



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

June 9, 2008

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H - 232 US Capitol
Washington, DC 20515-1314

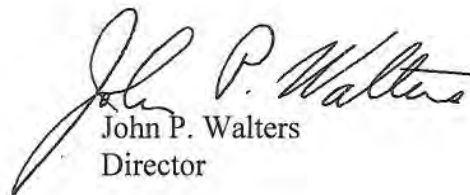
Dear Speaker Pelosi:

Enclosed for the information of the House is the *Fiscal Year 2007 Accounting of Drug Control Funds*. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277 (Div. C-Title VII), section 705(d), with the close cooperation of Executive Department financial officials.

For each National Drug Control Program Agency, the accompanying report provides a detailed accounting of funds expended for drug control activities during FY 2007. In addition, as required by statute, this accounting information has been authenticated by agency Inspectors General where appropriate, and the report includes their associated analyses.

ONDCP is committed to maintaining the accuracy and reliability of all financial data supporting the drug control program of the President. This annual accounting of drug control funds will serve as a valuable tool to assist in these important efforts.

Respectfully,


John P. Walters
Director

Enclosure



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

June 9, 2008

The Honorable Richard B. Cheney
President, United States Senate
S-212 The Capitol
Washington, DC 20510

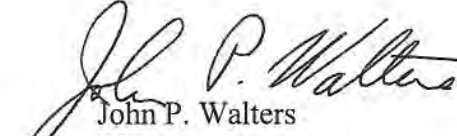
Dear Mr. Vice President:

Enclosed for the information of the Senate is the *Fiscal Year 2007 Accounting of Drug Control Funds*. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277 (Div. C-Title VII), section 705(d), with the close cooperation of Executive Department financial officials.

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John P. Walters
Director

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

June 9, 2008

The Honorable Henry Waxman
Chairman
Committee on Oversight and Government Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515-4909

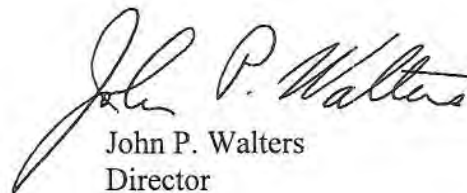
Dear Chairman Waxman:

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Respectfully,


John P. Walters
Director

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

June 9, 2008

The Honorable Tom Davis
Ranking Member
Committee on Oversight and Government Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515-4909

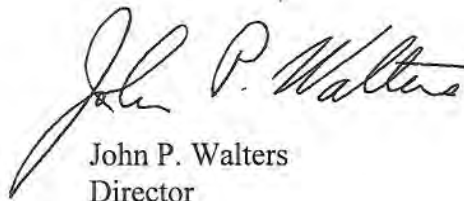
Dear Ranking Member Davis:

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Respectfully,



John P. Walters
Director

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

June 9, 2008

The Honorable Patrick J. Leahy
Chairman
Judiciary Committee
United States Senate
433 Russell Senate Office Building
Washington, DC 20510-4502

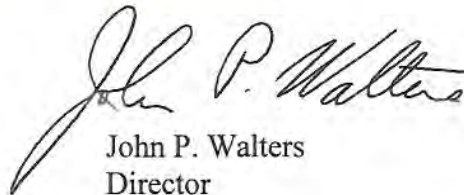
Dear Chairman Leahy:

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Respectfully,


John P. Walters
Director

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

June 9, 2008

The Honorable Arlen Specter
Ranking Member
Judiciary Committee
United States Senate
224 Dirksen Senate Office Building
Washington, DC 20510-4402

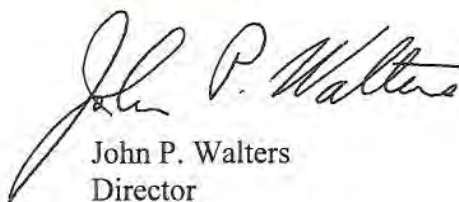
Dear Ranking Member Specter:

Enclosed for the information of the Committee is the *Fiscal Year 2007 Accounting of Drug Control Funds*. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277 (Div. C-Title VII), section 705(d), with the close cooperation of Executive Department financial officials.

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ONDCP is committed to maintaining the accuracy and reliability of all financial data supporting the drug control program of the President. This annual accounting of drug control funds will serve as a valuable tool to assist in these important efforts.

Respectfully,


John P. Walters
Director

Enclosure

FY 2007 Accounting of Drug Control Funds

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FY 2007 Accounting of Drug Control Funds

Executive Summary

Background

This presents for Congress the *Fiscal Year 2007 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, October 21, 1998 [Div.C, Title VII], Section 705(d)), which mandates that the Director of 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 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).” That provision was not changed by the ONDCP Reauthorization Act of 2006 (Public Law 109-469, December 29, 2006).

In order to comply with this statutory provision, ONDCP issued a Circular, *Annual Accounting of Drug Control Funds* (Tab K), to all National Drug Control Program agencies defining the requirements for annual accounting submissions. The Circular specifies, “Each report...shall be provided to the agency’s Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the report.” In assessing reliability, ONDCP anticipates each Office of Inspector General (OIG) will conduct an attestation review consistent with the *Statements for Standards of Attestation Engagements*, promulgated by the American Institute of Certified Public Accountants. An attestation review is more limited in scope than a standard financial audit, the purpose of which is to express an opinion on management’s assertions. The objective of an attestation review is to evaluate an entity’s 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 2007 Accounting of Drug Control Funds

Department Compliance and Attestation Reviews

All National Drug Control Program agencies complied with the provisions of the Drug Control Accounting Circular dated May 1, 2007. This fact is evident, along with whether an agency passed or failed the required attestation review, in the table below. For the purposes of this report, “pass” indicates an agency’s OIG was able to complete their review and provide negative assurance. Conversely, “fail” implies that an agency’s assertions regarding its FY 2007 drug control obligations were not reviewable.

At the time of compiling this report, the Department of State’s United States Agency for International Development (USAID) OIG report was not ready, and ONDCP did not want to delay further this report. ONDCP will transmit the USAID report when we submit the Performance Summary Report later this year. The Performance Summary Report will provide Congress with an assessment of each National Drug Control Agency’s performance measures.

Table: Compliance and Attestation Review Summary

Department/Bureau	Compliance with ONDCP Circular (Yes/No)	OIG/Independent Auditor Attestation Review (Pass/Fail)
Defense	Yes	Pass
Education		
Office of Safe and Drug-Free Schools	Yes	Pass
Health and Human Services		
National Institute on Drug Abuse	Yes	Pass
Substance Abuse and Mental Health Services Administration	Yes	Pass
Homeland Security		
United States Coast Guard	Yes	Fail
Immigration and Customs Enforcement	Yes	Pass
Customs and Border Protection	Yes	Pass
Justice		
Bureau of Prisons	Yes	Pass
Drug Enforcement Administration	Yes	Pass
Organized Crime Drug Enforcement Task Force	Yes	Pass
Office of Justice Programs	Yes	Pass
State		
Bureau of International Narcotics and Law Enforcement Affairs	Yes	Pass
Transportation		
National Highway Traffic Safety Administration	Yes	N.A. ^{/1}
Department of the Treasury		
Internal Revenue Service	Yes	Pass
Veterans Affairs		
Veterans Health Administration	Yes	Pass
Small Business Administration	Yes	N.A. ^{/1}

Notes: ^{/1} 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 2007 Accounting of Drug Control Funds

Summary of Agency Reports

Department of Defense

The Department of Defense's (DoD) accounting of FY 2007 drug control obligations (Tab A) satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DoD OIG, which indicates that nothing came to the attention of the OIG that would cause them to believe DoD's submission was presented other than fairly in all material respects. Given this, DoD was assessed a rating of pass.

Department of Education

The Department of Education's accounting of FY 2007 drug control obligations (Tab B) satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the Department's OIG. Given this, Education was assessed a rating of pass.

- 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 nexus).
- Approximately \$7.5 million of Safe and Drug-Free Schools National Programs funds support 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, services provided to students of legal age fall outside the scope of the National Drug Control Strategy.

Department of Health and Human Services

The Department of Health and Human Services' (HHS) accounting submission includes separate reports for the National Institute on Drug Abuse (NIDA) and the Substance Abuse and Mental Health Services Administration (SAMHSA) (Tab C).

NIDA: NIDA's accounting of FY 2007 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the HHS OIG. Given this, NIDA was assessed a rating of pass.

SAMHSA: SAMHSA's accounting of FY 2007 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the HHS OIG. Given this, SAMHSA was assessed a rating of pass.

- The management of the HHS Program Support Center (PSC), SAMHSA's financial accounting service provider, identified a systems non-conformance and one material weakness in FY 2006. PSC evaluated its internal controls and provided a qualified statement of assurance that its internal controls meet the objectives of the Federal Financial Management Improvement Act of 1996, with the following exceptions: 1) PSC is continuing to make progress but has not completely resolved a material dollar amount

FY 2007 Accounting of Drug Control Funds

of accounting entries identified on the Summary of Unadjusted Differences; 2) PSC has not completed a full annual reporting cycle using the Unified Financial Management System (UFMS); and 3) PSC's revised documentation for the Financial Reporting closing process has not been validated. With these revisions for 2007, both HHS accountings could be assessed a rating of pass.

Department of Homeland Security

The Department of Homeland Security's (DHS) accounting submission includes separate reports for the United States Coast Guard (USCG), Customs and Border Patrol (CBP), and Immigration and Customs Enforcement (ICE) (Tab D).

USCG: USCG could not provide to the DHS OIG an assurance to any of the financial data contained within the detailed accounting submissions. Therefore, the DHS OIG was unable to provide the level of assurance required by ONDCP's Circular. Given this, USCG was assessed a rating of fail.

- The DHS OIG contract audit firm has identified a number of material weaknesses as referenced in the Coast Guard's 2007 submission. The Coast Guard has a very aggressive and holistic remediation plan in place to resolve these weaknesses, that included chartering of the Financial Management Transformation Task Force, establishment of the Office of Financial Transformation and Compliance, and chartering of a Senior Management Council and Senior Assessment Team to align our efforts with the Federal Managers Financial Integrity Act. In March 2007, the Coast Guard published its Financial Strategy for Transformation and Audit Readiness (FSTAR), a high level strategy and initial schedule to address our material weaknesses. The Coast Guard has committed extensive personnel and financial resources to this effort, and resolution of the material weaknesses and earning of an unqualified opinion are a top priority of senior Coast Guard management.

CBP: CBP's accounting of FY 2007 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DHS OIG. Given this, CBP was assessed a rating of pass.

- The report did note that CBP had modified the methodology used to determine the amount of funding spent on anti-drug activities, in order to better characterize CBP's efforts. These changes decrease FY2007 obligations by \$128.6 million.

ICE: ICE's accounting of FY 2007 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DHS OIG. Given this, ICE was assessed a rating of pass.

- The independent audit identified no material weaknesses, and noted that ICE had remediated its two FY2006 remaining material weaknesses.

FY 2007 Accounting of Drug Control Funds

Department of Justice

The Department of Justice's (DOJ) accounting submission includes separate reports for the Bureau of Prisons (BOP), Drug Enforcement Administration (DEA), Organized Crime Drug Enforcement Task Force (OCDETF), and Office of Justice Programs (OJP) (Tab E).

BOP: BOP's accounting of FY 2007 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DOJ OIG. Given this, BOP was assessed a rating of pass.

- The independent audit identified no material weaknesses but noted one deficiency related to Information Systems Controls. The BOP has implemented corrective action plans to specifically address this deficiency.

DEA: DEA's accounting of FY 2007 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DOJ OIG. Given this, DEA was assessed a rating of pass.

- No material weaknesses were identified however the audit revealed an IT-related deficiency. The DEA IT significant deficiency relates to the FISCAM general control area of Access Controls. Specifically, the DEA had issues related to security patch management and configuration management within Access Controls. The DEA management noted that the DEA is in the process of implementing corrective action plans.

OCDETF: OCDETF's accounting of FY 2007 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DOJ OIG. Given this, OCDETF was assessed a rating of pass.

- While no material weaknesses were identified, the Independent Auditor noted three deficiencies in the fiscal year 2007 audit. Deficiencies were identified in the accrual accounting functions, controls over Journal Entries and on the information system controls environment. The impact of these deficiencies on the presentation of drug-related obligations is undetermined. DOJ will develop corrective action plans to address these deficiencies.

OJP: OJP's accounting of FY 2007 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DOJ OIG. Given this, OJP was assessed a rating of pass.

- The OIG reported no material weaknesses; however it did identify the following deficiencies: 1) improvements are needed in its grant deobligation process, 2) improvements are needed in controls over grant payable estimation processes, 3) weaknesses exist in the Information System Controls Environment. OJP has already developed an action plan to correct these deficiencies.

FY 2007 Accounting of Drug Control Funds

Department of State

The Department of State's (State) accounting of FY 2007 drug control obligations (Tab F) satisfies all requirements established by ONDCP's Circular. While the OIG found that INL did not have an effective process in place to verify independently the obligation data included in its report to ensure that the data were accurate and complete, State was assessed a rating of pass.

- Reasons cited by the OIG as why INL did not have an effective process in place to verify independently the obligation data is attributed to an independent external auditor finding that the entire Department of State's financial management system was inadequate, an issue beyond INL's control. The auditor noted that the department's financial systems did not support management's fiduciary role by providing complete, reliable, consistent, timely, and useful financial management information. The Department will work to resolve the reported deficiencies in FY 2008.

Department of Transportation

The Department of Transportation's (DoT) drug-related activities fall below the reporting threshold of \$50 million. As a result, DoT submitted a limited report (Tab G). The report includes a table of FY 2007 obligations for the National Highway Traffic Safety Administration - Drug Impaired Driving Program and an explanation of drug methodology. DoT's submission satisfies all requirements established by ONDCP's Circular.

Department of the Treasury

The Department of the Treasury's accounting of FY 2007 drug control obligations (Tab H) satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the Treasury Inspector General for Tax Administration (TIGTA). Given this, Treasury was assessed a rating of pass.

Department of Veterans Affairs

The Department of Veterans Affairs (VA), Veterans Health Administration's (VHA) accounting of FY 2007 drug control obligations (Tab I) satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the Department's OIG. Given this, VHA was assessed a rating of pass.

- VHA identified three material weaknesses. The weaknesses occur in Financial Management System Functionality, Information Technology Security Controls, and Financial Management Oversight.

FY 2007 Accounting of Drug Control Funds

Small Business Administration

The Small Business Administration's (SBA) drug-related activities fall below the reporting threshold of \$50 million. As a result, SBA submitted a limited report (Tab J). The report includes a table of FY 2007 obligations for the Drug-Free Workplace Program and an explanation of drug methodology. SBA's submission satisfies all requirements established by ONDCP's Circular, including concurrence from the SBA OIG that an alternative report was proper.

Tab A
Department of Defense



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
2900 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2900

JAN 14 2008

GLOBAL SECURITY
AFFAIRS

Mr. Jon Rice
Associate Director
Performance and Budget
Office of National Drug Control Policy
750 17th Street, NW
Room 535
Washington, DC 20503

Dear Mr. Rice:

In my capacity as Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation and Global Threats, I assert that the drug methodology used to calculate obligations by drug control function of Fiscal Year 2007 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. Assertions regarding Performance Reporting will be addressed under separate correspondence.

Sincerely,


for Richard J. Douglas

Deputy Assistant Secretary of Defense
Counternarcotics, Counterproliferation & Global Threats

Enclosures:
As stated

CF:
DODIG



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) and the Commanders Resources Integration System (CRIS) to track obligations. Both of these systems are utilized for Counternarcotics obligations and commitments. These systems interface 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.

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.



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

February 21, 2008

MEMORANDUM FOR THE DEPUTY ASSISTANT SECRETARY OF DEFENSE
(COUNTERNARCOTICS, COUNTERPROLIFERATION, and
GLOBAL THREATS)

SUBJECT: Independent Auditor's Report on the DoD FY 2007 Detailed Accounting
Report of the Funds Obligated for National Drug Control Program Activities
(Report No D-2008-054)

Public Law 105-277 is known also as "The Office of National Drug Control Policy Reauthorization Act" (the Act). The Act requires that DoD annually submit a detailed report (the Report) to the Director of the Office of National Drug Control Policy accounting for all funds DoD expended for National Drug Control Program activities during the previous fiscal year. The Public Law was reauthorized by Public Law 109-469 in December 2006. The Act 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) May 1, 2007, provides the policies and procedures DoD must use to prepare the Report and authenticate the DoD funds expended on National Drug Control Program activities. The Accounting Policy Circular specifies that the Report 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.

The Deputy Assistant Secretary of Defense (Counternarcotics, Counterproliferation, and Global Threats) (DASD[CN/CP/GI]) was responsible for the detailed accounting of funds obligated and expended by DoD for the National Drug Control Program for FY 2007. We have reviewed the DASD (CN/CP/GT) detailed accounting in accordance with the attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government accounting standards. We performed a review-level attestation, which is substantially less in scope than an examination done to express an opinion on the subject matter. Accordingly, we do not express an opinion.

We reviewed five DoD reprogramming actions that allocated \$1,277.8 million among the Military Departments, National Guard, and Defense agencies. We reviewed the year-end obligation report and determined that DASD (CN/CP/GT) allocated the funds to appropriations and project codes intended for the DoD Counterdrug program.

The DoD Office of Inspector General previously identified a material management control weakness related to the DoD Components' accounting for Counterdrug


funds. In response to our identification of this weakness, DASD (CN/CP/GT) issued a policy memorandum on August 25, 2005, requiring detailed transaction support for all Counterdrug obligations.

As part of our review attestation for FY 2007, we determined whether the DoD Components that received Counterdrug funding from DASD (CN/CP/GT) had implemented procedures to support reported obligations with detailed transaction listings. We requested and obtained the listings that were available for reported obligations. We were able to obtain the majority of detail transactions for the Military Component obligations.

DASD (CN/CP/GT) provided us the Report in a letter dated January 14, 2008, which we reviewed to determine compliance with the Accounting Policy Circular. The detailed accounting indicated that \$1,192.1 million was obligated during FY 2007 for the DoD Counterdrug program in eight functional areas. The Office of the DASD (CN/CP/GT) manually compiled the Report from data the Military Departments and other DoD Components submitted.

DASD (CN/CP/GT) 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/CP/GT). The Office of the DASD (CN/CP/GT) 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/CP/GT) 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.

Based on our review, except for the fact that the Office of the DASD (CN/CP/GT) 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 obligated by DoD on the National Drug Control Program for FY 2007 is not presented, in all material respects, in conformity with the Accounting Policy Circular.


Patricia A. Marsh, CPA
Assistant Inspector General
Defense Financial Auditing Service

Tab B
Department of Education



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF PLANNING, EVALUATION AND POLICY DEVELOPMENT

February 1, 2008

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 705(d) of the Office of National Drug Control Policy (ONDCP) Reauthorization Act of 1998 (21 U.S.C. 1704(d)), enclosed please find a detailed accounting of all fiscal year 2007 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 May 1, 2007.

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

Sincerely,

Thomas P. Skelly
Director, Budget Service

Enclosure # 1: *Department of Education Detailed Accounting of Fiscal Year 2007 Drug Control Funds*, dated January 25, 2008

Enclosure # 2: Authentication letter from Keith West, Assistant Inspector General for Audit Services, dated February 1, 2008

cc: Keith West



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

FEB 1 2008

Office of Inspector General's Independent Report on the U.S. Department of Education's Detailed Accounting of Fiscal Year 2007 Drug Control Funds, dated January 25, 2008.

We have reviewed management's assertions contained in the accompanying Accounting, titled *Department of Education Detailed Accounting of Fiscal Year 2007 Drug Control Funds*, dated January 25, 2008 (Accounting). The U.S. Department of Education's management is responsible for the Accounting and the assertions contained therein.

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

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

Based on our review, nothing came to our attention that caused us to believe that management's assertions, contained in the accompanying Accounting, are not fairly stated in all material respects, based upon the Office of National Drug Control Policy Circular: *Drug Control Accounting*, dated May 1, 2007.

A handwritten signature in black ink, appearing to read "Keith West", is positioned above the printed name.

Keith West
Assistant Inspector General for Audit Services

DEPARTMENT OF EDUCATION



DETAILED ACCOUNTING OF FISCAL YEAR 2007 DRUG CONTROL FUNDS

IN SUPPORT OF THE
NATIONAL DRUG CONTROL STRATEGY
AS REQUIRED BY SECTION 705(d) OF THE OFFICE OF NATIONAL
DRUG CONTROL POLICY REAUTHORIZATION ACT OF 1998
(21 U.S.C. 1704(d))

JANUARY 25, 2008

DEPARTMENT OF EDUCATION
DETAILED ACCOUNTING OF FISCAL YEAR 2007 DRUG CONTROL FUNDS

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF PLANNING, EVALUATION AND POLICY DEVELOPMENT

JAN 25 2008

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

Dear Mr. Higgins:

As required by section 705(d) of the Office of National Drug Control Policy (ONDCP) Reauthorization Act of 1998 (21 U.S.C. 1704(d)), enclosed please find a detailed accounting of all fiscal year 2007 Department of Education drug control funds for your authentication, in accordance with the guidelines in ONDCP Circular *Drug Control Accounting*, dated May 1, 2007.

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, 2008, if possible. Please do not hesitate to contact me if you have any questions about the enclosed information.

Sincerely,

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

Thomas P. Skelly
Director, Budget Service

TABLE OF PRIOR YEAR DRUG CONTROL OBLIGATIONS

Fiscal Year 2007 Obligations
(in \$ millions)

Drug Resources by Function

Prevention	\$492.867
Total	492.867

Drug Resources by Decision Unit

Safe and Drug-Free Schools and Communities Program

SDFSC State Grants	344.345
SDFSC National Programs	148.522
Total	492.867

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 receive 20 percent, and State educational agencies (SEAs) 80 percent, of each State's allocation. SEAs are required to subgrant at least 93 percent of their allocations to LEAs; these subgrants are based 60 percent on LEA shares of prior-year funding under Part A of title I of the ESEA and 40 percent on enrollment. LEAs may use their SDFSC State Grant funds for a wide variety of activities to prevent or reduce violence and delinquency and the use, possession, and distribution of illegal drugs, and thereby foster a safe and drug-free learning environment that supports academic achievement. Governors may use their funds to award competitive grants and contracts to LEAs, community-based organizations, and other public and private organizations for activities to provide safe, orderly, and drug-free schools and communities through programs and activities that complement and support activities of LEAs.

SDFSC National Programs

SDFSC National Programs authorizes funding for several programs 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; 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 2007. 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

This accounting submission includes 100 percent of all fiscal year 2007 obligations of funds under the Safe and Drug-Free Schools and Communities (SDFSC) Act, with the exception of those SDFSC National Programs that have no clear drug control nexus. Accordingly, the amounts in the enclosed table of prior-year drug control obligations include 100 percent of funding for the SDFSC State Grants program, the SDFSC Alcohol Abuse Reduction program, and all other SDFSC National Programs, with the exclusion of obligations of funds for (1) SDFSC Mentoring Programs, (2) Project SERV (School Emergency Response to Violence), and (3) School Emergency Preparedness Initiatives.

Note: In 2007, Congress appropriated \$8.594 million under SDFSC National Programs exclusively for grants to LEAs to address youth violence and related issues in persistently dangerous schools. Consistent with the above methodology, those funds are included in this accounting submission because they are supporting drug prevention as well as school safety activities.

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 February 2007 *National Drug Control Budget Summary* that accompanied the 2008 President's budget in support of the *National Drug Control Strategy*.

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 2007 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

In 2007 the Department twice reprogrammed a small amount of funds within the SDFSC National Programs. These reprogrammings increased the amount of funding for School Emergency Preparedness Initiatives by a total of \$2.4 million and, in doing so, reduced the amount of Education's 2007 drug-related obligations by that same amount. There were no transfers that changed the amount of drug-related budgetary resources in the Department in fiscal year 2007.

Other Disclosures

The Department acknowledges the following limitations in the methodology described above for deriving the obligations of fiscal year 2007 drug control funds attributable to the SDFSC program:

- Although the budgetary resources in this report include 100 percent of obligations for SDFSC State Grants, Federal Activities, and Evaluation (exclusive of Project SERV and School Emergency Preparedness Initiatives), 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 \$7.5 million of the SDFSC National Programs funds included in the resource summary of this report (1.5 percent of total fiscal year 2007 SDFSC reported drug control obligations) supported 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 2007 obligations of drug control funds shown in this report for the SDFSC drug budget decision unit are the actual 2007 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 2007 obligations of drug prevention funds presented in this report is reasonable and accurate, because: (1) the methodology captures all of the obligations of funds under the SDFSC program that reasonably have a drug control-related nexus, and (2) these obligations of funds correspond directly to the display of resources for the SDFSC program in the Department's budget justifications to Congress that accompany the President's budget.

Data

No workload or other statistical information was applied in the methodology used to generate the fiscal year 2007 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 2007 obligations of drug control funds presented in the table on page 2.

Reprogrammings or Transfers

The data presented in this report properly reflect changes in drug control budget resources resulting from reprogrammings of fiscal year 2007 SDFSC funds. In 2007 the Department twice reprogrammed a small amount of funds within the SDFSC National Programs: once on August 31, and again on September 25. The August 31 reprogramming exceeded \$1 million and was approved in advance by ONDCP, as required by law. The September 25 reprogramming was less than \$1 million and was not subject to ONDCP approval.

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.

Tab C
Department of Health and
Human Services

National Institute on Drug Abuse

Substance Abuse and Mental Health
Services Administration



FEB 4 2008

Mr. Jon Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Rice:

Enclosed are Department of Health and Human Services (HHS) Office of Inspector General Attestation Review reports for fiscal year 2007. These reports for the National Institute on Drug Abuse and the Substance Abuse and Mental Health Services are provided in accordance with the Office of National Drug Control Policy Circular titled *Drug Control Accounting*.

If you have any questions, please contact Christine Jones, Director, Division of Systems Policy, Payment Integrity and Audit Resolution at (202) 690-7542 or christine.jones@hhs.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Sheila O. Conley".

Sheila O. Conley
Deputy Assistant Secretary, Finance

Enclosures:

NIDA Drug Control Accounting Report
SAMHSA Drug Control Accounting Report

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ATTESTATION REVIEW:
NATIONAL INSTITUTE ON DRUG
ABUSE DRUG CONTROL
ACCOUNTING REPORT FOR
FISCAL YEAR 2007**

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CONTAINS RESTRICTED
INFORMATION FOR
OFFICIAL USE. DISTRIBUTION
IS LIMITED TO
AUTHORIZED OFFICIALS.**



Daniel R. Levinson
Inspector General

January 2008
A-03-08-00353

Notices

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OAS FINDINGS AND OPINIONS

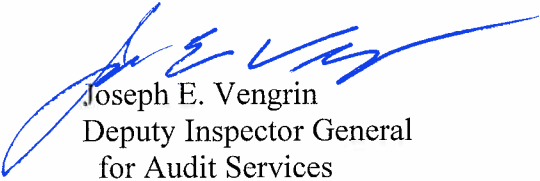
The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions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





IAN 24 2008

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 2007 (A-03-08-00353)

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 and the Assertion Certification Statements for fiscal year (FY) 2007. Our attestation review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements 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 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 December 7, 2007. The report is the responsibility of NIDA's management and was prepared by NIDA under the authority of 21 U.S.C. § 1704(d) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Drug Control Accounting, dated May 1, 2007.

OFFICE OF INSPECTOR GENERAL'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.

NATIONAL INSTITUTE ON DRUG ABUSE'S REPORT

NIDA's report included a table of FY 2007 Actual Obligations (Table) that reported obligations totaling \$1,001,952.

Distribution is limited to authorized officials.

Warning – This report contains restricted information for official use.

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.

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

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ATTACHMENT

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

DEC - 7 2007

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

MEMORANDUM TO: Director
Office of National Drug Control Policy

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

FROM: Donna Jones *Donna M 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 2007 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 (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

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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 community-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 \$1,001,952,000 is the actual amount obligated and reconciles to the NIDA Database system. The total of \$1,001,952,000 does not reconcile to the FY 2007 column of the FY 2008 Congressional Justification (CJ). This is because the FY 2007 column of the FY 2008 CJ includes four comparable transfers totaling \$607,000 and excludes the additional pay raise of \$592,000 included as part of the FY 2007 Congressional Joint Resolution, and a transfer of \$1,331,000 from the Office of the Director of NIH to NIHDA for the Genes, Environment and Health Initiative (GEH). The adjustment to the FY 2007 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 2007 are for the same reasons described above for the FY 2007 column of the FY 2008 CJ.

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

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FY 2007: (1) four comparable transfers totaling \$607,000, (2) a pay raise increase of \$592,000 provided in the FY 2007 Joint Resolution, and (3) a transfer of \$1,313,000 from the Office of the Director NIH for the Genes, Environment and Health Initiative.

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 8 of the ONDCP Circular *Budget Execution*, dated May 1, 2007.

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NATIONAL INSTITUTES OF HEALTH
NATIONAL INSTITUTE ON DRUG ABUSE
FY 2007 Actual Obligations
(Dollars in Thousands)

I. RESOURCE SUMMARY

	FY 2007 Actual
Drug Resources by Function:	
Prevention	411,266
Treatment	590,686
Total	1,001,952
Drug Resources by Decision Unit:	
Demand Reduction	1,001,952
Total	1,001,952
HIDTA Transfer	
ICDE Resources	

**Differences Between (1) Actual Obligations and (2) the FY 07 Column of the
FY 08 CJ and the National Drug Control Strategy Budget Summary**
(Dollars in Thousands)

Total 2007 Col. of the FY 2008 CJ; National Drug Control Strategy	999,422
Pay Raise Adjustment from FY '07 Joint Resolution	592
Comparative Transfers	607
GEI Transfer	<u>1,331</u>
Total Obligations	1,001,952

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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ATTESTATION REVIEW:
SUBSTANCE ABUSE AND
MENTAL HEALTH SERVICES
ADMINISTRATION DRUG
CONTROL ACCOUNTING REPORT
FOR FISCAL YEAR 2007**

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Daniel R. Levinson
Inspector General

January 2008
A-03-08-00352

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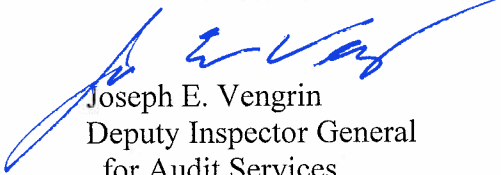
The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions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





JAN 26 2008

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 2007 (A-03-08-00352)

The purpose of this report is to provide you the results of our attestation review of the Substance Abuse and Mental Health Services Administration's (SAMHSA) drug control accounting report and the Assertion Certification Statements for fiscal year (FY) 2007. Our attestation review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements 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 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 29, 2007. The report is the responsibility of SAMHSA's management and was prepared by SAMHSA under the authority of 21 U.S.C. § 1704(d) and as required by the Office of National Drug Control Policy (ONDCP) Circular: Drug Control Accounting, dated May 1, 2007.

OFFICE OF INSPECTOR GENERAL'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.

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION'S REPORT

SAMHSA's report included a Table of Prior Year Drug Control Obligations (Table) for FY 2007 that reported obligations totaling approximately \$2.5 billion.

Distribution is limited to authorized officials.

Warning – This report contains restricted information for official use.

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.

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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Warning – This report contains restricted information for official use.

ATTACHMENT



DEPARTMENT OF HEALTH & HUMAN SERVICES

Substance Abuse and Mental
Health Services Administration

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

NOV 29 2007

MEMORANDUM TO: Director
Office of National Drug Control Policy

THROUGH: Sheila Conley
Deputy Assistant Secretary for Finance
Department of Health and Human Services

FROM: Daryl Kade, 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*, as revised on May 1, 2007, 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 for SAMHSA 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

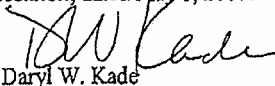
I assert that the data presented are associated with obligations against a financial plan that was revised during the fiscal year to include funds received from ONDCP in support of the Drug

Page 2 - Director, Office of National Drug Control Policy

Free Communities Program: SAMHSA entered into an Interagency Agreement with ONDCP in the amount of \$78,461,537 to fund activities of the Drug Free Communities Program in FY 2007. SAMHSA had no other reportable reprogrammings or transfers in FY 2007.

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 May 1, 2007.


Daryl W. Kade
Chief Financial Officer

Attachments:

Table of Prior Year Drug Control Obligations, FY 2007
Exhibit A - Drug Control Methodology
Exhibit B - FY 2007 Management Assurance (SAMHSA)
Exhibit C - FY 2007 Management Assurance as a Service Provider (PSC)

**SUBSTANCE ABUSE AND MENTAL HEALTH
SERVICES ADMINISTRATION**

**Table of Prior Year Drug Control Obligations
FY 2007
(Dollars in millions)**

Obligations by Drug Control Function

Prevention	641.2
Treatment	<u>1,879.6</u>
Total	\$2,520.8

Obligations by Budget Decision Unit

Programs of Regional and National Significance ^{1/}	591.8
<i>Substance Abuse Prevention (Non-add)</i>	(192.9)
<i>Substance Abuse Treatment (Non-add)</i>	(398.9)
Drug Free Communities Program ^{2/}	78.1
Substance Abuse Block Grant ^{3/}	1,758.4
Program Management ^{4/}	<u>92.5</u>
Total	\$2,520.8

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. Substance Abuse Treatment PRNS obligations include funds provided to SAMHSA from the PHS evaluation fund.

^{2/} Drug Free Communities Program funding was provided to SAMHSA 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. Obligations reflect total SAMHSA Program Management funds, less reimbursements, as prescribed by ONDCP Budget Circulars.

TOTALS MAY NOT ADD DUE TO ROUNDING

Exhibit A

(1) **Drug Methodology** - Actual obligations of prior year drug control budgetary resources are derived from the SAMHSA Unified Financial Management System (UFMS), PSC Status of Funds by Allotment and Allowance Report 309.

(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, but including obligations related to receipt of PHS Evaluation funds;
- 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.

(b) **Obligations by Budget Decision Unit** - SAMHSA's budget decision units have been defined by Attachment B, ONDCP Circular, *Budget Formulation*, dated May 1, 2007. 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 through an Interagency Agreement with SAMHSA are included in the Obligations by Budget Decision Unit display (CSAP).

Included in this Drug Control Accounting report for FY 2007 are 100% of the actual obligations for these five budget decision units, minus reimbursements. Obligations against funds provided to SAMHSA from the PHS Evaluation Fund are included. Actual obligations of prior year drug control budgetary resources are derived from the SAMHSA Unified Financial Management System (UFMS), PSC Status of Funds by Allotment and Allowance Report 309.

- (2) **Methodology Modifications** - There have been no changes in the SAMHSA accounting methodology since the prior year report (for FY 2006).
- (3) **Material Weaknesses or Other Findings** - See Exhibits B and C.
- (4) **Reprogrammings or Transfers** - SAMHSA entered into an Interagency Agreement with ONDCP in the amount of \$78,461,537 to fund activities of the Drug Free Communities Program in FY 2007. SAMHSA had no other reportable reprogrammings or transfers in FY 2007.
- (5) **Other Disclosures** - None.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Substance Abuse and Mental
Health Services Administration

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

OCT 15 2007

TO: Chairman
A-123 Senior Assessment Team, HHS

FROM: Administrator and Chief Financial Officer

SUBJECT: FY 2007 Management Assurance

The Substance Abuse and Mental Health Services Administration (SAMHSA) management, as an Operating Division of the Department of Health and Human Services (HHS), is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004. These objectives are to ensure: (1) effective and efficient operations; (2) compliance with applicable laws and regulations; and (3) reliable financial reporting:

In accordance with the HHS *Guidance Manual for OMB Circular A-123 Assessments*, SAMHSA has evaluated its internal controls and financial management systems to determine whether these objectives are being met. Accordingly, SAMHSA provides a qualified statement of assurance that its internal controls and financial management systems meet the objectives of FMFIA, with the exception of the following material weaknesses under Section 2 and non-conformances under Section 4 of FMFIA:

SAMHSA uses the HHS Program Support Center (PSC) as a service provider for accounting and financial reporting. PSC evaluated its internal controls and financial systems in accordance with HHS *Guidance Manual for OMB Circular A-123 Assessments* and has provided a qualified statement of assurance that its internal controls meet the objectives of FMFIA with the following exceptions: (1) PSC is continuing to make progress but has not completely resolved a material dollar amount of accounting entries identified on the Summary of Unadjusted Differences resulting from the FY 2006 Financial Statement Audit; (2) PSC has not completed a full annual reporting cycle using Unified Financial Management System (UFMS), implemented on October 1, 2006, and (3) PSC's revised documentation for the Financial Reporting closing process has not been validated.


Assurance for Internal Control over Operations and Compliance

SAMHSA conducted its evaluation of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the HHS *Guidance Manual for OMB Circular A-123 Assessments*. Based on the results of this evaluation, SAMHSA identified one material weakness in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and

regulations, under Section 2 and 4 of FMFIA relating to its Financial Reporting closing process as of September 30, 2007. Other than the exception described above, the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations were operating effectively and no other material weaknesses were found in their design or operation.

Assurance for Internal Control over Financial Reporting

In addition, SAMHSA conducted its evaluation of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the Department of Health and Human Services' *Guidance Manual for OMB Circular A-123 Assessments*. Based on the results of this evaluation, SAMHSA identified one material weakness in its internal control over financial reporting as of June 30, 2007, relating to its Financial Reporting processes, which also constitutes a non-conformance under Section 2 and 4 of FMFIA. Other than the exception described above, the internal controls over financial reporting as of June 30, 2007, were operating effectively and no other material weaknesses were found in their design or operation.



Terry L. Cline, Ph.D.
Administrator



Daryl W. Kade
Chief Financial Officer



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center

Rockville MD 20857

TO: OPDIV Chief Financial Officers

FROM: Paul S. Bartley
Director, Program Support Center

SUBJECT: FY 2007 Management Assurance as a Service Provider

The Program Support Center's (PSC) management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular No. A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004. These objectives are to ensure: 1) effective and efficient operations; 2) compliance with applicable laws and regulations; and 3) reliable financial reporting.

As required by OMB Circular No. A-123, PSC has evaluated its internal controls and financial management systems to determine whether these objectives are being met. Accordingly, PSC provides a qualified statement of assurance that its internal controls and financial systems meet the objectives of FMFIA, except for the following four components that make up the material weakness under Section 2 and nonconformances under section 4 of FMFIA.

- The FY 2006 CFO Audit identified a material dollar amount of accounting entries on the Summary of Unadjusted Differences. While a significant amount was fixed by the implementation of UFMS, we continue to work with the auditors to reduce/remove the remaining items - this is a material weakness.
- One significant customer (Indian Health Service) was processed using our former financial management system and it was not subjected to the more effective internal controls of our new financial management system and will require manual intervention to consolidate it into the HHS Department-wide financial statements.
- PSC has not completed a full annual reporting cycle using its new financial management system - UFMS (implemented on October 1, 2006).
- The related revised documentation for our Financial Reporting closing process has not yet been finalized; it is pending validation of the current year end annual financial statements.

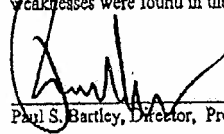
In summary, this qualification results primarily from events that have not yet occurred as a part of the maturation of our Financial Reporting processes and the full implementation of our new financial management system. We are, however, confident that our processes are substantially better than they were last year.

Assurance for Internal Control over Operations and Compliance

PSC conducted its assessment of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular No. A-123. Based on the results of this evaluation, PSC identified one material weakness in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, under Section 2 and 4 of FMFIA relating to its Financial Reporting closing process as of September 30, 2007. Other than the exceptions described above, the internal controls over operations and compliance with applicable laws and regulations as of September 30, 2007, were operating effectively and no other material weaknesses were found in the design or operation of these internal controls.

Assurance for Internal Control over Financial Reporting

PSC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular No. A-123. Based on the results of this assessment, PSC identified one material weakness in its internal control over financial reporting as of June 30, 2007, relating to its Financial Reporting processes. Other than the exceptions described above, the internal controls over financial reporting as of June 30, 2007, were operating effectively and no other material weaknesses were found in the design or operation of the internal control over financial reporting.



Paul S. Bartley, Director, Program Support

10/5/07
Date

Addressees:

Ms. Colleen Barros, CFO, NIH
Mr. Curtis Coy, CFO, ACF
Mr. John Gentile, Acting CFO, FDA
Mr. Ronald Grinnell, IHS
Ms. Barbara Harris, CFO, CDC
Mr. Timothy B. Hill, CFO, CMS
Mr. Daryl Kade, CFO, SAMHSA
Ms. Kathleen Kendrick, CFO, AHRQ
Mr. Anthony McCann, CFO, HRSA
Ms. Sandra Winfrey, IHS
Mr. John Wren, CFO, AOA

Tab D
Department of Homeland
Security

United States Coast Guard

Immigration and Customs
Enforcement


Customs and Border Protection



Homeland
Security

April 18, 2008

MEMORANDUM FOR: Admiral Thad M. Allen
Commandant
United States Coast Guard

FROM: 
Richard L. Skinner
Inspector General for Audits

SUBJECT: *Independent Review of The U.S. Coast Guard's Reporting of FY 2007
Drug Control Obligations*

Attached for your information is our report, *Independent Review of The U.S. Coast Guard's Reporting of FY 2007 Drug Control Obligations*.

The Table of Drug Control Obligations is required by 21 U.S.C. 1704 (d) and the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007, and is the responsibility of USCG's management.

We contracted with the independent public accounting firm KPMG LLP to perform the review. The review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Due to USCG's inability to provide assurance to any of the financial data contained within the detailed accounting submissions, KPMG was unable to provide the level of assurance required of the review. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion. Accordingly, we do not express such an opinion as a result of our review.

Should you have any questions, please call me, or your staff may contact Anne Richards, Assistant Inspector General for Audits, at 202-254-4100.

Attachment

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Independent Review of The U.S. Coast
Guard's Reporting of FY 2007 Drug
Control Obligations**



OIG-08-42

April 2008



Homeland
Security

April 18, 2008

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report represents the results of the review of the Table of Drug Control Obligations of the U.S. DHS Coast Guard (USCG) for the year ended September 30, 2007, for the Office of National Drug Control Policy (ONDCP). We contracted with the independent public accounting firm KPMG LLP to perform the review. USCG's management prepared the Table of Drug Control Obligations and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. However, USCG's management could not provide assurances as to the integrity of the financial data contained in its Table of Prior Year Drug Control Obligations and related disclosures. As a result KPMG was unable to provide a report on the Table of Prior Year Drug Control Obligations and related disclosures.

It is our hope that the information in future reports will result in effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner
Inspector General



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Telephone 202 533 3000
Fax 202 533 8500
Internet www.us.kpmg.com

February 19, 2008

Ms. Anne Richards
Assistant Inspector General for Audits
Office of the Inspector General
U.S. Department of Homeland Security
1120 Vermont Avenue, NW
Washington, DC 20005

Dear Ms. Richards:

We were engaged to review the Table of Prior Year Drug Control Obligations and related disclosures, and the accompanying management's assertions of the Department of Homeland Security's (DHS) U.S. Coast Guard (Coast Guard) for the year ended September 30, 2007. Coast Guard management is responsible for the Table of Prior Year Drug Control Obligations and related disclosures, and the assertions.

The Office of National Drug Control Policy (ONDCP) Circular: *Drug Control Accounting* (May 1, 2007), requires management to disclose any material weaknesses or other findings affecting the presentation of data reported. Management reported that it "cannot provide assurances as to the integrity of the financial data contained" in its Table of Prior Year Drug Control Obligations and related disclosures.

In accordance with applicable professional standards, without a positive assertion provided by management we are unable to complete our review of Coast Guard's Table of Prior Year Drug Control Obligations, and related disclosures, and management's assertion. Accordingly, we are unable to provide an Independent Accountants' Report on the Table of Prior Year Drug Control Obligations and related disclosures, and management's assertions pursuant to the requirements of ONDCP Circular: *Drug Control Accounting* (May 1, 2007).

Sincerely,

KPMG LLP

A handwritten signature in black ink that reads "Scot Janssen". The signature is written in a cursive, somewhat stylized font.

Scot G. Janssen,
Partner

Report Distribution

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Under Secretary for Management
Chief Financial Officer

Office of National Drug and Control Policy

Associate Director for Planning and Budget

U.S. Coast Guard

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DHS Office of Inspector General/MAIL STOP 2600, Attention:
Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410,
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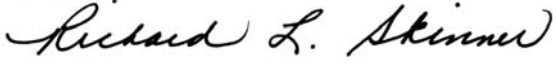
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Homeland
Security

April 18, 2008

MEMORANDUM FOR: Julie L. Myers
Assistant Secretary
Immigration and Customs Enforcement

FROM: 
Richard L. Skinner
Inspector General for Audits

SUBJECT: *Independent Review of The U.S. Immigration and Customs
Enforcement's Reporting of FY 2007 Drug Control Obligations*

Attached for your information is our report, *Independent Review of The U.S. Immigration and Customs Enforcement's Reporting of FY 2007 Drug Control Obligations*. This report contains no recommendations.

The Table of Drug Control Obligations is required by 21 U.S.C. 1704 (d) and the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007, and is the responsibility of ICE's management.

We contracted with the independent public accounting firm KPMG LLP to perform the review. The review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion. Accordingly, we do not express such an opinion as a result of our review.

Should you have any questions, please call me, or your staff may contact Anne Richards, Assistant Inspector General for Audits, at 202-254-4100.

Attachment

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Independent Review of The U.S.
Immigration and Customs Enforcement's
Reporting of FY 2007 Drug Control
Obligations**





Homeland
Security

April 18, 2008

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report presents the results of the review of the Table of Drug Control Obligations and related disclosures of the DHS' Immigration and Customs Enforcement (ICE) for the year ended September 30, 2007, for the Office of National Drug Control Policy (ONDCP). We contracted with the independent public accounting firm KPMG LLP to perform the review. ICE's management prepared the Table of Drug Control Obligations and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. We do not express an opinion on the Table of Drug Control Obligations and related disclosures.

It is our hope that the information in this report will continue to result in effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner
Inspector General



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Accountants' Report

Inspector General
U.S. Department of Homeland Security:

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) U.S. Immigration and Customs Enforcement (ICE) for the year ended September 30, 2007. We have also reviewed the accompanying management's assertions for the year ended September 30, 2007. ICE's management is responsible for the Table of Drug Control Obligations and related disclosures, and the assertions.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and 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 and management's assertions. Accordingly, we do not express such an opinion.

Management of ICE prepared the Table of Drug Control Obligations and related disclosures, and management's assertions to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007.

Based on our review, nothing came to our attention that caused us to believe that (1) the Table of Drug Control Obligations and related disclosures for the year ended September 30, 2007 is not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting* (May 1, 2007), or that (2) management's assertions referred to above are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting* (May 1, 2007).

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

KPMG LLP

January 25, 2008

**Department of Homeland Security
U.S. Immigration and Customs Enforcement
Detailed Accounting of Drug Control Funds During FY 2007**

A. Table of Prior Year Drug Control Obligations

(in Thousands)
FY 2007 Final

Drug Resources by Function

Investigations	361,865
International Affairs	4,564
Office of Intelligence	4,024
Total	370,453

Drug Resources by Decision Unit

Salaries and Expenses	370,453
Total	370,453

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 three ICE programs which undertake drug-related investigative activity: Office of Investigations, International Affairs and the Office of Intelligence.

The methodology for U.S. Immigration and Customs Enforcement (ICE) is based on investigative case hours recorded in ICE's automated Case Management System Treasury Enforcement Communication System (TECS). ICE agents 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 drug cases and money laundering drug cases. A second report is run showing all investigative case hours logged. A percentage is derived by dividing the number of investigative case hours linked to drug control activities by the total number of investigative case hours. Applying the percentage to the total of direct resources results in a cost allocated to drug cases. This percentage may fluctuate from year to year.

Investigations Program

- 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 number of investigative case hours linked to drug control activities by the total number of investigative case hours. This percentage may fluctuate from year to year. For FY 2007 the percentage was 28.5%. To calculate a dollar amount, this percentage is applied to actual obligations incurred by the Office of Investigations (OI) against budget authority gained in FY 2007, excluding reimbursable authority.

Intelligence Program

- ICE employs the same methodology for calculating all drug control activities within the Office of Intelligence's budget. For FY 2007, 8.7% of the total case hours for Intelligence 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 2007 incurred by the Office of Intelligence for all activities.

International Affairs Program

- The methodology for the Office of International Affairs (OIA) is based on investigative 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 hours that are coded as general narcotics cases and money laundering narcotics cases. For FY 2007, 4.13% was applied to actual obligations against budget authority gained in FY 2007 incurred by the Office of International Affairs for all activities.

Disclosure No. 2: Methodology Modifications

The methodology has not changed from FY 2006.

Disclosure No. 3: Material Weakness or Other Findings

In FY 2007, Immigration and Customs Enforcement (ICE) provided reasonable assurance regarding its financial controls and reporting pursuant to the Department of Homeland Security (DHS) Financial Accountability Act, P.L. 108-330. Specifically, internal controls over financial reporting were designed effectively within the scope of the DHS Consolidated Balance Sheet audit and based on management's assessment of internal controls over financial reporting. These controls are operating effectively and were tested in FY 2007 and passed. These tests revealed no material weaknesses in ICE's financial reporting. ICE has also remediated its two FY 2006 remaining material weaknesses, Budgetary Accounting and Financial Systems Security, and received an unqualified internal opinion on its balance sheet audit.

In FY 2006, ICE also reported, pursuant to 31 U.S.C. 3512(d)(2)(B), that its financial system conformed with government-wide requirements except for a non-conformance

wherein ICE's financial accounting system did not interface with the acquisition and asset management systems. However, in FY 2007, ICE effectively managed its acquisition and property management transactions because ICE performed reconciliations to ensure data integrity.

In FY 2007, ICE built a culture of financial accountability and financial integrity throughout the organization. With the appointment of key financial managers, ICE strengthened its management team. ICE's Office of Assurance and Compliance oversaw and monitored ICE's comprehensive Financial Action Plan (FAP). Even though ICE resolved its material weaknesses in FY 2007, it will update its FAP to improve internal controls and continue its progress in financial management in FY 2008.

Disclosure No. 4: Reprogrammings or Transfers

No Reprogrammings or Transfers of drug-related budget resources occurred during FY 2007.

Disclosure No. 5: Other Disclosures

In previous submissions, the Office of International Affairs' drug-related obligations and program requests were included as part of the Office of Investigations' request. In FY 2007, there was an organizational change that established OIA as a stand-alone office within ICE. This and future year submissions will reflect that change.

There are no other disclosures, which we feel are necessary to clarify any issues regarding the data reported.

B. Assertions

Assertion No. 1: Obligations by Budget Decision Unit

Not Applicable- noted in the ONDCP Circular: *Drug Control Accounting 6(b)(1)*.

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. The financial system used to calculate the drug-related budget obligations is the Federal Financial Management System (FFMS).

Assertion No. 3 Application of Drug Methodology

The methodology disclosed in section A, Disclosure No. 1 was the actual methodology used to generate the Table.

Assertion No. 4: Reprogrammings or Transfers

No Reprogrammings or Transfers of drug-related budget resources occurred during FY 2007.

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 21, 2006. The ICE plan was sent to ONDCP on October 31, 2006, and approved by ONDCP on November 21, 2006.

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Office of National Drug and Control Policy

Associate Director for Planning and Budget

U.S. Immigration and Customs Enforcement

Assistant Secretary
Chief Financial Officer
ICE Audit Liaison

Office of Management and Budget

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- **Email us at DHSOIGHOTLINE@dhs.gov; or**
- **Write to us at:**
DHS Office of Inspector General/MAIL STOP 2600, Attention:
Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410,
Washington, DC 20528.


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Homeland
Security

April 18, 2008

MEMORANDUM FOR: W. Ralph Basham
Commissioner
United States Customs and Border Protection

FROM: 
Richard L. Skinner
Inspector General for Audits

SUBJECT: *Independent Review of The U.S. Customs and Border Protection's
Reporting of FY 2007 Drug Control Obligations*

Attached for your information is our report, *Independent Review of The U.S. Customs and Border Protection's Reporting of FY 2007 Drug Control Obligations*. This report contains no recommendations.

The Table of Drug Control Obligations is required by 21 U.S.C. 1704 (d) and the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007, and is the responsibility of CBP's management.

We contracted with the independent public accounting firm KPMG LLP to perform the review. The review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion. Accordingly, we do not express such an opinion as a result of our review.

Should you have any questions, please call me, or your staff may contact Anne Richards, Assistant Inspector General for Audits, at 202-254-4100.

Attachment

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Independent Review of The U.S. Customs
and Border Protection's Reporting of
FY 2007 Drug Control Obligations**





Homeland
Security

April 18, 2008

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report presents the results of the review of the Table of Drug Control Obligations and related disclosures of the U.S. DHS' Customs and Border Protection (CBP) for the year ended September 30, 2007, for the Office of National Drug Control Policy (ONDCP). We contracted with the independent public accounting firm KPMG LLP to perform the review. Management of CBP prepared the Table of Drug Control Obligations and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. We do not express an opinion on the Table of Drug Control Obligations and related disclosures.

It is our hope that the information in this report will continue to result in effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner
Inspector General



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Accountants' Report

Inspector General
U.S. Department of Homeland Security:

We have reviewed the accompanying Table of FY 2007 Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) U.S. Customs and Border Protection (CBP) for the year ended September 30, 2007. We have also reviewed the accompanying management's assertions for the year ended September 30, 2007. CBP's management is responsible for the Table of FY 2007 Drug Control Obligations and related disclosures, and the assertions.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and 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 FY 2007 Drug Control Obligations and related disclosures and management's assertions. Accordingly, we do not express such an opinion.

Management of CBP prepared the Table of FY 2007 Drug Control Obligations and related disclosures, and management's assertions to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007.

Based on our review, nothing came to our attention that caused us to believe that (1) the Table of FY 2007 Drug Control Obligations and related disclosures for the year ended September 30, 2007 is not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting* (May 1, 2007), or that (2) management's assertions referred to above are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting* (May 1, 2007).

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

KPMG LLP

February 11, 2008

DEPARTMENT OF HOMELAND SECURITY
 CUSTOMS AND BORDER PROTECTION
 Annual Reporting of FY 2007 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2007 Drug Control Obligations

(Dollars in Thousands)

<u>Drug Resources by Drug Control Function:</u>	<u>FY 2007</u>
Intelligence	\$256,392
<u>Interdiction</u>	<u>\$1,308,094</u>
TOTAL	\$1,564,486
 <u>Drug Resources by Budget Decision Unit:</u>	
Salaries and Expenses	\$1,226,988
<u>Air & Marine Operations</u>	<u>\$337,498</u>
TOTAL	\$1,564,486

1. Drug Methodology

Customs and Border Protection (CBP) is a multi-mission bureau, and calculates obligations, by budget decision unit and function, pursuant to an approved drug methodology. On the basis of past practice, five organizations within CBP, the Offices of: Border Patrol; Field Operations; Information Technology; Training and Development; and Air and Marine were provided with guidance on preparing estimates for the FY 2007 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 2007.

All five organizations identified resources in their financial plans that support the drug enforcement mission of the agency. Each office also attributes resources to both the intelligence and interdiction functions.

OFFICE OF BORDER PATROL

There are over 14,900 Border Patrol agents that are assigned the mission of detecting and apprehending illegal entrants between the ports-of-entry along the over 8,000 miles of land and coastal border. These illegal entries include aliens and drug smugglers, potential terrorists, wanted criminals, and persons seeking to avoid inspection at the designated ports of entry due to their undocumented status, thus preventing their illegal entry. It has been determined that 15 percent of the total agent time nationwide is related to drug interdiction activities. These activities include staffing 34 permanent border traffic checkpoints nationwide including 584 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 line watch functions in targeted border areas that are frequent entry points for the smuggling of drugs and people into the United States.

OFFICE OF FIELD OPERATIONS

The Office of Cargo Conveyance and Security/Non-Intrusive Inspection Division of the Office of Field Operations estimates that, as of September 2007, there were 3,941 CBP Officer positions that are related to drug enforcement called Enforcement Team Officers. In August 2003, CBP established a Consolidated National Inspectional Anti-Terrorism Contraband Enforcement Team (A-TCET) Policy. Under A-TCET, the former Contraband Enforcement Team (CET), Manifest Review Unit (MRU), Non-Intrusive Inspection, Canine, and Outbound teams were united to form a single enforcement team, A-TCET. The A-TCET also works 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, A-TCETs also focus on all types of contraband, including narcotics. It is estimated that 69 percent of the A-TCET is devoted to drug enforcement. The smuggling methodologies and their indicators are believed to be similar for both narcotics and anti-terrorism activities.

As of September 2007, there was a total of 583 Canine Enforcement Officers. Included in the total were 271 Narcotics Detection Teams, 10 Currency Detection Teams and 185 Narcotics/Concealed Human Detection Teams that were nearly 100 percent devoted to smuggling interdiction. Also included in the total, but not scored for narcotics enforcement are 91 Agricultural Teams, and 26 Explosive Detection Teams.

As of September 2007, the Office of Field Operations (OFO) also had oversight for 13,685 other CBP Officers that in addition to the interdiction of contraband and illegal drugs 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.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology (OIT) supports the drug enforcement mission through the acquisition, and support and maintenance of technology, such as non-intrusive inspection systems and mission critical targeting software systems. Of OIT's spending, 30 percent of base of the Enforcement Technology Center; 25 percent of Automated Targeting Systems (Passenger, Narcotics, and Anti-Terrorism) systems software costs, 50 percent of the Treasury Enforcement Communications System (TECS); and 10 percent of data center operations costs are estimated in support of the drug mission.

OFFICE OF TRAINING AND DEVELOPMENT

The Office of Training and Development (OTD) arrived at its estimates by reviewing all courses conducted to determine if the course contained drug enforcement related material. If the course was found to contain drug related material, the funding attributed to the course was then multiplied by the drug content percentage based on the drug budget methodology. Other resources were attributed to drug enforcement activities at a rate of 31 percent based on the diverse nature of OTD's programs such as anti-terrorism, career development, and transition training of the legacy workforce.

OFFICE OF AIR & MARINE OPERATIONS

CBP Air's core competencies are air and marine interdiction, air and marine law enforcement, and air domain security. In this capacity, CBP Air and Marine targets the conveyances that illegally transport narcotics, arms, and aliens across our borders and in

the Source, Transit and Arrival Zones. In support of Source and Transit Zone interdiction operations, the CBP Air and Marine P-3 Program has dedicated a minimum of 7,200 hours a year in support of Joint Interagency Task Force – South. Due to serious maintenance issues for the past year many of the P-3 aircraft were parked pending repairs. A&M was still able to complete 5,400 (75%) hours with only 25% of assets available. This added additional flight hours per aircraft, reducing the life-time before a SLEP must be accomplished. An extensive SLEP program is currently underway and all the P-3 aircraft should be fully functional by the 4th quarter of fiscal year 2008.

Although 90 percent of the resources that support CBP Air and Marine are considered to be drug-related, since September 11, 2001, Air and Marine has steadily increased its support to counter-terrorism by developing a more cohesive and integrated response to national security needs as well as more emphasis on illegal immigration. Currently, Air and Marine is dedicating significant assets and personnel in support of Operation HALCON – a US/Mexico interdiction initiative, and support to the Office of Border Patrol in Southwest Border illegal alien intervention.

2. Methodology Modifications

There were no methodology modifications since last year. As mentioned above the percentages are, in large part, based on expert opinion.

Last year's Office of Information and Technology submission used 50% of base of the Enforcement Technology Center, 100% of ATS-Narcotics systems software costs, 50% of the Treasury Enforcement Communications System (TECS) and ATS-Passenger Costs and 10% of data center operations costs as being dedicated to drug enforcement. In this submission, these percentages are 30% of base of the Enforcement Technology Center, 25% of Automated Targeting Systems (Passenger, Narcotics and Anti-Terrorism) systems software costs, 50% of the Treasury Enforcement Communications System (TECS) and ATS-Passenger Costs and 10% of data center operations costs. If last year's percentages had been used, Customs obligation estimate would have increased by \$50 million.

In FY 2007, OFO's subject matter experts (SME) changed the percent of drug resources attributable to positions dedicated to its Enforcement Team Officers from 85% in FY 2006, to 69% in FY 2007. Enforcement Team Officers are CBPOs who are part of Anti-terrorism Contraband Enforcement Teams (A-TCETs), which include the former Contraband Enforcement Teams (CETs), Manifest Review Units (MRUs), Passenger Enforcement Rover Teams (PERTs) and Passenger Analytical Units (PAUs).

The change to 69% for CBP Officer's working on Enforcement Teams has resulted in a decrease of \$78.6 million from the old methodology that used 85%. This total reduction includes an impact on the base (\$49.6 M) as well as the initiatives (\$29.0 M). The impact on the initiatives is due to the diminished weighting (i.e., 69% versus 85%) applied to the congressional initiative that appropriated \$181.8 million in FY 2007 for the purchase, deployment and operations for non-intrusive inspectional (NII) systems, including the personnel needed to operate the NII systems.

Overall, these changes decrease the CBP obligation estimates in this submission by \$128.6 million. We believe that this estimate fairly characterizes our efforts and provides a better estimate.

3. Material Weakness or Other Findings

Core Financial Systems: This material weakness was first reported in 1993 when it was noted that agency core financial systems were not integrated and did not provide certain financial information for managing operations. The implementation of Systems, Applications, and Products (SAP) addressed a number of the issues under this weakness.

Financial Systems Security: In the Fiscal Year 2005 DHS Financial Statements Audit Report, auditors expanded this DHS material weakness to include IT and financial system control weaknesses in addition to weaknesses in CBP security controls affecting headquarters and the National Data Center management and staff's system access to CBP applications and data (formerly Financial Systems Functionality and Technology).

4. Reprogramming or Transfers

There are no reprogrammings or transfers that affected drug-related budgetary resources.

5. Other Disclosures

There are no other disclosures as we feel are necessary to clarify any issues regarding the data reported under this circular.

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

There are no other estimation methods that are used as part of the drug methodology.

c. Financial Systems

CBP's financial systems (SAP) 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 sections A.1 and B.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 May 1, 2007.

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 21, 2006. The Director for ONDCP lifted the Notice on December 6, 2006.

Report Distribution

Department of Homeland Security

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Assistant Secretary for Policy
Assistant Secretary for Legislative Affairs
Assistance Secretary for Public Affairs
Under Secretary for Management
Chief Financial Officer

Office of National Drug and Control Policy

Associate Director for Planning and Budget

U.S. Customs and Border Protection

Commissioner
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Chief, Homeland Security Branch
DHS OIG Budget Examiner

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DHS Office of Inspector General/MAIL STOP 2600, Attention:
Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410,
Washington, DC 20528.

The OIG seeks to protect the identity of each writer and caller.

Tab E
Department of Justice

Bureau of Prisons

Drug Enforcement Administration

**Organized Crime Drug Enforcement
Task Force**

Office of Justice Programs



U. S. Department of Justice

Office of the Inspector General

January 31, 2008

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 fiscal year 2007 attestation review reports from the U.S. Department of Justice. The attestation review reports, the annual detailed accounting of funds expended by each drug control program agency, and performance summary is required by 21 U.S.C. § 1704(d), as implemented by the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007.

If you have any questions, please contact me on (202) 514-3435 or Mark L. Hayes, Director, Financial Statement Audit Office, on (202) 616-4660.

Sincerely,

A handwritten signature in blue ink that reads "Glenn A. Fine".

Glenn A. Fine
Inspector General

Enclosure

cc: Lee J. Lofthus
Assistant Attorney General
for Administration
Chief Financial Officer
Justice Management Division

Mikki Atsatt
Senior Budget Policy Advisor
Budget Staff
Justice Management Division

Jeffrey Sutton
Assistant Director, Budget Staff
Law Enforcement & Corrections Group
Justice Management Division

Jill R. Meldon
Assistant Director, Budget Staff
Planning and Performance Group
Justice Management Division

Melinda Morgan
Director, Finance Staff
Justice Management Division



ANNUAL ACCOUNTING AND AUTHENTICATION OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE FISCAL YEAR 2007

U.S. Department of Justice
Office of the Inspector General
Audit Division

Audit Report 08-05
January 2008

ANNUAL ACCOUNTING AND AUTHENTICATION OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE FISCAL YEAR 2007

OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This report contains the fiscal year 2007 attestation review reports of the Federal Bureau of Prisons (BOP), Drug Enforcement Administration (DEA), Organized Crime Drug Enforcement Task Forces (OCDETF), and Office of Justice Programs (OJP) annual accounting and authentication of drug control funds and related performance. The report and annual detailed accounting of funds expended by each drug control program agency is required by 21 U.S.C. 1704(d), as implemented by the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007. Under the direction of the Office of the Inspector General (OIG), KPMG LLP (KPMG) performed the attestation reviews.

KPMG prepared the reports in accordance with the Attestation Standards issued by the American Institute of Certified Public Accountants (AICPA). Each of the reports was properly addressed, titled, and contained the elements required by the AICPA Statements on Standards for Attestation Engagements, AT Section 100.45. An attestation review is less in scope than an examination and, therefore, does not result in the expression of an opinion. However, KPMG auditors reported that nothing came to their attention that caused them to believe the submission was not presented in all material respects in accordance with the requirements of the ONDCP circular.

The OIG reviewed KPMG's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an attestation engagement in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion or conclusions on the annual accounting and authentication of drug control funds and related performance. KPMG is responsible for the attached auditors' reports dated January 2008, and the conclusions expressed in the reports. However, our oversight disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

**ANNUAL ACCOUNTING AND AUTHENTICATION OF
DRUG CONTROL FUNDS AND RELATED
PERFORMANCE
FISCAL YEAR 2007**

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3780

KPMG LLP
2000 L Street, N.W.
Washington, D.C. 20037

**Independent Accountants' Reports and
Component Detailed Accounting Submissions**

The accompanying financial statements were prepared by the management of the U.S. Agency for International Development (USAID) and are the responsibility of the management. The independent accountants' reports and component detailed accounting submissions are provided for information only and are not intended to be used for any other purpose.

The independent accountants' reports and component detailed accounting submissions are prepared in accordance with the standards of the American Institute of Certified Public Accountants (AICPA) and the standards of the International Federation of Accountants (IFAC). The independent accountants' reports and component detailed accounting submissions are prepared in accordance with the standards of the American Institute of Certified Public Accountants (AICPA) and the standards of the International Federation of Accountants (IFAC).

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The independent accountants' reports and component detailed accounting submissions are prepared in accordance with the standards of the American Institute of Certified Public Accountants (AICPA) and the standards of the International Federation of Accountants (IFAC).

KPMG LLP

Applied from the previous year.

The Department of Justice, the U.S. Department of Justice (DOJ), and the U.S. Department of Justice (DOJ) are not intended to be and should be read in connection with their respective laws.

[Handwritten signature]

KPMG LLP

Peter Maxey
Budget Officer

1/14/2008
Date

**Independent Accountants' Reports and
Component Detailed Accounting Submissions**

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Accountants' Report

Assistant Attorney General for Administration
U.S. Department of Justice

Inspector General
U.S. Department of Justice

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the U.S. Department of Justice's Federal Bureau of Prisons (BOP) for the year ended September 30, 2007. We have also reviewed the accompanying Management's Assertion Statement for Fiscal Year Ended September 30, 2007. BOP's management is responsible for the Table of Drug Control Obligations, related disclosures, and the assertion.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and 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, related disclosures, and management's assertion. Accordingly, we do not express such an opinion.

Management of the BOP prepared the Table of Drug Control Obligations, related disclosures, and management's assertion to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007.

Based on our review, nothing came to our attention that caused us to believe that: (1) the Table of Drug Control Obligations and related disclosures for the year ended September 30, 2007 are not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007, or that (2) the Management's Assertion Statement referred to above is not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007.

This report is intended solely for the information and use of the management of the U.S. Department of Justice, the U.S. Department of Justice Office of the Inspector General, the ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 14, 2008



U.S. Department of Justice

Federal Bureau of Prisons

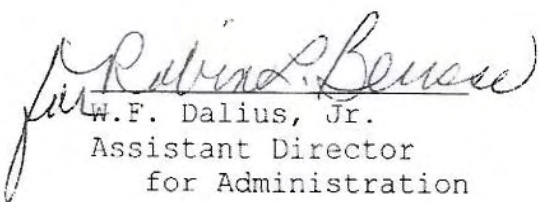
Washington, DC 20534

U.S. Department of Justice
Bureau of Prisons
Detailed Accounting Submission
Management's Assertion Statement
For Fiscal Year Ended September 30, 2007

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 of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that did not require revision, i.e., for reprogrammings or transfers, during the fiscal year.
5. BOP did not have any Office of National Drug Control Policy (ONDCP) Fund Control Notices issued in FY 2007.

We have documented the methodology used by BOP to identify and accumulate FY 2007 drug control obligations in the Table of Drug Control Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007. The BOP drug control methodology has been consistently applied from the previous year.


W.F. Dalius, Jr.
Assistant Director
for Administration

01/14/08
Date

U.S. Department of Justice
 Bureau of Prisons
 Table of Drug Control Obligations
 For Fiscal Year Ended September 30, 2007
 (Dollars in thousands)

FY 2007 Actual Obligations

Drug Obligations by Function:

Treatment	\$70,441
TOTAL	<u>\$70,441</u>

Drug Obligations by Decision Unit:

Inmate Care and Programs	\$70,441
TOTAL	<u>\$70,441</u>

Drug Resources Personnel Summary

Total Full Time Equivalent FTEs (Direct Only)	524
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Information

Total Agency Obligations (Direct Only)*	\$5,662,244
Drug Percentage	1.2%

*Direct obligations for Salaries and Expenses and Buildings and Facilities Appropriations.

Disclosure No 1. Drug Control Methodology

The mission of the Bureau of Prisons (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: Drug Control Accounting, dated May 1, 2007. 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 solely 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 (FMIS2). FY 2007 actual obligations for Drug Treatment Programs are reported as Drug Control Obligations since the entire focus is drug related.

Financial Systems - The FMIS2 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 Full Time Equivalent (FTEs) - Using BOP FTE data from FMIS2, the drug treatment FTEs were reported in the Table of Drug Control Obligations. The FTE data is originated by the U.S. Department of Agriculture's National Finance Center (NFC), and then downloaded into the FMIS2. The NFC provides consolidated payroll services to numerous government agencies including the BOP.

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 2006). Only direct obligations associated with Drug Treatment Programs in the Table of Drug Control Obligations are reported.

Disclosure No 3. Material Weaknesses and Other Findings

The independent audit of BOP's FY 2007 financial statements resulted in an unqualified or "clean" audit opinion with no material weaknesses. In the Report on Internal Controls, there was one significant deficiency related to Information Systems Controls and no findings in the Compliance Report.

During the FY 2007 audit, auditors evaluated the general control environment and selected application controls. General controls are the structure, policies, and procedures that apply to the BOP's overall computer operations. Application controls are the structure, policies and procedures that apply to the BOP's separate application systems. The evaluation was performed using the U.S. Government Accountability Office's (GAO) Federal Information System Controls Audit Manual (FISCAM) and National Institute of Standards and Technology (NIST), Special Publication (SP) 800-53, Recommended Security Controls for Federal Information Systems. The auditors noted weaknesses in the following FISCAM general control areas: access controls and system software. The BOP has implemented corrective action plans to specifically address each recommendation found in the Independent Auditors' Report on Internal Control. The corrective action plans are reviewed and updated quarterly, at a minimum, and provided to the auditors for review and discussion.

Sources reviewed include: (a) the FY 2007 Report of Independent Auditors, Report of Independent Auditors on Internal Controls, and the Report of Independent Auditors on Compliance and Other Matters; and (b) the DOJ Performance and Accountability Report.

Disclosure No 4. Reprogrammings or Transfers

There were no drug related reprogrammings or transfers during FY 2007.

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 2007, \$927,000 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 related to drug treatment during FY 2007. Therefore, the transferred obligations and PHS FTEs were included in BOP's Table of Drug Control Obligations.

Disclosure No 6. Other Disclosures

The BOP did not have any ONDCP fund control notices issued in FY 2007.

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Accountants' Report

Assistant Attorney General for Administration
U.S. Department of Justice

Inspector General
U.S. Department of Justice

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the U.S. Department of Justice's Drug Enforcement Administration (DEA) for the year ended September 30, 2007. We have also reviewed the accompanying Management's Assertion Statement for Fiscal Year Ended September 30, 2007. DEA's management is responsible for the Table of Drug Control Obligations, related disclosures, and the assertion.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and 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, related disclosures, and management's assertion. Accordingly, we do not express such an opinion.

Management of the DEA prepared the Table of Drug Control Obligations, related disclosures, and management's assertion to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007.

Based on our review, nothing came to our attention that caused us to believe that: (1) the Table of Drug Control Obligations and related disclosures for the year ended September 30, 2007 are not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007, or that (2) the Management's Assertion Statement referred to above is not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007.

This report is intended solely for the information and use of the management of the U.S. Department of Justice, the U.S. Department of Justice Office of the Inspector General, the ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 14, 2008



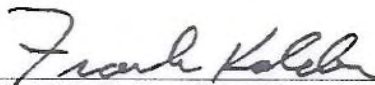
U. S. Department of Justice
Drug Enforcement Administration

U.S. Department of Justice
Drug Enforcement Administration
Detailed Accounting Submission
Management's Assertion Statement
For Fiscal Year ended September 30, 2007

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 of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that was revised during the fiscal year to properly reflect the changes, including Office of National Drug Control Policy's (ONDCP) approval of reprogrammings and transfers in excess of \$1 million affecting drug-related resources.
5. DEA did not have any ONDCP Fund Control Notices issued in FY 2007.

We have documented the methodology used by the DEA to identify and accumulate FY 2007 drug control obligations in the Table of Drug Control Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007.


Frank M. Kalder, Chief Financial Officer

Date 1/14/08

**U.S. Department of Justice
Drug Enforcement Administration
Table of Drug Control Obligations
For Fiscal Year Ending September 30, 2007
(Dollars in thousands)**

	FY 2007 Actual Obligations
Drug Obligations by Function:	
Investigations	\$ 1,417,436
Intelligence	174,258
International	333,493
State & Local Assistance	26,835
Prevention	3,781
Total	\$ 1,955,803
Drug Obligations by Decision Unit:	
Salary and Expense (S&F) Appropriation	
Domestic Enforcement	\$ 1,396,608
International Enforcement	348,306
State & Local Assistance	27,080
Total	1,771,994 *
Construction Appropriation	937
Drug Diversion Control Fee Account Appropriation	179,307
Violent Crime Fund Appropriation	3,565
Total	\$ 1,955,803
Drug Obligations Direct Personnel Summary:	
Total Full-Time Equivalent (FTE)	8,051
Total Agency Obligations	\$ 1,955,803
Drug Percentage	100.0%

* Includes obligations of carryover unobligated balances

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 the 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;
- Liaison with the United Nations, Interpol, and other organizations on matters relating to international drug control programs; and
- Supporting and augmenting U.S. efforts against terrorism by denying drug trafficking and/or money laundering routes to foreign terrorist organizations, as well as the use of illicit drugs as barter for munitions to support terrorism.

The accompanying Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007. The table represents obligations incurred by the DEA for drug control purposes and reflects 100 percent of the DEA's mission.

Since DEA's accounting system, the Federal Financial System (FFS), does not track obligation and expenditure data by ONDCP's drug functions, DEA uses Managerial Cost Accounting (MCA), a methodology approved by ONDCP to allocate obligations tracked in DEA's appropriated decision units to ONDCP's drug functions.

Data: All accounting data for the DEA is maintained in 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.

Managerial Cost Accounting: DEA uses allocation percentages generated by MCA to allocate resources associated with DEA's ten decision units as reported in FY 2004 to ONDCP's drug functions. The MCA model using an activity-based costing methodology provides the full cost of DEA's mission outputs (performance costs). The table below shows the allocation percentages based on DEA's MCA data.

DEA S&E Decision Unit (10)	Allocation	ONDCP Function
Automated Data Processing (ADP)	82.91%	Investigations
Chemical Diversion	100.00%	
Domestic Enforcement	98.98%	
Foreign Cooperative Investigations	1.15%	
Laboratory Services	96.83%	
Management and Administration (M&A)	84.99%	
Research, Engineering & Technical Operations (RETO)	93.41%	
State and Local Task Force	91.25%	
Training	72.62%	
Automated Data Processing (ADP)	6.17%	
Domestic Enforcement	0.13%	
Foreign Cooperative Investigations	0.21%	
Intelligence	100.00%	
Research, Engineering & Technical Operations (RETO)	0.10%	
Training	1.08%	

Automated Data Processing (ADP)	9.57%	International
Domestic Enforcement	0.47%	
Foreign Cooperative Investigations	98.64%	
Laboratory Services	1.98%	
Management and Administration (M&A)	12.90%	
Research, Engineering & Technical Operations (RETO)	6.45%	
State and Local Task Force	0.01%	
Training	17.30%	
Automated Data Processing (ADP)	1.35%	State & Local Assistance
Domestic Enforcement	0.11%	
Laboratory Services	1.19%	
Management and Administration (M&A)	0.98%	
Research, Engineering & Technical Operations (RETO)	0.02%	
State and Local Task Force	8.61%	
Training	9.00%	
Domestic Enforcement	0.31%	Prevention
Management and Administration (M&A)	1.13%	
Research, Engineering & Technical Operations (RETO)	0.02%	
State and Local Task Force	0.13%	
Full Time Equivalents (FTE)	100.00%	DEA Direct Total FTE (Includes both S&E and DCFA appropriations)

The table below shows drug obligations by ONDCP functions.

Drug Obligations by Function:	Total
Investigations	\$ 1,417,436
Intelligence	174,258
International	333,493
State & Local Assistance	26,835
Prevention	3,781
Total	\$ 1,955,803

Beginning in FY 2005, DEA's Salary and Expense (S&E) resources were consolidated and appropriated in three decision units. In anticipation of the transition to a new financial system, DEA continued to record obligations in the ten decision units as reported in FY 2004. As a result, DEA used allocation percentages generated by MCA to allocate obligations associated with the ten decision units to the newly appropriated three S&E decision units. DEA's financial system will begin recording obligations in the appropriated decision units in FY 2008. The table below shows the allocation percentages based on DEA's MCA data.

DEA S & E Decision Unit (10)	Allocation	Reported FY 2007 Salary & Expense
Automated Data Processing (ADP)	88.36%	Domestic Enforcement
Chemical Diversion	100.00%	
Domestic Enforcement	99.40%	
Foreign Cooperative Investigations	1.17%	
Intelligence	89.45%	
Laboratory Services	96.83%	
Management and Administration (M&A)	86.12%	
Research, Engineering & Technical Operations (RET O)	93.52%	
State and Local Task Force	91.38%	
Training	73.49%	
Automated Data Processing (ADP)	10.20%	International Enforcement
Domestic Enforcement	0.48%	
Foreign Cooperative Investigations	98.83%	
Intelligence	10.51%	
Laboratory Services	1.98%	
Management and Administration (M&A)	12.90%	
Research, Engineering & Technical Operations (RET O)	6.46%	
State and Local Task Force	0.01%	
Training	17.51%	
Automated Data Processing (ADP)	1.44%	
Domestic Enforcement	0.12%	
Intelligence	0.04%	
Laboratory Services	1.19%	
Management and Administration (M&A)	0.98%	
Research, Engineering & Technical Operations (RET O)	0.02%	
State and Local Task Force	8.61%	
Training	9.00%	

Decision Units: One hundred percent of DEA's total obligations by decision unit were associated with drug enforcement. This total is reported and tracked in FFS.

Non-S&E Appropriations: Construction, Diversion Control Fee Account, and Violent Crime Fund Appropriation are directly allocated to ONDCP functions as follows:

Construction	98.00% Investigations, 2.00% International
Diversion Control Fee Account	98.04% Investigations, 1.94% Intelligence, .02% Prevention
Violent Crime Fund	100.00% International

Full Time Equivalents (FTE): One hundred percent of all DEA FTEs are dedicated to drug enforcement efforts. DEA's Direct FTE total for FY 2007, including S&E and DCFA appropriations, was 8,051 through pay period 19, ending September 29, 2007.

Transfers and Reimbursements: High Intensity Drug Trafficking Area (HIDTA) transfers and reimbursable obligations are excluded from DEA's Table of Drug Control Obligations since they are reported by other sources.

Disclosure 2: Methodology Modification of Drug Enforcement Accounting Method

DEA's method for tracking drug enforcement resources has not been modified from the method approved in FY 2005. However, instead of using FY 2006 MCA data to allocate FY 2007 obligations from DEA's ten decision units as reported in FY 2004 to ONDCP's drug functions, DEA used available FY 2007 MCA data to more accurately depict use of resources.

Disclosure 3: Material Weaknesses and Other Findings

The results of DEA's FY 2007 financial statement audit revealed IT-related significant deficiencies and no material weaknesses that affect the presentation of drug related obligations data. In addressing IT-related significant deficiencies, DEA is in the process of implementing an enterprise wide desktop and server management system that will improve workstation inventory, security patch management, and configuration management capability. This process is scheduled to be completed by December 2008.

Disclosure 4: Reprogrammings and Transfers

There were no reprogrammings in FY 2007 but DEA submitted an allocation request in FY 2007 as part of DEA's FY 2007 spending plan. In compliance with the FY 2007 Joint Resolution, DEA, through the Department of Justice, submitted its FY 2007 spending plan to Congress for approval. DEA's FY 2007 operating plan reallocated funding for its state and local training program, except that associated with clan lab training and hazardous waste resources (positions and funding), and the headquarters demand reduction program from the state and local assistance decision unit to the domestic enforcement decision unit. DEA received approval on its FY 2007 operating plan from the Senate on April 11, 2007 and the House on April 16, 2007.

In addition, DEA had several transfers during FY 2007 (see the attached Table of FY 2007 Reprogrammings and Transfers). DEA had seven transfers into its S&E account - one transfer from Department of Justice totaling \$74,772,000, four transfers from ONDCP's High Intensity Drug Trafficking Area (HIDTA) program totaling \$16,082,887, one internal transfer from expired FY 2005/FY 2006 S&E funds of \$18,000,000, and one transfer from DOJ's Working Capital Fund totaling \$113. Also, DEA had four transfers out of its S&E account - one transfer to the Department of Justice's Wire Management Office totaling \$333,959, two transfers to DOJ's Working Capital Fund totaling \$6,576,093, and one internal transfer from expired FY 2005/FY 2006 S&E funds of \$18,000,000 to DEA's S&E No-Year funds.

Transfers under the Drug Resources by Function section in the Table of FY 2007 Reprogrammings and Transfers are based on the same MCA allocation percentages as the Table of Drug Control Obligations.

Disclosure 5: Other Disclosures

DEA did not have any ONDCP Fund Control Notices issued in FY 2007.

Department of Justice
Drug Enforcement Administration
Table of FY 2007 Reprogrammings and Transfers
(Dollars in Thousands)

	Transfers In	Transfers Out	Total
Drug Resources by Function			
Investigations	\$ 106,501	\$ (24,656)	\$ 81,845
Intelligence	121	(32)	89
International	438	(117)	321
State & Local Assistance	1,487	(27)	1,460
Prevention	308	(78)	230
Total	<u>\$ 108,855</u>	<u>\$ (24,910)</u>	<u>\$ 83,945</u>
Drug Resources by Decision Unit			
Domestic Enforcement	\$ 106,912	\$ (24,760)	\$ 82,152
International Enforcement	447	(120)	327
State & Local Task Forces	1,496	(30)	1,466
Construction Appropriation	-	-	-
Diversion Control Fee Account	-	-	-
Violent Crime Fund Appropriation	-	-	-
Total	<u>\$ 108,855</u>	<u>\$ (24,910)</u>	<u>\$ 83,945</u>

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KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Accountants' Report

Assistant Attorney General for Administration
U.S. Department of Justice

Inspector General
U.S. Department of Justice

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the U.S. Department of Justice's Organized Crime Drug Enforcement Task Forces (OCDETF) Program for the year ended September 30, 2007. We have also reviewed the accompanying Management's Assertion Statement for Fiscal Year Ended September 30, 2007. The OCDETF Program's management is responsible for the Table of Drug Control Obligations, related disclosures, and the assertion.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and 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, related disclosures, and management's assertion. Accordingly, we do not express such an opinion.

Management of the OCDETF Program prepared the Table of Drug Control Obligations, related disclosures and management's assertion to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007.

Based on our review, nothing came to our attention that caused us to believe that: (1) the Table of Drug Control Obligations and related disclosures for the year ended September 30, 2007 are not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007, or that (2) the Management's Assertion Statement referred to above is not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007.

This report is intended solely for the information and use of the management of the U.S. Department of Justice, the U.S. Department of Justice Office of the Inspector General, the ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 14, 2008



U.S. Department of Justice

Criminal Division

Executive Office for the Organized Crime Drug
Enforcement Task Forces

Washington, DC 20530

U.S. Department of Justice
Organized Crime Drug Enforcement Task Forces (OCDETF) Program
Detailed Accounting Submission
Management's Assertion Statement
For Fiscal Year Ended September 30, 2007

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 of Drug Control Obligations;
4. The data presented are associated with obligations against a financial plan that was revised during the fiscal year to properly reflect the changes; and
5. The OCDETF Program did not have any Office of National Drug Control Policy (ONDCP) Fund Control Notices issued in FY 2007.

We have documented the methodology used by OCDETF to identify and accumulate FY 2007 drug control obligations in the Table of Drug Control Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, Drug Control Accounting, dated May 1, 2007. The OCDETF Program's drug control methodology has been consistently applied from the previous year.

Peter Maxey
Budget Officer

1/14/2008

Date

**U.S. Department of Justice
Organized Crime Drug Enforcement Task Forces (OCDETF) Program
Table of Drug Control Obligations
For the Fiscal Year Ended September 30, 2007**

Actual 2007 Obligations Dollars in Thousands Decision Unit Crosswalk					
Drug Obligations by Function	Annual Appropriated Funds	OCDETF Executive Office	Revised	No-Year Reprogram Reallowance Funds 2/	Total Obligations
Investigations	\$320,487	\$3,064	\$323,551	\$18,723	\$342,274
Prosecution	135,574	1,296	136,870	52	\$136,922
Intelligence	32,422	280	32,702	0	\$32,702
Administrative Support	4,640	(4,640)	0	0	\$0
Total	\$493,123	\$0	\$493,123	\$18,775	\$511,898

Drug Obligations by Decision Unit 1/

Investigations:					
Drug Enforcement Administration (DEA)	\$184,395	\$1,762	\$186,157	11,400	197,557
Federal Bureau of Investigation (FBI)	116,264	1,112	117,376	7,142	124,518
U.S. Marshals Service (USMS)	8,447	81	8,528	31	8,559
Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)	11,381	109	11,490	150	11,640
Subtotal	320,487	3,064	323,551	18,723	342,274
Drug Intelligence:					
DEA	8,735	84	8,819	0	8,819
FBI	20,481	196	20,677	0	20,677
OCDETF Fusion Center (OFC)	3,206	0	3,206	0	3,206
Subtotal	32,422	280	32,702	0	32,702
Prosecution:					
U.S. Attorneys (USA)	132,325	1,265	133,590	52	133,642
Criminal Division	2,699	26	2,725	0	2,725
Tax Division	550	5	555	0	555
Subtotal	135,574	1,296	136,870	52	136,922
Administrative Support:					
OCDETF Executive Office	4,640	(4,640)	0	0	0
Total	\$493,123	\$0	\$493,123	\$18,775	\$511,898
				Expired Oblig	251 3/

Drug Resources Personnel Summary:

Total Full Time Equivalents 3,245 3,245 3,245

Information:

Total Agency Obligations \$493,123 \$493,123 \$512,149
Drug Percentage 100% 100% 100%

1/ Decision Units in this table do not reflect the Administration's proposed restructuring for FY 2008. Under that proposal, the OCDETF program's four decision units: Investigations, Drug Intelligence, Prosecution, and Administrative Support, would be collapsed into two Decision Units: Investigations and Prosecutions, with Administrative Support pro-rated between decision units based on the percentage of appropriated Interagency Crime and Drug Enforcement (ICDE) Program funding. However, in order to reflect obligations by the prescribed ONDCP drug function, the administrative support has been pro-rated in this table (reflected in the "OCDETF Executive Office" column).

2/ Total obligated balance available includes reprogrammed/reallowances of carryover funds in the amount of \$18,775K. (Dollars in Thousands)

No-Year (15X0323):	Amount	DEA	FBI	USMS	ATF	USA
OFC	\$11,400	11,400	0	0	0	0
FBI Strike Forces/Operations	\$7,142	\$0	\$7,142	0	0	0
USA SARs Review	\$52	0	0	0	0	\$52
USMS Conference Security Detail	\$31	0	0	\$31	0	0
ATF Southwest Firearms Initiative	\$150	0	0	0	\$150	0
Total No-Year Reallowances/Reprogramming	\$18,775	\$11,400	\$7,142	\$31	\$150	\$52

3/ Includes \$251K in expired FY 2004 obligations for U.S. Immigration and Customs Enforcement (ICE).



U.S. Department of Justice

*Criminal Division
Executive Office for the Organized Crime Drug
Enforcement Task Forces*

Washington, DC 20530

**U.S. Department of Justice
Organized Crime Drug Enforcement Task Forces (OCDETF) Program
Management's Disclosure Statement
For Fiscal Year Ended September 30, 2007**

Disclosure No 1. - Drug Control Methodology

The Organized Crime Drug Enforcement Task Forces (OCDETF) Program 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. (Prior to the creation of DHS, which involved the transfer of the U.S. Coast Guard to DHS from the Department of Transportation, OCDETF was funded in DOJ, Treasury and Transportation appropriations.) Currently, only DOJ OCDETF appropriated funding comes from DOJ's Interagency Crime and Drug Enforcement (ICDE) account.

During FY 2004 and 2005, the ICDE appropriation included funding to reimburse agencies in the DOJ, Treasury and DHS for their participation in the OCDETF Program. The availability of a consolidated budget has been critical to OCDETF's ability both to ensure the proper and strategic use of OCDETF resources and to effectively monitor Program performance across all Departments and participating agencies. However, Congress repeatedly expressed concern with funding non-DOJ agencies via a DOJ appropriations account, and in FY 2005, Congress decreased base funding for non-DOJ program participants.

Recognizing that uncertainty surrounding funding levels for non-DOJ participants posed great difficulties for OCDETF in terms of program planning and administration, the Administration did not submit a consolidated budget for the program in FY 2007 and FY 2008. Instead, funding for OCDETF's non-DOJ partners was requested through direct appropriations for Treasury and DHS.

OCDETF is directly charged with carrying out the Department's drug supply reduction strategy, and all of its activities are aimed at achieving a measurable reduction in the availability of drugs in this country. The disruption and dismantlement of drug trafficking networks operating regionally, nationally and internationally is a critical component of the supply reduction effort. In particular, OCDETF requires that, in every OCDETF case, investigators identify and target the financial infrastructure that permits the drug organization to operate. As such, all of OCDETF's efforts support Priority III of the President's National Drug Control Strategy: "Disrupting the Market - Attacking the Economic Base of the Drug Trade" and all of the Program's ICDE resources are considered to be 100 percent drug-related.

The Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007. The Table represents obligations from the ICDE account incurred by OCDETF for drug control purposes. All amounts are net of reimbursable agreements.

Data - All accounting information for OCDETF is derived from DOJ's Financial Management Information System 2 (FMIS2). ICDE resources are reported as 100 percent drug-related because the entire focus of the OCDETF Program is drug control.

Financial Systems - FMIS2 is the financial system used to provide all ICDE obligation data. Obligations that are derived by this system reconcile with the enacted appropriations and carryover balances.

OCDETF Decision Units are divided according to the four major functions of the Task Force -- Investigations, Prosecution, Intelligence and Administration -- 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 FMIS2 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; and the U.S. Marshals Service. The methodology applies 100 percent of the resources that support OCDETF investigative activities.
- b. Prosecution 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 Prosecution Function.
- c. Intelligence Function - This function includes the reimbursable resources that support intelligence activities of the following participating agencies: the Drug Enforcement Administration and the Federal Bureau of Investigation including the operational costs associated with the OCDETF Fusion Center. The methodology applies 100 percent of the resources that support OCDETF intelligence activities.
- d. Administrative Support Function - This function includes funding for the OCDETF Executive Office for program oversight and support activities, as well as reimbursable resources to provide financial investigative training for member agencies.
- e. Full Time Equivalent (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 work years was derived by determining the estimated permanent positions and work years for each agency in each program area. The total work years in FY 2007 was 3,245.

Disclosure No 2. - Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified in the Table of Drug Control Obligations. However, the Administration's FY 2008 request for OCDETF reflects a restructuring that would collapse the OCDETF Program's four decision units- Investigations, Drug Intelligence, Prosecution, and Administrative Support- into two decision units- Investigations and Prosecutions. Under this proposed new methodology, Law Enforcement currently included in investigations and Drug Intelligence are combined under Investigations and 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 or Other Findings

The DOJ Offices, Boards and Divisions (OBDs) FY 2007 Independent Auditor's Report on Internal Control Over Financial Reporting revealed no material weaknesses.

However, the FY 2007 OBDs audit report noted three significant deficiencies in the fiscal year 2007 OBD audit. Weaknesses were identified in the accrual accounting functions, controls over Journal Entries and on the information system controls environment. These findings, while not a material weakness nor specifically directed to OCDETF, are being reported by OCDETF as "other findings" because of their undetermined impact on the presentation of drug-related obligations.

The Department's Justice Management Division (JMD) Finance Director, Quality Control and Compliance Group (QCCG) and component program managers as well as their respective Budget Officers who are affected, will develop proactive corrective action plans to address the significant deficiencies. The Department's JMD Finance Director will validate these plans. In addition, the Department's JMD Finance Director and program managers will ensure that all weaknesses identified in prior year audits are addressed and that enhancements in policies, processes, and workflow are implemented to provide the best possible support for successful financial audits.

Disclosure No 4. - Reprogrammings/Reallowances or Transfers

Total availability consists of enacted budget authority for FY 2007, plus unobligated balances and recoveries brought forward from prior years. OCDETF's FY 2007 obligations include all reallocated carryover funds and transfers. In FY 2007, OCDETF reallocated \$18,775,364 from its no-year account (15X0323) as follows: \$11,400,000 to provide for ongoing operations and annual maintenance costs incurred by the OCDETF Fusion Center (OFC); \$7,142,000 to provide for FBI operational support of the OCDETF Strike Forces; \$52,018 to support a SARS Review Team Seminar held in Columbia South Carolina during November 29-December 1, 2006 and \$31,346 to provide security and related expenses associated with the OCDETF Program Asset Forfeiture Fund National Conference in Washington D.C. Also, in FY 2007, OCDETF reprogrammed \$150,000 to address firearms trafficking and related violence being carried out by several Consolidated Priority Organization Target (CPOT) targets along the Southwest Border, a high priority program. Finally, OCDETF also transferred radio resources amounting to \$951,331 to

DOJ Wireless Law Enforcement Communications Account as required by P.L. 109-108 119 Stat. 2291. See the attached Reprogramming and Transfers Schedule.

Disclosure No 5. - Obligations From Carryover Funds

In FY 2007, \$24,066,047 in unobligated balances and prior year recoveries was brought forward from FY 2006 and available for new obligations. Of this amount, \$18,775,364, as reported under Disclosure No 4., was established as new obligations during FY 2007.

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. OCDETF did not have any ONDCP Fund Control Notices issued in FY 2007.

**U.S. Department of Justice
Organized Crime Drug Enforcement Task Forces (OCDEF) Program
Reprogrammings and Transfers
For the Fiscal Year Ended September 2007
(Dollars in thousands)**

Line Item	Unobligated Balances and Recoveries	Enacted Budget Authority	Reprogramming Reallowances 2/	Rescission SEC 111 Adj 3/	Transfer 4/	Total Availability
Drug Resources by Function						
Investigations	0	\$325,837	\$7,323	(\$330)	(\$951)	\$331,879
Prosecution	0	137,281	52	(159)	0	137,174
Intelligence	0	35,339	11,400	(33)	0	46,706
Undistributed	24,066	0	(18,775)	0	0	5,291
Total	\$24,066	\$498,457	\$0	(\$522)	(\$951)	\$521,050
Drug Resources by Decision Unit 1/						
Investigations:						
Drug Enforcement Administration	0	188,117	0	(214)	(874)	187,029
Federal Bureau of Investigation	0	117,667	7,142	(100)	(77)	124,632
U.S. Marshals Service	0	8,541	31	(5)	0	8,567
Alcohol, Tobacco, Firearms and Explosives	0	11,512	150	(11)	0	11,651
Immigration and Customs Enforcement	0	0	0	0	0	0
Internal Revenue service	0	0	0	0	0	0
U.S. Coast Guard	0	0	0	0	0	0
Subtotal	0	325,837	7,323	(330)	(951)	331,879
Drug Intelligence:						
Drug Enforcement Administration	0	11,412	0	(9)	0	11,403
Federal Bureau of Investigation	0	20,721	0	(24)	0	20,697
OCDEF Fusion Center Support	0	3,206	11,400	0	0	14,606
Subtotal	0	35,339	11,400	(33)	0	46,706
Prosecution:						
U.S. Attorneys	0	133,914	52	(156)	0	133,810
Criminal Division	0	2,729	0	(2)	0	2,727
Tax Division	0	638	0	(1)	0	637
Subtotal	0	137,281	52	(159)	0	137,174
Total Distributed	0	498,457	18,775	(522)	(951)	515,759
Undistributed	24,066	0	(18,775)	0	0	5,291
Total	\$24,066	\$498,457	\$0	(\$522)	(\$951)	\$521,050

1/ Decision Units in this table do not reflect the Administration's proposed restructuring for FY 2008. Under that proposal, the OCDEF program's four decision units: Investigations, Drug Intelligence, Prosecution, and Administrative Support, would be collapsed into two Decision Units: Investigations and Prosecutions, with Administrative Support pro-rated between decision units based on the percentage of appropriated Interagency Crime and Drug Enforcement (ICDE) Program funding. However, in order to reflect obligations by the prescribed ONDCP drug function, the administrative support has been prorated in this table (reflected in the "OCDEF Executive Office" column).

2/ Includes realigned carryover funds as follows: No-year funding of \$18.775 M (\$11.400 M for the OCDEF Fusion Center; \$7.142 M for FBI Strike Forces/Operations; \$.052 M for USA SARs Review Training; \$.031 M for USMS Security detail; and \$.150 M reprogrammed for ATF Southwest Firearms Initiative.

3/ Funds rescinded as required by the FY 2007 DOJ Appropriations Act (P.L. 110-05).

4/ Represents radio resources transferred to the DOJ Wireless Law Enforcement Communications Account as required by the FY 2006 DOJ Appropriations Act (P.L. 109-108 110 STAT.2291)



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Accountants' Report

Assistant Attorney General for Administration
U.S. Department of Justice

Inspector General
U.S. Department of Justice

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the U.S. Department of Justice's Office of Justice Programs (OJP) for the year ended September 30, 2007. We have also reviewed the accompanying Management's Assertion Statement for Fiscal Year Ended September 30, 2007. OJP's management is responsible for the Table of Drug Control Obligations, related disclosures, and the assertion.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and 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, related disclosures, and management's assertion. Accordingly, we do not express such an opinion.

Management of the OJP prepared the Table of Drug Control Obligations, related disclosures, and management's assertion to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007.

Based on our review, nothing came to our attention that caused us to believe that: (1) the Table of Drug Control Obligations and related disclosures for the year ended September 30, 2007 are not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007, or that (2) the Management's Assertion Statement referred to above is not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007.

This report is intended solely for the information and use of the management of the U.S. Department of Justice, the U.S. Department of Justice Office of the Inspector General, the ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

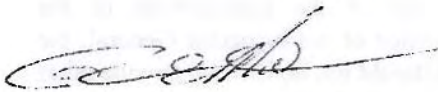
January 14, 2008

**U.S. Department of Justice
Office of Justice Programs
Detailed Accounting Submission
Management's Assertion Statement
for the Fiscal Year Ended September 30, 2007**

On the basis of the Office of Justice Programs' (OJP's) management control program, we assert that the OJP 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 OJP's accounting system of record for these budget decision units.
2. The methodology used by the 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 of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that was revised during the fiscal year (FY) to properly reflect transfers which affected drug-related resources.
5. The OJP did not have any Fund Control Notices issued in FY 2007.

We have documented the methodology used by the OJP to identify and accumulate FY 2007 drug control obligations in the Table of Drug Control Obligations and accompanying disclosures, in accordance with the guidance of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007.



Ralph E. Martin, Director
Office of the Chief Financial Officer, Budget Division
OJP Official Responsible for Assertion

12/15/2007

Date

**U.S. Department of Justice
Office of Justice Programs
Table of Drug Control Obligations
by Function and Budget Decision Unit
for the Fiscal Year Ended September 30, 2007
(in thousands of dollars)**

	FY 2007 Actual Obligations
Drug Obligations by Function:	
Prevention	\$30,391
State and Local Assistance	121,811
Treatment	<u>21,694</u>
Total	\$173,896
Drug Obligations by Budget Decision Unit:	
Regional Information Sharing System	\$40,177
Weed and Seed Program	51,952
Enforcing Underage Drinking Laws	25,196
Drug Court Program	10,925
Residential Substance Abuse Treatment Program	10,769
Prescription Drug Monitoring Program	8,178
Southwest Border Prosecution Initiative	22,019
Domestic Cannabis Eradication and Suppression Program	<u>4,680</u>
Total	\$173,896
Methamphetamine Enforcement and Lab Cleanup ^{1/}	\$19,900
Drug Resources Personnel Summary:	
Total Full-Time Equivalent	56.6
Information	
Total Agency Obligations ^{2/}	\$1,903,711
Drug Percentage	9.1% ^{3/}

^{1/} Funding for the Methamphetamine Enforcement and Lab Cleanup Program is transferred from COPS to DEA for program administration, therefore, obligations are not tracked by OJP. FY 2007 total obligations for the program were reported to OJP by the COPS budget office.

^{2/} Total Agency Obligations exclude Public Safety Officers' Benefits and Crime Victims Fund.

^{3/} Total Obligations in the numerator exclude Methamphetamine Enforcement and Lab Cleanup obligations.

Note: Total amounts include management and administrative costs as follows: Regional Information Sharing System (\$478); Weed and Seed (\$7,060); Enforcing Underage Drinking Laws (\$313); Drug Court Program (\$956); RSAT Program (\$956); Prescription Drug Monitoring Program (\$166); and Southwest Border Prosecution (\$478).

Disclosure 1: Drug Control Methodology

The mission of the OJP is to provide federal leadership in developing the Nation's capacity to prevent and control crime, administer justice, and assist crime victims. As such, the OJP resources are primarily targeted to providing assistance to state, local, and tribal governments. In executing its mission, the 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 ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007.

The OJP's Office of the Chief Financial Officer, Budget Division (formerly the Office of Budget and Management Services) is responsible for the development and presentation of the annual OJP ONDCP Budget. Consistent with the FY 2007 ONDCP budget formulation guidance, the OJP FY 2007 accounting of drug control obligations include total obligations associated with nine budget decision units identified for the National Drug Control Budget. However, funds for eight of these decision units are directly appropriated to the OJP. Funding for the Methamphetamine Enforcement and Lab Cleanup Program is appropriated to the Office of Community Oriented Policing Services (COPS), an office within the Department of Justice's (DOJ's) Offices, Boards, and Divisions (OBDs), and transferred to the Drug Enforcement Administration (DEA) for administration. Because the obligations related to the COPS program are reported in the financial statements of the OBDs, they are not included in the FY 2007 actual obligations total on the OJP Table of Drug Control Obligations. Decision units include the following:

- Regional Information Sharing System
- Weed and Seed Program
- Enforcing Underage Drinking Laws
- Drug Court Program
- Residential Substance Abuse Treatment Program
- Prescription Drug Monitoring Program
- Southwest Border Prosecution Initiative
- Domestic Cannabis Eradication and Suppression Program (transferred to DEA for administration)
- Methamphetamine Enforcement and Lab Cleanup (COPS Program)

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

Drug Program Obligations by Decision Unit: For eight of the budget decision units, data on obligations, as of September 30, 2007, were gathered from OJP's Integrated Financial Management Information System (IFMIS), Obligations by Budget Activity by Fund Type (Accounting Period 2007 01 to 2007 13). The total obligations presented for the OJP are net reimbursements and funds obligated under the Crime Victims Fund, Public Safety Officers Benefit Program, and the Office on Violence Against Women.

Management and Administration (M&A) Data. M&A obligations were gathered from OJP's Integrated Financial Management Information System (IFMIS), Obligations by Budget Activity by Fund Type (Accounting Period 2007 01 to 2007 13). The obligation amounts were allocated by applying the relative percentage of Full-Time Equivalent (FTE) assigned to seven drug-related decision units to total M&A obligations for the OJP. Please note that in FY 2007, funding for the Domestic Cannabis Eradication and Suppression Program was appropriated to the OJP; however, it was transferred to DEA for the administration of the program. Therefore, there were no M&A obligations associated with the Domestic Cannabis Eradication and Suppression Program nor the Methamphetamine Enforcement and Lab Cleanup program, as neither of these programs were administered by the OJP.

Overall, the OJP program activities support all three goals of the National Drug Control Strategy: (1) Stopping Use Before it Starts; (2) Intervening and Healing America's Drug Users; and (3) Disrupting the Market. Functionally, the OJP program activities fall under the following categories: prevention, state and local assistance, and treatment. The method used to allocate the 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 one program's (Weed and Seed) obligations falling under multiple functions. The Table of Drug Control Obligations shows FY 2007 obligations for the eight programs, categorized by function and decision unit.

For the Table of Drug Control Obligations, amounts were calculated as follows:

Function:	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 budget decision units was included.
Full-Time Equivalent:	FTE data originates from the U.S. Department of Agriculture's National Finance Center, and is obtained by the OJP through the DOJ, Justice Management Division Data Center. The same percentage that is applied to calculate FTE, was also applied to the M&A obligations.

Disclosure 2: Modifications to Drug Control Methodology

In FY 2007, the OJP is reporting 100 percent of the obligations related to the eight budget decision units included in the National Drug Control Budget, as specified in the ONDCP Circular, *Budget Formulation*, dated May 1, 2007.

The methodology used to determine the total FY 2007 obligations related to the eight decision units appropriated to the OJP is the same used in the FY 2006 Table of Drug Control Obligations. To calculate M&A obligations related to these decision units, the OJP is continuing to use the method it employed in FY 2006, 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 decision units 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 FTE across program activities. This methodology first assigns FTE by program based on a survey of program managers and then distributes M&A obligations based on the percentage of FTEs, by function, to total FTE.

Disclosure 3: Material Weaknesses and Other Findings

The FY 2007 Independent Auditors' Report on Internal Control found no material weaknesses. However, three significant deficiencies were noted. These findings, as well as recommendations and the OJP management responses, are listed below.

SIGNIFICANT DEFICIENCIES

OJP Needs to Improve Its Grant De-obligation Process

Grant Closeout Process

Recommendation 1: Continue its efforts to reduce the backlog of grants that are 6 months or more past their end dates and are pending close out. In addition, OJP management should continue to enforce the revised grant closeout policy and continue to consistently utilize the grant closeout process to facilitate a more timely review of grants that are beyond the end date or for which a final SF-269 was submitted. (Updated)

OJP concurs with the recommendation. It should be noted that in FY 2007, OJP closed over 7,000 grants. In FY 2008, the OJP will continue its efforts to reduce the backlog of grants more than six month beyond their end dates.

Beginning April 2007, OJP deployed the new Closeout Module in the Grants Management System. Improvements to the Closeout process resulted in the following:

- ▶ Codified a standard business process
- ▶ Formalized inter-office coordination and tracking
- ▶ Increased availability of reports to all levels in OJP
- ▶ Provided forecasting of workloads and funds at the Program Office level
- ▶ Increased customer involvement
- ▶ Integrated the Closeout process into OJP's daily business environment

Improvements Needed in Controls Over Grant Payable Estimation Processes

OJP needs to continue improving its controls to ensure the accuracy and completeness of its grants payable amount and the underlying assumptions of its estimation process.

Recommendation 2: Further refine its controls and procedures to analyze any potential errors in the grant accrual calculation relating to grantees that did not submit current period financial status reports. Specifically, OJP should develop a process to analyze the accuracy of the grant accrual calculation for grants for which end dates have expired. (Updated)

OJP concurs with the recommendation. As of September 30, 2007, the OJP devised new procedures for estimating the grant accrual for grants with expired end dates. The new estimation techniques will be further refined in FY 2008.

Weaknesses Exist in the Information System Controls Environment

Entity-Wide Security Program Needs Improvement

Recommendation 3: Coordinate with the Office of Administration (OA) to provide a weekly summary report of new and separated employees and contractors and distribute the reports to the Account Management Operation Team for removal and disablement of user accounts in accordance with DOJ ITS Standards. (Repeat)

OJP concurs with the recommendation. As part of the FY 2006 Corrective Action Plan for this recommendation, the OJP implemented many improvements in the out-processing procedures, which included:

- ▶ Dedication of additional resources to the monitoring of account disablement for departing staff
- ▶ Detailed tracking of account disablement for every departing staff member
- ▶ Continual identification and remediation of the root causes of late account disablements

- Investigation of account activity for every late disablement to ensure that no system or application was accessed or modified by departed staff
- Compilation and presentation of account disablement statistics to management on a monthly basis, which are presented in the chart below:

The OJP disablement statistics by quarter for FY 2007 were:

Quarter	Total Out-Processes	Late Out-Processes	Post Departure Activity
Q1	121	12	0
Q2	68	3	0
Q3	71	2	0
Q4	113	4	0

The OA and Office of the Chief Information Officer (OCIO) will perform additional analysis of the out-processing procedures and implement appropriate improvements to address issues with late account disablement.

Recommendation 4: Implement the Adobe Account Workflow in compliance with OJP policy. (Updated)

OJP concurs with the recommendation. The FY 2006 corrective action plan resulted in improved retention of account approval forms. In FY 2008, the OJP plans to implement the Adobe Account Workflow to be in compliance with OJP policy.

Recommendation 5: Analyze and revise internal procedures for periodic identification and mitigation of vulnerabilities to ensure that the procedures address weaknesses related to configuration settings and communication protocols. (New)

OJP concurs with the recommendation. The OCIO will analyze and revise, as appropriate, its procedures for periodic identification and mitigation of vulnerabilities to ensure that the procedures address weaknesses related to configuration settings and communication protocols.

Recommendation 6: Implement training and awareness programs to ensure that system administrators follow appropriate password complexity policies and procedures in the administration of servers and applications. (New)

OJP concurs with the recommendation. The OCIO's current policies and procedures prohibit the use of non-complex passwords on server and application accounts. The OCIO will conduct awareness and training programs to ensure that system administrators follow appropriate

password complexity policies and procedures in the administration of servers and applications.

Recommendation 7: Analyze procedures for periodic identification and mitigation of vulnerabilities to ensure that the procedures address weaknesses related to password complexity. (New)

OJP concurs with the recommendation. The OCIO's current policies and procedures prohibit the use of non-complex passwords on server and application accounts. The OCIO will analyze and revise, as appropriate, its procedures for periodic identification and mitigation of vulnerabilities to ensure that the procedures address weaknesses related to password complexity.

Recommendation 8: Reassess training and monitor staff involved in the identification and mitigation of vulnerabilities to ensure that procedures for the retention of supporting artifacts are followed. (New)

OJP concurs with the recommendation. The OCIO will re-train and closely monitor its staff involved in the identification and mitigation of vulnerabilities to ensure that procedures for the retention of supporting artifacts are followed.

Disclosure 4: Reprogrammings or Transfers

In accordance with the ONDCP's Circular, *Drug Control Accounting*, the OJP made drug-related transfers-out of \$7.6 million in FY 2007. See the attached Reprogrammings and Transfers Schedule.

Disclosure 5: Other Disclosures

- In FY 2007, the OJP received no Fund Control Notices.
- Of the total FY 2007 actual obligations amount, \$34.7 million are a result of carryover unobligated resources. See the attached Reprogrammings and Transfers Schedule.

U.S. Department of Justice
Office of Justice Programs
Reprogrammings and Transfers Schedule
for the Fiscal Year Ended September 30, 2007
(in thousands)

Table Line Item	Unobligated Balances Forward & Recoveries	Enacted BA	Rescission	Reprogrammings	Transfers		Total Availability
					In	Out	
Drug Obligations by Function:							
State and Local Assistance	26,769	126,101	1,350	—	—	(4,691)	149,529
Prevention	2,782	29,617	654	—	—	(1,669)	31,384
Treatment	5,150	19,744	454	—	—	(1,024)	24,324
Total.....	34,701	175,462	2,458	0	0	(7,384)	206,237
Drug Obligations by Decision Unit:							
Regional Information Sharing System	2	39,719	—	—	—	(102)	39,619
Weed and Seed Program	4,267	49,361	1,500	—	—	(2,866)	49,162
Enforcing Underage Drinking Laws	2,355	24,681	504	—	—	(1,372)	25,160
Drug Court Program	3,884	9,872	—	—	—	(512)	13,024
Residential Substance Abuse Treatment Program	1,486	9,872	454	—	—	(512)	10,392
Prescription Drug Monitoring Program	2,541	7,404	—	—	—	(384)	9,561
Southwest Border Prosecution Initiative	20,386	29,617	—	—	—	(1,536)	48,467
Domestic Cannabis Eradication and Suppression Program	—	4,936	—	—	—	—	4,936
Total.....	34,701	175,462	2,458	0	0	(7,384)	206,237
Methamphetamine Lab Cleanup ^{iv}	—	19,900	—	—	—	—	19,900

^{iv} Funding for the Methamphetamine Lab Cleanup Program is transferred from CCPS to DEA for program administration, therefore, obligations are neither tracked by, nor calculated in OJP obligations. FY 2007 budget authority for the program was reported to OJP by the CCPS budget office.

Tab F
Department of State



United States Department of State

*Assistant Secretary of State
for International Narcotics and
Law Enforcement Affairs*

Washington, D.C. 20520

APR 02 2008

Jon E. Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007, the Department of State is submitting its Accounting and Authentication of FY 2007 Drug Control Funds and Related Performance Report. The Inspector General's attestation report is enclosed.

If you would like to address any questions associated with our submission, please call me on (202) 647-8464.

Sincerely,

A handwritten signature in blue ink that reads "David T. Johnson".

David T. Johnson

Enclosures:

- 1) Accounting and Authentication of FY 2007 Drug Control Funds and Related Performance Report
- 2) Department of State Office of Inspector General Attestation Report

**U.S. Department of State
Bureau for International Narcotics and Law Enforcement Affairs**

**Accounting and Authentication of FY 2007 Drug Control Funds and Related
Performance Report**

Reference: ONDCP Circular: Drug Control Accounting (May 1, 2007)

SECTION 6a Reporting – Drug Control Obligations

DISCLOSURES

Obligations, Reprogramming, and Transfers

The Department is providing detailed financial information on the drug control program obligations of the Bureau for 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 2006 and FY 2007. The reprogramming and direct apportionment information for FY 2007, which immediately follows the table of drug control obligations, is complete. There were no drug-related reprogrammings.

Table 1:

Bureau for International Narcotics and Law Enforcement Affairs			
Drug Control Obligations:			
		(\$ In Millions)	
		FY 2006	FY 2007
		<u>Actual</u>	<u>Actual</u>
Drug Resources by Drug Control Function			
Interdiction		54.683	47.153
International		911.290	692.474
	Total	<u>965.973</u>	<u>739.627</u>
Drug Resources by Decision Unit			
International Narcotics Control and Law Enforcement (INCLE)		348.259	292.754
Andean Counterdrug Initiative (ACI)		617.714	446.873
		0.000	0.000
		0.000	0.000
	Total	<u>965.973</u>	<u>739.627</u>
Drug Resources by Function and Decision Unit			
Interdiction: INCLE		50.770	43.969
Interdiction: ACI		3.910	3.184
International: INCLE		297.489	248.785
International: ACI		613.804	443.689
	Total	<u>965.973</u>	<u>739.627</u>
Drug Resources Personnel Summary			
Drug-Related FTEs (Direct Only) *		178	172
Total FTEs (Direct Only)		223	246
Information			
Total Agency Budget **		<u>1,294.283</u>	<u>1,446.116</u>
Drug-Related Percentage ***		<u>74.63%</u>	<u>51.15%</u>

* Previous years' submission reported the Drug Resources Personnel Summary as Total FTEs only. This year's submission includes a proportionate figure for Drug-Related FTEs. The Drug Related FTE figures were calculated by taking the total FTEs and multiplying by the Drug-Related Percentage of each fiscal year's total enacted budget. In addition, the FY 2006 Total FTE figure in the FY 2006 Drug Control Budget Summary was erroneously reported as 222. The 223 Total FTE figure for FY 2006 being reported here is correct.

** Total Agency Budget includes all funding appropriated for INCLE and ACI programs in FY 2006 and FY 2007, including FY 2006 Supplemental INCLE funding of \$91.4M for Iraq and \$3.3M for Colombia, and FY 2007 Supplemental INCLE funding of \$42M for Afghanistan, \$150M for Iraq, and \$60M for Lebanon. The FY 2006 Total Agency Budget is \$13M less than what was reported in the FY 2006 report. This is because \$13M of INCLE funding for Colombia was rescinded in the FY 2007 Supplemental Appropriation (P.L. 110-28). This does not affect the FY 2006 obligation data since none of the \$13M was obligated.

*** Total Drug Related Obligations divided by Total Agency Budget

Direct Apportionments, Transfers and Reprogramming

The direct apportionment action listed below is included in the FY 2007 drug-related obligations reported in the preceding table.

1. Directly apportioned \$226,484,280 million of ACI funds to USAID to be used for economic and social programs.
2. There are no FY 2007 drug-related transfers or reprogrammings reported.

Drug Methodology and Other Disclosures

The mission of the Bureau for 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 2006 and FY 2007.

ASSERTIONS

Drug Control Obligations

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

All Department of State INL programs, except those appropriated for international anticrime activities, are scored as 100 percent drug-related. The Department's accounting system tracks the international anticrime obligations separately from those of drug control programs through a combination of the appropriation point limitation and the allotment. This arrangement clearly separates all the drug control obligations being reported from other funds managed by INL. Only obligations recorded under the drug control point limitations and allotments are included in the drug control obligation figures in this report.

Application of Methodology

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

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

FY 2007 CFO Audit


I believe the information for the Department of State in this submission is reliable and accurate. The Department has received unqualified audit opinions on its annual financial statements for the past decade. During FY 2007, the Department implemented a new financial management system, and as a result of implementation challenges, the Department submitted its financial statements and supporting schedules to the auditor one week past the deadline. Because of the delay, the Independent Auditor (IA) could not complete their audit procedures, or perform other auditing procedures to satisfy themselves as to the accuracy of the 2007 financial statements, in time to meet the November 15, 2007, deadline

imposed by OMB for issuing the report. Therefore, the IA issued a disclaimer of opinion on the annual financial statements as of, and for the year ended, September 30, 2007. The disclaimer of opinion indicates that the IA could not reach a conclusion as to the amounts presented, not that the amounts presented are necessarily inaccurate. Our Department accounting staff did complete review procedures over the financial statements and supporting schedules and believe they are materially correct. The IA did convey an unqualified opinion for amounts presented for FY 2006 (amounts which are also included in this report).

In relation to internal control, the Independent Auditor's Report cites two material weaknesses regarding unliquidated obligations and personal property. With respect to the Independent Auditor reporting the Accounting for Personal Property as a material weakness, we respectfully disagree with this determination. We believe our actions have improved our controls from a year ago (when it was downgraded to a significant deficiency). As a result of the improved status by September 30, 2007, the Department's Management Control Steering Committee (MCSC) voted to downgrade this item from a significant deficiency to a deficiency. Regarding the material weakness over unliquidated obligations, the condition noted was not indicative of misuse or loss of funds but rather was indicative of the timely deobligation of funds that will either remain available to the Department or will expire and be returned to Treasury at no loss to taxpayers. Timely deobligations are relevant to whether the funds are reflected as available or unavailable on the financial statements. This deficiency does not have any bearing on the classification of obligations as drug-related.

The Department will continue its actions in FY 2008 to resolve the reported deficiencies. As a result of the Department's significant efforts during FY 2007, including emphasis by the Management Control Steering committee - the body charged with overseeing the Department's management control steering program under the Federal Managers' Financial Integrity Act - the auditors removed the FY 2006 accounting for real property and information systems security significant deficiencies from inclusion in their FY 2007 report on internal control. With the introduction of new definitions by SAS 112, which in effect "raises the bar" on moving items down in terms of severity, we think this is a significant achievement.

For purposes of Section 6a reporting, I certify that all the information presented for the Bureau for International Narcotics and Law Enforcement Affairs (INL) is true and correct and concur with all assertions associated with INL.


Robert S. Byrnes, Executive Director
Bureau for International Narcotics and Law Enforcement Affairs

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. The obligation data presented in the report for INL are associated with the INL financial plan.



**United States Department of State
and the Broadcasting Board of Governors**

Inspector General

MAR -6 2008

MEMORANDUM

TO: INL – Mr. David T. Johnson

FROM: DIG - Mr. Robert Peterson, Acting *R. Peterson*

SUBJECT: Attestation Review of Annual Accounting of Drug Control Funds and Performance Summary by the Department of State for FY 2007 (AUD/PP-08-17)

Attached is the Office of Inspector General's (OIG) Attestation Review of the Annual Accounting of Drug Control Funds and Performance Summary by the Department of State for FY 2007 for the Department of State. No matters came to OIG's attention that caused OIG to believe that the Department's submission did not meet the requirements of the Office of National Drug Control Policy, although OIG could not attest to three of the assertions, as described in OIG's attached review.

If you have any questions or need additional information, please call me at (202) 663-0373 or Mark W. Duda, Assistant Inspector General for Audits, at (202) 663-0372.

Attachment: As stated.

cc: INL/RM – Mr. Robert S. Byrnes
INL/RM/BUD – Mr. Anthony J. Gresko



**United States Department of State
and the Broadcasting Board of Governors**

Inspector General

Attestation Review of
Annual Accounting of Drug Control Funds
and Performance Summary by
the Department of State for FY 2007
AUD/PP-08-17
March 6, 2008

The Office of Inspector General (OIG) reviewed the accompanying assertions from the Bureau of International Narcotics and Law Enforcement Affairs (INL) FY 2007 detailed accounting and performance submission to the Director of the Office of National Drug Control Policy (ONDCP), which was prepared in compliance with ONDCP Circular *Drug Control Accounting*, dated May 1, 2007. The submission is the responsibility of the Department of State.

OIG's review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, as specified in section 8 of the ONDCP Circular. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the submission. Accordingly, we do not express such an opinion.

OIG cannot attest to the following three assertions¹ made by INL:

- . . . that the drug methodology used to calculate the 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.
- . . . that all the information presented for the Bureau for International Narcotics and Law Enforcement Affairs (INL) is true and correct and concur with all assertions associated with INL.
- . . . that the obligation amounts presented in the drug control obligation table are associated with a financial plan that properly reflects any changes that occurred during the fiscal year. The obligation data presented in the report for INL are associated with the INL financial plan.

The FY 2007 obligations, as reported, are based solely on data produced by the Department's financial management system. However, during its audit of the

¹ OIG cannot attest to the assertions as they relate to FY 2007 obligation data. OIG previously attested (AUD/IP-07-16) to INL assertions regarding FY 2006 obligation data.

Department's FY 2007 financial statements, an independent external auditor found that the Department's financial management system was inadequate. For instance, the system could not provide financial information to prepare the financial statements. The independent auditor also noted that the Department's financial systems did not support management's fiduciary role by providing complete, reliable, consistent, timely, and useful financial management information. During our work, a Department official informed OIG about inaccuracies in the obligation data included in the system related to the assertions under review.

Because the Department was unable to provide evidential material and the auditor was not able to perform other auditing procedures, the auditor was unable to express an opinion on the financial statements.

In addition to issues related to the financial systems, the independent auditor also noted a material weakness in the Department's management of obligations. Specifically, the Department did not deobligate unneeded obligations in a timely manner. The auditor identified more than \$550 million in excess obligations. OIG found that INL did not have an effective process in place to independently verify the obligation data included in its report to ensure that the data were accurate and complete.

Notwithstanding the statements made in this INL submission regarding the financial statement audit for FY 2007 and material weaknesses, as of the date of this attestation, nothing has come to our attention to provide any assurance that the problems identified by the independent auditor have been corrected.

Except for the preceding qualifications, nothing came to our attention that caused us to believe that the accompanying assertions do not, in all material respects, reliably represent FY 2007 obligation and performance targets and results for all years presented in the submission and comply with ONDCP criteria.

This review is intended solely for the use of ONDCP in meeting its statutory obligation to provide an accounting of prior-year drug control funds and performance. It should not be used by any other parties for any other purposes.



Robert B. Peterson
Deputy Inspector General, Acting

Tab G
Department of
Transportation

**INSPECTOR GENERAL REVIEW OF
FY 2007 DRUG CONTROL FUNDS AND
PERFORMANCE SUMMARY REPORTING**

National Highway Traffic Safety Administration

Report Number: FI-2008-025

Date Issued: February 1, 2008



U.S. Department of
Transportation

Office of Inspector General

Office of the Secretary
of Transportation

February 1, 2008

Mr. Jon E. Rice
Associate Director for Performance and Budget
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 (NHTSA) reporting of fiscal year 2007 Drug Control Funds dated January 24, 2008, and Performance Summary Report dated January 28, 2008, to the Office of National Drug Control Policy (ONDCP). The NHTSA reports and our review are required by 21 U.S.C. § 1704 (d).

This review was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards prescribed by the Comptroller General of the United States. The objective of our review was 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 Drug Control Obligation Summary and Performance Summary Report* to ONDCP. Accordingly, we do not express such an opinion.

Drug Control Obligations Summary

We performed review procedures on the accompanying report (Enclosure 1), NHTSA'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. We traced the amounts in Table 6(a) to the Department's accounting system.

Based on our review, the accompanying *National Highway Traffic Safety Administration FY 2007 Drug Control Obligation Summary* is presented in conformity with the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007. The obligation amount reported in Enclosure 1 was supported by the Department's accounting system.

NHTSA is reporting \$2.9 million in drug control obligations, which is below the \$50 million threshold for full reporting in accordance with the Office of National Drug Control Policy circular. The Office of Inspector General attests that full compliance with this circular would constitute an unreasonable reporting burden.

Performance Reporting Summary and Assertions

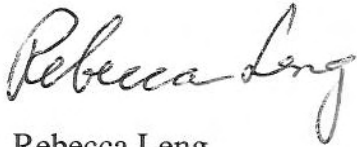
We performed review procedures on the accompanying report (Enclosure 2), *National Highway Traffic Safety Administration FY 2007 Performance Summary Report* and management's assertions. These assertions are that (1) the performance reporting system for FY 2007 is appropriate and applied, (2) explanations for not meeting performance targets are reasonable, (3) a methodology to establish performance targets is reasonable and applied and (4) adequate performance measures exist for all significant drug control activities. NHTSA is responsible for these assertions.

In general, our review processes were limited to inquiries and analytical procedures appropriate for an attestation review based upon the criteria specified in the ONDCP circular. Based upon our review, the accompanying *National Highway Traffic Safety Administration Performance Summary Report* is presented in general conformity with the ONDCP circular. Management's assertions for the performance measure reported in Enclosure 2 are reasonable; however, the detailed sampling plan is still being developed.

In addition, we noted one exception. The reporting systems supporting NHTSA's assertions did not meet the ONDCP requirement that these systems be an integral part of the agency's budget and management process. NHTSA's FY 2007 performance measure to select 300 representative survey sites and secure local cooperation as part of the National Roadside Survey of Alcohol and Drugged Driving was not included in the Department's *Performance and Accountability Report for Fiscal Year 2007* (PAR). FY 2007 represents the first year NHTSA had a performance reporting requirement for the Drug Impaired Driving Program. According to NHTSA officials, the drug control program is a subset of NHTSA's Impaired Driving Program. Since the Impaired Driving Program was discussed in the PAR, we are not making any recommendations.

This report is intended solely for the use of the U.S. Congress, the Office of National Drug Control Policy, and the Department of Transportation. It is not intended to be used and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Rebecca Leng".

Rebecca Leng
Assistant Inspector General for
Financial and Information Technology Audits

Enclosure(s)

cc: Senior Associate Administrator for Policy and Operations, NHTSA



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

Enclosure 1
Page 1 of 2

1200 New Jersey Avenue SE
Washington, DC 20590

January 24, 2008

Jon E. Rice
Associate Director for Performance and Budget
Office of the National Drug Control Policy
Washington, DC 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy Circular: Drug Control Accounting issued May 1, 2007, the National Highway Traffic Safety Administration's (NHTSA) Fiscal Year 2007 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.

NHTSA's point of contact for this report is Melanie O'Donnell. She can be reached at (202) 366-0498, if further assistance is required

Sincerely,

Gregory A. Walter
Senior Associate Administrator
for Policy and Operations

Enclosure

**NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
FISCAL YEAR 2007 DRUG CONTROL OBLIGATIONS SUMMARY
(\$MILLIONS)
FY 2007
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. This program also currently supports drug impaired driving research as required under SAFETEA-LU.

Drug Resources by Drug Control Function:

Research & Development	\$2.9
Total	\$2.9

Drug Resources by Budget Unit:

Highway Safety Program-Drug Recognition Expert Program	\$1.5
SAFETEA-LU	\$1.4
Total	2.9

Note:

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

Tab H
Department of the
Treasury



*Attestation Review of the Internal Revenue
Service's Fiscal Year 2007 Annual
Accounting of Drug Control Funds and
Related Performance*

January 31, 2008

Reference Number: 2008-10-058

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 31, 2008

MEMORANDUM FOR CHIEF FINANCIAL OFFICER

A handwritten signature in black ink, appearing to read "Michael R. Phillips".

FROM: (for) Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Attestation Review of the Internal Revenue Service’s Fiscal Year 2007 Annual Accounting of Drug Control Funds and Related Performance (Audit # 200710038)

This report presents the results of our attestation review of the Internal Revenue Service’s (IRS) Fiscal Year (FY) 2007 Office of National Drug Control Policy (ONDCP)¹ Detailed Accounting Submission and Performance Summary Report (the Report). The purpose of this review was to express a conclusion about the reliability of each assertion made in the Report.

Impact on the Taxpayer

The IRS reported that it expended \$58.4 million on ONDCP-related activities and completed 654 ONDCP-related investigations in FY 2007. Overall, the methodology used to calculate the IRS’ FY 2007 Report was clearly explained and adequately documented. Complete and reliable financial and performance information is critical to the IRS’ ability to accurately report on the results of its operations to both internal and external stakeholders, including taxpayers.

Synopsis

Overall, the methodology used to calculate the IRS’ FY 2007 Report was clearly explained and adequately documented. However, in our opinion, the performance measure reported by the IRS could be improved to better represent the IRS’ contribution to the National Drug Control

¹ The ONDCP was established in 1988 to set priorities, implement a national strategy, and certify Federal Government drug control budgets by the Anti-Drug Abuse Act of 1988, P.L. 105-277 (Division C-Title VII), Section 707(d).



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

Strategy. Specifically, by reporting only the number of ONDCP-related investigations completed, the IRS is providing very little information on the effectiveness of its efforts.

In addition, our testing of the IRS ONDCP performance information for reasonableness identified that 47 (7 percent) of the 654 investigations reported as completed in FY 2007 were both initiated and completed on the same day and resulted in referral for prosecution, based on the supporting documentation provided. The IRS informed us that the 47 investigations were all related to other investigations and were worked as part of the related investigations. The IRS concluded that the 47 cases were not tracked as unique investigations until approximately the time the cases were forwarded for prosecution. While the IRS' explanation for the reporting of these types of investigations appears reasonable, we are unable to adequately verify it without a detailed review of at least a sample of investigation case files, which is significantly beyond the scope of this review.

Based on our review, with the exception of the matters discussed above, nothing came to our attention to indicate that the assertions are not presented, in all material respects, in accordance with ONDCP-established criteria.

Recommendation

We recommended the Chief Financial Officer, in coordination with the Chief, Criminal Investigation Division, expand the performance information used to report the IRS' contribution to the National Drug Control Strategy to include additional measures that specifically address program effectiveness.

Response

The IRS agreed to consider expanding the performance information it reports. Specifically, the IRS will evaluate potential performance measures and, in particular, will look at the measures used by the other agencies that support the National Drug Control Strategy.

Copies of this report are also being sent to the IRS managers affected by the report recommendation. Please contact me at (202) 622-6510 if you have questions or Nancy Nakamura, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
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*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

Abbreviations

FY	Fiscal Year
IRS	Internal Revenue Service
ONDCP	Office of National Drug Control Policy



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
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Background

The Anti-Drug Abuse Act of 1988¹ establishes as a policy goal the creation of a drug-free America. A key provision of the Act is the establishment of the Office of National Drug Control Policy (ONDCP) to set priorities, implement a national strategy, and certify Federal Government drug control budgets. The Internal Revenue Service (IRS) Narcotics Program supports the National Drug Control

***National Drug Control
Program agencies are
required to submit to the
Director of the ONDCP, not
later than February 1 of each
year, a detailed accounting
of all funds expended.***

Strategy with continued support of joint agency task forces (e.g., the Organized Crime and Drug Enforcement Task Force and High Intensity Drug Trafficking Area Task Force) through the use of asset forfeiture legislation, international training programs, and assistance programs.

This review was conducted as required by the National Drug Enforcement Policy (21 U.S.C. Section 1704(d)) and the ONDCP Circular *Annual Accounting of Drug Control Funds*, dated May 1, 2007. The National Drug Control Program agencies² are required to submit to the Director of the ONDCP, not later than February 1 of each year, a detailed accounting of all funds expended (the ONDCP Circular requires amounts obligated) during the previous fiscal year. Agencies also need to identify and document performance measure(s) that justify the results associated with these expenditures. Further, the Circular requires that each report be provided to the agency's Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the report prior to its submission. Beginning in Fiscal Year (FY) 2006, ONDCP funding became a part of the IRS budget. In prior years, IRS-related ONDCP funds expended were reimbursed by the Department of Justice.

This review was performed at the IRS Headquarters offices of the Chief Financial Officer and Chief, Criminal Investigation Division, in Washington, D.C., during the period October through December 2007. Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Report. Accordingly, we do not express such an opinion.

Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

¹ P.L. 105-277 (Division C-Title VII), Section 707(d).

² A National Drug Control Program agency is defined as any agency that is responsible for implementing any aspect of the National Drug Control Strategy.



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

Results of Review

The Methodology Used to Calculate the Internal Revenue Service's Fiscal Year 2007 Report Was Clearly Explained and Adequately Documented

We reviewed the IRS' FY 2007 ONDCP Detailed Accounting Submission and Performance Summary Report (the Report) (see Appendix IV). The Report was prepared pursuant to 21 U.S.C. Section 1704(d) and the ONDCP Circular *Annual Accounting of Drug Control Funds*. It is the responsibility of the IRS.

The Report assertions, as required by Section 6.b. of the ONDCP Circular, include statements that the methodology used is reasonable and accurate, including explanations and documentation of estimation assumptions used; the methodology disclosed was the actual methodology used; and the data presented are associated with obligations against a financial plan that reflects changes, if made. The assertions, as required by Section 7.b. of the ONDCP Circular, include statements that the performance reporting system is appropriate and applied, explanations for not meeting any performance targets are reasonable, and the methodology used to establish performance targets is reasonable and correctly applied. The ONDCP-established criteria include well-documented sources of data, documented and explained calculations, and a complete and fair presentation of data from financial systems. The IRS reported that it expended \$58.4 million on ONDCP-related activities and completed 654 ONDCP-related investigations in FY 2007.

Overall, the methodology used to calculate the IRS' FY 2007 Report was clearly explained and adequately documented. However, in our opinion, the performance measure reported by the IRS could be improved to better represent the IRS' contribution to the National Drug Control Strategy. Specifically, by reporting only the number of ONDCP-related investigations completed, the IRS is providing very little information on the effectiveness of its efforts. Measures that would provide a better indicator of the effectiveness of the IRS' ONDCP-related efforts include the number of prosecution referrals, the number of convictions, and the conviction rate. Complete and reliable financial and performance information is critical to the IRS' ability to accurately report on the results of its operations to both internal and external stakeholders, including taxpayers.

In addition, our testing of IRS ONDCP performance information for reasonableness identified that 47 (7 percent) of the 654 investigations reported as completed in FY 2007 were both initiated and completed on the same day and resulted in referral for prosecution, based on the supporting documentation provided. The IRS informed us that the 47 investigations were all



*Attestation Review of the Internal Revenue Service's
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related to other investigations and were worked as part of the related investigations. It concluded that the 47 cases were not tracked as unique investigations until approximately the time the cases were forwarded for prosecution. While the IRS' explanation for the reporting of these types of investigations appears reasonable, we are unable to adequately verify it without a detailed review of at least a sample of investigation case files, which is significantly beyond the scope of this review.

Based on our review, with the exception of the matters discussed above, nothing came to our attention to indicate that the assertions are not presented, in all material respects, in accordance with ONDCP-established criteria.

Recommendation

Recommendation 1: The Chief Financial Officer, in coordination with the Chief, Criminal Investigation Division, should expand the performance information used to report the IRS' contribution to the National Drug Control Strategy to include additional measures that specifically address program effectiveness.

Management's Response: The IRS agreed to consider expanding the performance information it reports. Specifically, the IRS will evaluate potential performance measures and, in particular, will look at the measures used by the other agencies that support the National Drug Control Strategy.

* * * * *

While this report is an unrestricted public document, the information it contains is intended solely for the use of the IRS, the United States Department of the Treasury, the ONDCP, and Congress. It is not intended to be, and should not be, used by anyone other than these specified parties.



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to perform an attestation review of the IRS' FY 2007 ONDCP Detailed Accounting Submission and Performance Summary Report (the Report),¹ for the purpose of expressing a conclusion about the reliability of each assertion made in the Report. To accomplish our objective, we:

- I. Obtained an understanding of the process used to prepare the FY 2007 Report.
 - A. Discussed the process to record and report ONDCP expenditures and performance information with responsible IRS personnel.
 - B. Obtained documents that show the methodology used, such as written procedures, supporting worksheets, and recording modifications.
- II. Evaluated the reasonableness of the drug methodology process.
 - A. Reviewed data supporting the Detailed Accounting Submission segment of the Report to establish the relationship to the amounts being reported.
 - B. Reviewed the estimation methods used for consistency with reported amounts.
- III. Performed sufficient verifications of reported obligations to support our conclusion on the reliability of the assertions.
 - A. Verified whether the Detailed Accounting Submission segment of the Report included all elements specified in Section 6 of the ONDCP Circular *Annual Accounting of Drug Control Funds*.
 - B. Verified the mathematical accuracy of the obligations presented in the Table of the FY 2007 Drug Control Obligations.
 - C. Traced the information contained in the Table of the FY 2007 Drug Control Obligations to the supporting documentation.
- IV. Evaluated the reasonableness of the methodology used to report performance information for National Drug Control Program Agency activities.
 - A. Reviewed data supporting the Performance Summary segment of the Report to establish its relationship to the National Drug Control Program Agency activities being reported.

¹ See Appendix IV.



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

- B. Reviewed the estimation methods for consistency with reported performance information.
- V. Performed sufficient verifications of reported performance information to support our conclusion of the reliability of the assertions.
 - A. Verified whether the Performance Summary segment of the Report includes all elements specified in Section 7 of the ONDCP Circular *Annual Accounting of Drug Control Funds*.
 - B. Verified the mathematical accuracy of the performance information presented.
 - C. Traced the performance information presented to the supporting documentation.
 - D. Reviewed the supporting documentation for reasonableness.



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

Appendix II

Major Contributors to This Report

Nancy Nakamura, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)
Alicia Mrozowski, Director
Anthony J. Choma, Audit Manager
Mildred Rita Woody, Lead Auditor
Richard Loudon, Senior Auditor
Angela Garner, Auditor
Rashme Sawhney, Auditor



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

Appendix III

Report Distribution List

Acting Commissioner C
Office of the Commissioner – Attn: Acting Chief of Staff C
Deputy Commissioner for Operations Support OS
Deputy Commissioner for Services and Enforcement SE
Chief, Criminal Investigation Division SE:CI
Deputy Chief, Criminal Investigation Division SE:CI
Deputy Chief Financial Officer OS:CFO
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaisons:
 Chief, Criminal Investigation Division SE:CI
 Chief Financial Officer OS:CFO



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
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Appendix IV

*Internal Revenue Service Fiscal Year 2007
Detailed Accounting Submission and Performance
Summary Report*



CHIEF FINANCIAL OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

December 20, 2007

RECEIVED

JAN 07 2008

MEMORANDUM FOR MICHAEL PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT
FROM: *Alison L. Doone*
Alison L. Doone
Chief Financial Officer
SUBJECT: Internal Revenue Service (IRS) Fiscal Year 2007
Detailed Accounting Submission of Drug Control Funds

The Internal Revenue Service (IRS) is submitting this report to the Treasury Inspector General for Tax Administration (TIGTA) in compliance with Section 8, *Inspector General Authentication*, of the Office of National Drug Control Policy (ONDCP) Circular: Drug Control Accounting, dated May 1, 2007. This circular requires TIGTA to perform an attestation review of this report before the IRS submits it to the ONDCP. After the IRS receives TIGTA's conclusion as to the reliability of each assertion made in the report, I will forward the document to the ONDCP.

If you have any questions, please contact me at (202) 622-6400, or have a member of your staff contact Bob Mahaffie, Associate Chief Financial Officer for Corporate Performance Budgeting at (202) 622-4663.

Attachment



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

Attachment 11/15/2007

**INTERNAL REVENUE SERVICE
Annual Accounting and Authentication of Drug Control Funds and Related
Performance**

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2007 Drug Control Obligations

Drug Resources by Function	(\$000)
Investigations	<u>\$58,371</u>
Total	\$58,371
Drug Resources by Decision Unit	
Narcotics Crimes	<u>\$58,371</u>
Total	\$58,371

1) Drug Methodology

- All Drug Control Obligations (the resources appropriated and available for these activities) are reported under one Drug Control Function and one Budget Decision Unit, as shown in the above chart.
- The Internal Revenue Service's (IRS) Drug Control Budget encompasses the Criminal Investigation (CI) Narcotics-related program. The Office of National Drug Control Policy (ONDCP) requires CI to only report on the Organized Crime and Drug Enforcement Task Force (OCDETF) portion of the Narcotics program: Criminal Investigation's overall DIT applied to narcotics cases for FY 2007 was 11.6 percent of total DIT. The OCDETF sub-component of this program was 10.8 percent of total DIT or 93 percent of the total narcotics DIT.
- The methodology for computing the resources appropriated and realized for the OCDETF program is the application of the Direct Investigative Time (DIT) attributable to OCDETF cases and applying the DIT percentage to the total realized appropriated resources, reduced by reimbursable funds and Earned Income Tax Credit (EITC) resources, for the year for which the resources are being reported. The result is determined to be the amount of resources expended on OCDETF cases. This methodology has been approved by CI, the IRS's Chief Financial Officer, and the Treasury Inspector General for Tax Administration (TIGTA) during the FY 2006 ONDCP attestation



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

Attachment 11/15/2007

review. The FY 2006 Annual Accounting of Drug Control Funds was submitted after the attestation review.

- Fiscal Year 2006 was the first year OCDETF funding became a permanent part of the CI's budget. In the past, OCDETF was a reimbursable program administered by the Department of Justice (DOJ).

2) Methodology Modifications

None, since the FY 2006 attestation review, which was the first time CI was required to prepare this document independently.

3) Material Weaknesses or Other Findings

None

4) Reprogramming or Transfers

None

5) Other Disclosures

None

B. Assertions

1) Obligations by Budget Decision Unit

Obligations reported by the Budget Decision Unit are a result of applying DIT data derived from Criminal Investigation Management Information System (CIMIS) to the total CI Financial Plan less reimbursements and EITC funds.

2) Drug Methodology

The methodology used to calculate obligations of prior year budgetary resources is reasonable and accurate.

(a) Data

Data is derived from CIMIS to determine the DIT applied to the OCDETF activities. Each special agent submits CIMIS time reports monthly detailing their activities relating to specific investigations. Each investigation is associated with a specific program and sub-program area. The percentage of DIT applied to each program area is



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

Attachment 11/15/2007

calculated monthly with a final annual percentage determined after the close of the fiscal year. The annual percentage of DIT relating to OCDETF sub-program area items is applied to the total resources expended for FY 2007 in the CI budget (excluding reimbursables and EITC). These OCDETF percentages include High Intensity/OCDETF, OCDETF, and Terrorism/OCDETF program areas. These OCDETF DIT percentages are used to determine the total resources expended on the OCDETF program.

(b) Other Estimation Methods

None

(c) Financial Systems

The Integrated Financial System (IFS) is the final authority for the IRS resource obligations.

3) Application of Drug Methodology

The methodology disclosed in this section meets all requirements described in section 6 of the ONDCP Circular: Drug Control Accounting. Calculations made using this methodology are sufficiently documented to independently reproduce all data and ensure consistency between reporting years.

4) Reprogramming or Transfers

The data presented is associated with obligations against a financial plan and properly reflects any revisions occurring during the fiscal year.

5) Fund Control Notices

Criminal Investigation asserts the data presented is associated with obligations against a financial plan that fully complied with all fund control notices issued by the Director under 21 U.S.C. section 1703(f) and Section 8 of the ONDCP Circular, Budget Execution.

C. Performance Summary Report

1) Performance Reporting

(a) Performance Measures



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
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The performance measure used for the National Drug Control Program is "criminal investigations completed". This is the same performance measure used for all programs. Criminal investigations completed for the OCDETF program and all other programs are defined as total subject criminal investigations completed during the fiscal year, including those resulting in a prosecution recommendation to the Department of Justice or discontinued due to lack of evidence or a finding that the allegation was false (or other reasons). It assesses CI's performance of its mission to serve the public by conducting investigations of potential violations of the Internal Revenue Code and related financial crimes (which OCDETF cases are an important component), to foster confidence in the tax system and enhance voluntary compliance. In addition it reduces or eliminates the profits and financial gains from narcotics trafficking and money laundering.

Criminal Investigation's Narcotics Program supports the goals of the National Drug Control Strategy and the National Money Laundering Strategy by seeking to reduce or eliminate the profits and financial gains from narcotics trafficking and money laundering organizations. Criminal Investigation has been a participant of the OCDETF program since its inception in 1982 and focuses its narcotics efforts almost exclusively on high priority OCDETF cases where its contributions will have the greatest impact.

(b) Prior Years Performance Targets and Results

Prior to FY 2008 Criminal Investigation did not set performance targets for the OCDETF Program. However, CI did project for completed investigations which were used as benchmarks. The OCDETF resources became a part of the IRS budget in FY 2006. Prior to that, the IRS portion of the OCDETF resources were included in the Department of Justice (DOJ) appropriation and was reported as part of the DOJ budget submission. The performance measurements for FY 2003 through FY 2006 are shown below:

FY 2003	FY 2004	FY 2005	FY 2006
838	1,068	938	728

Due to budgetary constraints Criminal Investigation reduced its narcotics DIT (9 to 11 percent of total) in FY2005, FY2006 and FY2007. This resulted in a decline in the number of completed OCDETF investigations in these years. Before the number of narcotics investigations can be significantly increased it will be necessary to counter the negative effects of the previous withdrawal of agents from these task forces by successfully



*Attestation Review of the Internal Revenue Service's
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reestablishing close working relationships with our law enforcement counterparts.

(c) Current Year Performance Targets

The total projected FY 2007 SCI's completed for OCDETF cases is 710. Criminal Investigation did not meet that projection, completing only 654 OCDETF investigations or 7.9 percent below the projection. As the number of narcotics case initiations increase, this trend will eventually result in corresponding increases in OCDETF completions. Estimated performance projections failed to anticipate the cumulative negative effect of the previous withdrawal of agents from the narcotics task forces, the inherent difficulties of rapidly increasing narcotics case initiations, and the problems of reestablishing working relationships with other task force members.

Targets are computed using the methodology used for all reporting programs (Legal Source Cases, Illegal Source Cases, and Narcotics Cases). The OCDETF Program is included in the Narcotics Program.

Historical data shows that a certain percentage of investigations are completed in the year of initiation as well as subsequent years. These percentages are reviewed and recalculated at the close of each fiscal year by CI Research. For FY 2004 through 2008 the most current percentages from FY 2006 were applied to investigations initiated. Completion rates are calculated for all reporting programs: Legal, Illegal and Narcotics. They are not changed during the year. Therefore, any calculation for current (FY 2007) and out-years (future) use the same percentages.

(d) Quality of Performance Data

To ensure the reliability of the data, all cases have unique numbers assigned in CIMIS which contains validity and business rule checks. The CIMIS database tracks the status of the investigations from initiation through final disposition. The only limitations on the reliability of data relate to the accuracy and timeliness of the data input into CIMIS. The system has sufficient internal checks and balances to assure status updates are input in the proper order.



*Attestation Review of the Internal Revenue Service's
Fiscal Year 2007 Annual Accounting of Drug Control Funds and
Related Performance*

Appendix V

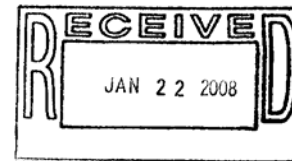
Management's Response to the Draft Report



CHIEF FINANCIAL OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

January 22, 2008



MEMORANDUM FOR MICHAEL PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Alison L. Doone
Alison L. Doone
Chief Financial Officer

SUBJECT:

Response to Draft Audit Report – Attestation Review of the
Internal Revenue Service's Fiscal Year 2007
Annual Accounting of Drug Control Funds and Related
Performance Summary Report (Audit #200710038)

Thank you for the opportunity to comment on the Treasury Inspector General for Tax Administration's (TIGTA) draft report titled "Attestation Review of the IRS's Fiscal Year 2007 Annual Accounting of Drug Control Funds". The draft report summarizes the results of TIGTA's review of the IRS's reporting of Fiscal Year (FY) 2007 Office of National Drug Control Policy (ONDCP) expenditures.

We reviewed the recommendation in the report and our comments follow.

Recommendation

"The Chief Financial Officer in coordination with the Chief, Criminal Investigation Division should expand the performance information used to report the IRS's contribution to the National Drug Control Strategy to include additional measures which specifically address program effectiveness."

The IRS will consider TIGTA's recommendation to expand performance information. We will evaluate potential performance measures and, in particular, will look at the measures used by the other agencies that support the National Drug Control Strategy.

On page three in the last paragraph, TIGTA states in part "our testing of IRS' ONDCP performance information for reasonableness identified that 47 (7 percent) of the 654 investigations reported as completed in FY 2007 were both initiated and completed on the same day and resulted in a referral for prosecution per the supporting documentation provided."

The 47 investigations mentioned by TIGTA were worked in conjunction with other cases. Many of CI's drug investigations involve drug organizations in which multiple targets/subjects are simultaneously investigated. CI typically opens investigations only on the individuals that have the greatest prosecution potential. However, there are



*Attestation Review of the Internal Revenue Service's
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some instances in which new information comes to light near the conclusion of the investigation which leads to additional investigations initiated on other subjects/targets. For example, it is somewhat common for one or more of the co-conspirators to provide information regarding the organization near the conclusion of investigations in plea bargain situations. In the above example, if information provided by the co-conspirator had been previously corroborated during the investigation the case on the additional subjects could be opened and closed in one day.

CI is concerned that the references to these cases portrays an inaccurate picture of CI's case initiation policies. TIGTA stated in the report a detailed review of these cases would be "significantly beyond the scope of this review." Further, TIGTA stated "the IRS' explanation for the reporting of these types of investigations appears reasonable." The number of days an investigation is open has no relevance to the completed cases measure depicting CI's effectiveness. Based on all of the above, CI requests that TIGTA remove the references to these cases from the report.

The IRS appreciates TIGTA's overall finding that the methodology IRS used to calculate the IRS's FY 2007 Annual Accounting of Drug Control Funds and Related Performance Summary Report was clearly explained and adequately documented.

If you have any questions, please contact me at (202) 622-6400, or have a member of your staff contact Bob Mahaffie, Associate Chief Financial Officer for Corporate Performance Budgeting, at (202) 622-4663.

Tab I
Department of Veterans
Affairs



Department of Veterans Affairs Office of Inspector General

Independent Review of VA's Fiscal Year 2007 Detailed Accounting Submission To the Office of National Drug Control Policy

Report No. 08-00782-93

VA Office of Inspector General
Washington, DC 20420

March 17, 2008

Department of Veterans Affairs

Memorandum

Date: March 17, 2008

From: Assistant Inspector General for Auditing

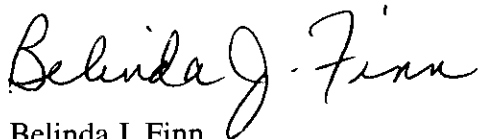
Subj: Final Report – Independent Review of the VA’s Fiscal Year 2007 Detailed Accounting Submission to the Office of National Drug Control Policy (Report No. 08-00782-93)

To: Chief Financial Officer, Veterans Health Administration (17)

1. The Office of National Drug Control Policy (ONDCP) requires VA to submit an annual Detailed Accounting Submission (Submission), as authorized by 21 U.S.C. § 1704(d) and ONDCP Circular, *Drug Control Accounting* (Circular), dated May 1, 2007, to ONDCP. The Submission, including the assertions made, is the responsibility of VA’s management and it is included in this report as Attachment A.
2. We have reviewed VA management’s assertions as required by the Circular concerning its drug methodology, reprogrammings and transfers, and fund control notices. The assertions are found in the Submission on page 6.
3. Our review was conducted in accordance with 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. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertions in the Submission. Accordingly, we do not express such an opinion.
4. Our *Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2007 and 2006* (Report No. 07-01016-21, November 15, 2007), identified three material weaknesses related to drug control accounting. These material weaknesses were identified as “Financial Management System Functionality,” “Information Technology (IT) Security Controls,” and “Financial Management Oversight.” A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected.
5. Based upon our review, except for the effects, if any, of the material weaknesses discussed in the fourth paragraph of this report, nothing came to our attention that caused us to believe that management’s assertions included in the accompanying Submission of this report are not fairly stated in all material respects based on the criteria set forth in the Circular.

6. We provided you our draft report for review. You agreed with the report, but chose to not provide comments.

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

A handwritten signature in black ink that reads "Belinda J. Finn". The signature is written in a cursive style with a large, stylized initial "B".

Belinda J. Finn

Attachments

**Statement of Disclosures and Assertions for FY 2007 Drug Expenditures
Submitted to Office of National Drug Control Policy (ONDCP) for FY Ending
September 30, 2007**

In accordance with ONDCP's Circular, Drug Control Accounting, dated May 1, 2007, 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 Decision Support System (DSS).

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.

DEPARTMENT OF VETERANS AFFAIRS
 VETERANS HEALTH ADMINISTRATION
 Annual Reporting of FY 2007 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2007 Drug Control Obligations

(In Millions)	
Description	FY 2007 Final
Drug Resources by Function:	
Treatment	\$347.504
Research & Development	\$11.237
Total	\$358.741
Drug Resources by Budget Decision Unit:	
Medical Care	\$347.504
Research & Development	\$11.237
Total Drug Resources by Decision Unit	\$358.741

1. Drug Methodology

Decision Support System

The 2007 actuals are based on the Decision Support System (DSS) which replaced the Cost Distribution Report (CDR). The primary difference between DSS and the CDR is a mapping of cost centers by percentage to bed sections or out patient visit groups. DSS maps cost to departments, costs are then assigned to one of 56,000 intermediate products using Relative Value Units (RVU). Relative Value Units basically defined as the determining factor of how much resources it takes to produce an intermediate product. Each Cost Category for example Fixed Direct Labor or Variable Labor has a RVU for each intermediate product. All intermediate products are assigned to an actual patient encounter either inpatient or outpatient using the patient care data bases. In DSS the costs are not averaged rather they are reported by the total of the encounters and can be drilled to patient specific. Also DSS includes all overhead costs assigned to a facility to include Headquarters, National programs and Network Costs. DSS does not pick up the costs of capital expenditures; it picks up the depreciation costs. In synopsis DSS records the full cost of a patient encounters either inpatient or outpatient that can be rolled up to various views.

MEDICAL CARE

The Department of Veterans Affairs, through the Veterans Health Administration (VHA), operates a national network of 226 substance abuse treatment programs located in the Department's medical centers, domiciliaries and outpatient clinics. These programs include 19 medical inpatient programs, 65 residential rehabilitation programs, 42 "intensive" outpatient programs, 97 standard outpatient programs, and 3 case-finding and early intervention teams.

VHA, 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. Within services for addicted veterans, this has involved a substantial shift over the past 10 years from inpatient to outpatient models of care. VA is also implementing a major initiative to create primary care-oriented buprenorphine clinics to increase access to care for opiate-dependent veterans.

All inpatient programs provide acute, in-hospital care and a subset also provide detoxification and stabilization services, as well. They typically treat severely impaired (e.g., those with co-occurring serious mental illness) patients on an inpatient basis followed by outpatient aftercare. Inpatient treatment for drug addiction has become rare in VA just as it has in other parts of the healthcare system; only 1,002 drug using veterans received such treatment in 2007. 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 longer lengths of stay (about 50 days).

Most drug-dependent veterans are treated in outpatient programs. Intensive outpatient programs provide more than three hours of service per day to each patient, and patients attend them three or more days per week. Standard outpatient programs typically treat patients for an hour or two per treatment day, and patients attend them one or two days a week.

VA's Program Evaluation and Resource Center (PERC) completed a Drug and Alcohol Program Survey of 100% of its substance abuse programs in FY 2007, which described their staffing, structure, services and history in detail. This report showed that VA has expanded the scope, intensity and accessibility of substance abuse treatment services since the 2004 survey.

The VA investment in health care and specialized treatment of veterans with drug abuse problems, funded by the resources in Medical Care appropriation, helps avoid future health, welfare and crime costs associated with illegal drug use.

In FY 2007, VHA provided specialty substance abuse treatment to over 95,000 veterans who had a diagnosed problem with illicit drugs, a substantial increase over FY 2006. The most prevalent drug used was cocaine, followed by heroin, cannabis and amphetamines, respectively. About two-thirds of VA drug abuse patients were in Means 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 occurring as a result of military action).

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 May 1, 2007, (b) Budget Instructions and Certification Procedures, dated May 1, 2007, and (c) Budget Execution, dated May 1, 2007. 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 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 residential rehabilitation and treatment substance abuse programs, 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 Decision Support System (DSS) data.

Specialized Treatment	Obligations (millions)	Drug Related Percent	FTE
Inpatient	\$134.388	63.26% ¹	1,158
Residential Rehabilitation & Treatment	\$37.722	70.28% ²	344
Outpatient	\$175.394	91.50% ³	1,434
Total	\$347.504		2,936

VA relies on DSS 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.

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.

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

RESEARCH & DEVELOPMENT

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

Specialized Treatment	Obligations (millions)	Drug Related Percent	FTE
Research & Development	\$11.237	N/A	N/A

2. Methodology Modifications

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. Drug methodology detailed in A.1 was the actual methodology used to generate the Resource Summary.

3. Material Weaknesses of Other Findings

There were no material weaknesses or other findings by independent sources, or other known weaknesses, which may affect the presentation of prior year drug-related obligations data.

4. Reprogrammings or Transfers

There was no reprogramming of funds/transfers that specifically affected drug control-related funding because drug control expenditures are reported on the basis of patients served in various VA clinical settings for specialized substance abuse treatment programs.

5. Other Disclosures

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.

B. Assertions

1. Drug Methodology

VA asserts that the methodology used to estimate FY 2007 drug control obligations by function and budget decision unit is reasonable and accurate based on the criteria set forth in the ONDCP Circular dated May 1, 2007.

2. Application of Methodology

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

3. Reprogrammings or Transfers

No changes were made to VA's Financial Plan that required ONDCP approval per the ONDCP Circular dated May 1, 2007.

4. Fund Control Notices

The data presented are associated with obligations against a financial plan that was based upon a methodology in accordance 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.

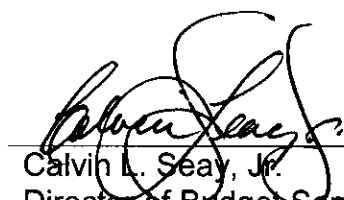
Annual Reporting of FY 2007 Drug Control Funds



James F. McGaha
Associate VHA Chief Financial Officer (17)

2/5/2008

Date



Calvin L. Seay, Jr.
Director of Budget Services (172)

2/5/2008

Date

Department of Veterans Affairs
Resource Summary
Obligations (In Millions)

Description	2007 Final
Drug Resources by Function & Decision Unit:	
Medical Care:	
Specialized Treatment	
Residential Rehabilitation & Treatment	\$37.722
Inpatient.....	\$134.388
Outpatient.....	\$175.394
Specialized Treatment	\$347.504
Research & Development	\$11.237
Drug Resources by Function & Decision Unit, Total	\$358.741
Drug Resources Personnel Summary	
Total FTE.....	2,936
Total Enacted Appropriations.....	\$81,803.324
Drug Percentage.....	.44%

Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
Office of General Counsel
Assistant Secretary for Management
Chief Financial Officer for Veterans Health Administration

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans Affairs,
and Related Agencies
House Committee on Oversight and Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans Affairs,
and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
Government Accountability Office
Office of Management and Budget
Office of National Drug Control Policy

Tab J
Small Business
Administration



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

OFFICE OF THE ADMINISTRATOR

May 1, 2008

Mr. John P. Walters
Director
Office of National Drug Control Policy
Executive Office of the President
Washington, DC 20503

Dear Mr. Walters:

In accordance with the Office of National Drug Control Policy's Drug Control Accounting Circular, the Small Business Administration submits its Detailed Accounting of FY 2007 Drug Control Funds and Performance Summary Report with the accompanying IG authentication.

If you have any additional questions or comments, please call me directly.

Sincerely yours,

Steven C. Preston

Enclosures

I. PERFORMANCE INFORMATION

MEASURE 1: Number of Small Businesses Educated

Table 1¹

FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Target	FY 2007 Actual	FY 2008 Target
11,873	19,400	5,150	531	1,400	2,731	1,450

- (a) Describe the measure. This measure reflects the number of small businesses that were educated by a DFWP grantee. A purpose of the program is to educate as many small businesses as possible to make them aware of the benefits of implementing a drug free workplace program for their business. If a business implements a DFWP program, it is believed that there will be a decrease in absenteeism, workplace accidents, tardiness, damaged or stolen property and insurance premiums. It is also believed that productivity and morale will increase. The information is collected directly from the grantees. The grantees input their data into a database created just for this program.
- (b) In 2005, approximately 5,100 small businesses were educated about drug free workplace benefits. A substantial reduction in businesses educated occurred from 2004 to 2005 due to the funding availability. The \$1 million funding level in 2005 was available for a two-year period, thereby making only one half of the historical annual funding available in one year (FY2005 - \$500,000; FY2006 - \$500,000). In addition, in FY2005 there were twelve (12) grantees; in FY2006 there were only five (5), one of which was new and needed ramp-up time.

In 2006, coupled with a change in the funding methodology, the program office began to analyze ways to establish a better goaling process for the program. This has resulted in more realistic projections for outputs in 2007 and 2008.

Finally, during 2006, the program began to identify possible outcome metrics for this program and evaluate methodologies to collect that data.

In 2007, the program has begun to collect outcome information on the following metrics from businesses that had a change in:

¹ While not required, ONDCP recommends agencies develop a graph to accompany information contained in the table.

Employee Behaviors Improved:		Business Costs Decreased:	
	Absenteeism		Insurance Premiums
	Tardiness		Damaged or stolen Property costs
	Workplace Accidents		Productivity
	Employee Turnover		

As Fiscal Year 2007 closes, the outcome information will be collected and analyzed to determine the effects that the implementation of a Drug Free Workplace program has on small businesses. It is believed that after the implementation of a Drug Free Workplace program a small business will see a decrease in absenteeism, tardiness, workplace accidents, employee turnover, damaged or stolen property and insurance premiums. Also, the small business will see an increase in productivity. Since this information will be the first ever collected, it is possible that the results will not yield the expected outcomes.

The procedures used ensure the performance data described above are accurate, complete, and unbiased in presentation and substance.

- (c) The goal for FY 2008 is lower because Florida Drug Screening, Inc. is no longer a grantee. Additionally, Drugs Don't Work in Arizona closed down halfway through FY 2007 and is no longer a grantee. The agency determines the goals based on the number of grantees and whether previous goals were reached or not.
- (d) The agency depends on the honesty and integrity of the DFWP grantees to ensure performance data for this measure are accurate, complete, and unbiased in presentation and substance.

MEASURE 2: Number of DFWPs Implemented

Table 2²

FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Target	FY 2007 Actual	FY 2008 Target
1,500	1,075	1,029	62	160	453	165

- (a) Describe the measure. This measure reflects the number of small businesses that implemented a whole or partial Drug Free Workplace Program. A purpose of the program is to encourage as many small businesses as possible to implement a drug free workplace

² While not required, ONDCP recommends agencies develop a graph to accompany information contained in the table.

program for their business. If a business implements a DFWP program, it is believed that there will be a decrease in absenteeism, workplace accidents, tardiness, damaged or stolen property and insurance premiums. It is also believed that productivity and moral will increase. The information is collected directly from the grantees. The grantees input their data into a database created just for this program.

- (b) The actual goal of 2007 was exceeded by 293 small businesses that implemented a drug free workplace program. As you can see from the chart above, the number of small businesses implementing a drug free workplace program varies widely from year to year because the grantees can not force a small business to implement such a program. The grantee can only encourage the small business by showing the benefits of the implementation.
- (c) The goal for FY 2008 is slightly lower because Florida Drug Screening, Inc. is no longer a grantee. Additionally, Drugs Don't Work in Arizona closed down halfway through FY 2007 and is no longer a grantee. The agency determines the goals based on the number of grantees and whether previous goals were reached or not.
- (d) The agency depends on the honesty and integrity of the DFWP grantees to ensure performance data for this measure are accurate, complete, and unbiased in presentation and substance.

II. RESOURCE SUMMARY (Budget Authority in Millions)

	<u>FY2007</u> <u>Final BA</u>
Drug Resources by Drug Control	
Function:	
<u>Prevention</u>	<u>\$0.987M</u>
Drug Resources by Budget Decision	
Unit:	
<u>Education</u>	<u>\$0.987M</u>
Drug Free Workplace Grants	
Drug Resources Personnel Summary	
<u>Total FTEs (direct only)</u>	<u>0</u>
Information	
Total Agency Budget*	\$445,339
Drug Percentage	0.22%

III. MANAGEMENT'S ASSERTIONS

- (1) **Performance reporting system is appropriate and applied** – The agency has a system to capture performance information accurately and that system was properly applied to generate the performance data.
- (2) **Explanations for not meeting performance targets are reasonable** – Both goals were exceeded in FY 2007.
- (3) **Methodology to establish performance targets is reasonable and applied** – The methodology described above to establish performance targets for the current year is reasonable given past performance and available resources.
- (4) **Adequate performance measures exist for all significant drug control activities** - The agency has established at least one acceptable performance measure for each Drug Control Decision Unit identified in reports required by section 6a(1)(A) for which a significant amount of obligations (\$1,000,000 or 50 percent of the agency drug budget, whichever is less) were incurred in the previous fiscal year. Each performance measure considers the intended purpose of the National Drug Control Program activity.



U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416

April 17, 2008

Mr. John P. Walters
Director
Office of National Drug Control Policy
Executive Office of the President
Washington, DC 20503

Dear Mr. Walters:

In accordance with the Office of National Drug Control Policy Circular (ONDCP), *Drug Control Accounting*, we reviewed the Small Business Administration's *fiscal year (FY) 2007 Annual Accounting of Drug Control Funds and Related Performance Report* and supporting documentation. We concur with SBA's decision to provide an alternative report because, as provided under Section 9 of the ONDCP circular, SBA's annual Drug Free Workplace Program budget is below \$50 million, and its full compliance with reporting requirements would constitute an unreasonable burden.

In preparing its alternative report, SBA disclosed that it relied on the honesty and integrity of grantees to ensure that performance data was accurate, complete and unbiased in presentation and substance. Therefore, we compared SBA's FY 2007 alternative report to accounting and performance data submissions from the nine recipients of SBA's Drug-Free Workplace Program grants, and determined that the information provided in SBA's report matched the data reported by grantees.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Thorson".

Eric Thorson
Inspector General

Tab K
ONDCP Circular:
Annual Accounting
of Drug Control Funds

ONDCP Circular: Drug Control Accounting

May 1, 2007

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Annual Accounting and Authentication of Drug Control Funds and Related Performance

1. **Purpose.** This circular provides the policies and procedures to be used by National Drug Control Program agencies in conducting a detailed accounting and authentication of all funds expended on National Drug Control Program activities and the performance measures, targets, and results associated with those activities.
2. **Rescission.** This circular rescinds and replaces the ONDCP Circular, *Annual Accounting of Drug Control Funds*, dated April 18, 2003.
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 National Drug Control Policy to “... monitor implementation of the National Drug Control Program, including – (A) conducting program and performance audits and evaluations; and (B) requesting assistance of the Inspector General of the relevant agency in such audits and evaluations ...”
4. **Definitions.** As used in this circular, key terms related to the National Drug Control Program and budget are defined in Section 4 of the ONDCP Circular, *Budget Formulation*, dated May 1, 2007. These terms include: *National Drug Control Program*, *National Drug Control*

Program agency, Bureau, Drug Methodology, Drug Control Functions, and Budget Decision Units. Further, Reprogrammings and Fund Control Notices referenced in Section 6 of this circular are defined in Section 6 and Section 8 of the ONDCP Circular, *Budget Execution*, dated May 1, 2007.

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 – Customs and Border Protection (CBP), Coast Guard, Immigration and Customs Enforcement (ICE), Indian Health Service (IHS), Bureau of Indian Affairs (BIA), and the Veterans Health Administration (VHA) – obligations reported by Budget Decision Unit shall be calculated pursuant to an approved drug methodology. For

¹Consistent with reporting requirements of the ONDCP Circular, *Budget Formulation*, dated May 1, 2007, resources received from the following accounts are excluded from obligation estimates: (1) ONDCP – High Intensity Drug Trafficking Areas (HIDTA) and (2) DOJ – Organized Crime Drug Enforcement Task Force 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.

all other bureaus, drug control obligations reported by Budget Decision Unit shall represent 100 percent of the actual obligations of the bureau for those Budget Decision Units, as they are defined for the National Drug Control Budget. (See Attachment B of the ONDCP Circular, *Budget Formulation*, dated May 1, 2007.)

- (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 CBP, Coast Guard, ICE, IHS, BIA, 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.

- (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 \$1 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. Performance Summary Report. The CFO, or other accountable senior level senior executive, of each agency for which a Detailed Accounting Submission is required, shall provide a Performance Summary Report to the Director of National Drug Control Policy. Each report must include performance-related information for National Drug Control Program activities, and the official is required to make certain assertions regarding that information. The required elements of the report are detailed below.

- a. Performance Reporting-** The agency’s Performance Summary Report must include each of the following components:

- (1) **Performance Measures** – The report must describe the performance measures used by the agency to assess the National Drug Control Program activities it carried out in the most recently completed fiscal year and provide a clear justification for why those measures are appropriate for the associated National Drug Control Program activities. The performance report must explain how the measures: reflect the purpose of the program; contribute to the National Drug Control Strategy; and are used in the management of the program. The description must include sufficient detail to permit non-experts to understand what is being measured and why it is relevant to those activities.
 - (2) **Prior Years Performance Targets and Results** – For each performance measure, the report must provide actual performance information for the previous four fiscal years and compare the results of the most recent fiscal year with the projected (target) levels of performance established in the agency’s annual performance budget for that year. If any performance target for the most recently completed fiscal year was not met, the report must explain why that target was not met and describe the agency’s plans and schedules for meeting future targets. Alternatively, if the agency has concluded it is not possible to achieve the established target with available resources, the report should include recommendations concerning revising or eliminating the target.
 - (3) **Current Year Performance Targets** – Each report must specify the performance targets established for National Drug Control Program activities in the agency’s performance budget for the current fiscal year and describe the methodology used to establish those targets.
 - (4) **Quality of Performance Data** – The agency must state the procedures used to ensure the performance data described in this report are accurate, complete, and unbiased in presentation and substance.
- (b) **Assertions** – Each report shall include a letter in which an accountable agency official makes the following assertions are made regarding the information presented in Section 7a:
- (1) **Performance reporting system is appropriate and applied** – The agency has a system to capture performance information accurately and that system was properly applied to generate the performance data.
 - (2) **Explanations for not meeting performance targets are reasonable** – An assertion shall be made regarding the reasonableness of any explanation offered for failing to meet a performance target and for any recommendations concerning plans and schedules for meeting future targets or for revising or eliminating performance targets.

(3) **Methodology to establish performance targets is reasonable and applied** – An assertion that the methodology described above to establish performance targets for the current year is reasonable given past performance and available resources.

(4) **Adequate performance measures exist for all significant drug control activities** - Each Report shall include an assertion that the agency has established at least one acceptable performance measure for each Drug Control Decision Unit identified in reports required by section 6a(1)(A) for which a significant amount of obligations (\$1,000,000 or 50 percent of the agency drug budget, whichever is less) were incurred in the previous fiscal year. Each performance measure must consider the intended purpose of the National Drug Control Program activity.

The criteria associated with these assertions are as follows:

(a) **Data** – If workload, participant, or other quantitative information supports these assertions, the sources of these data should be well documented. If these data are periodically collected, the data used in the report must be clearly identified and will be the most recently available.

(b) **Other Estimation Methods** – If professional judgment or other estimation methods are used to make these assertions, the objectivity and strength of these estimation methods must be thoroughly explained and documented. These estimation methods should be subjected to periodic review to confirm their continued validity.

(c) **Reporting Systems** – Reporting systems supporting the assertions should be current, reliable, and an integral part of the agency's budget and management processes.

8. **Inspector General Authentication.** Each report defined in Sections 6 and 7 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.

9. **Unreasonable Burden.** Unless a detailed report, as specified in Section 6, is specifically requested by ONDCP, an agency or bureau included in the National Drug Control Budget with prior year drug-related obligations of less than \$50 million may submit through its CFO, or its accountable senior level executive, an alternative report to ONDCP, consisting of only the table highlighted in Section 6a., omitting all other disclosures. Such a report will be accompanied by statements from the CFO, or accountable senior level executive, and the agency IG 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.

10. 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 Sections 6 and 7, along with the IG's authentication(s) defined in Section 8, to the attention of the Associate Director for Performance 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 8 of this Circular. ONDCP recommends a 31 December due date for agencies to provide their respective OIG with the required reports and information.

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Director