FINANCIAL MANAGEMENT:
Review of Assertions Included in the Interagency Crime and Drug Enforcement's Fiscal Year 2000 Annual Report of Drug Control Funds

OIG-01-062 April 19, 2001

This report has been reviewed for public dissemination by the Office of Counsel to the Inspector General. Information requiring protection from public dissemination has been redacted from this report in accordance with the Freedom of Information Act, 5 U.S.C. section 552.

Office of Inspector General

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The Department of the Treasury

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Interagency Crime and Drug Enforcement Fiscal Year 2000 Annual Accounting of Drug Control Funds

Abbreviations

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

OIG

Report of the Office of Inspector General

The Department of the Treasury
Office of Inspector General

April 19, 2001

Steven O. App
Acting Chief Financial Officer

We have reviewed the assertions in Section b of the accompanying Interagency Crime and Drug Enforcement (ICDE) Fiscal Year (FY) 2000 Annual Accounting of Drug Control Funds (Submission).

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

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

The ICDE's FY 2000 Table of Drug Control Obligations presented drug control obligations under two of the ONDCP's Strategy Goals. The allocation of the total obligations between the two goals was determined by the entities that received ICDE funds including the Departmental Offices, the Internal Revenue Service (IRS), the Bureau of Alcohol, Tobacco and Firearms and the United States Customs Service. The IRS allocated its total ICDE drug control obligations between Goal 2 (Increase the Safety of America's Citizens by Substantially Reducing Drug-Related Crime and Violence) and Goal 5 (Break Foreign and Domestic Drug Resources Supplies) by applying

certain resource utilization percentages to its total ICDE drug control obligations. However, the ICDE could not provide support for the calculation of these percentages.

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

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

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Our report has been reviewed by your staff and the staff of the Office of the Undersecretary for Enforcement. Based on mutual agreement, we are issuing this report as final. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789. 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
April 17, 2001

Financial Audits Division

Michael Fitzgerald, Director
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The Department of the Treasury

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

Office of Management and Budget

OIG Budget Examiner

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 19, 2001

MEMORANDUM FOR JAMES R. LINGEBACH
ACTING DEPUTY CHIEF FINANCIAL OFFICER

FROM: BARRY HUDSON
DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT

SUBJECT: Annual Reporting of Fiscal Year 2000 Drug Control Funds

Attached is a revised report for the Department of the Treasury's Departmental Offices' Annual Accounting of Drug Control Funds for FY 2000.

Should there be any questions, please contact Michael Faiella from the Office of Enforcement on (202) 622-1277.

Attachment

cc: Office of Enforcement

INTERAGENCY CRIME DRUG ENFORCEMENT
ANNUAL ACCOUNTING OF DRUG CONRTROL FUNDS
FY 2000

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 2000 Drug Control Obligations
($000)

	DO	ATF	IRS	USCS	Total
Drug Resources By Goal					
Goal 2	$ 378	$ 10,182	$ 22,090	$ 27,887	$ 60,537
Goal 5			$ 14,726		$ 14,726
Total	$ 378	$ 10,182	$ 36,816	$ 27,887	$ 75,263
Drug Resources by Function					
Investigations	$ 378	$ 10,182	$ 36,816	$ 27,887	$ 75,263
Intelligence					$ -
International					$ -
Total	$ 378	$ 10,182	$ 36,816	$ 27,887	$ 75,263
Drug Resources by Decision Unit					
Reduce Violent Crime		$ 10,182			$ 10,182
Protect the Public	$ 378				$ 378
Narcotics Crimes			$ 36,816	$ 27,887	$ 64,703
Totals	$ 378	$ 10,182	$ 36,816	$ 27,887	$ 75,263

(1.) Drug Methodology

Management of Interagency Crime and Drug Enforcement (ICDE) obligates drug control resources through reimbursable agreements ICED has entered into with ATF, Customs, and IRS. ICDE's drug control obligations also include obligations related to salaries and expenses of two Organized Crime Drug Enforcement Task Force positions within the Departmental Offices. The methodologies the bureaus use to request reimbursements are described below.

DO

In 1998, fiscal responsibility for the Interagency Crime Drug Enforcement Program (ICDE) was divided between the Department of Treasury and the Department of Justice, giving the Treasury bureaus a degree of autonomy in the program. Since receiving independence for the ICDE program, the Department of Treasury has recognized that the future success of the program is directly related to its ability to service the needs of the Treasury enforcement bureaus. To this end, the Department of Treasury, Office of Enforcement created two Organized Crime Drug Enforcement Task Force

(OCDETF) Advisor positions. Special agents from the Treasury enforcement bureaus subsequently filled the two positions.

The OCDETF Advisors are responsible for budget formulation, budget execution and policy issues affecting the Department of the Treasury's involvement in the ICDE program. The OCDETF Advisors coordinate the ICDE budget formulation process with the Treasury enforcement bureaus. Based on information received from the Treasury bureaus a consolidated ICDE budget is prepared and forwarded through channels. The advisors follow the budget through the approval process and are responsible for coordinating responses from the Treasury enforcement bureaus during this process. With respect to budget execution, the advisors prepare various year-end reports. In addition, during a data call, information obtained from the bureaus and consolidated into one report, which is forwarded to the requesting agency.

The OCDETF Advisors are also involved in the review and evaluation of the OCDETF program and coordinate with the Office of National Drug Control Policy (ONDCP) regarding the High Intensity Drug Trafficking Program (HIDTA). The Advisors participate in the Black Market Pesos Working Group, Money Laundering Strategy and attend bureau case briefings. The primary purpose for their participation in these areas is to identify issues having a direct impact on the OCDETF Program.

The drug control obligations incurred for DO relate to salaries, travel and other miscellaneous expenses, incurred in the assignment of the two full-time OCDETF employees to the ICDE program.

ATF

These are reimbursable funds received from the Department of the Treasury. [redacted]

IRS

The Internal Revenue Service (IRS) Drug Control Budget contains two components: Criminal Investigation (CI) Narcotics Related Financial Crime Program and Currency Reporting Forms Processing.

During FY 2000, information obtained [redacted] disclosed that IRS-CI dedicated 21.47 percent of its Direct Investigative Time (DIT) to the investigation and prosecution of narcotics organizations and narcotics money laundering. Approximately 75% of total DIT (21.47%) were spent on ICDE investigations. The IRS-CI narcotics program supports Goals 2 and 5 of the National Drug Control Strategy. During FY 2000, IRS-CI expended more Direct Investigative Time on ICDE investigations, than actual reimbursement ($36,816) received.

Currency Reporting Forms Processing: IRS resources are expended to process Currency Reporting Forms required by the Bank Secrecy Act (Title 31), namely, Currency Transaction Reports (CTR's) and Casino Currency Transaction Reports (C-CTR's), Suspicious Activity Reports (SAR's), and Foreign Bank Account Reports (FBAR's) as well as Form 8300, Cash Payments in Excess of $10,000 Received in a Trade or Business, required by the Internal Revenue Code (Title 26). The forms are processed for

reporting banks, financial institutions, and money services businesses as well as retail businesses. This program activity is reported in a separate account in the IRS's budget activities and is scored as 100 percent drug related, supporting Goals 2 and 5 of the National Drug Control Strategy.

USCS

[redacted]

(2.) Methodology Modifications (DO – ATF – IRS – USCS)

None

(3.) Material Weaknesses or Other Findings (DO – ATF – IRS – USCS)

None

(4.) Reprogramming or Transfers (DO – ATF – IRS – USCS)

None

(5.) Other Disclosures

DO - None

ATF

The information and data does not reflect methodology consistent with the formulation of the drug budget, as ATF's drug budget does not include funds identified in this report (ICDE)

IRS

The information reflects the FY 2000 Service's position in relationship to the drug budget and no policy variances can be assumed.

USCS - None

b. Assertions

(1) Drug Methodology

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

The management of ICDE relies on the law enforcement bureaus within the Department of the Treasury to provide the methodology they used to derive the drug-related obligations from the funds reimbursed by the ICDE during the fiscal year. Based upon the submissions we received from these Treasury law enforcement bureaus for FY 2000, we assert that the drug methodology used to calculate the obligations presented in the above Table of Drug Control Obligations is reasonable and accurate.

(2) Application of Methodology

The management of ICDE asserts that the methodology disclosed in section a (1) above was the actual methodology that was used to generate the Table of FY 2000 Drug Control Obligations above.

(3) Financial Plan

ICDE asserts that the data presented is associated with obligations against its financial plan for FY 2000. ICDE made no transfers or reprogramming affecting drug-related resources in FY 2000.