2004 drug control funds (Tab B). This submission includes the OIG's attestation review, management's assertions, and a table of drug obligations for FY 2004, which includes an explanation of the drug methodology and internal reprogramming process.

Note that the budgetary resources in the submission 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 nexus. Additionally, \$5.9 million of the Safe and Drug-Free Schools and Communities (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 drug. Consequently, any such students serviced by the program would fall outside the scope of the National Drug Control Strategy.

Although the submission by Education met all requirements established by ONDCP's Circular, it did not include a disclosure to explain the large discrepancy between FY 2004 budget authority

FY 2004 Accounting of Drug Control Funds

and FY 2004 obligations for the SDFSC State Grant program. This other disclosure statement should mention the obligations reported by the Department of Education include \$330 million in fiscal year 2003 appropriated funds, which, under the terms of the Department's fiscal year 2003 appropriations act, was not available for obligation until the start of fiscal year 2004; and \$5.7 million in budget authority that was appropriated in FY 2003, to remain available for Federal obligation through the end of FY 2004, was obligated in FY 2004.

The Inspector General found nothing to cause them to question management's assertions. The submission by Education complies with the ONDCP Circular and is given a rating of "pass."

Department of Health and Human Services (HHS): HHS submitted a detailed accounting of FY 2004 drug control funds (Tab C). The submission includes separate reports for the National Institute on Drug Abuse and the Substance Abuse and Mental Health Services Administration.

- **National Institute on Drug Abuse (NIDA):** This submission includes OIG's attestation review, an obligations table for FY 2004, and management's assertions, which includes an explanation of the drug methodology and internal reprogramming process. The submission by NIDA complies with the ONDCP Circular and has been given a rating of "pass."

- **Substance Abuse and Mental Health Services Administration (SAMHSA):** This submission includes OIG's attestation review, an obligations table for FY 2004, and management's assertions, which includes an explanation of the drug methodology and internal reprogramming process. The submission by SAMHSA complies with the ONDCP Circular and is given a rating of "pass."

Department of Homeland Security (DHS): DHS submitted a detailed accounting of FY 2004 drug control funds (Tab D), including separate reports for the Coast Guard, the Immigration and Customs Enforcement, and Customs and Border Protection. Each is discussed below:

- **U.S. Coast Guard:** This submission includes the OIG's attestation review, an accounting of FY 2004 drug control obligations, and management's assertions, which includes an explanation of the drug methodology and internal reprogramming process.

The OIG attestation review identifies a material weakness reported by the independent auditors for DHS, of which the Coast Guard is a part. The material weakness relates to financial systems functionality and technology. In addition, the report noted specific conditions at the Coast Guard that contributed to material weaknesses at DHS. Specifically, these weaknesses were related to financial reporting, fund balance with Treasury, budgetary accounting, and undelivered orders. In the auditor's judgment, these conditions could adversely affect DHS's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

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The submission by Coast Guard did not satisfy several of the requirements established by ONDCP's Circular. Specifically, the Circular requires Coast Guard to indicate its corrective action currently underway or contemplated for each identified weakness. The Coast Guard acknowledged the material weaknesses described above, however, they indicated that these issues would not have a significant impact on the figures contained in the report and therefore did not cite corrective action.

The OIG indicates that except for the effects, if any, of the material weaknesses and conditions discussed above, the Inspector General found nothing to cause them to believe management's assertions, including financial reports, were not fairly stated in all material respects. As a result, the submission by Coast Guard is given a rating of "pass."

• **Immigration and Customs Enforcement (ICE):** This submission includes the OIG's attestation review, management's assertions, and a table of drug obligations for FY 2004, including an explanation of the drug methodology and internal reprogramming process.

The OIG attestation review identifies a material weakness for DHS, of which ICE is a part. The material weakness relates to financial systems functionality and technology. In addition, the independent auditor identified other serious accounting problems at ICE. Specifically, they found ICE had fallen seriously behind in the performance of basic accounting functions such as account reconciliations, analysis of material abnormal balances, and proper budgetary accounting. These weaknesses prevented ICE from submitting timely and accurate reporting to DHS during FY 2004. In addition, the IG noted data submitted in support of drug control obligations contained material abnormal balances. Accordingly, the IG has not expressed an opinion or assurance with respect to the financial systems that support the data presented by ICE.

ONDCP's Circular requires that the financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which drug related obligation estimates are derived. ICE management has indicated they are completing a corrective action plan for each of the identified material weaknesses. However, because the IG could not express an opinion or assurance in this regard, the submission by ICE is given a rating of "fail."

• **U.S. Customs and Border Protection (CBP):** This submission includes the OIG's attestation review, a table of drug obligations for FY 2004, including management's assertions and an explanation of the drug methodology and internal reprogramming process.

The OIG attestation review identifies a material weakness reported by the independent auditors for DHS, of which CBP is a part. The material weakness relates to financial systems functionality and technology. In the auditor's judgment, this weakness could adversely affect DHS's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

FY 2004 Accounting of Drug Control Funds

The OIG indicates that except for the effects, if any, of the material weaknesses and conditions discussed above, they found nothing to cause them to question management's assertions. Therefore, the submission by CBP is given a rating of "pass."

Department of Justice (Justice): Justice submitted a detailed accounting of FY 2004 drug control funds (Tab E) including separate reports for the Bureau of Prisons, the Organized Crime Drug Enforcement Task Forces, the Office of Justice Programs, and the Drug Enforcement Administration. Each is discussed below:

- **Bureau of Prisons (BOP):** This submission includes a report from an independent auditor, management's assertions, and a table of drug obligations for FY 2004, including an explanation of the drug methodology and internal reprogramming process.

BOP's Disclosure no. 3 notes the independent auditor identified a "reportable condition" with the Financial Management Information System II (FMIS2) at the Office, Boards, and Divisions (OBD). The auditor believed the weaknesses reported with this system at OBD must also apply to BOP given the fact that BOP uses the FMIS2. Specifically, the system's weaknesses pertain to four main areas, (1) entity-wide security program planning; (2) management of logistical access controls; (3) management of change control; and (4) segregation of duties. BOP detailed their corrective action plan and described Justice's commitment to implement adequate security controls.

The independent auditor indicated they found nothing to cause them to question management's assertions. As a result, the submission by BOP complies with ONDCP's Circular and is given a rating of "pass."

- **Organized Crime Drug Enforcement Task Forces (OCDETF):** This submission includes a report from an independent auditor, management's assertions, and a table of obligations for FY 2004, including an explanation of the drug methodology and the internal reprogramming process.

OCDETF's Disclosure no. 3 notes the independent auditor identified an "other finding" with OCDETF's use of information technology controls. The findings are in the following areas, (1) entity-wide security program planning; (2) management of logistical access controls; (3) management of change control; and (4) segregation of duties. Although not regarded as material weaknesses within OCDETF, these findings are reported due to the impact they may have on the FY 2004 drug-related obligations. Justice reported the implementation of corrective action.

The independent auditor indicated they found nothing to cause them to question management's assertions. As a result, the submission by OCDETF complies with the ONDCP Circular and is given a rating of "pass."

- **Office of Justice Programs (OJP):** This submission includes a report from an independent auditor, management's assertions, and a table of drug obligations for FY

FY 2004 Accounting of Drug Control Funds

2004, including an explanation of the drug methodology and internal reprogramming process.

The independent auditor identified five areas of material weakness: (1) weaknesses exist in cross-cutting elements of OJP's internal control over financial reporting; (2) OJP lacks adequate financial management system controls; (3) weaknesses exist in OJP's grant accounting and monitoring system; (4) OJP was unable to provide sufficient support for adjusting entries; and (5) OJP lacks effective internal controls to ensure compliance with generally accepted accounting principles. Because of these weaknesses, the auditor indicated they had a scope limitation on their work and could not determine if OJP's reported obligation amounts are materially correct.

OJP has provided a corrective action plan for each of the identified material weaknesses, however, because of the auditor's scope limitation; the submission by OJP is given a rating of "fail."

• **Drug Enforcement Administration (DEA):** This submission includes a report from an independent auditor, management's assertions, and a table of drug obligations for FY 2004, including an explanation of the drug methodology and internal reprogramming process.

DEA's Disclosure no. 3 notes the independent auditor identified a "reportable condition" with the implementation of effective controls and processes that address vulnerabilities in information technology general access controls. The DEA reported it would collaborate with Justice to implement corrective action.

The independent auditor indicated they found nothing to cause them to question management's assertions. As a result, the submission by DEA complies with the ONDCP Circular and is given a rating of "pass."

Department of State (State): State submitted a detailed accounting of FY 2004 drug control funds (Tab F). The submission includes a report from the OIG, management's assertions, and a table of drug control obligations for FY 2004, including an explanation of the drug methodology, internal reprogramming process, and corrective actions to be taken on reportable conditions. The submission by State complies with the ONDCP Circular and is given a rating of "pass."

Department of Transportation (Transportation): Transportation's drug-related activities fall below the reporting threshold of \$50 million. As a result, Transportation submitted a limited report in order to satisfy the statutory requirement (Tab G). The report includes a table of obligations for FY 2004 for the National Highway Traffic Safety Administration - Drug Impaired Driving program, including an explanation of drug methodology that complies with the ONDCP Circular.

FY 2004 Accounting of Drug Control Funds

Department of Veterans Affairs – Veterans Health Administration (VHA): VHA submitted a detailed accounting of FY 2004 drug control funds (Tab H). The submission includes a report from the OIG, management’s assertions, and a table of drug control obligations for FY 2004, including an explanation of drug methodology and internal reprogramming process.

In accordance with ONDCP’s September 7, 2004 guidance, VHA included only the costs generated in the treatment of patients with drug use disorders in specialized substance abuse treatment programs. The submission by VHA complies with the ONDCP Circular and is given a rating of “pass.”

Small Business Administration (SBA): SBA’s drug-related activities fall below the reporting threshold of \$50 million. As a result, SBA submitted a limited report in order to satisfy the statutory requirement (Tab I). The report included a table of obligations for the FY 2004 Drug-Free Workplace Program, including an explanation of drug methodology. The submission by SBA complies with the ONDCP Circular.



Department of Defense

FY 2004 Accounting of Drug Control Funds



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

January 26, 2005

MEMORANDUM FOR THE DEPUTY ASSISTANT SECRETARY OF DEFENSE
(COUNTERNARCOTICS)

SUBJECT: Independent Auditor's Report on the DoD FY 2004 Detailed Accounting
Report of the Funds Expended on National Drug Control Program Activities
(Report No. D-2005-030)

We have reviewed the detailed accounting of funds that DoD spent on the National Drug Control Program for FY 2004. The Deputy Assistant Secretary of Defense (Counternarcotics) (DASD[CN]) is responsible for the detailed accounting of funds

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and in compliance with Generally Accepted Government Auditing Standards. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the detailed accounting of funds by DoD on the National Drug Control Program for FY 2004. Accordingly, we do not express an opinion.

Public Law 105-277 is also known as "The Office of National Drug Control Policy Reauthorization Act" (the Act). The Act requires that DoD annually submit a detailed accounting of all funds that DoD spent for National Drug Control Program activities during the previous fiscal year (the Report) to the Director of the Office of National Drug Control Policy. The Report is due no later than February 1 each year. The Act also requires that the Inspector General of the Department of Defense authenticate the Report prior to its submission to the Director.

Office of National Drug Control Policy Circular "Drug Control Accounting," (the Accounting Policy Circular) April 18, 2003, provides the policies and procedures to be used in preparing the Report and authenticating the DoD funds spent on National Drug Control Program activities. The Accounting Policy Circular specifies the contents of the Report. It must contain a table of prior year drug control obligations, listed by functional area, and include five assertions relating to the obligation data presented in the table.

We reviewed four DoD reprogramming actions that allocated \$953.3 million among the Military Departments, National Guard, and Defense agencies. We determined that DASD (CN) had allocated the funds to appropriations and project codes intended for the DoD Counterdrug program. We obtained the year-end obligation reports from the Military Departments and National Guard. We limited our review of the year-end obligation reports to a comparison with funding received by the Military Departments and National Guard from DASD (CN).

FY 2004 Accounting of Drug Control Funds

We also visited the Ohio National Guard and we reviewed supporting documentation for the \$1.3 million of DoD Counterdrug funding it received in FY 2004. Personnel at the Ohio National Guard provided supporting documentation for all but \$32 thousand of the \$1.3 million. The majority of its expenditures were for salaries and related costs.

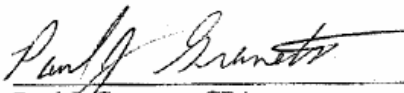
In addition, we sent out a data request to the Military Departments requesting the supporting accounting transactions for two judgmentally selected project codes. We did not review source documents for the transactions identified. The Military Departments were able to provide transaction detail for \$115.1 million of the \$117.8 million in these two project codes.

DASD (CN) provided the Report in a letter dated January 11, 2005, which we reviewed to determine compliance with the Accounting Policy Circular. The detailed accounting indicated that \$916.5 million was obligated during FY 2004 for the DoD Counterdrug program in seven functional areas. The Office of the DASD (CN) manually compiled the Report from data the Military Departments and other DoD Components submitted.

DASD (CN) initially reprogrammed the funds from the Central Transfer Account to the DoD Components, using project codes. The DoD Components provided year-end obligation reports, identified by the same project codes, to the Office of the DASD (CN). The Office of the DASD (CN) consolidated the year-end obligation reports into one obligation report. In order to present the obligations by functional area, in compliance with the Accounting Policy Circular, the Office of the DASD (CN) applied percentages to each project code in the consolidated report to compute the amounts presented in the table of obligations instead of obtaining the information directly from the accounting systems.

We cannot attest to the amounts presented in the table of obligations of the Report. However, we can attest that the methodology described in the Report is the methodology used to generate the amounts presented. Based on our review, except for the fact that the Office of the DASD (CN) used percentages to calculate the obligations presented by functional area, nothing came to our attention during the review that caused us to believe the detailed accounting of funds expended by DoD on the National Drug Control Program for FY 2004 is not presented, in all material respects, in conformity with the Accounting Policy Circular.

We provided a draft of this report to personnel in the Office of the DASD (CN) who provided comments, which have been incorporated as appropriate.


Paul J. Granetto, CPA
Assistant Inspector General,
Defense Financial Auditing Service

FY 2004 Accounting of Drug Control Funds



SPECIAL OPERATIONS/
LOW-INTENSITY CONFLICT

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

JAN 11 2005

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:

In my capacity as Department of Defense Deputy Assistant Secretary of Defense for Counternarcotics, I assert that the drug methodology used to calculate obligations by drug control function of Fiscal Year 2004 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. The Counternarcotics Central Transfer Account does not receive Fund Control Notices and, therefore, any assertion regarding this is inapplicable.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Beth Long".

Mary Beth Long
Deputy Assistant Secretary of Defense for
Counternarcotics

Enclosures:
As stated

CF:
DODIG

FY 2004 Accounting of Drug Control Funds

CENTRAL TRANSFER ACCOUNT

	<u>FY04</u>
Intelligence	122,090
Interdiction	478,693
Investigative	47,504
Prevention	109,077
R&D	11,910
State & Local Assistance	140,585
Treatment	6,600
Total	916,460 *

*This amount includes a 94% obligation rate for MILPERS and a 99% obligation rate for O&M. Investment appropriations, which are multi-year, are currently obligated at 68%.

DRUG RESOURCES PERSONNEL SUMMARY

Total FTEs	<u>1,405</u>
	1,405

DRUG METHODOLOGY

Central Transfer Account

The Counternarcotics Central Transfer Account (CTA) was established in PBD 678 in November 1989. Under the CTA, funds are appropriated by Congress to a single budget line, not to the Services baselines. The CTA accounts for all counternarcotics 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 counternarcotics 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 counternarcotics CTA. The actual obligations for the counternarcotics program for a particular fiscal year differ from the amount released to the CTA since some of the DoD counternarcotics 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 Counternarcotics 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, Hemispheric Radar System, Counternarcotics RDT&E). The internal reprogramming (IR) action requires no congressional notification/approval.

The Services/Defense Agencies have their own internal accounting systems for tracking obligations of funds transferred from the counternarcotics 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 counternarcotics funds through the life cycle of the appropriation at the activity/field level. Navy counternarcotics 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 counternarcotics obligation tracking.
- The Army and Air National Guard employs a central accounting service from the DFAS to consolidate, aggregate, and report on funds as they are committed, obligated, and expended. The Army State and Federal Program Accounting Codes and the Air Accounting Codes provide funds-tracking mechanisms to reconcile funding at various levels of reporting and execution.

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The Services/Defense Agencies provide quarterly obligation reports by project code to the Office of the Deputy Assistant Secretary of Defense for Counternarcotics (CN). These individual reports are recorded on a spreadsheet and compiled into a single counternarcotics obligation report. The obligation and expenditure data provided by the Services/Defense Agencies are compared against their total annual counternarcotics 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 quarterly 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.



Department of Education

FY 2004 Accounting of Drug Control Funds



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE UNDER SECRETARY

JAN 31 2005

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 2004 Department of Education drug control funds, along with the Department of Education Assistant Inspector General's authentication of this accounting, consistent with the instructions in ONDCP Circular *Drug Control Accounting*, dated April 18, 2003.

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

Sincerely,

A handwritten signature in black ink that reads "Thomas P. Skelly".

Thomas P. Skelly
Director, Budget Service

Enclosure # 1: *Department of Education Detailed Accounting of Fiscal Year 2004 Drug Control Funds*, dated January 26, 2005

Enclosure # 2: Authentication letter from Helen Lew, Assistant Inspector General for Audit Services, dated January 28, 2005

cc: Helen Lew

400 MARYLAND AVE., S.W., WASHINGTON, D.C. 20202
www.ed.gov

Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

DEPARTMENT OF EDUCATION



DETAILED ACCOUNTING OF FISCAL YEAR 2004 DRUG CONTROL FUNDS

IN SUPPORT OF THE
NATIONAL DRUG CONTROL STRATEGY

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

JANUARY 26, 2005

FY 2004 Accounting of Drug Control Funds

DEPARTMENT OF EDUCATION

DETAILED ACCOUNTING OF FISCAL YEAR 2004 DRUG CONTROL FUNDS

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FY 2004 Accounting of Drug Control Funds



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE UNDER SECRETARY

JAN 26 2005

Mr. John P. Higgins, Jr.
Inspector General
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202-1500

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 2004 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 April 18, 2003.

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, 2005, 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. Skelly".

Thomas P. Skelly
Director, Budget Service

400 MARYLAND AVE., S.W., WASHINGTON, D.C. 20202
www.ed.gov

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FY 2004 Accounting of Drug Control Funds

TABLE OF PRIOR YEAR DRUG CONTROL OBLIGATIONS

	Fiscal Year 2004 Obligations (in \$ millions)
<u>Drug Resources by Function</u>	
Prevention	\$956.708
Total	956.708
 <u>Drug Resources by Decision Unit</u>	
Safe and Drug-Free Schools and Communities Program	
SDFSC State Grants	773.118
SDFSC National Programs:	
Alcohol Abuse Reduction	29.823
Other National Programs	<u>153.767</u>
Subtotal, SDFSC National Programs	183.590
Total, SDFSC Program	<u>956.708</u>

NOTE: Detail may not add to total due to rounding.

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. 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 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.

FY 2004 Accounting of Drug Control Funds

SDFSC National Programs

SDFSC National Programs authorizes funding for several programs and 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); Evaluation and data collection activities; 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) mentoring programs, and (2) 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), both of which made obligations of funds in fiscal year 2004. However, as explained in the discussion of drug budget methodology below, funds for these two components of SDFSC National Programs 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 2004 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 SDFSC Alcohol Abuse Reduction and all Other National Programs, with the exclusion of obligations of funds for SDFSC 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 — 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 in the *National Drug Control Strategy*.

Obligations by Budget Decision Unit

All obligations of drug control funds in the table on page 2 of this report are displayed using the SDFSC program as the budget decision unit — the same decision unit under which the budgetary resources for the Department of Education are displayed by ONDCP in the March 2004 *National Drug Control Budget Summary* that accompanied the 2005 President's budget in support of the *National Drug Control Strategy*.

FY 2004 Accounting of Drug Control Funds

Methodology Modifications

The Department does not have any drug control budget methodological modifications to disclose.

Material Weaknesses or Other Findings

The Department does not have any material weaknesses to disclose that affect the presentation of fiscal year 2004 drug-related obligations in this report. All other known weaknesses that affect the presentation of drug-related obligations in this report are explained in the drug methodology description above, and in the disclosures below.

Reprogrammings or Transfers

There were no reprogrammings or transfers that changed the amount of drug-related budgetary resources in the Department of Education in fiscal year 2004.

Other Disclosures

The Department acknowledges the following limitations in the methodology described above for deriving the obligations of fiscal year 2004 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 and Evaluation (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 \$5.9 million of the SDFSC National Programs funds included in the resource summary of this report (less than 1 percent of total fiscal year 2004 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 2004 obligations of drug control funds shown in this report for the SDFSC drug budget decision unit are the actual 2004 obligations of funds from the Department's accounting system of record for the SDFSC program.

Drug Methodology

The methodology used to calculate the fiscal year 2004 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-

FY 2004 Accounting of Drug Control Funds

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 2004 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 4 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 the actual methodology used to generate the fiscal year 2004 obligations of drug control funds presented in the table on page 2.

Reprogrammings or Transfers

There were no reprogrammings or transfers that changed the amount of Department of Education drug control funds in fiscal year 2004; 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 the applicable ONDCP Circular, *Budget Execution*. 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 2004 Accounting of Drug Control Funds



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE INSPECTOR GENERAL

JAN 28 2005

Office of Inspector General's Independent Report on the U.S. Department of Education's Detailed Accounting of Fiscal Year 2004 Drug Control Funds, dated January 26, 2005.

We have reviewed management's assertions contained in the accompanying Accounting, titled *Department of Education Detailed Accounting of Fiscal Year 2004 Drug Control Funds*, dated January 26, 2005 (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 April 18, 2003.

A handwritten signature in cursive script that reads "Helen Lew".

Helen Lew
Assistant Inspector General for Audit Services

400 MARYLAND AVE., S.W., WASHINGTON, DC 20202-1510
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Department of Health & Human Services

National Institute on Drug Abuse
Substance Abuse and Mental Health Administration

FY 2004 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

JAN 14 2005

Mr. Terry S. Zobeck
Deputy Associate Director
For Planning and Budget
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Zobeck:

Enclosed are the detailed accounting submissions with IG authentications for the Department of Health and Human Services for Fiscal Year 2004 as required by the ONDCP Circular titled *Drug Control Accounting*. If you have any questions, please contact Jean Augustine, Director, Office of Audit Resolution and Cost Policy at (202) 401-2804 or jean.augustine@hhs.gov.

Sincerely,

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

George Strader
Deputy Assistant Secretary, Finance
Deputy Chief Financial Officer

Enclosures

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, Audit Manager
Z. Charles Yao, Auditor

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ATTESTATION REVIEW: NATIONAL
INSTITUTE ON DRUG ABUSE DRUG
CONTROL ACCOUNTING REPORT
FOR FISCAL YEAR 2004**

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**January 2005
A-03-05-00301**

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FY 2004 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

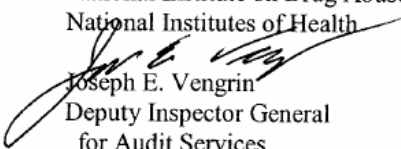
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Washington, D.C. 20201

JAN 10 2005

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

From: 
Joseph E. Vengrin
Deputy Inspector General
for Audit Services

Subject: Attestation Review: National Institute on Drug Abuse Drug Control
Accounting Report for Fiscal Year 2004 (A-03-05-00301)

The purpose of this report is to provide you the results of our attestation review of the National Institute on Drug Abuse's (NIDA) drug control accounting report for fiscal year (FY) 2004. 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 NIDA report entitled, *Assertions Concerning Annual Accounting of Drug Control Funds*, dated November 17, 2004. 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 April 18, 2003.

OIG'S CONCLUSION

Based on our review, 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 one issue, as contained in the section below entitled ISSUE that needed to be disclosed.

NIDA'S REPORT

NIDA's report included a *Table of Prior Year Drug Control Obligations (Table)* for FY 2004 that reported obligations totaling approximately \$992 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.

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FY 2004 Accounting of Drug Control Funds

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Page 2 – Donna Jones

ISSUE

We noted that in its assertion under Fund Control Notices, NIDA referred to the ONDCP Circular Budget Execution, dated May 30, 2002, which has been replaced by the April 18, 2003, update. After we called this to NIDA's attention, NIDA made the required assertion based on the April 18, 2003, update.

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

Attachment

Distribution is limited to authorized officials.

ATTACHMENT

FY 2004 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

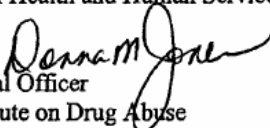
Public Health Service

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

NOV 17 2004

MEMORANDUM TO: Director
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 after using NIDA's internal system to reconcile the NIH accounting system during the year.

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 2004 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 2004 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 \$991,510,000 is the actual amount obligated and reconciles to the NIDA Database system. The total of \$991,510,000 does not reconcile to the FY 2004 column of the FY 2005 Congressional Justification (CJ). This is because the FY 2004 column of the FY 2005 CJ does not include (1) a real transfer of \$3,818,000 from ONDCP to NIDA, (2) a \$3,261,000 transfer to the NIH Director's One Percent Authority, and (3) a comparable transfer increase of \$166,000. These adjustments to the FY 2004 column are determined by the NIH, DHHS 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 for FY 2004 are for the same reasons described above for the FY 2004 column of the FY 2005 CJ.

FY 2004 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 for FY 2004: 1) a real transfer from ONDCP to NIDA in the amount of \$3,818,000, (2) a \$3,261,000 transfer to the NIH Director's One Percent Authority, and 3) a comparable transfer increase of \$166,000.

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 2004 Accounting of Drug Control Funds

**NATIONAL INSTITUTES OF HEALTH
NATIONAL INSTITUTE ON DRUG ABUSE
FY 2004 Actual Obligations
(Dollars in Thousands)**

I. RESOURCE SUMMARY

	FY 2004 Actual
Drug Resources by Function:	
Prevention	406,519
Treatment	584,991
Total	991,510
Drug Resources by Decision Unit:	
Demand Reduction	991,510
Total	991,510
HIDTA Transfer	
ICDE Resources	

**Differences Between (1) Actual Obligations and (2) the FY 04 Column of the
FY 05 CJ and the National Drug Control Strategy Budget Summary**

Total 2004 Col. of the FY 2005 CJ; National Drug Control Strategy	990,787
Comparative Transfer	166
Director's One Percent Transfer	-3,261
Real Transfer Received From ONDCP	<u>3,818</u>
Total Obligations	991,510

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, Audit Manager
Z. Charles Yao, Auditor

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 2004

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January 2005
A-03-05-00300

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FY 2004 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

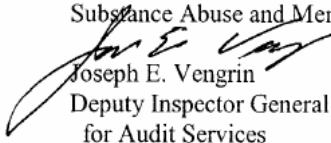
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Washington, D.C. 20201

JAN 10 2005

To: Daryl W. Kade
Chief Financial Officer
Substance Abuse and Mental Health Services Administration

From: 
Joseph E. Vengrin
Deputy Inspector General
for Audit Services

Subject: Attestation Review: Substance Abuse and Mental Health Services
Administration Drug Control Accounting Report for Fiscal Year 2004
(A-03-05-00300)

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) 2004. 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 Drug Control Accounting*, dated November 23, 2004. 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 April 18, 2003.

OIG'S CONCLUSION

Based on our review, nothing came to our attention that caused us to believe that management's assertions were not fairly stated, in all material respects.

SAMHSA'S REPORT

SAMHSA's report included a *Table of Prior Year Control Obligations (Table)* for FY 2004 that reported obligations totaling approximately \$2.5 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.

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FY 2004 Accounting of Drug Control Funds

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Page 2 – Daryl W. Kade

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

Attachment

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ATTACHMENT

FY 2004 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Substance Abuse and Mental
Health Services Administration
Rockville MD 20857

NOV 23 2004

MEMORANDUM TO: Director
Office of National Drug Control Policy

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

FROM: Chief Financial Officer
Office of 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.

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 6b(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 6a.

Reprogrammings or Transfers

I assert that the data presented are associated with obligations against a financial plan that was revised during the fiscal year to include funds received from ONDCP in support of the Drug Free Communities Program. SAMHSA/CSAP received a total of \$24,363,572 from ONDCP via an

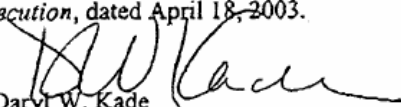
FY 2004 Accounting of Drug Control Funds

Page 2 - Director, Office of National Drug Control Policy

Interagency Agreement to fund Drug Free Communities Program activities in FY 2004. Of this total, an unexpended amount of \$732,531 was returned to ONDCP. The final amount awarded and managed by CSAP, \$23,631,041 is reflected on the attached Table of Prior Year Drug Control Obligations, FY 2004. SAMHSA had no other reportable reprogrammings or transfers in FY 2004.

Fund Control Notices

I assert that the data presented are associated with obligations 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 8 of the ONDCP Circular, *Budget Execution*, dated April 18, 2003.


Daryl W. Kade
Chief Financial Officer

Attachments:

Table of Prior Year Drug Control Obligations, FY 2004
Exhibit A - Drug Control Methodology

FY 2004 Accounting of Drug Control Funds

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION

Table of Prior Year Drug Control Obligations
FY 2004
(Dollars in millions)

Obligations by Drug Control Function

Prevention	595.8
Treatment	<u>1,915.6</u>
Total	\$2,511.4

Obligations by Budget Decision Unit

Programs of Regional and National Significance ^{1/}	617.3
<i>Substance Abuse Prevention (Non-add)</i>	<i>(198.1)</i>
<i>Substance Abuse Treatment (Non-add)</i>	<i>(419.2)</i>
Drug Free Communities Program ^{2/}	23.6
Substance Abuse Block Grant ^{3/}	1,779.0
Program Management ^{4/}	<u>91.5</u>
Total	\$2,511.4

Footnotes:

^{1/} PRNS obligations reflect direct obligations against SAMHSA budget authority. Reimbursable obligations are not included, as these funds would be reflected in the obligations of the agency providing the reimbursable funds to SAMHSA.

^{2/} Drug Free Communities Program funding was provided to SAMHSA/CSAP via Interagency Agreement.

^{3/} SAPT Block Grant obligations include funds provided to SAMHSA from the PHS evaluation fund.

^{4/} Program Management obligations include funds provided to SAMHSA from the PHS evaluation fund. Also, obligations reflect total SAMHSA Program Management funds, less reimbursements, and will not necessarily agree with "full cost" displays contained in SAMHSA budget documents.

FY 2004 Accounting of Drug Control Funds

Exhibit A

(1) **Drug Methodology** - Actual obligations of prior year drug control budgetary resources are derived from the B332 report, Minor Object Classification Report by Allowance, and the B303 report, Minor Object Classification Report by CAN [common accounting number]. The Program Support Center (PSC) Core Accounting System, DHHS, provides both reports. Obligation details for FY 2004 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 these reports, 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, excluding reimbursable authority obligations;
- Drug Free Community Program funds provided by Interagency Agreement with ONDCP;
- 20% of Substance Abuse Prevention and Treatment Block Grant (SAPTBG) funds, including obligations related to receipt of PHS Evaluation funds; and
- 20% of the actual obligations of SAMHSA Program Management funds, including obligations related to receipt of PHS Evaluation funds.

Regarding allocation of 20% of the SAPTBG for the prevention function, the Public Health Services 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 PHS Act, Sec. 1922(a)(1)). For expediency and simplicity, program management actual obligations have also been allocated to the prevention function using the 20% 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, excluding reimbursable authority obligations;
- 80% of the actual obligations of the Substance Abuse Prevention and Treatment Block Grant (SAPTBG) funds, including obligations related to receipt of PHS Evaluation funds; and
- 80% of the funding for SAMHSA Program Management, including obligations related to receipt of PHS Evaluation funds;

Regarding allocation of 80% 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% should be ascribed to the treatment function. Likewise, the 80% factor is also used to allocate the balance of program management obligations to the treatment function after the prevention allocation of 20% has been accomplished.

FY 2004 Accounting of Drug Control Funds

(b) **Obligations by Budget Decision Unit** - SAMHSA's budget decision units have been defined by Attachment B, ONDCP Circular, *Budget Formulation*, dated April 18, 2003. 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.
- In addition to the above, the Drug Free Communities Program funds provided by ONDCP are included in the Obligations by Budget Decision Unit display (CSAP).

Included in this Drug Control Accounting report for FY 2004 are 100% of the actual obligations for these five budget decision units, minus reimbursements. Actual obligations of prior year drug control budgetary resources are derived from the B332 report, Minor Object Classification Report by Allowance, and the B303 report, Minor Object Classification Report by CAN [common accounting number].

- (2) **Methodology Modifications** - There have been no changes in the SAMHSA accounting methodology since the prior year report (for FY 2003), other than inclusion of the Drug Free Communities Program funds.
- (3) **Material Weaknesses or Other Findings** - There were no material weaknesses identified in this program by SAMHSA or outside sources in FY 2004.
- (4) **Reprogrammings or Transfers** - SAMHSA/CSAP received a total of \$24,363,572 from ONDCP via an Inter-Agency Agreement to fund Drug Free Communities Program activities in FY 2004. Of this total, an unexpended amount of \$732,531 was returned to ONDCP. SAMHSA had no other reportable reprogrammings or transfers in FY 2004.
- (5) **Other Disclosures** - None.



Department of Homeland Security

United States Coast Guard
Immigration and Customs Enforcement
Customs and Border Protection

FY 2004 Accounting of Drug Control Funds

Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

March 21, 2005

MEMORANDUM FOR: Admiral Thomas H. Collins
Commandant
U.S. Coast Guard

FROM: Richard L. Skinner *Richard L. Skinner for*
Acting Inspector General

SUBJECT: *Independent Review of the U.S. Coast Guard Annual Accounting of FY 2004 Drug Control Funds – Audit Report No. OIG-05-13*

We have reviewed management's assertions in Section B of the accompanying U.S. Coast Guard's (Coast Guard) annual report of FY 2004 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 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 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 Coast Guard is a part, identified a material weakness related to financial systems functionality and technology. The report also identified specific conditions at Coast Guard that contributed to material weaknesses at DHS related to financial reporting, fund balance with Treasury, budgetary accounting, and undelivered orders. 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, in 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.

Based on our review, except for the effects, if any, of the material weaknesses, as described in the preceding paragraph, 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.

FY 2004 Accounting of Drug Control Funds

We provided Coast Guard's management with a draft copy of this report. Their response is included at the end of the Submission. We made changes as deemed appropriate.

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

Should you have any questions concerning this review, please call me, or your staff may contact J. Richard Berman, Assistant Inspector General for Audits, at (202) 254-4100.

Attachment

cc: General Counsel
DHS Chief Financial Officer
Coast Guard, Chief Financial Officer
DHS OIG Liaison
CG Audit Liaison
Office of Security

FY 2004 Accounting of Drug Control Funds

U.S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

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DEC 30 2004

Ms. Sue Schwendiman
Department of Homeland Security
Director of Financial Management
Office of the Inspector General
1120 Vermont Avenue, 10th Floor, NW
Washington, D.C. 20005

Dear Ms. Schwendiman,

In accordance with the Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds* dated April 18, 2003, I have enclosed Coast Guard's response of FY 2004 drug control obligations, drug control methodology and assertions.

If you require further assistance on this information, please contact Mr. Dave Pokora, x7-2415.

Sincerely,

A handwritten signature in black ink, appearing to read "R.S. Horowitz".

for R.S. HOROWITZ
Chief Financial Officer
U.S. Coast Guard

Enclosure

Copy: Chief Financial Officer, DHS

FY 2004 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 2004 DRUG CONTROL FUNDS
 6A. DETAILED OBLIGATION SUBMISSION**

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

RESOURCE SUMMARY	2004 Actual
Drug Resources by Function:	Obligations
• Interdiction	\$823.327
• Research and Development	2.068
Total Resources by Function	\$825.395
Drug Resources by Decision Unit:	
• Operating Expenses (OE)	\$564.889
• Reserve Training (RT)	\$10.665
• Acquisition, Construction, and Improvements (AC&I)	\$247.773
• Research, Development, Test and Evaluation (RDT&E)	\$2.068
Total Drug Control Obligations	\$825.395

(1) Drug Methodology

Over twenty years ago, the Coast Guard designed its cost 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 (cutters, aircraft, boats, 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 (resource 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. 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 baseline, is developed and modified based upon line item requests, congressional direction and national priorities.

The Coast Guard's drug control funding estimates are computed 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 Improvement (AC&I); Reserve Training (RT); and Research, Development, Test, and Evaluation (RDT&E).

FY 2004 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2004 DRUG CONTROL FUNDS
6A. DETAILED OBLIGATION SUBMISSION**

(1) Drug Methodology (Continued)

Each decision unit contains its' own unique spending authority and methodology. For example, AC&I includes funding that can last up to five years after appropriation and RDT&E funding does not expire. OE and RT funding must be spent in the fiscal year it is appropriated and therefore their methodology is the same.

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 actual expenditures based upon the amount of time aircraft, cutters, 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 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 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 zero-based Acquisition, Construction, and Improvement (AC&I) decision unit, every line item requested in the FY 2004 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, as mentioned above, 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 and/or cutter resource hours) will directly effect OE cost allocations in a given fiscal year, but will have relatively little effect on AC&I obligations.

FY 2004 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2004 DRUG CONTROL FUNDS
6A. 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 2004 obligations for the RT decision unit is determined using the same methodology used for OE.

Research, Development, Test and Evaluation

The final decision unit is Research, Development, Test and Evaluation (RDT&E). As with the AC&I Appropriation, scoring of drug interdiction funding is accomplished within the zero-based RDT&E decision unit and every line item requested in the FY 2004 RDT&E budget was evaluated for its anticipated contribution to drug interdiction efforts. Generally, each RDT&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. These drivers are based upon experienced professional judgment. Once the unique program driver is determined the program percentage spreads for each of these drivers are extracted from the mission cost model.

(2) Methodology Modifications

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

(3) Material Weaknesses or Other Findings

As a result of the CFO Act audit, material weaknesses impacting the obligation process were noted. We do not feel that these findings would have a significant impact on the figures contained in this report.

(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 2004.

(5) Other Disclosures

The following provides a synopsis of the United States Coast Guard's FY 2004 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.

FY 2004 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2004 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 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 percentages used to develop the drug control estimates for the AC&I and RDT&E appropriations. Similarly, this is the methodology used to complete our annual submission to ONDCP for the NDCS Budget Summary.

FY 2004 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2004 DRUG CONTROL FUNDS
6B. 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 statement information. The Coast Guard does not have a discrete drug control appropriation and its 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, and a combination of project analysis, subject matter review and OE-based allocations for the AC&I and RDT&E appropriations.

(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 is basically an OE expenditure driven model that 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 OE/RT MCM:
 1. **Core Accounting System (CAS)** – FY 2003 expense data broken down by cost center, unit name, allotment fund code, and dollar amount. This data is audited annually as part of the Chief Financial Officers Act audit process. These expenses are fed into the Standard Rates and User Fees Model (SRUFM). The SRUFM uses an activity-based methodology to assign and allocate expenses to the Coast Guard's assets and certain non-asset intensive missions, such as Marine Safety. The resulting total cost pools serve as one of the major inputs to the Mission Cost Model. If current year SRUFM data is not available, the previous year total cost pools are normalized to fit the relevant fiscal year's asset inventory. For example, the FY04 actual expenses Mission Cost Model uses FY03 financial data, normalized to reflect changes in the Coast Guard's asset inventory from FY03 to FY04. The SRUFM is reconciled to the Coast Guard's Statement of Net Cost.

FY 2004 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2004 DRUG CONTROL FUNDS
6B. ASSERTIONS

(2) Drug Methodology (cont.)

2. **Naval Electronics Supply Support System (NESSS) – The Coast Guard** Engineering Logistics Center and Coast Guard Yard at Baltimore operate a stand alone financial system. Similar to the Core Accounting System, NESSS data is broken down by cost center, unit name, allotment fund code, and dollar amount. NESSS expense data is fed into the SRUFM and allocated to Coast Guard assets and certain non-asset intensive missions. NESSS financial data is included in the Coast Guard's audited financial statements.
3. **Aviation Maintenance Management Information System (AMMIS) - The Coast Guard** Aircraft Repair and Supply Center in Elizabeth City operates a stand alone financial system. Similar to the Core Accounting System, AMMIS data is broken down by cost center, unit name, allotment fund code, and dollar amount. AMMIS expense data is fed into the SRUFM and allocated to Coast Guard assets and certain non-asset intensive missions. AMMIS financial data is included in the Coast Guard's audited financial statements.
4. **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.
5. **Other Expenses** – The drug related pieces that feed this area of the model are the Tactical Law Enforcement Teams (TACLET), the Law Enforcement Detachments (LEDET) and the Special Projects. The percentage that drives the TACLET /LEDET 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/Frontier Lance as well as liaison costs for Coast Guard's Organized Drug Enforcement Task Force (OCDETF).
6. **Mission Cost Model (MCM) Application & Results – The MCM produces a** percentage of Coast Guard OE and RT expenditures allocated to each of the 11 programs.
 - **Normalize to BA or Obligations** – The program percentages derived from the MCM are then applied to total OE and RT fiscal year 2004 budget authority or obligations (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).

FY 2004 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2004 DRUG CONTROL FUNDS
6B. ASSERTIONS

(2) Drug Methodology (cont.)

- **Acquisition, Construction & Improvements (AC&I)** - is a multi-year appropriation where funding is available for up to 5 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/mission area 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 2004 AC&I program and mission area spreads, the following data sources and methods were used:
 1. **AC&I Mission Cost Model** – is developed based on data feeds from the OE/RT MCM model as presented in the above OE/RT statements. The following data sets are than required to complete the AC&I MCM:
 2. **Drug related percentage** – The percentage spread for each driver is extracted from the MCM (see #1). This information is 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, they were applied to the total BA or obligations of the FY 2004 project/line item to derive the allocated drug levels (See Attachment C). The BA levels are derived from the agency's enacted Appropriation Bill. The FY 2004 expenditure data is a data run from CAS of AC&I Obligated/Unobligated Balances by Project.
- **Research, Development, Test & Evaluation (RDT&E)** - is a no-year appropriation where funding, once appropriated, may be obligated indefinitely in the future until all balances are expended. The methodology used to develop the drug-funding estimate is similar to AC&I in that drug-funding costs are based on an analysis of each project. The program/mission area percentages are based upon subject matter expert review. The method used to compile the FY 2004 data was:
 1. **Drug related percentage** – The percentage spread for each driver is extracted from the MCM. This information is 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.

FY 2004 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2004 DRUG CONTROL FUNDS
6B. ASSERTIONS

(2) Drug Methodology – RDT&E (cont.)

2. **Subject matter expert review** of each project/line item to estimate their direct and indirect impact to the drug control percentage of effort.
3. **Application** - Once the project drivers were reviewed, they were then applied to the total cost of the FY 2004 project/line item to derive the drug-associated costs (See Attachment D). Budget Authority (BA) data is derived from the agency's enacted Appropriation and expenditure data is extracted from a Large Unit Financial System (LUFS) 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 and the RDT&E 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 would be in the change in the allocation of resource hours associated with a 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 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 and aids to navigation 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** – Data is derived from CAS. No other financial systems or information are used in developing program or mission area allocations.

(3) **Application of Drug Methodology** - The methodology disclosed in this section was the actual methodology used to generate the table required by Section 6A. 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 2004.

(5) **Fund Control Notices** – The FY 2004 data presented herein is associated with obligations reported in Coast Guard's FY 2004 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 ONDCP Circular, *Budget Execution*, dated April 18, 2003.

Attachment A

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

		(dollars in thousands) FY 2004	
		Obligations	% of total
1.	Search and Rescue (SAR)	450,360	9.31%
2.	Marine Safety (MS)	308,111	6.37%
3.	Aids to Navigation (ATON)	682,016	14.10%
4.	Ice Operations (IO)	154,760	3.20%
5.	Marine Environmental Protection (MEP)	123,953	2.57%
6.	Living Marine Resources (LMR)	384,204	7.94%
7.	Drug Interdiction	564,889	11.68%
8.	Migrant Interdiction	407,244	8.42%
9.	Other Law Enforcement (OTH-LE)	133,044	2.75%
10.	Ports, Waterways & Coastal Security (PWCS)	1,264,882	26.15%
11.	Defense Readiness	363,959	7.52%
Total OE Obligations		\$ 4,837,422	100%

Attachment B

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

		(dollars in thousands)	
		FY 2004	
		Obligations	% of total
1.	Search and Rescue (SAR)	8,503	9.31%
2.	Marine Safety (MS)	5,817	6.37%
3.	Aids to Navigation (ATON)	12,878	14.11%
4.	Ice Operations (IO)	2,922	3.20%
5.	Marine Environmental Protection (MEP)	2,340	2.57%
6.	Living Marine Resources (LMR)	7,254	7.94%
7.	Drug Interdiction	10,665	11.68%
8.	Migrant Interdiction	7,689	8.42%
9.	Other Law Enforcement (OTH-LE)	2,513	2.75%
10.	Ports, Waterways & Coastal Security (PWCS)	23,883	26.15%
11.	Defense Readiness	6,872	7.52%
Total RT Obligations		\$ 91,336	100%

FY 2004 Accounting of Drug Control Funds

DEPARTMENT OF HOMELAND SECURITY
U.S. COAST GUARD
FY 2004 ACQUISITION, CONSTRUCTION AND IMPROVEMENTS
DRUG CONTROL DIRECT OBLIGATIONS
(dollars in thousands)

FISCAL YEAR	PROJ		FY 2004 Project Direct Obligations	Key	Mission Cost Model % of Drug Funding	FY 2004 Drug Obligations
APPROP	REG NO.	PROJECT TITLES				
1999	3J	SRM 1301	SURVEY & DESIGN - CUTTERS & BOATS	(1)	20.00%	(0.2)
1999	3J	ARM 1302	SEAGOING BUOY TENDER WLB REPLACE	3		
1999	3J	AWL 1303	COASTAL BUOY TENDER WLM REPLACE	-	5.27%	-
1999	3J	AWP 1304	STERN LOADING BUOY BOAT BUSL REPL	-		
1999	3J	AWL 1305	47 MOTOR LIFEBOAT MLB REPLACEMNT	59	0.01%	-
1999	3J	AIB 1306	POLAR ICEBREAKER REPLACEMENT PIR	4		
1999	3J	GA1 1307	COASTAL PATROL BOAT CPB REPLACMNT	20	22.95%	4.6
1999	3J	ASM 1309	SURFACE SEARCH RADAR REPLACEMENT	3	25.96%	0.8
1999	3J	GA1 1310	DEEPWATER CAPABILITY REPLACE ANAL	301	31.66%	95.3
1999	3J	SRM 1312	CONFIGURATION MANAGEMENT	-	25.96%	-
1999	3J	SRM 1314	ATS-1 CONVERSION	-		
1999	3J	AWL 1315	MACKINAW REPLACEMENT	95		
VESSEL, FY 1999			484			100.5
TOTAL 1999 APPROPRIATION (excluding reimbursables)			\$ 484			\$ 100.5

FY 2004 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY
U.S. COAST GUARD
FY 2004 ACQUISITION, CONSTRUCTION AND IMPROVEMENTS
DRUG CONTROL DIRECT OBLIGATIONS**
(dollars in thousands)

FISCAL YEAR	PROJ			FY 2004 Project Direct Obligations	Key	Mission Cost Model % of Drug Funding	FY 2004 Drug Obligations
APPROP	REG NO.	PROJECT TITLES					
2000	2U	ADW 1250	DEEPWATER REPLACEMENT PROJECT I	(128)		28.50%	(36.5)
DEEPWATER, FY 2000				(128)			
2000	2U	AFL 4201	FLEET LOGISTICS SYSTEM (FLS)	(12)		26.37%	(3.2)
2000	2U	AVT 4202	PORTS & WATERWAYS SAFETY SYSTEMS	-			
2000	2U	AMO 4204	MARINE INFO FOR SAFETY & LAW INFR	(35)			
2000	2U	SEA 4207	AVIATION LOGISTICS MGMT INFO SYS	(3)		30.15%	(0.9)
2000	2U	AND 4208	NATL DISTRESS & RESPONSE SYS MOD	-			
2000	2U	SCT 4212	DEFENSE MSG SYS IMPLEMENTATION	64			
2000	2U	WRI 4214	PERSONNEL MGMT INFO SYS JOINT UNI	(10)		19.02%	(1.9)
2000	2U	SCT 4215	COMMERCIAL SATELLITE COMM UPGRADE	-			
2000	2U	T 4312	TISCOM CGMS	-			
OTHER EQUIPMENT, FY 2000				4			(6.0)
2000	2U	H 7250	HYDE PARK REFUND - SHORE	-			
2000	2U	SEC 3201	SURVEY & DESIGN - SHORE PROJECTS	2			
2000	2U	SEC 3203	WATERWAYS ATON INFRASTRUCTURE	(8)			
2000	2U	SEC 3205	CG HOUSING - VARIOUS LOCATIONS	2			
2000	2U	SEC 3207	MINOR AC&I SHORE CONSTR PROJECTS	-			
2000	2U	SEC 3220	RENOVATE AIR STA HANGER KODIAK AK	-			
2000	2U	SEC 3221	AIR STA RAMP STRUL IMPRV ECITY NC	-		25.37%	-
2000	2U	SEC 3222	RENOVATE AIR STA MIAMI HANGER	-		30.31%	-
2000	2U	SEC 3223	UPGRADE EDU FACL CG ACADEMY	1			
2000	2U	SEC 3224	CONSTR PATROL BOAT MAINT FAC PR	(162)		17.32%	(28.1)
2000	2U	SEC 3225	MODERNIZE CG STA SHINNECOCK	-			
2000	2U	SEC 3226	RELOCATE CG MARINE SAFETY OFF&STA	-		17.30%	-
2000	2U	SEC 3228	HOMEPORTING OF DRUG INTERDICTION	1		100.00%	1.0
2000	2U	SEC 3229	UNALASKA PIER	-			
SHORE PROGRAM, FY 2000				(164)			(27.1)
2000	4U	SEN 1401	SURVEY&DESIGN-CUTTERS&BOATS	66		24.20%	16
2000	4U	AWL 1402	SEAGOING BUOY TENDER REPLACEMNT	(1,346)		5.18%	(70)
2000	4U	AWL 1404	STERN LOADING BUOY BOAT REPLACE N	(3)			
2000	4U	AWP 1405	47FT MOTOR LIFEBOAT REPLACEMENT	2,201		1.00%	22
2000	4U	AIB 1406	POLAR ICEBREAKER REPLACE (HEALY)	(1)			
2000	4U	AWP 1407	COASTAL PATROL BOAT REPLACEMENT	108		46.40%	50
2000	4U	AWP 1409	SURFACE SEARCH RADAR REPLACEMENT	(445)		26.38%	(117)
2000	4U	SEN 1411	POLAR CLASS RELIABILITY IMPROVMNT	59			
2000	4U	SEN 1412	CONFIGURATION MGMT (CM)	-		26.38%	-
2000	4U	AGL 1413	MACKINAW REPLACEMENT	1,200			
VESSEL, FY 2000				\$ 1,839			\$ (99.0)
2000	5U	AGL 1513	MACKINAW REPLACEMENT	-			
TOTAL FY 2000 APPROPRIATION (excluding reimbursables)				1,551			\$ (168.6)

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(dollars in thousands)

FISCAL YEAR	PROJ	FY 2004 Project Direct Obligations	Key	Mission Cost Model % of Drug Funding	FY 2004 Drug Obligations
APPROP	REG NO.	PROJECT TITLES			
2001	2W CBU 0201	DIRECT PERSONNEL COST	-	14.33%	-
2001	2W GA 0202	CORE ACQUISITION COSTS	-	14.33%	-
2001	2W CBU 0203	CCS ADMINISTRATIVE ACCOUNT	-		
ADMIN, FY 2001			-		-
2001	3W GS 2307	HH-65 HELO MISSION COMPUTER REPLA	69	HH-65	16.96%
2001	3W GS 2331	HH-65 LTS-101 ENGINE LIFE CYCLE	(30)		
2001	3W GD 2332	AVIATION SIMULATOR MODERNIZATION	(5)	A/C	11.84%
2001	3W GS 2333	CG CUTTER HEALY AVIATION SUPPORT	(9)	A/C	11.84%
AIRCRAFT, FY 2001			25		10.0
2001	3W ADW 5350	DEEPWATER CAPABILITY REPLACE PROJ	(1,168)	IDS	34.47%
DEEPWATER, FY 2001			\$ (1,168)		\$ (402.6)
2001	3W AFL 4301	FLEET LOGISTICS SYSTEM (FLS)	1	CUTTERS	27.27%
2001	3W AVT 4302	PORTS & WATERWAYS SAFETY SYSTEM	(3)		
2001	3W GS 4303	GLOBAL MARITIME DISTRESS & SAFETY	13		
2001	3W AMO 4304	MARINE INFO FOR SAFETY & LAW ENFR	(5)		
2001	3W GS 4307	AVIATION LOGISTICS MGMT SYSTEM	1	A/C	11.84%
2001	3W AND 4308	NATL DISTRESS & RESPONSE SYSTEM	37	HISTORICAL	2.00%
2001	3W GS 4312	DEFEMSE MESSAGE SYSTEM (DMS)	(71)		
2001	3W GW 4314	PERS MGMT INFO SYS JOINT UNIFORM	-		
2001	3W GS 4315	COMMERCIAL SATELLITE COMM UPGRADE	94	GEN-OE	14.33%
2001	3W GO 4316	SAR CAPABILITIES ENHANCEMENT PROJ	298		13.5
2001	3W GO 4317	LOCAL NOTICE TO MARINERS (AUTO)	-		
OTHER EQUIPMENT, FY 2001			365		13.9
2001	3W GS 3301	SURVEY AND DESIGN	100	GEN-OE	14.33%
2001	3W GS 3303	WATERWAYS ATON INFRASTRUCTURE	169		14.3
2001	3W GS 3305	CG HOUSING - VARIOUS	(1)		
2001	3W GS 3307	MINOR ACI CONSTRUCTION PROJECTS	-	GEN-OE	14.33%
2001	3W GS 3308	TRANSPORTATION IMPROVE ALEMEDA CA	-	GEN-OE	14.33%
2001	3W GS 3309	CG MEDIUM ENDURANCE CUTTER PORTS	20	CUTTERS	27.27%
2001	3W GS 3310	MODERNIZE CG FACILITIES CAPE MAY	199	GEN-OE	14.33%
2001	3W GS 3311	REBUILD CG STA PORT HURON PH-I	-	GEN-OE	14.33%
2001	3W GS 3312	MODERNIZE CG STA PORT ANGELES HGR	-	GEN-OE	14.33%
2001	3W GS 3313	HOMEPORTING PIER CONSTR HOMER AK	-	GEN-OE	14.33%
2001	3W GS 3314	HELIPAD MODERNIZATION CRAIG AK	9	GEN-OE	14.33%
2001	3W GS 3320	RENOVATE AIR STA HANGAR KODIAK AK	-	GEN-OE	14.33%
SHORE PROGRAM, FY 2001			496		49.6
2001	5W GS 1501	SURVEY & DESIGN CUTTERS & BOATS	263	Cutters/Boats	11.72%
2001	5W AWL 1502	SEAGOING BUOY TENDER REPLACEMENT	4,065	180' WLB	0.57%
2001	5W GA 1506	POLAR ICEBREAKER USCGC HEALY	411		
2001	5W AWP 1507	87 FT PATROL BOAT REPLACEMENT	1,087	87' WPB	12.87%
2001	5W AWP 1509	SURFACE SEARCH RADAR REPLACEMENT	15	CUTTERS	27.27%
2001	5W GS 1511	POLAR CLASS ICEBREAKER RELIABILIT	327		
2001	5W GS 1512	CONFIGURATION MANAGEMENT SYSTEM	(6)	CUTTERS	27.27%
2001	5W GS 1514	ALEX HALEY CONVERSION PROJECT PII	116		(1.6)
2001	5W GO 1521	OVER THE HORIZON CUTTER BOATS	41		
2001	5W GS 1522	CG PATROL CRAFT CONVERSION PROJ	-		
2001	5W CBU 7520	TRUST FUND SHARE OF EXPENSE/VESS	-		
VESSEL, FY 2001			6,319		196.4
TOTAL FY 2001 APPROPRIATION (excluding reimbursables)			\$ 6,037		\$ (132.7)

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FISCAL YEAR	PROJ	FY 2004 Project Direct Obligations	Mission Cost Model % of Drug Funding	FY 2004 Drug Obligations
APPROP	REG NO.	PROJECT TITLES	Key	
2002	3B CBU 0301	AC&I PERSONNEL COSTS	10 Gen.AC&I	18.10% 1.8
2002	3B G A 0302	AC&I CORE COMPETENCIES & CAPABILI	(3) Gen.AC&I	18.10% (0.5)
2002	3B CBU 0303	CCS UNDISTRIBUTED ACCOUNT	- Gen.AC&I	18.10% -
ADMIN, FY 2002				
			7	1.3
2002	4B G S 2401	AVIATION PARTS & SUPPORT	1,272 A/C	18.07% 229.9
2002	4B G A 2460	C 130J SYS PROVISIONING & TRAININ	(32) C-130	23.26% (7.4)
AIRCRAFT, FY 2002				
			1,240	222.5
2002	4B 099 5450	INTERGRATED DEEPWATER SYSTEM	(267) IDS	27.14% (72.5)
DEEPWATER, FY 2002				
			(267)	(72.5)
2002	4B G A 4402	PORTS & WATERWAY SAFETY SYS PAWSS	1,642 GEN. OE	12.50% 205.3
2002	4B G S 4403	GLOBAL MARTINE DISTRESS & SAFETY	1,215	
2002	4B G A 4404	MARINE INFORMATION FOR SAFETY & L	(251) GEN. OE	12.50% (31.4)
2002	4B G A 4408	NATIONAL DISTRESS & RESPONSE SYS	146 NDRSP	2.24% 3.3
2002	4B G S 4412	DEFENSE MESSAGING SYS DMS IMPLETA	3 GEN. OE	12.50% 0.4
2002	4B G S 4415	COMMERCIAL SATELLITE COM SATCOM	1,751 GEN. OE	12.50% 218.9
2002	4B G O 4416	SEARCH & RESCUE CAPABILITIES ENHA	1,320	
2002	4B G S 4417	13TH DISTRICT MIRCOWAVE MODERNIZI	2 GEN. OE	12.50% 0.3
2002	4B G S 4418	HAWAII RAINBOW COMMUNICATION SYS	(1,833) GEN. OE	12.50% (229.1)
2002	4B G S 4419	HIGH FREQUENCY HF RECAPITALIZATIO	99 GEN. OE	12.50% 12.4
2002	4B G O 4422	COMMAND CTR READINESS & INFRA REC	650 GEN. OE	12.50% 81.3
2002	4B G S 4423	P 250 PUMP REPLACEMENT	214 CUTTERS	21.26% 45.5
2002	4B G S 4424	CONFIGURATION MANAGEMENT PHRASEI	874 CUTTERS	21.26% 185.8
2002	4B G S 4425	SELF CONTAINED BREATHING APPARATU	3 GEN. OE	12.50% 0.4
2002	4B G S 4427	MARITIME ELECTRIC OPTICAL INFRAR	918 CUTTERS	21.26% 195.2
2002	4B G S 4428	ICE DETECTING RADAR CORDOVA AK	7	
2002	4B A 4429	PAWSS	17,814 GEN. OE	12.50% 2,226.8
2002	4B T 4430	CUTTER DEFENSE MESSAGING SYS REPL	- CUTTERS	21.26% -
OTHER EQUIPMENT, FY 2002				
			24,574	2,915.1
2002	4B G S 3401	SURVEY & DESIGN SHORE OPS PROJECT	762 GEN. OE	12.50% 95.3
2002	4B G S 3403	WATERWAYS AIDS TO NAVIGATION INFR	883	
2002	4B G S 3405	COAST GUARD HOUSING VARIOUS LOCAT	2,555 Gen.AC&I	18.10% 462.5
2002	4B G S 3407	MINOR AC&I SHORE CONSTRUCT PROJECT	(288) GEN. OE	12.50% (36.0)
2002	4B G S 3410	CONSOLIDATE WHSE - CG YARD, MD	505 GEN. OE	12.50% 63.1
2002	4B G S 3411	REPLACE CG STA PORT HURON-PHASEII	206 41' BOAT	0.56% 1.2
2002	4B G S 3413	CONSTRUCT NEW STA BRUNSWICK	328 GEN. OE	12.50% 41.0
2002	4B G S 3414	REPLACE ISC BOSTON BUILDING 8 UTL	(26) GEN. OE	12.50% (3.3)
2002	4B G S 3416	RECONSTRUCT N WALL ESCANABA DOCK	- GEN. OE	12.50% -
2002	4B G S 3417	CONSTRUCT NESU-ESU ENG BLDG HONOL	4,074 GEN. OE	12.50% 509.3
2002	4B G S 3418	CONSOLIDATION OF KODIAK AVA SPT	953 A/C	18.07% 172.2
2002	4B G S 3419	REBUILD ISC SEATTLE PIER PHASEI	229 GEN. OE	12.50% 28.6
2002	4B 3420	CG MARINE SAFETY & RESCUE STA CHI	2,000 41' BOAT	0.56% 11.2
2002	4B 099 3421	ISC SEATTLE PROJECT (CCS UNDIST)	-	
2002	4B T 3422	STATION OAK ISLAND NC FIRE DAMAGE	534 GEN. OE	12.50% 66.8
2002	4B T 3424	HOMELAND SECURITY SHORE INFRASTRU	(188) GEN. OE	12.50% (23.5)
SHORE PROGRAM, FY 2002				
			12,527	1,388.4
2002	4B A 1407	87 FOOT BOARDING & ESCORT PATROL	7,120 CPB	6.64% 472.8
VESSEL, FY 2002				
			7,120	472.8
2002	6B G D 5650	INTERGRATED DEEPWATER SYS PROGRAM	25,123 IDS	27.14% 6,818.4
DEEPWATER, FY 2002				
			25,123	6,818.4
2002	6B G S 1601	SURVEY & DESIGN CUTTERS & BOATS	176 Cutters/Boats	15.34% 27.0
2002	6B G A 1602	SEAGOING BUOY TENDERS WLB REPLACE	10,681	
2002	6B G O 1603	85 FOOT FAST PATROL CRAFT	45 DRUG	100.00% 45.0
2002	6B G A 1604	41 FOOT UTILITY BOAT REPLACEMENT	3,222 UTB	0.56% 18.0
2002	6B G S 1611	POLAR CLASS ICEBREAKER RIP PROJEC	246	
VESSEL, FY 2002				
			14,370	90.0
TOTAL FY 2002 APPROPRIATION (excluding reimbursables)			\$ 84,694	\$ 11,836.0

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FISCAL YEAR	APPROP	REG	NO.	PROJ NO.	PROJECT TITLES	FY 2004 Project Direct Obligations	Key	Mission Cost Model % of Drug Funding	FY 2004 Drug Obligations
2003	4G	H	0401		DIRECT PERSONNEL COSTS	(986)	Gen.AC&I	17.21%	(169.7)
2003	4G	H	0402		ACI CORE	330	Gen.AC&I	17.21%	56.8
ADMIN., FY 2003						(656)			(112.9)
2003	5G	T	2531		LTS 101 ENGINE IMPROVEMENTS	-	HH-65	6.73%	-
2003	5G	A	4502		PORTS - WATERWAY SAFETY PAWSS	827	GENERAL OE	10.43%	86.3
2003	5G	T	4503		GLOBAL MARTINE DISTRESS - SAFETY	98			
2003	5G	A	4508		NATIONAL DITRESS - RESPONSE SYS	26,735	RESCUE-21	0.31%	82.9
2003	5G	T	4512		DEFENSE MESSAGE SYS DMS IMPLEMT	293	GEN OE	10.43%	30.6
2003	5G	T	4517		GLOBAL MARITIME DISTRESS - SAFETY	2,478	GEN OE	10.43%	258.5
2003	5G	T	4518		HAWAII RAINBOW COMMUNICATION SYS	2,805	GEN OE	10.43%	292.6
2003	5G	T	4519		HIGH FREQUENCY RECAPITALIZATION	1,705	GEN OE	10.43%	177.8
2003	5G	T	4520		PRINCE WILLIAM SOUND MICROWAVE	1,847	GEN OE	10.43%	192.6
2003	5G	D	4521		MARITIME DOMAIN AWARENESS INFO MGT	1,272	GEN OE	10.43%	132.7
2003	5G	D	4522		SECURITY SURVEILLANCE - PROTECT	2,639	RESCUE-21	0.31%	8.2
OTHER EQUIPMENT, FY 2003						40,699			1,262.2
2003	5G	T	3501		SURVEY - DESIGN SHORE PROJECTS	522	GEN OE	10.43%	54.4
2003	5G	T	3503		WATERWAYS AIDS TO NAVIGATION INF	3,310			
2003	5G	T	3505		HOUSING PROJECTS	82	GEN OE	10.43%	8.6
2003	5G	T	3507		MINOR ACI SHORE CONSTRUCTION PRO	1,368	GEN OE	10.43%	142.7
2003	5G	T	3518		CONSOLIDATION OF KODIAK AVI - SUP	2,720	A/C	18.65%	507.3
2003	5G	T	3519		REBUILD ISC SEATTLE PIER 36 PHI	192	GEN OE	10.43%	20.0
2003	5G	T	3521		STATION MANISTEE MI CONSTRUCTION	149			
2003	5G	T	3530		VESSEL PIER FACILITY CORDOVA AK	15	GEN OE	10.43%	1.6
SHORE PROGRAM, FY2003						8,358			734.6
2003	6G	2	56A1		MARTINE PATROL AIRCRAFT	-	IDS		
2003	6G	2	56A3		OTHER CONTACTS LEGACY SUSTAINMT	3,749	IDS		
2003	6G	2	56B1		NATIONAL SECURITY CUTTER	4,675	IDS		
2003	6G	2	56B2		110 - 123 PATROL BOAT UPGRADE	13,010	IDS		
2003	6G	2	56B3		SHORT RANGE PROSECUTOR	-	IDS		
2003	6G	2	56B4		OTHER CONTRACTS LEGACY SUSTAINMT	-	IDS		
2003	6G	2	56C1		270 FOOT CUTTER C4ISR UPGRADE	126	IDS		
2003	6G	2	56C2		210 FOOT CUTTER C4ISR UPGRADE	400	IDS		
2003	6G	2	56C3		378 FOOT CUTTER C4ISR UPGRADE	52	IDS		
2003	6G	2	56C4		SHORES SITES	-	IDS		
2003	6G	2	56C5		OTHER CONTRACTS LEGACY SUSTAINMT	4,136	IDS		
2003	6G	2	56D1		INTERGRATED LOGISTICS SUPPORT	16,790	IDS		
2003	6G	2	56D2		SHORES SITES	-	IDS		
2003	6G	2	56E1		SYSTEMS ENGINEERING - INTERGRAT	(1)	IDS		
2003	6G	2	56F1		GOVERNMENT PROGRAM MGT	7,584	IDS		
DEEPWATER, FY 2003						50,521	IDS	22.78%	11,508.7
2003	7G	H	5750			(1,558)			
2003	7G	H	5752			-			
DEEPWATER, FY 2003						(1,558)	IDS	22.78%	(354.9)
2003	7G	T	1701		SURVEY - DESIGN CUTTER - BOATS	372	CUTTERS/BOATS	11.68%	43.4
2003	7G	A	1702		SEAGOING BUOY TENDER WLB REPLACE	-			
2003	7G	A	1704		41 FOOT UTB - NSB REPLACEMENT	2,031	41' BOAT	0.34%	6.9
2003	7G	A	1707		87 FOOT COASTAL PATROL BOAT	3,598	87' WPB	6.79%	244.3
2003	7G	T	1711		POLAR CLASS ICE BREAKER IMPROVEMT	1,169			
2003	7G	T	1714		ALEX HALEY CONVERSION PROJECT II	44			
VESSEL, FY 2003						7,214			294.6
TOTAL FY 2003 APPROPRIATION (excluding reimbursables)						\$ 104,578			\$ 13,332.3

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FISCAL YEAR	PROJ			FY 2004		Mission Cost	
APPROP	REG	NO.	PROJECT TITLES	Project Direct Obligations	Key	Model % of Drug Funding	FY 2004 Drug Obligations
2004	4K	GCG 0400	PERSONNEL COMPENSATION BENEFITS	-			
2004	4K	A 0401	DIRECT PERSONNEL COSTS	63,503	Gen.AC&I	24.97%	15,856.7
2004	4K	GA 0402	ACI CORE ACQUITION	5,223	Gen.AC&I	24.97%	1,304.2
2004	4K	A 0460	C 130J AIRCRAFT DOD PL 108-87	-			
ADMIN, FY 2004				68,726			17,160.9
2004	4K	2 54A4	C-130 PROJECT - SUPPLEMENTAL	60,000	C-130	36.00%	21,600.0
DEEPWATER, FY 2004				60,000			21,600.0
2004	6K	GA 4602	OIL SPILL PREVENTION EFFORTS PAWS	601	GEN. OE	11.68%	70.2
2004	6K	GA 4608	NATIONAL DISTRESS RESPONSE SYS MO	40,868	RESCUE-21	0.25%	102.2
2004	6K	GS 4612	DEFENSE MESSAGING SYS DMS IMPLM	-	GEN. OE	11.68%	-
2004	6K	GA 4650	AUTOMATION IDENTIFICATION SYS	15,922	GEN. OE	11.68%	1,859.7
OTHER EQUIPMENT, FY 2004				57,391			2,032.1
2004	8K	GD 58A1	MARITIME PATROL AIRCRAFT	-	HU-25	5.62%	-
2004	8K	GD 58A2	UNMANNED AIR VEHICLES	49,700	C-130/HU-25	26.72%	13,279.8
2004	8K	GD 58A3	OTHER CONTRACTS LEGACY SUSTAINMET	56,141	TRAD-IDS (A/C)	19.59%	10,998.0
2004	8K	GD 58B1	NATIONAL SECURITY CUTTER	187,253	378' Cutters	51.77%	96,940.9
2004	8K	GD 58B2	FAST RESPONSE CUTTER 110 123 FT	3,224	110' Cutters	12.18%	392.7
2004	8K	GD 58B3	SHORT RANGE PROSECUTOR	-	378',270',210',110'	36.15%	-
2004	8K	GD 58B4	OTHER CONTRACTS LEGACY SUSTAINMT	1,868	378',270',210',110'	36.15%	675.3
2004	8K	GD 58B5	OFFSHORE PATROL CUTTER CONCEPT	7,713	270', 110' Cutters	37.11%	2,862.3
2004	8K	GD 58C1	COMMAND CONTROL SYS FOR COMMON OP	55,510	TRAD-IDS	27.08%	15,032.1
2004	8K	GD 58C2	CUTTER UPGRADE C4ISR	6,431	378',270',210',110'	36.15%	2,324.8
2004	8K	GD 58C4	SHORE SITES	17,845	TRAD-IDS	27.08%	4,832.4
2004	8K	GD 58C5	OTHER CONTRACTS LEGACY SUSTAINMT	3,164	TRAD-IDS	27.08%	856.8
2004	8K	GD 58D1	INTERGRATED LOGISTICS SUPPORT	20,329	TRAD-IDS	27.08%	5,505.1
2004	8K	GD 58D2	FACILITIES DESIGN REQUIRED FOR FU	589	TRAD-IDS	27.08%	159.5
2004	8K	GD 58E1	SYSTEMS ENGINEERING INTERGRATED	41,967	TRAD-IDS	27.08%	11,364.7
2004	8K	GD 58F1	GOVERNMENT PROGRAM MANAGEMENT	28,537	TRAD-IDS	27.08%	7,727.8
2004	8K	GD 58G1	SHORE FACILITIES	16,904	TRAD-IDS	27.08%	4,577.6
DEEPWATER, FY 2004				497,175			177,529.8
2004	8K	GA 1804	41 FT UTB NSB REPLACEMENT PROJECT	2	41' UTB	0.34%	-
2004	8K	GA 1807	ENFORCE SECURITY ZONES 9 ADD CPBS	33,804	87' WPB	9.65%	3,262.1
2004	8K	GA 1813	GREAT LAKE ICEBREAKER GLIB REPLAC	1,988			-
VESSEL, FY 2004				35,794			3,262.1
TOTAL FY 2004 APPROPRIATION (excluding reimbursables)				\$ 719,086			\$ 221,584.9

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FISCAL YEAR	PROJ			FY 2004 Project Direct Obligations	Key	Mission Cost Model % of Drug Funding	FY 2004 Drug Obligations
APPROP	REG NO.		PROJECT TITLES				
NO	X3	H 1013	ACI	11,367			
NO	X3	ASM 1312	378-FOOT WHEC FRAM	-			
NO	X3	AWL 1313	WLB REPLACEMENT	-			
NO	X3	AWP 1314	ACI NO YEAR	-			
NO	X3	SRM 1880	LISA CHECK	-			
NO	X3	SRM 1911	ACQUISITION C3 PLATFORMS 2	-		100.00%	-
NO	X3	G O 1912	DEPLOYABLE PURSUIT BOAT ACQUISITI	2		100.00%	2.0
NO	X3	GA1 1913	BARRACUDA CLASS COASTAL PATRL BTS	353		100.00%	353.0
NO	X3	SRM 1914	CUTTER SENSOR & COMM SYSTEMS	(2)		100.00%	(2.0)
NO	X3	GA1 1915	BARRACUDA CLASS COASTAL PATRL BTS	(1)		100.00%	(1.0)
NO	X3	SRM 1916	CUTTER SENSOR & COMM SYSTEM	31		100.00%	31.0
VESSEL, FY NO				11,750			383.0
NO	X3	H 2060	ACI	7,940			
NO	X3	H 2061	ACI	765			
NO	X3	ARM 2309	MRR HELICOPTER HH60 DRUG	-		12.10%	-
NO	X3	SRM 2310	APS RADAR DRUG	-		12.10%	-
NO	X3	ASM 2342	TRAFFIC COLLISION AVOID SYS	-		12.10%	-
NO	X3	SRM 2910	MARITIME PATRL AIRCRAFT ACQUISITN	836		100.00%	836.0
NO	X3	SRM 2917	REACTIVATE OF HU-25 JETS	-		100.00%	-
NO	X3	G O 2918	OPERATNL TEST, FORCE FRM AIRCRAFT	-		100.00%	-
NO	X3	SRM 2919	AIRCRAFT SENSOR & C-130 ENGINE UP	2		100.00%	2.0
AIRCRAFT, FY NO				9,543			838.0
NO	X3	GS 3160	FY01 SUP-NISQUALLY EARTHQUAKE	9			
NO	X3	SRM 3480	MIDWEST FLOOD	-			
NO	X3	SRM 3879	ATC MOBILE	-			
NO	X3	SRM 3918	HURRICANE GEORGES SUPPLEMENTAL	99			
NO	X3	CBU 3950	HYDE PARK PROCEEDS	-			
SHORE PROGRAM, FY NO				108			-
NO	X3	SRM 4380	COMSTA MIAMI RESTORE (ANDREW)	-		12.10%	-
NO	X3	CFS 4515	REFUND ACT	-			
REFUND, FY NO				-			
NO	X3	CBU 7950	REFUND PROGRAM	-			
NO	X3	H 9999	UNDISTRIBUTED	-			
NO YEAR PROJECTS				-			
TOTAL NO-YEAR APPROPRIATION (excluding reimbursables)				\$ 21,401			\$ 1,221.0
TOTAL ALL-YEARS				\$ 937,831			\$ 247,773

FY 2004 Accounting of Drug Control Funds

Attachment D

**DEPARTMENT OF HOMELAND SECURITY
U.S. COAST GUARD
RESEARCH, DEVELOPMENT, TEST AND EVALUATION
Annual Accounting of FY 2004 Drug Control Funds
(dollars in thousands)**

<u>Budget Sheets/Programs/Line Items</u>	<u>FY 2004 Obligations</u>	<u>DRUG BUDGET</u>	<u>Pct. For Drug Law Enforcement</u>
G1. Marine Safety	1,287	150	11.7%
a. Risk Competancy	302	35	
b. Human Effort/Human Performance	179	21	
SUBTOTAL, NON-PERSONNEL	481	56	
Direct Project Personnel	806	94	
G2. Waterways Safety & Management and Aids to Navigation	658	42	6.4%
a. Navigation Aids	179	--	
b. Vessel Traffic	210	25	
SUBTOTAL, NON-PERSONNEL	389	25	
Direct Project Personnel	269	17	
G3. Marine Environmental Protection	1,084	--	0.0%
a. Oil Spill Response	128	--	
b. Aquatic Nuisance Species Control	150	--	
SUBTOTAL, NON-PERSONNEL	278	--	
Direct Project Personnel	806	--	
G4. Comprehensive Law Enforcement	4,102	862	21.0%
a. Improve Domain Awareness	694	81	
b. Enhanced Interdiction Capability	597	151	
c. Contraband Detection and Vessel Stopping	930	235	
SUBTOTAL, NON-PERSONNEL	2,221	467	
Direct Project Personnel	1,881	395	
G5. Technology Investment	3,652	426	11.7%
a. Technology Assessment	240	28	
b. Select Projects	240	28	
c. Command Center Concept Exploration	1,560	182	
SUBTOTAL, NON-PERSONNEL	2,040	238	
Direct Project Personnel	1,612	188	
G6. R&D Personnel, Program Support & Operations	4,287	588	13.7%
a. Admin/Support Personnel & Related Costs	2,571	353	
b. Support and Operations	1,716	235	
TOTAL REQUEST	\$ 15,070	\$ 2,068	13.7%

FY 2004 Accounting of Drug Control Funds

U.S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

2100 Second Street, S.W.
Washington, DC 20593-0001
Staff Symbol: CG-822
Phone: (202) 267-2415
Fax: (202) 267-4850
Email:

7100

MAR 15 2005

MEMORANDUM

R. R. Houck
From: RADM R. R. Houck
Acting G-CCS

Reply to: CG-82
Attn of: Mr. Dave Pokora
202-267-2415

To: Acting Inspector General
Department of Homeland Security

Subj: INDEPENDENT REVIEW OF THE U.S. COAST GUARD REPORTING OF FY 2004
DRUG CONTROL FUNDS – AUDIT REPORT NO. OIC-05-13

1. In response to your request for Coast Guard's concerns to the content of the subject draft audit report, I recommend you include the following changes:

a. Change the official title of this report to: Independent Review of the U.S. Coast Guard Annual Accounting of FY 2004 Drug Control Funds.

b. In the context of paragraph 3, we recommend you include a statement that explains Coast Guard corrections of material weaknesses discussed are part of the CFO remediation plan.

2. If you require additional assistance on this matter, please contact Mr. Dave Pokora at 202-267-2415.

#

Copy: CG-83

FY 2004 Accounting of Drug Control Funds

Office of Inspector General


U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

March 21, 2005

MEMORANDUM FOR: The Honorable Michael J. Garcia
Assistant Secretary for
Immigration and Customs Enforcement

FROM: 
Richard L. Skinner
Acting Inspector General

SUBJECT: *Independent Review of the U.S. Immigration and Customs
Enforcement's Reporting of FY 2004 Drug Control Funds – Audit
Report No. OIG-05-15*

We have reviewed management's assertions in Section B of the accompanying U.S. Immigration and Customs Enforcement's (ICE) annual report of FY 2004 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 ICE'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 Auditor's Report* for the FY 2004 financial statements of the Department of Homeland Security (DHS), of which ICE is a part, identified serious accounting problems at ICE. The report said that ICE fell seriously behind in the performance of basic accounting functions such as account reconciliations, analysis of material abnormal balances, and proper budgetary accounting, which prevented ICE from submitting timely and accurate financial reports to DHS during FY 2004. During this review we noted that obligation data submitted to us in support of drug control obligations contained material abnormal balances. The *Independent Auditor's Report* also identified a material weakness related to financial systems functionality and technology that applied to all DHS bureaus including ICE.

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, in amounts that would be material in relation to the financial statements being audited, may occur and not be

FY 2004 Accounting of Drug Control Funds

detected within a timely period by employees in the normal course of performing their assigned functions.

Because of matters discussed in the third paragraph, we are unable to provide an opinion or other type of assurance with respect to the Circular's criteria that financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which drug-related obligation estimates are derived. Except for this matter, and the material weaknesses discussed in the third paragraph, nothing came to our attention that caused us to believe that management's assertions included in Section B of the accompanying Submission, and as required by the Circular, 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 ICE, DHS, ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Should you have any questions concerning this review, please call me, or your staff may contact J. Richard Berman, Assistant Inspector General for Audits, at (202) 254-4100.

Attachment

cc: General Counsel
Under Secretary, Border and Transportation Security
DHS Chief Financial Officer
Immigration and Customs Enforcement, Chief Financial Officer
DHS OIG Liaison
ICE Audit Liaison
Office of Security

FY 2004 Accounting of Drug Control Funds

Office of Resource Management
425 1 Street, NW
Washington, DC 20536



**U.S. Immigration
and Customs
Enforcement**

MAR 18 2005

John P. Walters
Executive Office of the President
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Walters:

As required by 21 U.S.C. § 1704(d), and the Office of National Drug Control Policy Circular on Drug Control Accounting, enclosed is the annual accounting of U.S. Immigration and Customs Enforcement (ICE) drug control funds for FY 2004. This submission replaces the version transmitted on February 17, 2005.

If you have any questions regarding these matters, please feel free to contact me, or have a member of your staff contact Lee Heffelfinger, Interim Budget Director, on 202-514-3206.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Ladd", written in a cursive style.

Paul Ladd

Enclosure

FY 2004 Accounting of Drug Control Funds

**Department of Homeland Security
U.S. Immigration and Customs Enforcement
Detailed Accounting of Drug Control Funds During FY 2004**

A. Table of Prior Year Drug Control Obligations

	(in Millions) FY 2004 Final
Drug Resources by Drug Control Function	
Intelligence	\$7.158
Interdiction	\$199.091
Investigations	\$367.015
Prevention/Outreach/Training	\$1.100
Total	\$574.364
Drug Resources by Budget Decisions Unit	
Salaries and Expenses	\$390.996
Operation and Maintenance	\$183.368
Total	\$574.364
Information	
Total Agency Budget	\$3,594.439
Drug Control Percentage	16%

Disclosure No. 1: Drug Methodology

Immigration and Customs Enforcement (ICE) is a multi-mission bureau, and obligations are reported pursuant to an approved drug methodology. Separate calculations are made for the Office of Investigations, the Office of Intelligence, and the Office of Air and Marine Operations.

1) Office of Investigations

The methodology for the Office of Investigations is based on investigative case hours recorded in ICE's automated Case Management System. ICE officers record the type of work they perform in this system. Following the close of the fiscal year, a report is run showing investigative case hours that are coded as general narcotics cases and money laundering narcotics cases. A second report is run showing all investigative case hours logged. A percentage is derived by dividing the total number of investigative case hours by the number of investigative case linked to drug control activities. This percentage may fluctuate from year to year. For FY 2004, the percentage was 33.7%. To calculate a dollar amount, this percentage was applied to actual obligations incurred by the Office of Investigations against budget authority gained in FY 2004, excluding reimbursable authority.

Office of Investigations resources are entirely reported within the "Investigations" Drug Control Function and the "Salaries and Expenses" Budget Decision Unit.

FY 2004 Accounting of Drug Control Funds

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2) Office of Intelligence

ICE employs the same methodological approach to the Field Operations portion of the Office of Intelligence's budget. For FY 2004, 24.8% of the total case hours for Field Operations were found to be in support of drug control activities through an examination of data recorded in the Case Management System. This percentage was applied to actual obligations against budget authority gained in FY 2004, excluding reimbursable authority, incurred by the Office of Intelligence for Field Operations activities.

Because tactical intelligence activities are not recorded in the Case Management System, ICE relies on the professional judgment of subject matter experts who estimate that 75% of the resources devoted to tactical intelligence activities contribute towards the ICE drug enforcement mission and the support of the National Drug Control Strategy.

Office of Intelligence resources are entirely reported within the "Intelligence" Drug Control Function and the "Salaries and Expenses" Budget Decision Unit.

3) Office of Air and Marine Operations

Effective October 1, 2004, Air and Marine Operations (AMO), including the Air and Marine Operations, Maintenance, and Procurement account, was transferred from ICE to U.S. Customs and Border Protection (CBP). However, since AMO was a part of ICE during FY 2004, its drug control contribution is being reported here.

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 experts and analysts assigned to the programs. The basis for the percentage estimates was the expertise of the individuals surveyed by the U.S. Customs Office of Budget at that time, based on an analysis of data captured in the Aviation Operations Reporting System. The percentage used is 90% of actual obligations against budget authority gained in FY 2004, excluding reimbursable authority.

AMO resources reported within the "Salaries and Expenses" Budget Decision Unit are divided 67% "Interdiction" and 33% "Investigations." AMO resources reported within the "Operations and Maintenance" Budget Decision Unit are divided 66.4% "Interdiction," 33% "Investigations," and 0.6% "Prevention."

Disclosure No. 2: Methodology Modifications

The methodology for Investigations and Air and Marine Operations has not changed. The methodology for Intelligence has changed this year. Previously, the same percentage used for the Office of Investigations was used for the Office of Intelligence. The change in methodology more accurately presents that Office's unique contribution

FY 2004 Accounting of Drug Control Funds

- 3 -

to national drug control. If the old methodology were employed, \$10.831 million would be reported, rather than \$7.158 million.

Disclosure No. 3: Material Weakness or Other Findings

The Independent Auditor's Report for the FY 2004 financial statements of the Department of Homeland Security, of which ICE is a part, identified serious accounting problems at ICE. The Independent Auditor's Report also identified a material weakness related to financial systems functionality and technology that applied to all DHS bureaus including ICE. ICE has implemented Clean Action Plans on each material weakness, is meeting with DHS on a routine basis to monitor progress on each plan. The OFM has made steady progress in each of the areas, is working closely with the KPMG auditors to address each area. OFM is still hampered with staff vacancies but has leveraged resources toward the best use of contract employees to address the material weakness areas and specific accounting functions. A re-engineering of the OFM has been completed to address the financial statement and analysis activities and transactional processing which includes a specific hiring plan to resolve long-term issues.

Disclosure No. 4: Reprogrammings or Transfers

	(in Millions)			FY 2004 Final
	FY 2004 Base	FY 2004 Recission	FY 2004 Transfers	
Drug Resources by Drug Control Function				
Intelligence	\$7.198	-\$0.040		\$7.158
Interdiction	\$200.259	-\$1.168		\$199.091
Investigations	\$338.741	-\$2.061	\$32.334	\$367.015
Prevention/Outreach/Training	\$1.107	-\$0.007		\$1.100
Total	\$545.304	-\$3.275	\$32.334	\$574.364
Drug Resources by Budget Decisions Unit				
Salaries and Expenses	\$360.821	-\$2.159	\$32.334	\$390.996
Operation and Maintenance	\$184.484	-\$1.116		\$183.368
Total	\$545.305	-\$3.275	\$32.334	\$574.364

Disclosure No. 5: Other Disclosures

None.

B. Assertions

Assertion No. 1: Obligations by Budget Decision Unit

Not applicable.

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Assertion No. 2: Drug Methodology

The methodology used to calculate obligations of prior year budgetary resources by function and by budget decision unit is reasonable and accurate in regard to the workload data employed and the estimation methods used. As noted in Disclosure No. 3, the financial statement auditors identified weaknesses related to ICE's accounting processes; therefore, we do not make an assertion with respect to financial systems in which obligations are recorded.

Assertion No. 3 Application of Drug Methodology

The methodology disclosed in this statement was the actual methodology used to generate the Table.

Assertion No. 4: Reprogrammings or Transfers

The data presented are associated with obligations against a financial plan that properly reflects changes from the rescission and from transfers.

Assertion No. 5: Fund Control Notices

The data presented are associated with obligations against a financial plan that fully complied with the Fund Control Notice issued by the Director of the Office of National Drug Control Policy on September 19, 2003.

FY 2004 Accounting of Drug Control Funds

Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528



Homeland Security

March 10, 2005

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

FROM: *Richard L. Skinner*
Richard L. Skinner
Acting Inspector General

SUBJECT: *Independent Review of the U.S. Customs and Border Protection's
Reporting of FY 2004 Drug Control Funds – Audit Report No. OIG-
05-14*

We have reviewed management's assertions in Section B of the accompanying U.S. Customs and Border Protection's (CBP) annual report of FY 2004 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, in 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.

Based on our review, except for the effects, if any, of the material weaknesses, as described in the preceding paragraph, 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.

FY 2004 Accounting of Drug Control Funds

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

Should you have any questions concerning this review, please call me, or your staff may contact J. Richard Berman, Assistant Inspector General for Audits, at (202) 254-4100.

Attachment

cc: General Counsel
Under Secretary, Border and Transportation Security
DHS Chief Financial Officer
Customs and Border Protection, Chief Financial Officer
DHS OIG Liaison
CBP Audit Liaison
Office of Security

FY 2004 Accounting of Drug Control Funds

U.S. Department of Homeland Security
Washington, DC 20229



U.S. Customs and
Border Protection

FEB - 7 2005

MEMORANDUM FOR CHIEF FINANCIAL OFFICER
DEPARTMENT OF HOMELAND SECURITY

FROM: Chief Financial Officer
Office of Finance

SUBJECT: Fiscal Year 2004 National Drug Control Funds

Attached you will find Customs and Border Protection's Fiscal Year (FY) 2004 Report on the National Drug Control Funding. Please transmit this information to the Office of National Drug Control Policy. In FY 2004, Customs and Border Protection reported an expenditure against direct obligations of \$795.2 million.

To address any questions you may have regarding this submission, you may contact Mr. Thierry Curtis, Office of Budget, on (202) 344-1256.

A handwritten signature in cursive script, appearing to read "R. Balaban".

Richard L. Balaban

Attachment

cc: Sunday Okurume, Office of Inspector General
David Nicholson, Border and Transportation Security

FY 2004 Accounting of Drug Control Funds

Department of Homeland Security
Office of Inspector General
Review of Detailed Accounting Submissions to ONDCP - FY 2004
Bureau of Customs and Border Protection (CBP)
A-05-08

DEPARTMENT OF HOMELAND SECURITY CUSTOMS AND BORDER PROTECTION Annual Reporting of FY 2004 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2004 Drug Control Obligations

(Dollars in Millions)

<u>Drug Resources by Function:</u>	
Intelligence	\$ 70.694
<u>Interdiction</u>	<u>724.470</u>
TOTAL	\$ 795.164
<u>Drug Resources by Appropriation:</u>	
<u>Salaries and Expenses</u>	\$ 795.164
TOTAL	\$ 795.164

1. Drug Methodology

On the basis of past practice, four organizations within Customs and Border Protection (CBP), the Office of Field Operations, the Office of Information Technology, the Office of Training and Development, and Border Patrol were provided with guidance on preparing estimates for the FY 2004 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 2004.

All four organizations identified resources in their financial plans that support the drug enforcement mission of the agency.

OFFICE OF FIELD OPERATIONS

The Interdiction and Security Division of the Office of Field Operations has identified 2,512 CBP Officer positions that are currently related to drug enforcement. In August 2003, CBP established a Consolidated National Inspectional Anti-Terrorism Contraband Enforcement Team Policy (A-TCET). Under A-TCET, the former Contraband Enforcement Team (CET), Manifest Review Unit (MRU), Non-Intrusive Inspection, Canine, and Outbound 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 85 percent of their time is devoted to drug

FY 2004 Accounting of Drug Control Funds

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

By the end of FY 2004, there were almost 700 Canine Enforcement Officers, including 17 Currency Canine Enforcement Officers, that were nearly 100 percent devoted to smuggling interdiction.

There were more than 14,000 other CBP Officers 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 Officers' time is devoted to drug-related activities.

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 CBP Officers. Additionally, the Automated Targeting System (ATS) is an automated tool that permits CBP to process advance information and focus its inspection efforts on potentially high-risk transactions and travelers. The ATS is a flexible, evolving system that integrates information from enforcement and commercial databases. In the cargo environment, ATS analyzes electronic data related to the individual shipments to profile and rank them in order of risk based on the application of algorithms and rules prior to arrival. The scores are divided into thresholds associated with further action by CBP such as document review and inspection using non-intrusive inspection technology.

ATS accesses and analyzes entry data when it is submitted electronically. Entry data is some of the most detailed and accurate information available for targeting.

Staffing data was derived as follows: Enforcement Team Officer 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 personnel are based on HRDS/AIMS data.

OFFICE OF TRAINING AND DEVELOPMENT

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

Training arrived at its estimates by reviewing all courses conducted in FY 2004 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, intelligence, or investigation. 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 broken out by, drug resources by appropriation, as well as, drug resources by function. Estimates were derived based on classes conducted, instructors, and support personnel. Firearms training was deemed

FY 2004 Accounting of Drug Control Funds

-3-

100 percent drug related in its mission and headquarters personnel were denoted as a support function to all field representatives.

Total drug resources for the Office of Training and Development are further broken down into a 98/2-percentage split between the Interdiction and Intelligence functions based upon professional judgment.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology supports the drug enforcement mission through the acquisition, support and maintenance of technology, such as non-intrusive inspection systems, through its Applied Technology Division (ATD). In addition, we maintain several automated targeting systems. Approximately 50 percent of program support resources and targeting system resources, 36 percent of acquisition resources, and 50 percent of support and maintenance resources are dedicated to drug enforcement.

BORDER PATROL

There are approximately 11,000 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 borders. These illegal entries include alien 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 398 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 linewatch functions in targeted border areas that are frequent entry points for the smuggling of drugs and people into the United States. A fleet of over 100 fixed and rotary wing aircraft are operated along the borders and perform a multitude of missions that results in the interdiction of narcotics being smuggled into the United States. CBP aircraft are currently responsible for \$ 3,200 in seized narcotics for every flight hour flown. Border Patrol pilots fly nearly 50,000 hours annually in patrolling the borders.

2. Methodology Modifications

- (a) Last year's Office of Information and Technology submission used 50% of base resources, 43% of research and development resources, 50% of acquisition resources, and 50% of support and maintenance resources were dedicated to drug enforcement. In this submission, these percentages have been adjusted to 50% of program support resources and targeting system 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 \$14 million.

Overall, these changes decrease the CBP obligation estimates in this submission by \$14 million. We believe that this estimate fairly characterizes our efforts and provides a better point for comparison against past estimates.

3. Material Weakness or Other Findings

None

FY 2004 Accounting of Drug Control Funds

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4. Reprogramming or Transfers

None

5. Other Disclosures

None

B. Assertions

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, and presents a fair and accurate picture of the CBP drug enforcement mission.

b. Other Estimate 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.

2. Application of Methodology

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

3. Reprogramming or Transfers

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

4. Fund Control Notices

The data presented are associated with obligations against the financial plan that fully complied with the fund control notice issued by the Director of The Office of National Drug Control Policy on September 19, 2004.



Department of Justice

Bureau of Prisons
Organized Crime Drug Enforcement Task Force
Office of Justice Programs
Drug Enforcement Administration

FY 2004 Accounting of Drug Control Funds



U. S. Department of Justice

Office of the Inspector General

FEB -1 2005

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

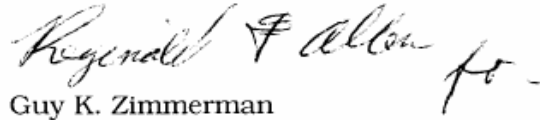
Dear Mr. Rivait:

This letter transmits the FY 2004 attestation review reports from the U. S. Department of Justice. The 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 April 18, 2003. For the Office of Justice Programs (OJP), we are also transmitting the letter from PricewaterhouseCoopers LLP withdrawing from the review engagement. This withdrawal was required by the American Institute of Certified Public Accountants' Statements on Standards for Attestation Engagements due to the disclaimer of opinion on OJP's FY 2004 financial statements.

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.

FY 2004 Accounting of Drug Control Funds

Sincerely,

A handwritten signature in cursive script that reads "Reginald F. Allen for".

Guy K. Zimmerman
Assistant Inspector General
for Audit

Enclosures



PricewaterhouseCoopers LLP
1301 K Street, N.W.
Suite 800 W
Washington DC 20005
Telephone (202) 414-1000
Facsimile (202) 414-1301

REPORT OF INDEPENDENT ACCOUNTANTS

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 Federal Bureau of Prisons (BOP) for the fiscal year ended September 30, 2004. The 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 April 18, 2003.

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.

January 26, 2005

FY 2004 Accounting of Drug Control Funds

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

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

Melinda Morgan
Director, Finance Staff
Justice Management Division

Arthur Ross
Budget Analyst
Justice Management Division

FY 2004 Accounting of Drug Control Funds



U.S. Department of Justice

Federal Bureau of Prisons

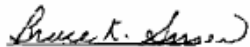
Washington, DC 20534

**Bureau of Prisons
Management's Assertion Statement
For Fiscal Year Ended September 30, 2004**

On the basis of the Bureau of Prisons (BOP) management control program, we assert that the BOP system of accounting, use of estimates, and system 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. Reprogramming and Transfer have been properly disclosed.
5. Department of Justice (DOJ) did not have any Office of National Drug Control Policy (ONDCP) Fund Control Notices issued in FY 2004.

We have documented the methodology used by BOP to identify and accumulate fiscal year 2004 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. The BOP drug control methodology has been consistently applied from the previous year.


Bruce K. Sasser
Assistant Director
for Administration

1/26/05
Date

FY 2004 Accounting of Drug Control Funds

Bureau of Prisons
Table of Drug Control Obligations
For Fiscal Year Ended September 30, 2004
(Dollars in thousands)

Actual 2004 Obligations

Drug Obligations by Function	
Treatment	<u>\$49,089</u>
TOTAL	49,089
Drug Obligations by Decision Unit	
Inmate Care and Programs	48,916
Crime Bill: Inmate Care and Programs	<u>173</u>
TOTAL	49,089
Drug Resources Personnel Summary	
Total FTEs (Direct Only)	384
Information	
Total Agency Obligations	4,672,868
Drug Percentage	1%

FY 2004 Accounting of Drug Control Funds

Disclosure No 1. Drug Control Methodology

The mission of the BOP is to protect society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, and which provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

The BOP's drug resources are dedicated one hundred percent to the drug treatment program. The Drug Treatment Program includes: Drug Program Screening and Assessment; Drug Abuse Education; Non-Residential Drug Abuse Treatment; Residential Drug Abuse Treatment; and Community Transitional Drug Abuse Treatment. All drug-related resources support the National Drug Control Strategy, core priority of "Healing America's Drug Users".

The Table of Drug Control Obligations was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circular: (a) Annual Accounting and Authentication of Drug Control Funds, dated April 18, 2003. 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 Department of Justice (DOJ) Financial Management Information System (FMIS). FY 2004 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 N.F.C. 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 not been changed from the prior year (FY 2003). Only direct obligations associated with Drug Treatment Programs in the Table of Drug Control Obligations are reported.

FY 2004 Accounting of Drug Control Funds

Disclosure No 3. Material Weaknesses and other Findings

The results of BOP's FY 2004 financial statements audit revealed no material weaknesses. However, there is a reportable condition, the FMIS2 weaknesses identified at Offices, Boards and Divisions (OBDs) also apply to BOP because BOP uses the FMIS2 accounting system maintained by OBDs. The findings were specifically in the area of entity-wide security program planning, management of logical access controls, management of change control, and segregation of duties. The DOJ Management concurs with the recommendation. The Chief Information Officer is committed to implementation of corrective actions that provide adequate security controls and protect sensitive information. The corrective action plan will include time frames for correcting major events. Sources reviewed include: (a) the FY 2004 Report of Independent Auditors, Report of Independent Auditors on Internal Controls, and the Report of Independent Auditors on Compliance with other matters; (b) Office of the Inspector General Reports; and (c) the DOJ Performance and Accountability Report.

Disclosure No 4. Reprogramming or Transfers

See attached Table

Obligations include approved Reprogramming and Transfer.

Disclosure No 5. Public Health Service (PHS) Funding

The BOP allocates funds to the PHS. The PHS provides a portion of the drug treatment for federal inmates. In FY 2004, \$881,000 was transferred from the BOP to PHS, and was designated and expended for current year obligations of PHS staff salaries, benefits, and applicable relocation expenses relating to nine PHS FTEs during fiscal year 2004. Therefore, the transferred obligations and PHS FTEs were included in BOP's Table of Drug Control Obligations.

Disclosure No 6. Obligations from Carryover Unobligated Balances

The Table of Drug Control Obligations includes \$173,000 from carryover unobligated balances.

Disclosure No 7. Other Disclosures

The DOJ did not have any ONDCP fund control notices issued in FY 2004.

Attachment

FY 2004 Accounting of Drug Control Funds

Federal Prisor System
Total Direct Resources
Reprogramming and Transfer
FY 2004
(Dollars in thousands)

	Unobligated Balances Brought Forward	Unobligated Balances Transferred	Enacted BA	Rescission	Repro- gramming	Transfer	Total Availability
Availability by Appropriation:							
Salaries and Expenses	\$548	\$13,000	\$4,461,257	(\$46,944)	0	\$16,000	\$4,443,861
Buildings and Facilities	538,724	0	397,700	(56,080)	0	(16,000)	864,344
Total	539,272	13,000	4,858,957	(103,024)	0	0	5,308,205
Availability by Decision Unit:							
Inmate Care and Programs	0	0	1,641,581	(13,273)	0	0	1,624,308
Crime Bill: Inmate Care and Programs	173	0	0	0	0	0	173
Institution Security and Administration	375	0	2,072,222	(27,805)	0	7,200	2,057,992
Contract Confinement	0	13,000	580,582	(1,109)	0	8,800	596,273
Management and Administration	0	0	166,872	(1,757)	0	0	165,115
New Construction/ M&R	538,724	0	357,700	(56,080)	0	(16,000)	864,344
Total Availability	539,272	13,000	4,858,957	(103,024)	0	0	5,308,205



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REPORT OF INDEPENDENT ACCOUNTANTS

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, 2004. The 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 April 18, 2003.

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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

January 19, 2005

FY 2004 Accounting of Drug Control Funds



U.S. Department of Justice

Criminal Division

Executive Office for the
Organized Crime Drug Enforcement Task Forces

Washington, DC 20530

January 19, 2005

Organized Crime Drug Enforcement Task Force (OCDETF) Management's Assertion Statement For Fiscal Year Ended September 30, 2004

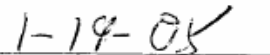
On the basis of OCDETF's management control program, we assert that the OCDETF program's system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

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. The Department of Justice (DOJ) did not have any Office of National Drug Control Policy (ONDCP) Fund Control Notices issued in FY 2004.

We have documented the methodology used by OCDETF to identify and accumulate FY 2004 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. The OCDETF program's drug control methodology has been consistently applied from the previous year.


Gene Hausler
Acting Chief, Administration and Budget

Date



FY 2004 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, 2004

Dollars in Thousands	Actual 2004 Obligations		
	Decision Unit Crosswalk		
Drug Obligations by Function	<u>Previous</u>	<u>Realignment</u>	<u>Revised</u>
Investigations	\$414,825	\$0	\$414,825
Prosecution	102,901	0	102,901
Intelligence	16,446	0	16,446
Total	<u>\$534,172</u>	<u>\$0</u>	<u>\$534,172</u>
Drug Obligations by Decision Unit 1/			
Investigations:			
Drug Enforcement Administration	\$165,057	\$3,777 2/	\$168,834
Federal Bureau of Investigation	113,493	14,693	128,186
U.S. Marshals Service	2,125	15	2,140
Alcohol, Tobacco, Firearms and Explosives	11,363	83	11,446
Immigration and Customs Enforcement	47,324	344	47,668
Internal Revenue Service	72,469	528	72,997
U.S. Coast Guard	0	0	0
Subtotal	<u>411,831</u>	<u>19,440</u>	<u>431,271</u>
Drug Intelligence:			
Drug Enforcement Administration	2,560	(2,560)	
Federal Bureau of Investigation	13,767	(13,767)	
Subtotal	<u>16,327</u>	<u>(16,327)</u>	
Prosecution:			
U.S. Attorneys	99,557	725	100,282
Criminal Division	2,006	15	2,021
Tax Division	594	4	598
Subtotal	<u>102,157</u>	<u>744</u>	<u>102,901</u>
Administrative Support:			
Executive Office for OCDETF	3,857	(3,857)	
Total	<u>\$534,172</u>	<u>0</u>	<u>\$534,172</u>
Drug Resources Personnel Summary:			
Total FTEs (all reimbursable)	3,947		3,947
Information:			
Total Agency Obligations	\$534,172		\$534,172
Drug Percentage	100%		100%

1/ Decision Units reflect OMB approved restructuring. The OCDETF 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 obligated balance available includes reprogrammed carryover funds in the amount of \$500,000 to DEA to improve and modify the Colorado Highlands Ranch Law Enforcement Training Facility firing ranges and associated areas.

FY 2004 Accounting of Drug Control Funds

Disclosure No 1. - Drug Control Methodology

OCDETF is comprised of member agencies from three different Departments; the Department of Justice (DOJ), the Department of Treasury (Treasury), and the Department of Homeland Security (DHS). Beginning in FY 1998 and continuing through FY 2003, OCDETF member agencies were funded through separate appropriations with DOJ, Treasury and Transportation. As part of the FY 2004 budget, OCDETF requested and received funding for all participating agencies under a consolidated DOJ appropriation. As a result, 783 positions//FTE and \$111,625,000 was transferred from the Departments of Treasury and Homeland Security to the DOJ Interagency Crime and Drug Enforcement Appropriation.

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) Budget Execution, dated April 18, 2003 and (b) Budget Formulation, dated May 13, 2004. 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:

- a. Investigations Function - This function includes the reimbursable resources that support investigative activities of the following participating agencies: the Drug Enforcement Administration; Federal Bureau of Investigation; the Bureau of Alcohol, Tobacco, Firearms and Explosives; U.S. Marshals Service; the Internal Revenue Service; U.S. Immigration and Customs Enforcement; and the U.S. Coast Guard. The methodology applies 100 percent of the resources that support OCDETF investigative activities.
- b. 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.

FY 2004 Accounting of Drug Control Funds

- c. 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.
- d. 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 3,947.

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 continue to 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. 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

The results for the Department of Justice Offices, Boards and Divisions (OBD's) FY 2004 Independent Auditor's Report on Internal Control Over Financial Reporting revealed no material weaknesses. However, the audit noted a reportable condition relating to the OBD's information technology (IT) controls. Specifically, the findings were in the area of entity-wide program planning, management of logical access controls, management of change control, and segregation of duties. These findings, while not a material weakness nor specifically directed to OCDETF, are being reported by OCDETF as an "other finding" because of their undetermined impact on the presentation of the prior year drug-related obligations.

The Department's Finance Staff is currently addressing these IT findings by implementing the following corrective actions: formally designating Information Systems Security Manager (ISSM) and Information Systems Security Officer (ISSO) duties; requiring responsible individuals to attend DOJ IT systems security workshops; developing and offering additional IT system training to all users; updating the current Financial Management Information System (FMIS2) Security Plan and establishing procedures and practices for enforcing OBD users to sign non-disclosure agreements; updating DOJ Finance Staff leave policies to include procedures related to reassigned duties in the absence of employees; implementing an automated facility to review and remove inactive FMIS2 accounts; continuing to improve the efficiency and effectiveness of its change management process and revising the Configuration Plan to ensure compliance to DOJ standards; monitoring conflicting duties within the FMIS2 system and reviewing employee' functions; and purchasing new centralized equipment to replace the individual legacy systems.

FY 2004 Accounting of Drug Control Funds

Disclosure No 4. - Reprogrammings or Transfers

Total availability consists of enacted budget authority plus unobligated balances brought forward. OCDETF FY 2004 obligations include all approved reprogrammings and transfers. In FY 2004, OCDETF reprogrammed \$500,000 from its no-year account (15X0323) to improve and modify the Colorado Highlands Law Enforcement Training Facility firing ranges and associated areas in order to enhance the training opportunities afforded DEA, other federal law enforcement agencies and state and local law enforcement components that utilized the training facility.

Disclosure No 5. - Obligations From Carryover Funds

In FY 2004, \$12,073,000 in unobligated balances was brought forward from FY 2003 and available for new obligations. Of this amount, \$500,000, as reported under Disclosure No 4. was established as a new obligation during FY 2004.

Disclosure No. 6 - 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 (DOJ) did not have any Office of National Drug Control Policy (ONDCP) Fund Control Notices issued in FY 2004.

FY 2004 Accounting of Drug Control Funds

Interagency Crime and Drug Enforcement Reprogrammings and Transfers FY 2004 (Dollars in thousands)						
Line Item	Unobligated Balances Brought Forward 2	Enacted BA	Reprogramm- ings 2/	Rescission 3/	Transfer 4/	Total Availability
Drug Resources by Function						
Investigations	0	\$422,836	500	(\$4,449)	(\$2,090)	\$416,797
Prosecution	0	105,423	0	-1,110	0	104,313
Intelligence	0	28,206	0	-297	0	27,909
Undistributed	12,073	0	0	0	0	12,073
Total	12,073	556,465	500	-5,856	-2,090	561,092
Drug Resources by Decision Unit 1/						
Investigations:						
Drug Enforcement Administration	0	170,188	500	-1,792	-2,090	166,807
Federal Bureau of Investigation	0	115,903	0	-1,219	0	114,684
U.S. Marshals Service	0	2,171	0	-23	0	2,148
Alcohol, Tobacco, Firearms and Explosives	0	11,603	0	-121	0	11,482
Immigration and Customs Enforcement	0	48,330	0	-509	0	47,821
Internal Revenue Service	0	74,008	0	-779	0	73,229
U.S. Coast Guard	0	612	0	-6	0	606
Subtotal	0	422,836	500	-4,449	-2,090	416,797
Drug Intelligence:						
Drug Enforcement Administration	0	6,459	0	-69	0	6,390
Federal Bureau of Investigation	0	21,747	0	-228	0	21,519
Subtotal	0	28,206	0	-297	0	27,909
Prosecution:						
U.S. Attorneys	0	101,672	0	-1,070	0	100,602
Criminal Division	0	2,746	0	-29	0	2,717
Tax Division	0	1,005	0	-11	0	994
Subtotal	0	105,423	0	-1,110	0	104,313
Undistributed	12,073	0	0	0	0	12,073
Total	12,073	556,465	500	-5,856	-2,090	561,092

1/ Decision Units reflect OMB approved restructuring. The OCEDEF programs four decision units: Law Enforcement, Drug Intelligence, Prosecution, and Administrative Support.

2/ Includes reprogrammed carryover funds in the amount of \$500,000 to improve and modify the Colorado Highlands Ranch Law Enforcement Training facility long term and

3/ Funds included as required by 2004 Omnibus Appropriations Act, P.L. 108-199, January 27, 2004--Section 638 (b)

4/ Represents radio resources transferred to the DOJ Homeland Communications Account as required by P.L. 108-199.

FY 2004 Accounting of Drug Control Funds



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Suite 800 W
Washington DC 20005
Telephone (202) 414-1000
Facsimile (202) 414-1301

January 28, 2005

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

Your office engaged PricewaterhouseCoopers LLP to review the 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, 2004. However, we were unable to complete the engagement, as explained below.

In our Report of Independent Auditors, dated October 27 and November 12, 2004, we reported that "Since OJP did not have effective internal controls over the computerized information systems it uses to process grant transactions; did not provide adequate documentation to support its reconciliation of the grant and non-grant subsidiary ledgers to the general ledger; and did not adequately respond to our inquiries about advances from others and transfers in/out without reimbursement and related budgetary accounts, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements."

For a review engagement of the Table of Drug Control Obligations and related disclosures, our comfort is primarily derived from tracing and agreeing obligation amounts reported in the table back to the entity's audited financial statements and general ledger reports; however, because of the matters noted in the previous paragraph, we are not able to determine if OJP's reported obligation amounts are materially correct.

Our inability to determine if OJP's obligation amounts are materially correct constitutes a restriction on the scope of our review engagement; therefore, in accordance with the Statements on Standards for Attestation Engagements promulgated by the American Institute of Certified Public Accountants, we are required to withdraw from the review engagement. Accordingly, we are unable to issue a review report on OJP's Table of Drug Control Obligations.

Should you have any questions regarding this matter, please contact John Brown, Project Manager, or me at 202-414-1000.

Respectfully,

A handwritten signature in cursive script that reads "Patrick L. McNamee".

Patrick L. McNamee
Partner

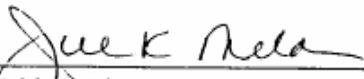
FY 2004 Accounting of Drug Control Funds

Office of Justice Programs Management's Assertion Statement for Fiscal Year Ended September 30, 2004

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 Fund Control Notices issued in FY 2004.

We have documented the methodology used by OJP to identify and accumulate FY 2004 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 April 18, 2003. As described in the attached, the number of programs reported has been increased from eight programs to ten programs to conform with the revised ONDCP guidance, which now requires OJP to report obligations for the Prescription Drug Monitoring Program and Methamphetamine Enforcement and Lab Cleanup Program, specified in Attachment B of the ONDCP Circular, *Budget Formulation*, May 13, 2004.



Jill R. Meldon, Director
Office of Budget and Management Services
OJP Official Responsible for Assertion

1/28/05

Date

FY 2004 Accounting of Drug Control Funds

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*, April 18, 2003 and (2) *Budget Formulation*, May 13, 2004.

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 2004 ONDCP guidance, OJP's FY 2004 accounting of drug control obligations includes total obligations associated with the ten budget decision units identified for the National Drug Control Budget. Funds for eight of these decision units are directly appropriated to OJP; the funding for the Southwest Border Prosecution and Methamphetamine Enforcement and Lab Cleanup Programs are appropriated to the Community Oriented Policing Services (COPS). Funds are transferred to OJP for the administration of the Southwest Border Program. For the Methamphetamine Enforcement and Lab Cleanup Program, however, funds are transferred to the Drug Enforcement Administration (DEA) for administration of the program. Decision units include the following:

- Arrestee Drug Abuse Monitoring (ADAM)
- Regional Information Sharing System (RISS)
- Drug Prevention Demonstration Program
- Weed and Seed Program
- Drug Courts
- Residential Substance Abuse Treatment (RSAT) Program
- Enforcing Underage Drinking Laws
- Prescription Drug Monitoring
- Southwest Border Prosecution Initiative (COPS)
- Methamphetamine Enforcement and Lab Cleanup (COPS)

In determining the level of resources used in support of nine of these budget decision units (excluding Methamphetamine Lab Cleanup), OJP used the following methodology:

- Drug Program Obligations by Decision Unit: For nine of the budget decision units, data on obligations as of September 30, 2004 were gathered from OJP's Integrated Financial Management Information System (IFMIS), Report ID: GL2e - Obligations by Budget Activity by Fund Type (Accounting Period 2004 01 to 2004 12). 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

FY 2004 Accounting of Drug Control Funds

presented for OJP is net reimbursements and funds obligated under the Crime Victims Fund, Public Safety Officers Benefit Program, the Office on Violence Against Women, and non-OJP programs.

- Management and Administration (M&A) Data. M&A costs were calculated by applying the relative percentage of Full-Time Equivalent (FTE) assigned to the nine 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 IFMIS Report ID: GL2e- Obligations by Budget Activity by Fund Type (Accounting Period 200401 to 200412). There are no M&A costs associated with the Methamphetamine Enforcement and Lab Cleanup program, as this program is not administered by OJP.

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, state and local assistance, and treatment. The method used to allocate OJP funds to ONDCP functions 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 2004," shows: (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 IFMIS 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 2004, OJP is reporting 100 percent of the obligations related to the nine budget decision units included in the National Drug Control Budget, as specified in the ONDCP Circular, *Budget Formulation*, April 18, 2003.

FY 2004 Accounting of Drug Control Funds

The methodology used to determine the total FY 2004 obligations related to the nine programs appropriated to OJP is the same used in the FY 2003 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 2003, 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: GL2e- Obligations by Budget Activity by Fund Type (Accounting Period 200401 to 200412).

Disclosure 3: Material Weaknesses and Other Findings

The FY 2004 Financial Statement Audit Report noted five matters that are considered to be material weaknesses. These weaknesses, as well as OJP corrective action plan responses are listed below:

1. Weaknesses existed in cross-cutting elements of OJP's internal control over financial reporting.

In response to recommendations, OJP will comply by conducting the following activities:

- establish an Internal Audit Branch (IAB) within the Office of the Comptroller's (OC) Monitoring Division, which will develop policies and procedures that address internal control processes in FY 2005. Internal control training will be provided to financial and program managers within OJP;
- develop and implement policies for the review of accounting and financial management rules and regulations, briefing management on changes and updates;
- update reconciliation policies and procedures to include cash, Cost Posting/General Ledger and General Ledger account reconciliations; and
- improve the monitoring of contractors by developing an AAG instruction that identifies the procedures that must be followed. Additionally, the IAB will include monitoring of contractors in the entity-wide risk assessment and internal control reviews that will be implemented.

2. OJP lacked adequate financial management system controls.

In response to recommendations, OJP will comply by implementing the following activities:

- have the newly selected Chief Information Officer (CIO) be responsible for establishing an organization aligned with the Department's to ensure that a consistent OJP-wide information technology (IT) security program is formally instituted;
- develop and update policies and procedures to include auditing general support and major application systems to implement the process for ensuring compliance with OJP's and the Department's IT security programs;
- develop a corrective action plan to certify and accredit the LOCES application and to ensure all OJP systems are identified in the system inventory and have a valid certification and accreditation;
- develop and promulgate processes and procedures for granting and removing user access, account management for privileged and non-privileged users and management of service and generic accounts to ensure continued compliance with Department standards;
- develop a corrective action plan to ensure patch and configuration management is implemented and enforced in accordance with Department standards;
- continue to implement the OJP-wide configuration management plan (CM) and process developed to address the inconsistencies between OC and the OJP CIO;
- develop an action plan to ensure policies and procedures for processing and reconciling data from feeder applications to the core general ledger system are implemented;
- further develop the IT disaster recovery plan to include all elements as required by Department standards;
- explore alternate processing facilities and develop a plan for migration to an alternate processing facility if the current processing facility is not available for an extended period of time;
- maintain a schedule in conjunction with Department level contingency plan testing to ensure all systems are tested annually; and
- generate copies of technical and user documentation for major business applications and general support systems and ensure that Business Continuity, Contingency Planning and other applicable documentation are stored at the off-site storage location.

FY 2004 Accounting of Drug Control Funds

3. Weaknesses existed in OJP's grant accounting and monitoring.

In response to recommendations, OJP will comply by implementing the following activities:

- establish policy and procedures that will require a monthly reconciliation of the cost posting (CP) and general ledger (GL) balances, with training provided to individuals who enter grant awards and subsequent adjustments, Automated Clearing House Vender/Miscellaneous Payment Enrollment Forms, and Financial Status Reports (SF-269) into IFMIS;
- perform periodic monitoring of information entered into the accounting system by analyzing the differences between the CP module and the GL and resolving differences;
- track and report on the accuracy of the "Federal Share of Outlays" that is reported by grantees as one field on the SF-269 to better assess the impact on the grant accrual (effective October 1, 2004);
- leverage the JMD contract to audit improper payments that may have been made under the Southwest Border and Bullet Proof Vest programs, as well as develop internal control procedures to monitor and review the system generated SCAAP award documents to detect system errors or incorrect system calculated award amounts; and
- analyze its grant accrual methodology during the first quarter of FY 2005. If the analysis supports a change to grant accrual methodology, changes will be made to better reflect a more reasonable estimate.

4. OJP was unable to provide sufficient support for adjusting entries.

In response to recommendations, OJP will comply by updating its current reconciliation policies and procedures to include monthly reconciliations of CP and GL balances, netting the difference to zero. Specifically, OJP will incorporate: (1) the requirement to provide better explanations in IFMIS for entering a JV; (2) establishing a specific JV account; and (3) storage and retention of JV's and their supporting documentation.

5. OJP lacked effective internal controls to ensure compliance with generally accepted accounting principles.

In response to recommendations, OJP will comply by implementing the following activities:

- ensure that financial policies and procedures are consistent with generally accepted accounting principles by tasking the Training and Policy Division to review, analyze, report and train the appropriate OJP employees on new and revised government-wide financial management laws, rules, regulations, policies and guidelines; and

FY 2004 Accounting of Drug Control Funds

- AAG will issue an "Instruction" to the program offices (during the first quarter of FY 2005) reminding them of their responsibility to closeout grants in a timely manner.

Disclosure 4: Reprogrammings or Transfers

In accordance with the ONDCP Circular, OJP continues to report on obligations related to the Southwest Border (SWB) Prosecution Program, shown as a reimbursement of \$49.02 million in FY 2004. In the past, obligations for this program were reported by COPS.

Disclosure 5: Other Disclosures

- In FY 2004, the Department of Justice received no Fund Control Notices.
- Of the total FY 2004 actual obligations amount, \$53.9 million are a result of carryover unobligated resources.

FY 2004 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, 2004
 (in thousands of dollars)

	<u>FY 2004 Actual Obligations</u>
Drug Obligations by Function:	
Prevention	\$34,828
State and Local Assistance	138,110
Treatment	<u>46,043</u>
Total	\$218,981
Drug Obligations by Decision Unit:	
Arrestee Drug Abuse Monitoring	\$935
Regional Information Sharing System	30,097
Juvenile Drug Prevention Program	1,564
Executive Office for Weed and Seed	56,897
Drug Courts Program	41,874
Residential Substance Abuse Treatment	4,169
Title V: Enforcing Underage Drinking Laws	26,639
Prescription Drug Monitoring Program	7,345
Southwest Border Prosecution	<u>49,461</u>
Total*	\$218,981
Methamphetamine Lab Cleanup ^{1/}	19,790
Drug Resources Personnel Summary:	
Total FTE	58.3
Information	
Total Agency Obligations ^{2/}	\$2,096,807
Drug Percentage	10.4%

^{1/} Funding for the Methamphetamine Lab Cleanup Program is transferred from COPS to DEA for program administration, therefore, obligations are not tracked by OJP. FY 2004 total obligations for the program were reported to OJP by the COPS budget office.

^{2/} Total Agency Obligations exclude PSOB and CVF

Note: Total amounts include management and administrative costs.

FY 2004 Accounting of Drug Control Funds

Office of Justice Programs
Reprogrammings and Transfers
FY 2004
(in thousands)

Table Line Item	Unoblig Bal	Enacted	Rescission	Reprogrammings	Transfers		Total Availability
	Forward & Recoveries	BA			In	Out	
Drug Obligations by Function:							
State and Local Assistance	30,845	126,216	(1,322)	---	---	(294)	155,445
Prevention	2,521	32,065	(263)	---	---	---	34,323
Treatment	20,556	41,631	(405)	---	---	(8,119)	53,663
Total.....	53,922	199,912	(1,990)	0	0	(8,413)	243,431
Drug Obligations by Decision Unit:							
Arrestee Drug Abuse Monitoring Program	---	652	---	---	---	---	652
Regional Information Sharing System	17	30,000	(316)	---	---	---	29,701
Title V: Enforcing Underage Drinking Laws	893	25,000	(263)	---	---	---	25,630
Juvenile Drug Prevention Program	1,523	---	---	---	---	---	1,523
Executive Office for Weed and Seed	1,052	58,542	(616)	---	---	---	58,978
Drug Courts Program	7,945	38,500	(405)	---	---	(4,119)	41,921
Residential Substance Abuse Treatment	12,611	---	---	---	---	(4,000)	8,611
Prescription Drug Monitoring Program	4,119	7,000	(74)	---	---	(294)	10,751
Southwest Border Prosecution*	25,762	30,000	(316)	---	---	---	55,446
Management & Administration, Direct	---	10,218	---	---	---	---	10,218
Total.....	53,922	199,912	(1,990)	0	0	(8,413)	243,431
Methamphetamine Lab Cleanup ¹¹	---	20,000	(210)	---	---	---	19,790

¹¹ Funding for the Methamphetamine Lab Cleanup Program is transferred from COPS to DEA for program administration, therefore, obligations are neither tracked by, nor calculated in OJP obligations. FY 2004 budget authority for the program was reported to OJP by the COPS budget office.

Source: Unobligated balances brought forward and enacted budget authority extracted from OBMS chart entitled, "EOY Unobligated Balances 2003"



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REPORT OF INDEPENDENT ACCOUNTANTS

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, 2004. The 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 April 18, 2003.

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.

January 31, 2005

FY 2004 Accounting of Drug Control Funds



U. S. Department of Justice
Drug Enforcement Administration

Drug Enforcement Administration Management's Assertion Statement For Fiscal Year ended September 30, 2004

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. The Department of Justice did not have any ONDCP Fund Control Notices issued in FY 2004.

We have documented the methodology used by DEA to identify and accumulate FY 2004 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. As described in disclosure two of DEA's FY 2004 Annual Accounting of Drug Control Funds, DEA's reporting methodology has been modified to reflect obligations associated with unobligated balances brought forward and recoveries to be consistent with other Department of Justice components.


Frank M. Kalder, Chief Financial Officer

1-31-05
Date

FY 2004 Accounting of Drug Control Funds

Drug Enforcement Administration
For Fiscal Year Ending September 30, 2004
(Dollars in thousands)

	FY 2004 Actual Obligations
Drug Resources by Function:	
Investigations	\$ 1,250,383
Intelligence	196,087
International	269,092
State & Local Assistance	12,804
Prevention	9,039
Research and Development	-
Total	\$ 1,737,405
Drug Resources by Decision Unit:	
ADP	\$ 110,649
Chemical	20,925
Domestic Enforcement	512,821
Foreign	227,964
Intelligence	130,705
Labs	84,800
M&A	129,681
RETO	132,834
State & Local	255,834
Training	25,757
Total S&E	\$ 1,631,970
Construction	-
Drug Diversion Control Fee Account	105,435
Total	\$ 1,737,405
Drug Resources Direct Personnel Summary:	
Total FTE	7,756
Total Agency Budget	\$ 1,737,405
Drug Percentage	100.0%

FY 2004 Accounting of Drug Control Funds

Disclosure 1: Drug Control Methodology

The mission of the Drug Enforcement Administration (DEA) is to enforce the controlled substances laws and regulations of the United States and to bring to the criminal and civil justice system of the United States or any other competent jurisdiction, those organizations, and principal members of organizations, involved in the growing, manufacture, or distribution of controlled substances appearing in or destined for illicit traffic in the United States; and to recommend and support 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 and the Chemical Diversion and Trafficking Act (CDTA) as they pertain to the manufacture, distribution, and dispensing of legally produced controlled substances and chemicals;
- 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 April 18, 2003; and, (b) Budget Instructions and Certification

FY 2004 Accounting of Drug Control Funds

Procedures, dated April 18, 2003. The table represents obligations incurred by the DEA for drug control purposes and reflects 100 percent of the DEA's mission. The table does not include obligations associated with DEA's reimbursable resources or resources transferred from ONDCP's HIDTA program.

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 2004 and associated 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. 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 2004 obligations associated with DEA's investigations efforts were estimated at \$1,250,383 thousand. DEA's investigations efforts include: 100% of the Chemical, Domestic Enforcement, and Laboratory Services decision units and the Diversion Control Fee Account; 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 2004 obligations associated with DEA's intelligence efforts were estimated at \$196,087 thousand. 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 2004 obligations associated with DEA's international efforts were estimated at \$269,092 thousand. 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 2004 obligations associated with DEA's State and local assistance efforts were estimated at \$12,804 thousand. This includes 4% of the State and Local Task Force decision unit, and 1% of the ADP, M&A and Training decision units.

FY 2004 Accounting of Drug Control Funds

- e. Prevention Function. FY 2004 obligations associated directly with DEA's demand reduction efforts include actual payroll and program funds, and estimated overhead for Headquarters and Field offices at \$9,039 thousand.
- f. Research and Development Function. There were no FY 2004 obligations associated with DEA's research and development.
- g. Decision Units. One hundred percent of DEA's total obligations by decision unit were associated with drug enforcement. This total is reported as tracked in FFS.
- h. FTEs. One hundred percent of all DEA FTEs are dedicated to drug enforcement efforts. DEA's Direct FTE total for FY 2004 was 7,756.
- i. Summary Information. One hundred percent of all DEA obligations are incurred for drug enforcement purposes.

Disclosure 2: Modification of Drug Enforcement Accounting Method

FY 2004 is the first year that DEA is including obligations associated with its unobligated balances brought forward and recoveries. This change was made so that DEA's reporting methodology would be consistent with other Department of Justice components. Total FY 2004 obligations reported would have been \$1,655,845 thousand using the previous methodology, the difference of \$81,560 thousand results from unobligated balances brought forward and recoveries.

Disclosure 3: Material Weaknesses and Other Findings

The results of DEA's FY 2004 financial statements audit revealed no material weaknesses. The audit report, however, noted a Reportable Condition in the following area:

- Implementation of effective controls and processes to address vulnerabilities in Information Technology (IT) general access controls.

During FY 2005, DEA will work with DOJ's Office of the Chief Information Officer (OCIO) Security Officer to help identify better techniques and or procedures to help correct this finding, and will concurrently continue to identify automated enterprise-wide solutions. DEA continues to develop the security workbench's Validation, Integrity, & Penetration Response (VIPR) Portal project, which will provide an automated mechanism for supervisors to immediately validate or terminate subordinate users' (including contractors and task force users) access to all DEA IT systems.

Disclosure 4: Reprogrammings and Transfers

In FY 2004, DEA submitted two reprogramming requests. The first reprogramming request included the technical reprogramming of \$17,000 thousand and a one-time transfer of \$34,500

FY 2004 Accounting of Drug Control Funds

thousand from DOJ's Working Capital Fund to the DEA Salaries & Expenses (S&E) account. The following has been approved:

- A technical realignment of \$17,000 thousand for DEA's decision units to more accurately reflect payroll costs.
- A one-time transfer of \$34,500 thousand from DOJ's Working Capital Fund to DEA's S&E account to be used for information technology investments normally funded from DEA's S&E base, thereby making available S&E base funds to cover priority one-time needs in FY 2004. This action included a request for authority to construct a Clandestine Laboratory Training Facility in Quantico, Virginia. This action has the following two components:
 - ❖ A one-time action to reprogram a total of \$30,543 thousand between various decision units to meet priority operational resource requirements.
 - ❖ An additional \$3,957 thousand redistributed within the Automated Data Processing decision unit to high priority one-time requirements.

The second reprogramming action within DEA reflects a permanent reprogramming action that realigns 47 positions, 24 FTE and \$6,321 thousand from the Domestic Enforcement decision unit to the Foreign Cooperative Investigations Program decision unit. The following has been approved:

- Realignment of 22 positions and \$3,327 thousand from the Domestic Enforcement decision unit to the Foreign Cooperative Investigations Program decision unit.

Disclosure 5: Other Disclosures

- The Department of Justice did not have any ONDCP Fund Control Notices issued in FY 2004.
- Total FY 2004 obligations reported include \$81,560 thousand of unobligated balances brought forward and recoveries.

FY 2004 Accounting of Drug Control Funds

**Department of Justice
Drug Enforcement Administration
Table of FY 2004 Reprogrammings and Transfers
(Dollars in Thousands)**

	Recoveries & Unobligated Balances Brought Forward ¹	Enacted Budget Authority	Spending Authority from Offsetting Collections ²	Rescissions	Reprogrammed	Transfers In	Transfers Out ³	Total Availability
Drug Resources by Function								
Investigations	\$ 89,281	\$ 1,260,063	\$ 2,145	\$ (12,011)	\$ (10,559)	\$ 17,136	\$ (4,247)	\$ 1,341,808
Intelligence	4,691	192,103	544	(2,022)	3,331	-	(162)	198,484.74
International	41,146	246,285	1,650	(2,591)	6,584	-	-	293,073.52
State & Local Assistance	848	12,780	2	(134)	147	714	-	14,356.27
Prevention	181	8,658	17	(91)	497	-	-	9,262.50
R & D	976	-	-	-	-	-	-	976.00
Total	\$ 137,123	\$ 1,719,888	\$ 4,359	\$ (16,850)	\$ 0	\$ 17,850	\$ (4,409)	\$ 1,857,961
Drug Resources by Decision Unit								
ADP	\$ 10,728	\$ 140,814	\$ -	\$ (1,482)	\$ (33,843)	\$ -	\$ -	\$ 116,217
Drug & Chemical Diversion Control	572	23,194	-	(244)	(300)	-	(273)	22,949
Domestic Enforcement	47,161	505,585	511	(5,320)	(3,043)	-	(3,512)	541,382
Foreign Cooperative Investigations	38,938	201,300	1,613	(2,118)	10,791	-	-	250,524
Intelligence	1,293	125,982	-	(1,326)	5,300	-	-	131,249
Laboratory Services	9,748	81,701	-	(860)	(1,753)	-	-	88,836
Management & Administration	2,601	124,281	250	(1,308)	7,134	-	-	132,958
Research, Engineering and Technical Operations	6,698	124,545	1,985	(1,310)	4,564	-	(624)	135,858
State and Local Task Forces	17,754	249,205	-	(2,622)	10,240	17,850	-	292,427
Training	654	24,720	-	(260)	910	-	-	26,024
Construction	976	-	-	-	-	-	-	976
Diversion Control Fee Account	-	118,561	-	-	-	-	-	118,561
Total	\$ 137,123	\$ 1,719,888	\$ 4,359	\$ (16,850)	\$ -	\$ 17,850	\$ (4,409)	\$ 1,857,961

¹ Recoveries & Unobligated Balances Brought Forward: Was reduced to exclude \$1,834 of Reimbursement resources.

² This amount reflects the source of proceeds from the sale of Official Government Vehicles (OGVs), i.e. Foreign, Domestic, or any other decision unit. DEA's authority to use OGV proceeds allows DEA to allocate funds to purchase vehicles based on need in any program or decision unit.

³ Transfer Out: Funds transferred to DOJ for the Wire Management Office.

Department of State

Bureau of International Narcotics
and Law Enforcement Affairs

FY 2004 Accounting of Drug Control Funds



United States Department of State

Deputy Chief Financial Officer

Washington, D.C. 20520

Dear Mr. Rivait:

In accordance with the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated April 18, 2003, the Department of State is submitting Fiscal Year (FY) 2004 obligation information on its drug control program. The Inspector General's attestation is included as an enclosure.

DISCLOSURES

Obligations, Reprogramming, and Transfers

The Department is providing detailed financial information on the drug control program obligations of the Bureau of International Narcotics and Law Enforcement Affairs (INL) in accordance with Section 6a of the ONDCP Circular, *Drug Control Accounting*. The obligation information is provided in a comparative format to show Department performance on the INL drug control program for FY 2003 and FY 2004. The reprogramming and direct apportionment information for FY 2004, which immediately follows the table of drug control obligations, is complete. ONDCP approved all reprogramming over \$5 million.

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

FY 2004 Accounting of Drug Control Funds

-2-

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

Drug Control Obligations:

(In Millions)

	FY2003 <u>Actual</u>	FY2004 <u>Actual</u>
Drug Resources by Drug Control Function		
Interdiction	\$ 29.175	\$ 53.472
International	<u>932.672</u>	<u>797.126</u>
Total	\$961.847	\$850.598

Drug Resources by Decision Unit

International Narcotics and Law Enforcement (INCLE) ³	\$ 144.152	\$161.815
INCLE - Pakistan ERF Supplemental	4.123	0.000
INCLE - Afghanistan IRRF Supplemental	0.000	50.000
ACI Supplemental ¹	34.000	10.900
Andean Counterdrug Initiative (ACI) ²	<u>779.572</u>	<u>627.883</u>
Total	\$ 961.847	\$850.598

Drug Resources by Function and Decision Unit

Interdiction: INCLE	\$ 24.552	\$ 47.293
Interdiction: ACI	4.623	6.179
International: INCLE	144.152	114.522
International: ACI	784.397	632.604
International: INCLE – Afghanistan IRRF Supplemental	0.000	50.000
International: INCLE - Pakistan ERF Supplemental	<u>4.123</u>	<u>0.000</u>
Total	\$ 961.847	\$ 850.598

Drug Resources Personnel Summary

Total FTE (Direct Hire Authorized)	166	204
------------------------------------	-----	-----

Information

Total Agency Budget	\$ 1,002.539	*\$1,461.299
Drug-Related Percentage	95.9 %	58.21%

* Includes \$494,338,000 in Supplemental funding.

Direct Apportionments, Transfers and Reprogramming

The direct apportionment and reprogramming actions listed below are included in the FY 2004 drug-related obligations reported in the preceding table.

1. Transferred from FMF, \$10.9 million to ACI for Colombia.
2. Directly apportioned \$227.85 million of INCLE funds to USAID to be used for economic and social programs, after applying the .59% recession.
3. Transferred from IRRF, \$17.163 million to INCLE for reimbursement of funds reprogrammed in FY 03.

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.

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 under the Interdiction drug control function. All other drug control obligations are reported under the International drug control function. Funding under the Andean Counterdrug Initiative (ACI) appropriation started in FY 2002. This addition resulted in INL funding being divided between the ACI and International Narcotics Control and Law Enforcement (INCLE) decision units. There were no changes in the drug methodology between FY 2003 and FY 2004.

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.

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 2004 CFO Audit

I believe the information for the Department of State in this submission is presented fairly, in all material respects, since the Department's last eight fiscal year financial statements have been audited and received unqualified (or "clean") opinions. In addition, since 2003, the Department's financial systems achieved substantial compliance with the Federal Financial Management Improvement Act, and the auditor reported no material weaknesses in internal control.

Although the FY 2004 financial statement audit disclosed four reportable conditions associated with (1) information systems security, (2) the inadequacy of the financial management systems, (3) management of unliquidated obligations, and (4) implementation of the Managerial Cost Accounting Standards, the Department has taken action to address these findings. The Department has initiated a program to assess its information systems security on a comprehensive basis. Other important financial management initiatives include strengthening the management of unliquidated obligations and full implementation of the Managerial Cost Accounting Standards.

Financial Plan

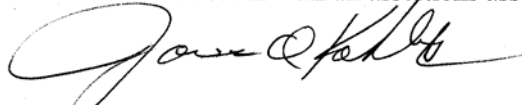
I assert that the obligation amounts presented in the drug control obligation table is associated with a financial plan that properly reflects any changes that occurred during the fiscal year. All FY 2004 transfers and fund

FY 2004 Accounting of Drug Control Funds

-6-

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 2004 to reflect changes, including the reprogramming and transfers in excess of \$5 million.

For purposes of Section 6a 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.



James Q. Kohler, Executive Director, Acting
Bureau of International Narcotics and Law Enforcement Affairs

If you would like to address any questions associated with our submission, please call me on (202) 647-7490.

Sincerely,

Christopher H. Flaggs

Enclosure: As stated.

FY 2004 Accounting of Drug Control Funds

01/25/05 TUE 12:15 FAX 202 647 7860

OIG/FO

002

Sheila - FYI



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

JAN 24 2005

MEMORANDUM

TO: RM - Mr. Christopher B. Burnham

FROM: OIG/AUD - Mark W. Duda
Mark W. Duda

SUBJECT: Attestation Review of Annual Accounting of Drug Control Funds for
FY 2004

Attached is the Office of Inspector General's (OIG) Independent Attestation Review of the Annual Accounting of Drug Control Funds for FY 2004 for the Department of State. OIG saw nothing about this information that would cause it to believe that the Department's submission did not meet the requirements of the Office of National Drug Control Policy.

If you have any questions, call me at (202) 663-0372 or Carolyn Jones, Audit Manager, at (703) 284-2611.

Attachment: As stated.

Cc: RM/DCFO - Christopher H. Flaggs

Address correspondence to: U.S. Department of State, Office of Inspector General, Washington, D.C. 20520-6817

FY 2004 Accounting of Drug Control Funds

01/25/05 TUE 12:15 FAX 202 647 7860

OIG/FO

003

Independent Attestation Review
Annual Accounting of Drug Control Funds
by the Department of State
AUD/PR-05-19

OIG has reviewed the accompanying Chief Financial Officer's FY 2004 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 April 18, 2003. This submission is the responsibility of the Department of State.

OIG conducted its review in accordance with 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, which expresses an opinion on the submission. Accordingly, 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.

OIG's review of the accounting submission brought up nothing that caused OIG to believe that the accompanying assertions do not, in all material respects, reliably represent the FY 2004 obligation data presented in the submission.



Mark W. Duda
Assistant Inspector General for Audits

Date: 1/24/05



U.S. Department of Transportation

National Highway Traffic Safety Administration

**INSPECTOR GENERAL REVIEW OF
FY 2004 DRUG CONTROL FUNDS**

National Highway Traffic Safety Administration

*Report Number: FI-2005-045
January 31, 2005*

FY 2004 Accounting of Drug Control Funds



**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

February 1, 2005

Mr. Jon E. Rice
Chief, Budget Branch
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Rice:

This report transmits the results of our independent review of the U.S. Department of Transportation National Highway Traffic Safety Administration's reporting of fiscal year 2004 Drug Control Funds to the Office of National Drug Control Policy, dated February 1, 2005.

We reviewed the accompanying report, to be submitted to the Office of National Drug Control Policy by the National Highway Traffic Safety Administration with regard to the Annual Accounting of Drug Control Funds, dated February 1, 2005. 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 and Generally Accepted Government Auditing Standards. The objective of our 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 *National Highway Traffic Safety Administration's Reporting of Drug Control Funds to the Office of National Drug Control Policy*. Accordingly, we do not express such an opinion.

We performed review procedures on the National Highway Traffic Safety Administration's submission (6a), Table of Prior Year Drug Control Obligations. In general, our review processes were limited to inquiries and analytical procedures appropriate for an attestation review.

Based on our review, the accompanying *National Highway Traffic Safety Administration's Reporting of Drug Control Funds to the Office of National Drug*

Report No. FI-2005-045

FY 2004 Accounting of Drug Control Funds

2

Control Policy is presented in conformity with the Office of National Drug Control Policy Circular: Drug Control Accounting, dated April 18, 2003.

The drug control funds of the National Highway Traffic Safety Administration are less than \$50 million. In accordance with the Office of National Drug Control Policy Circular: Drug Control Accounting, the Inspector General's office attests that full compliance with this circular would constitute an unreasonable reporting burden.

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

Sincerely,



Theodore Alves
Assistant Inspector General
for Financial and Information Technology Audits

Enclosure

cc: Associate Administrator for Planning
and Financial Management, NHTSA

Report No. FI-2005-045

FY 2004 Accounting of Drug Control Funds



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

Enclosure
Page 1 of 2

400 Seventh Street, S.W.
Washington, D.C. 20590

February 1, 2005

Mr. Jon E. Rice
Chief, Budget Branch
Office of National Drug Control Policy
Washington, DC 20503


Dear Mr. Rice:


In accordance with the Office of National Drug Control Policy Circular: Annual Accounting of Drug Control Funds, the National Highway Traffic Safety Administration's (NHTSA) Fiscal Year 2004 Drug Control Obligation Summary is enclosed. NHTSA's obligations for drug-related activities fall below the reporting threshold of \$50 million; therefore, only a limited report is required to satisfy the statutory requirement.

The majority of NHTSA's drug control activities are funded as grants to the States. Since the States are not required to report actual control data on specific programs funded with these resources, the enclosed report reflects estimated obligations.

NHTSA's point of contact for this report is Mrs. Laurie Brown-Poindexter. She can be reached on (202) 366-5456, if you require further assistance.

Sincerely,


Noble N. Bowie
Associate Administrator for Planning, and
Financial Management


Theodore Alves
Assistant Inspector General for Financial and
Information Technology Audits

Enclosures



DOT AUTO SAFETY HOTLINE
888-DASH-2-DOT
888-327-4236

FY 2004 Accounting of Drug Control Funds

Enclosure
Page 2 of 2

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION FISCAL YEAR 2004 DRUG CONTROL OBLIGATIONS SUMMARY (\$ IN MILLIONS)

*FY 2004
Estimate*

Drug Methodology:

The Drug Impaired Driving program provides technical support for Drug Recognition Expert training. In addition, the program focuses on greater consistency in enforcement, prosecution, adjudication, prevention, education, drug testing and treatment.

Drug Functions:

Prevention	1.2
------------	-----

<u>Total</u>	1.2
--------------	-----

Drug Budget Decision Unit:

<i>Highway Safety Programs:</i>	
Drug Impaired Driving Program*	1.2

<u>Total</u>	1.2
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*Note: Formerly named Drug Evaluation and Classification (DEC)

*Full compliance with circular: Annual Accounting of Drug Control Funds,
would constitute an unreasonable reporting burden.*



Department of Veterans Affairs

Veterans Health Administration

FY 2004 Accounting of Drug Control Funds



DEPARTMENT OF VETERANS AFFAIRS
DEPUTY ASSISTANT SECRETARY FOR FINANCE
WASHINGTON DC 20420

MAR 3 2005

Mr. Terry S. Zobeck
Deputy Associate Director for Planning and Budget
Office of National Drug Control Policy
Executive Office of the President
750 – 17th Street, NW
Washington, DC 20503

Dear Mr. Zobeck:

Enclosed is a copy of the Department of Veterans Affairs' (VA) Detailed Accounting Submission report providing the information required by the revised ONDCP Circular, Annual Accounting for Drug Control Funds, and the Office of Inspector General's (OIG) attestation of this information.

We regret we were unable to meet the February 1 required reporting date. Program data needed for the OIG to complete its attestation are not available until the months of January and February.

We appreciate having the opportunity to provide this information.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward J. Murray", with a long horizontal stroke extending to the right.

Edward J. Murray

Enclosure

FY 2004 Accounting of Drug Control Funds



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington, DC 20420

February 23, 2005

TO: Chief Management Officer (004)
Chief Financial Officer, Veterans Health Administration (17)

FROM: Director, Financial Audit Division (52CF)

SUBJECT: **Final Report** - Attestation of the Department of Veterans Affairs (VA)
Detailed Accounting Submission (Report No. 05-01199-92)

1. We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of VA's Veterans Health Administration for the fiscal year ended September 30, 2004. VA's management is responsible for the Table of Drug Control Obligations and related disclosures.
2. 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.
3. VA Management prepared the Table of Drug Control Obligations and related disclosures (attached) in accordance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated April 18, 2003.
4. Based upon 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 aspects in conformity with the requirements of ONDCP Circular, *Drug Control Accounting*, as further described in Disclosure 1.
5. This report is intended solely for the information and use of the Office of the Inspector General of the Department of Veterans Affairs, the Chief Management

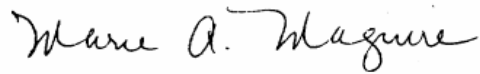
FY 2004 Accounting of Drug Control Funds

Page 2

Mr. Tim S. McClain

Officer, the ONDCP, and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

For the Assistant Inspector General
For Auditing



MARIE A. MAGUIRE

ATTACHMENT

FY 2004 Accounting of Drug Control Funds

Statement of Disclosures and Assertions for FY 2004 Drug Expenditures Submitted to Office of National Drug Control Policy (ONDCP) for FY Ending September 30, 2004

In accordance with ONDCP's Circular, Drug Control Accounting, dated April 18, 2003, the Veterans Health Administration asserts that the VHA system of accounting, use of actuals, and systems of internal controls provide reasonable assurance that:

Expenditures and Obligations are based upon the actual expenditures as reported by the Cost Distribution System, VHA's cost distribution system of record for these expenditures.

The methodology used to calculate expenditures of budgetary resources is reasonable and accurate in all material respects and as described herein was the actual methodology used to generate the costs.

Accounting changes are as stated in the disclosures that follow.

FY 2004 Accounting of Drug Control Funds

January 26, 2005

Disclosure 1: Drug Control Methodology

The Department of Veterans Affairs, through its Veterans Health Administration, operates a national network of 215 substance abuse treatment programs located in the Department's medical centers, domiciliaries and outpatient clinics. These programs include 15 medical inpatient programs, 64 residential rehabilitation programs, 37 "intensive" outpatient programs, and 99 standard outpatient programs.

Inpatient programs provide acute, in-hospital care and may provide detoxification and stabilization services as well. They typically treat patients for 14-28 days and then provide outpatient aftercare. As inpatient programs have become less prevalent in VA, they are usually reserved for severely impaired patients (e.g., those with co-occurring substance abuse and serious mental illness). The rest of VA's 24-hour care settings are classified as residential rehabilitation. They are based in on-site VA domiciliaries and in on and off site residential rehabilitation centers. They are distinguished from inpatient programs in having less medical staff and services, and for their longer lengths of stay (about 50 days). Most drug dependent veterans are treated in outpatient programs. Intensive outpatient programs provide more than 4 hours of service per day to each patient, and patients attend them 4-6 days per week. Standard outpatient programs typically treat patients for an hour or two per treatment day, and patients attend them 1 or 2 days a week.

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 FY 2003, VHA provided specialty substance abuse treatment to almost 70,000 veterans who use illegal drugs.

The accompanying Department of Veterans Affairs, Resource Summary was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Annual Accounting of Drug Control Funds, dated April 18, 2003, and (b) Budget Instructions and Certification Procedures, dated April 18, 2003. In accordance with the guidance provided in the Office of National Drug Control Policy's letter of September 7, 2004 VA's methodology only incorporates Specialized Treatment costs.

VA does not track obligations and expenditures by ONDCP function. In the absence of such capability, actuals have been furnished, as indicated.

FY 2004 Accounting of Drug Control Funds

VA considers substance abuse to include both alcohol abuse and drug abuse. Both conditions are treated in VA substance abuse clinics. 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 considers Special Treatment costs to be all costs generated by the treatment of patients with drug use disorders treated in specialized substance abuse treatment programs. For the specialized substance abuse treatment programs and clinics, VA used Cost Distribution Report (CDR) data. Costs were allocated based on a proportional distribution for indirect expenses such as Education and Training – Trainee Salary, Education and Training – Instructional Support, Education and Training – Administrative Support, Education and Training – Continuing Education, Medical Research Support, Prosthetic Research Support, Administration, Environmental Management, Depreciation, and Engineering. VA relies on the CDR to determine costs in various bed sections and clinical settings. All expenses for specialized inpatient, outpatient care, and extended care are incorporated in the spending model.

- a. Specialized Treatment, Inpatient – FY 2004 obligations were \$158.988 million. VA assumed a drug-related percent of 70.49%¹.
- b. Specialized Treatment, Domiciliary – FY 2004 obligations were \$44.142 million. VA assumed a drug-related percent of 79.24%².
- c. Specialized Treatment, Outpatient – FY 2004 obligations were \$198.813 million. VA assumed a drug-related percent of 91.50%³.
- d. Research and Development – FY 2004 obligations were \$9.2 million.
- e. FTEs. Specialized FTE is 4,452 and is comprised of the following: Specialized Inpatient FTE = 1,657 (drug-related percent of 70.49%); Specialized Domiciliary FTE = 499 (drug-related percent of 79.24%); and Specialized Outpatient FTE = 2,296 (drug-related percent of 91.50%).

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

¹ Percent of all Substance Use Disorder Inpatients seen in a Specialized Substance Use Disorder Unit with a drug diagnosis.

² Percent of all Substance Use Disorder Extended Care Patients seen in a Specialized Substance Use Disorder Unit with a drug diagnosis.

³ Percent of all Substance Use Disorder Clinic Stops made by drug patients.

FY 2004 Accounting of Drug Control Funds

are assumed to be relatively small and would not have a material effect on the aggregate VA costs reported.

Disclosure 2: Modification of VA's Accounting Methodology

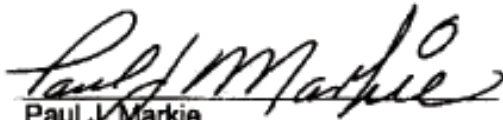
In accordance with the guidance provided in the Office of National Drug Control Policy's letter of September 7, 2004 VA's methodology only incorporates Specialized Treatment costs and no longer takes into consideration Other Related Treatment costs.

Disclosure 3: Reprogrammings and Transfers

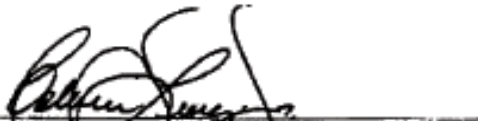
Reprogramming of funds does not specifically affect drug control-related funding because drug control expenditures are reported on the basis of patients served in various VA clinical settings.

Disclosure 4: Fund Control Notices

VA did not make a specific assertion on Fund Control Notices in the Detailed Accounting Submission.



Paul J. Markie
Director, Budget Office (172B)



Calvin L. Seay, Jr.
Supervisory Budget Analyst (172B)

FY 2004 Accounting of Drug Control Funds

Department of Veterans Affairs
Resource Summary
Budget Authority in Millions

Description	2004 Actual
Drug Resources by Function & Decision Unit:	
Medical Care:	
Specialized Treatment	
Domiciliary	\$44.142
Inpatient	\$158.988
Outpatient	\$198.813
Specialized Treatment.....	\$401.943
Research & Development	\$9.200
Drug Resources by Function & Decision Unit, Total.....	\$411.143
 Drug Resources Personnel Summary	
Total FTE	4,452
 Total Agency Budget.....	 \$62,017
Drug Percentage6%

DEPARTMENT OF VETERANS AFFAIRS

RESOURCE SUMMARY

- ◆ See Attachment "A," Department of Veterans Affairs, Resource Summary.

METHODOLOGY

In accordance with the guidance provided in the Office of National Drug Control Policy's letter of September 7, 2004 VA's methodology only incorporates Specialized Treatment costs.

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.

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.

PROGRAM SUMMARY

The Department of Veterans Affairs, through its Veterans Health Administration, operates a national network of 215 substance abuse treatment programs located in the Department's medical centers, domiciliaries and outpatient clinics. These programs include 15 medical inpatient programs, 64 residential rehabilitation programs, 37 "intensive" outpatient programs, and 99 standard outpatient programs.

Inpatient programs provide acute, in-hospital care and may provide detoxification and stabilization services as well. They typically treat patients for 14-28 days and then provide outpatient aftercare. As inpatient programs have become less prevalent in VA, they are usually reserved for severely impaired patients (e.g., those with co-occurring substance abuse and serious mental illness). The rest of VA's 24-hour care settings are classified as residential rehabilitation. They are based in on-site VA domiciliaries and on and off site residential rehabilitation centers. They are distinguished from inpatient programs in having less medical staff and services, and for their longer lengths of stay (about 50 days).

Most drug dependent veterans are treated in outpatient programs. Intensive outpatient programs provide more than 4 hours of service per day to each patient, and patients

FY 2004 Accounting of Drug Control Funds

attend them 4-6 days per week. Standard outpatient programs typically treat patients for an hour or two per treatment day, and patients attend them 1 or 2 days a week.

VA recently completed a Drug and Alcohol Program Survey (DAPS) of 100% of its substance abuse programs, which described their staffing, structure, services and history in detail. This report was provided to many agencies, including ONDCP, and is available on line at <http://www.chce.research.med.va.gov/chce/pdfs/2004DAPS.pdf>.

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 FY 2003, VHA provided specialty substance abuse treatment to almost 70,000 veterans who use illegal drugs. The most prevalent drug used was cocaine, followed by heroin, cannabis and amphetamines, respectively. About two-thirds of these drug abuse patients were in Mean Test Category A, reflecting very low income. About one fourth of these patients had a service-connected disability (The term "service connected" refers to injuries sustained in military service, especially those injuries sustained as a result of military action).

The dollars expended in research help to acquire new knowledge to improve the prevention, diagnosis and treatment of disease, and acquire new knowledge to improve the effectiveness, efficiency, accessibility and quality of veterans' health care.

The Department of Veterans Affairs, in keeping with modern medical practice, continues to improve service delivery by expanding primary care and shifting treatment services to lower cost settings when clinically appropriate. Included in this shift to more efficient and cost effective care delivery has been VA's substance abuse treatment system. 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.

BUDGET SUMMARY

2004 Estimate

The 2004 estimate is \$411.143 million, which consists of \$401.943 million for medical care and \$9.2 million for drug abuse related research. This represents a \$95.956 million increase over the 2003 actual.

FY 2004 Accounting of Drug Control Funds

2005 Estimate

The 2005 estimate is \$457.122 million, which consists of \$448.022 million for medical care and \$9.1 million for drug abuse related research. This represents a \$45.979 million increase over the 2004 estimate.

In conjunction with the Department of Health and Human Services (HHS) and the Department of Defense (DoD), the Department of Veterans Affairs (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 Program Evaluation and Resource Center (PERC). These two entities already provide these services within VA and will be made available for integration into similar activities within HHS and 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 Treatment Improvement Protocol (TIP) initiative developed by CSAT of SAMHSA, Department of Health and Human Services. A component of this project is the specific development of a TIP relating to case management and the associated facilitation of access to treatment. Previously issued TIPs have been made available to VA treatment programs, and have been used in VA's continuing education activities. This effort will continue in the future.

2006 Estimate

The 2006 estimate is \$532.947 million, which consists of \$524.047 million for medical care and \$8.9 million for drug abuse related research. This represents a \$75.825 million increase over 2005 estimate or a 16.6% increase.

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 2005, VA assumes the

FY 2004 Accounting of Drug Control Funds

suspension of new Priority 8 veterans in 2005. Additional policy actions to reduce health care demand may occur in FY 2006. 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.

In June of 2004, Secretary of VA mandated that VA facilities with limited substance abuse treatment services should expand those services to bring accessibility up to the national average by the end of FY 2005. The Secretary directed that VA facilities use the VHA's Clinical Practice Guidelines for Substance Abuse Treatment to guide their efforts to restore substance abuse treatment services.

PROGRAM ACCOMPLISHMENTS

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). A component of this project is the specific development of TIP number 27, relating to case management and the associated facilitation of access to treatment.

The VA Program Evaluation and Resource Center has initiated collaboration with SAMHSA's Office of Applied Studies to use National Household Survey data to estimate need for substance use disorder treatment among veterans in different regions of the country. Results of the project should be available at the end of FY 2005.

Through the Quality Enhancement Research Initiative (QUERI) program, VA is steadily expanding the availability of methadone maintenance clinics for heroin-dependent veterans. In addition, expansion of the use of buprenorphine as a treatment for opiate dependence is being fostered, especially in those facilities without methadone treatment available.

The Program Evaluation and Resource Center (PERC), Palo Alto Healthcare System, conducted a major process-outcome evaluation of VA substance abuse treatment programs. PERC focused on substance abuse treatment programs at 15 VA Medical Centers that followed a traditional 12-step and/or a cognitive-behavioral treatment approach. These are the two most prevalent treatment orientations in VA programs. Intake and discharge data were collected on over 3,000 patients; one- and two-, and five-year follow-ups were conducted. The results indicated that both cognitive-behavioral and 12-step treatment resulted in significant, sustained decreases in veterans substance use and associated problems.

Performance Plan - FY 2006

The Veterans Health Administration has in place a national system of performance monitoring that uses social, professional and financial incentives to encourage facilities to provide the highest quality of health care. This system has begun to incorporate performance measures related to substance use disorder treatment. The previously submitted Substance Abuse Strategic Plan and Performance Plan (see below) will apply to FY 2006 and will be included in the final Departmental Strategic Plan. In all probability a component related to increasing the proportion of substance use disorder diagnosed veterans who receive specialty treatment will be added to the Performance Plan in 2006 or 2007.

Increase the percentage of patients with primary addictive disorders who receive appropriate continuity of care. This will be defined as follows:

- Following discharge from an inpatient setting for treatment of a substance abuse disorder the patient should be seen in a substance abuse outpatient setting for a minimum of two visits in each of the next 30 day periods for 90 days or
- For direct admission to an outpatient setting the patient will be seen at least two visits in each of the next 30 day periods of 90 days.

The goal is that the target for performance will increase each year, for FY 2005, the target is 32% of admitted patients are seen as noted. This measure will continue until significant improvement has been attained. In terms of output measures for FY 2003, data indicates a 27% rate of continuity. Preliminary data for FY 2004 indicates a 28% rate of continuity. Final figures for FY 2004 are pending.

A Performance improvement initiative is under way through the Centers of Excellence in Substance Abuse Treatment and Education (CESATE) to assist programs with difficulty in achieving satisfactory achievement of performance goals.

Efforts have been initiated to develop identifiable outcomes for treatment which are planned for utilization in FY 2006.

FY 2004 Accounting of Drug Control Funds

Attachment "A"

2006 ONDCP Submission - 2006 President's Submission

**Department of Veterans Affairs
Resource Summary
Budget Authority in Millions**

Description	2004 Actual	2005 Estimate	2006 Estimate	Increase/ Decrease
<u>Drug Resources by Function & Decision Unit</u>				
Medical Care				
Specialized Treatment				
Domiciliary.....	\$44.142	\$45.908	\$47.653	\$1.745
Inpatient.....	\$158.988	\$180.348	\$216.701	\$36.353
Outpatient.....	\$198.813	\$221.766	\$259.693	\$37.927
Specialized Treatment, Total.....	\$401.943	\$448.022	\$524.047	\$76.025
Research & Development.....	\$9.200	\$9.100	\$8.900	(\$0.200)
Drug Resources by Function & Decision Unit, Total.....	\$411.143	\$457.122	\$532.947	\$75.825
<u>Drug Resources Personnel Summary</u>				
Total FTEs (Direct Only).....	4,348	4,665	5,289	624

FY 2004 Accounting of Drug Control Funds

Backup Data

DRUGS - FY 2004 Actual

Source: Cost Distribution Report, September 2004 [EOY]

Account	FTE	Personal Services	All Other	Depreciation	Total Cost
Psychiatric Bed Section [1300 series]					
Direct	7,298.88	537,498,969.44	83,877,117.35	-	621,376,086.79
Indirect	5,495.01	359,650,336.94	235,692,088.78	47,139,379.59	642,481,805.31
			Total Section Cost		1,263,857,892.10
Non-VA Inpatient [3000 series]					
Direct	488.60	38,031,135.67	1,208,746,068.41	-	1,246,777,204.08
Indirect	549.73	33,579,874.77	14,107,363.31	1,525,429.12	49,212,667.20
			Total Section Cost		1,295,989,871.28
Psych Residential Rehab [1700 series]					
Direct	1,005.06	70,597,531.35	11,636,341.90	-	82,233,873.25
Indirect	469.87	28,712,726.32	19,092,160.70	3,889,343.75	51,694,230.77
			Total Section Cost		133,928,104.02
Outpatient [2000 series]					
Direct	59,783.13	5,026,890,406.88	5,241,578,603.28	-	10,268,469,010.16
Indirect	21,183.83	1,401,496,289.21	948,246,192.22	232,194,280.61	2,581,936,762.04
			Total Section Cost		12,850,405,772.20
VA Domiciliaries [1500 series]					
Direct	2,277.17	144,988,415.72	31,613,256.92	-	176,601,672.64
Indirect	1,281.94	79,919,455.46	56,560,331.11	16,256,528.12	152,736,314.69
			Total Section Cost		329,337,987.33

Grand Totals for ONDCP Drug Budget	FTE	Dollars (Mils.)
Inpatient.....	1,657	\$158.988
Outpatient.....	2,296	\$198.813
Domiciliary.....	499	\$44.142
GRAND TOTALS.....	4,452	\$401.943

FY 2004 Accounting of Drug Control Funds

Backup Data

DRUGS - FY 2004 Actual

Source: Cost Distribution Report, September 2004 [EOY]

Account	FTE	Personal Services	All Other	Depreciation	Total Cost
INPATIENT					
1312 - S/A Intermed Care.....	23.63	1,716,251.43	199,202.01	-	1,915,453.44
Direct			199,202.01		1,915,453.44
Indirect	17.79	1,148,375.05	559,751.45	111,952.57	1,820,079.07
Total	41.42	2,864,626.48	758,953.46	111,952.57	3,735,532.51
1313 - S/A Treat Prog - Hi.....	205.99	18,009,456.53	3,390,165.24	-	21,399,621.77
Direct			3,390,165.24		21,399,621.77
Indirect	155.08	12,050,454.94	9,526,258.79	1,905,290.63	23,482,004.36
Total	361.07	30,059,911.47	12,916,424.03	1,905,290.63	44,881,626.13
1316 - S/A Star I, II & III.....	719.75	47,936,279.25	6,819,000.86	-	54,755,280.11
Direct			6,819,000.86		54,755,280.11
Indirect	541.87	32,075,036.35	19,161,180.15	3,832,314.22	55,068,530.72
Total	1,261.62	80,011,315.60	25,980,181.01	3,832,314.22	109,823,810.83
3521 - Cnt Alc Drug Trt Reh.....	14.97	1,125,813.82	5,420,043.66	-	6,545,857.48
Direct			5,420,043.66		6,545,857.48
Indirect	16.84	994,045.71	63,257.72	6,840.06	1,064,143.49
Total	31.81	2,119,859.53	5,483,301.38	6,840.06	7,610,000.97
1713 - SARRTP.....	410.14	27,721,158.77	5,310,803.75	-	33,031,962.52
Direct			5,310,803.75		33,031,962.52
Indirect	191.74	11,274,474.19	8,713,624.91	1,775,088.90	21,763,188.00
Total	601.88	38,995,632.96	14,024,428.66	1,775,088.90	54,795,150.52
1715 - SA CWT/TR.....	36.41	2,662,878.38	321,204.19	-	2,984,082.57
Direct			321,204.19		2,984,082.57
Indirect	17.02	1,083,019.43	527,011.16	107,359.64	1,717,390.23
Total	53.43	3,745,897.81	848,215.35	107,359.64	4,701,472.80
TOTAL INPATIENT	1,410.89	99,171,838.18	21,460,419.71	-	120,632,257.89
Direct			21,460,419.71		120,632,257.89
Indirect	940.34	58,625,405.67	38,551,084.18	7,738,846.02	104,915,335.87
Total	2,351.23	157,797,243.85	60,011,503.89	7,738,846.02	225,547,593.76
Drug Related Percent ->>>>>>	70.49%	1,657	Total Inpatient, In Millions >>>>>		
			\$158,988		

FY 2004 Accounting of Drug Control Funds

Backup Data

DRUGS - FY 2004 Actual

Source: Cost Distribution Report, September 2004 [EOY]

Account	FTE	Personal Services	All Other	Depreciation	Total Cost
OUTPATIENT					
2316.00 - Substance Abuse OP	1,702.22	139,717,783.38	16,799,140.86	-	156,516,924.24
Indirect	603.17	38,953,296.99	3,039,107.60	744,177.42	42,736,582.01
Total	2,305.39	178,671,080.37	19,838,248.46	744,177.42	199,253,506.25
2316.01 Subst Abuse - OP - SOC.....	71.04	5,815,907.18	1,129,660.83	-	6,945,568.01
Indirect	25.17	1,621,474.05	204,365.26	50,042.33	1,875,881.64
Total	96.21	7,437,381.23	1,334,026.09	50,042.33	8,821,449.65
2316.02 - Subst Abuse - OP - CBC.....	53.84	4,417,580.73	453,453.80	-	4,871,034.53
Indirect	19.08	1,231,620.84	82,033.65	20,087.34	1,333,741.83
Total	72.92	5,649,201.57	535,487.45	20,087.34	6,204,776.36
2316.03 - Subst Abuse - OP - ORC.....	7.47	449,618.23	48,214.09	-	497,832.32
Indirect	2.65	125,353.49	8,722.34	2,135.81	136,211.64
Total	10.12	574,971.72	56,936.43	2,135.81	634,043.96
2317.00 - Substance Use Disord.....	17.26	1,740,971.26	45,296.03	-	1,786,267.29
Indirect	6.12	485,382.53	8,194.44	2,006.55	495,583.52
Total	23.38	2,226,353.79	53,490.47	2,006.55	2,281,850.81
2317.02 - Substance Use Dis CBC.....	0.27	18,444.74	3,281.10	-	21,725.84
Indirect	0.10	5,142.39	593.58	145.35	5,881.32
Total	0.37	23,587.13	3,874.68	145.35	27,607.16
2317.03 - Substance Use Dis ORC.....	0.41	44,928.20	1,428.54	-	46,356.74
Indirect	0.15	12,525.98	258.44	63.28	12,847.70
Total	0.56	57,454.18	1,686.98	63.28	59,204.44
OUTPATIENT TOTAL.....	1,852.51	152,205,233.72	18,480,475.25	-	170,685,708.97
Indirect	656.44	42,434,796.27	3,343,275.31	818,658.08	46,596,729.66
Total	2,508.95	194,640,029.99	21,823,750.56	818,658.08	217,282,438.63
Drug Related Percent ->>>>>>	91.50%	2,296	Total Outpatient, In Millions ->>>>>> \$198,813		

FY 2004 Accounting of Drug Control Funds

Backup Data

DRUGS - FY 2004 Actual

Source: Cost Distribution Report, September 2004 [EOY]

Account	FTE	Personal Services	All Other	Depreciation	Total Cost
DOMICILIARY					
1511 - Dom Substance Abuse.....	403.20	26,165,121.36	4,576,923.54	-	30,742,044.90
Direct	226.98	14,422,547.08	8,188,726.38	2,353,597.62	24,964,871.08
Indirect	630.18	40,587,668.44	12,765,649.92	2,353,597.62	55,706,915.98
Drug Related Percent ->>>>>>	79.24%	499	Total Domiciliary, In Millions >>>>>> \$44.142		

United States Small Business Administration

FY 2004 Accounting of Drug Control Funds



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

FEB 24 2005

Ms. Jane Sandville
Office of National Drug Control Policy
Executive Office of the President
Washington, DC

Dear Ms. Sandville:

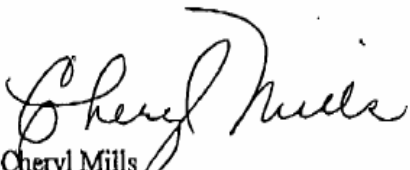
As required by Section 9 in the Office of National Drug Control Policy Circular on Budget Execution, the U.S. Small Business Administration (SBA) is submitting the following information:

Drug Methodology Fiscal Year 2005

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

The SBA requested \$1 million for fiscal year 2005 for the Drug Free Workplace Program and after two rescissions of .54% and .8%, the final amount received was \$986,643. A Request for Proposals will be issued approximately in May 2005. After an evaluation of the proposals, the SBA will distribute the funds to eligible intermediaries and Small Business Development Centers (SBDCs).

If you have any questions concerning this report, please contact Rachel Newman Karton in SBA's Office of Small Business Development Centers at 202-619-1816.


Cheryl Mills
Associate Deputy Administrator
Office of Entrepreneurial Development

FY 2004 Accounting of Drug Control Funds

ONDCP Circular: Drug Control Accounting

April 18, 2003

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Annual Accounting and Authentication of Drug Control Funds

1. **Purpose.** This circular provides the polices 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 May 30, 2002.
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 April 18, 2003. These terms include: *National Drug Control Program*, *National Drug Control Program Agency*, *Bureau*, *Drug Methodology*, *Drug Control Functions*, and *Budget Decision*

FY 2004 Accounting of Drug Control Funds

Units. Further, Reprogrammings and Fund Control Notices referenced in Section 6 of this circular are defined in Section 6 and Section 8 of the ONDCP Circular, *Budget Execution*, dated April 18, 2003.

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

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 – Bureau of Customs and Border Protection, Coast Guard, Bureau of Immigration and Customs Enforcement, and the Veterans Health Administration (VHA) –

¹Consistent with reporting requirements of the ONDCP Circular, *Budget Formulation*, dated April 18, 2003, 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.

FY 2004 Accounting of Drug Control Funds

obligations reported by Budget 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 April 18, 2003.)

(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 the Bureau of Customs and Immigration Enforcement, Coast Guard, the Bureau of Immigration and Customs Enforcement, and VHA. The criteria associated with this assertion are as follows:

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

FY 2004 Accounting of Drug Control Funds

- (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 8 of the ONDCP Circular, *Budget Execution*.

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

FY 2004 Accounting of Drug Control Funds

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