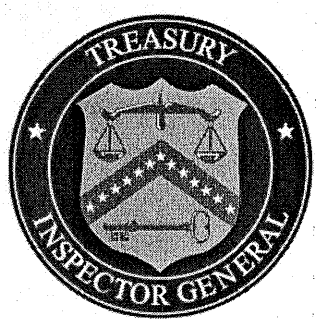
# FINANCIAL MANAGEMENT:
## Review of Assertions Included in the Financial Crimes Enforcement Network's Fiscal Year 2000 Annual Report of Drug Control Funds

OIG-01-055 March 23, 2001




**Office of Inspector General**

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**The Department of the Treasury**

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**Financial Crimes Enforcement Network's Annual Report of FY 2000 Drug Control Funds**

### Abbreviations

| | |
|---|---|
| FinCEN | Financial Crimes Enforcement Network |
| OIG | Office of Inspector General |
| ONDCP | Office of National Drug Control Policy |

March 23, 2001

James F. Sloan
Director
Financial Crimes Enforcement Network

We have reviewed the assertions in Section B of the accompanying Financial Crimes Enforcement Network's (FinCEN) Annual Report of Fiscal Year (FY) 2000 Drug Control Funds (Submission).

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

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *"Annual Accounting of Drug Control Funds"* (Circular), dated December 17, 1999, and is the responsibility of FinCEN's management.

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

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

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Our report has been reviewed by your staff and their comments have been included in Appendix 1 of this report. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789. We appreciate the cooperation and the courtesies extended to our staff.

William H. Pugh

William H. Pugh
Deputy Assistant Inspector General for Financial Management and Information Technology Audits
January 25, 2001

DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

March 8, 2001

**MEMORANDUM FOR WILLIAM H. PUGH**
**DEPUTY ASSISTANT INSPECTOR GENERAL FOR FINANCIAL MANAGEMENT AND INFORMATION TECHNOLOGY AUDITS**

**FROM:** Nicholas A. Procaccini
Assistant Director (Management/CFO)

**SUBJECT:** Draft Report on the Review of Financial Crimes Enforcement Network's Fiscal Year 2000 Annual Report of Drug Funds

We have reviewed the draft report on FinCEN's FY 2000 Annual Report on Drug Control Funds and have no comments. We appreciate the professional approach taken by the Inspector General staff in conducting this review and look forward to working with you again in FY 2002.

If additional information is needed, I can be reached at (703) 905-3840 or Mary Messerli (Budget Analyst) at (703) 905-3615.

cc: Joe McAndrew
Office of Accounting and Internal Control

## Financial Audits Division

Michael Fitzgerald, Director
Marie Maguire, Audit Manager
Kimberly Fleming, Lead Auditor
Ken Harness, Auditor

**The Department of the Treasury**

Office of Accounting and Internal Control
Office of Budget

**Financial Crimes Enforcement Network**

Director
Assistant Director, Management / Chief Financial Officer

**Office of Management and Budget**

OIG Budget Examiner

DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

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MEMORANDUM FOR DIRECTOR, OFFICE OF PROGRAMS, BUDGET, RESEARCH AND EVALUATION
OFFICE OF NATIONAL DRUG CONTROL POLICY

FROM: Nicholas A. Procaccini
Assistant Director (Management/CFO)

SUBJECT: Annual Report of FY 2000 Drug Control Funds

Attached is the Financial Crimes Enforcement Network (FinCEN) Annual Report of FY 2000 Drug Control Funds. FinCEN obligated $8.7 million and utilized 51 FTE in support of the National Drug Control Program.

If additional information is needed, I can be reached at 703-905-3840 or Mary Messerli (Budget Analyst) at 703-905-3615.

Attachment

cc: Anna F. Dixon
Director, OF&A
Office of Enforcement

Joe McAndrew
Office of Accounting and Internal Control

Mike Fitzgerald
Office of the Inspector General

FINANCIAL CRIMES ENFORCEMENT NETWORK

$000 in millions

A. Table of FY 2000 Drug Control Obligations

| | FY 2000 Actual |
|---|---|
| **Drug Resources by Goal** | |
| Goal 2 | 6.944 |
| Goal 5 | 1.736 |
| Total | 8.680 |
| **Drug Resources by Function** | |
| Intelligence | 8.680 |
| Total | 8.680 |
| **Drug Resources by Decision Unit** | |
| Salaries and Expenses | 8.130 |
| Violent Crime Trust Fund | 0.550 |
| Total | 8.680 |
| **Drug Resources Personnel Summary** | |
| Total FTEs (direct only) | 51 |
| **Information** | |
| Total FinCEN Obligations | 28.9 |
| Drug Percentage of 30% | 8.7 |

(1) Drug Methodology

FinCEN is provided appropriated funding for a law enforcement support effort much broader than drug-related criminal investigations. This law enforcement support effort is focused on providing broad-based intelligence and information sharing on money laundering that helps illuminate the financial trail for investigators as they track criminals and their assets. A bi-product of FinCEN's efforts to 'follow-the-financial-trail' often assists law enforcement in their drug-related investigations.

Several different cost distribution models were examined. The methodology chosen for estimating the % of drug-related investigations is based on the number of drug-related investigative cases supported, with the assumption that this is a reflection on FinCEN's overall drug-related efforts. Each request for case support is assigned a unique case number. All cases are initially screened and drug-related cases are flagged as such in the tracking database. The number of drug-related cases is compared to the total number of cases to determine the overall percentage of drug-related efforts within FinCEN. This percentage is then applied to FinCEN's total direct obligations to estimate the overall support FinCEN provides to law enforcement on drug-related efforts. This methodology is supportable and provides an estimate that fairly represents the support provided to law enforcement's drug-related efforts.

(2) Methodology Modifications

FinCEN modified the percentage used for estimating the overall drug-related efforts, in the FY 2001 OMB Drug Budget submission, from 50% to 30%. The specification of FinCEN's mission previously supported an equal split of resources between drug and non-drug investigative activity. However, a review of our caseload composition for the FY 2001 budget request, indicated a 30/70 split of resources better reflected the support provided to the National Drug Control Program. The number of drug related and money laundering cases (or level effort) has not changed significantly over the last few years; however, the total number of cases overall has increased since the methodology was proposed. FY 1999 and FY 2000 numbers were revised to reflect this change.

(3) Material Weaknesses or Other Findings

None.

(4) Reprogrammings or Transfers

None.

B. Assertions

(1) Drug Methodology

The drug methodology used to calculate obligations of budgetary resources in the Table of FY 2000 Drug Control Obligations is reasonable and accurate.

(2) Application of Methodology

The methodology based on the number of drug-related cases (discussed above), was the actual methodology used to generate the Table of FY 2000 Drug Control Obligations in part A.

(3) Financial Plan

The obligations presented are associated with a financial plan and there were no revisions or changes to the financial plan including reprogrammings or transfers affecting drug resources in excess of $5 million.