REVIEW OF ASSERTIONS INCLUDED IN THE BUREAU OF ALCOHOL, TOBACCO AND FIREARMS' FISCAL YEAR 1999 ANNUAL REPORT OF DRUG CONTROL FUNDS

OIG-01-017 NOVEMBER 15, 2000

Office of Inspector General

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United States Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON

INSPECTOR GENERAL

NOV 15 2000

MEMORANDUM FOR BRADLEY A. BUCKLES
DIRECTOR, BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

FROM: William H. Pugh
Deputy Assistant Inspector General for Financial Management and Information Technology Audits

SUBJECT: Review of Assertions Included in the Bureau of Alcohol, Tobacco and Firearm's Fiscal Year 1999 Annual Report of Drug Control Funds

Attached is our report on our review of the assertions included in Section b of the accompanying amended *Bureau of Alcohol, Tobacco and Firearm's (ATF) Annual Reporting of Fiscal Year 1999 Drug Control Funds* (Submission) to the Director of the Office of National Drug Control Policy (ONDCP). 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.

Our review disclosed that ATF could not locate documentation to support the data used to determine the percentage of the total budgetary resources devoted to drug activities. This percentage was applied to ATF's total obligations to derive its drug control obligations. This matter has been brought to management's attention and is included in our report.

Based on our review, with the exception of the matter described in our report, nothing came to our attention that caused us to believe that the assertions included in Section b of the Submission are not presented in all material respects. Our report has been reviewed by your staff. Based on mutual agreement, we are issuing this report as final.

Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director of Financial Audits at (202) 927-5789. We appreciate the cooperation and the courtesies extended to our staff.

Attachment

cc: James R. Lingebach
Acting Deputy Chief Financial Officer

REPORT OF THE OFFICE OF INSPECTOR GENERAL

To the Director of the Bureau of Alcohol, Tobacco and Firearms:

We have reviewed the assertions in Section b of the accompanying amended Bureau of Alcohol, Tobacco and Firearms's (ATF) Annual Reporting of Fiscal Year 1999 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 ATF's management.

ATF's drug methodology entailed the application of the percentage of total budgetary resources devoted to drug activities to the total obligations to determine the drug control obligations. The percentage applied was derived by dividing the total number of defendants arraigned under U.S.C. 18 section 924(c) provisions and narcotic crimes by the total number of defendants from all arraignments. ATF could not locate documentation to support the data used in the determination of this percentage.

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.

REPORT OF THE OFFICE OF INSPECTOR GENERAL

This report is intended solely for the information and use of the management of ATF, the U.S. 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.

William H. Pugh
Deputy Assistant Inspector General for Financial Management and
Information Technology Audits
August 25, 2000

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
WASHINGTON, DC 20226

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MEMORANDUM TO: James R. Lingebach
Deputy Chief Financial Officer

FROM: Deputy Chief Financial Officer

SUBJECT: Amended Annual Reporting of FY 1999 Drug Control Funds

This memorandum is to transmit an amended version of the Bureau of Alcohol, Tobacco and Firearms' (ATF) Annual Reporting of FY 1999 Drug Control Funds. The original report (dated February 9, 2000) did not specifically state assertions pertaining to the accuracy and reasonableness of the drug methodology.

The following statement was inserted in *section b.(1)* on page 2 of the attached revised report to address the aforementioned issue: "Per our discussions with the Office of National Drug Control Policy and the Office of Management and Budget, the drug methodology used to estimate obligations and FTE utilization is reasonable and accurate. The criteria associated with this assertion are as follows."

This was the sole change to the report. Calculations and methodologies remain the same. Should there be any questions, please contact Harry Chelpon of the ATF Budget Office, (202) 927-8440.

Marguerite R. Moccia

Marguerite R. Moccia

Attachment

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
Annual Reporting of FY 1999 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 1999 Drug Control Obligations

($ in millions)

Drug Resources By Goal	FY 1999
Goal 1	9.7
Goal 2	222.0
Total:	231.7
Drug Resources By Function	
Investigations	222.0
Prevention	9.7
Total:	231.7
Drug Resources By Decision Unit	
Reduce Violent Crime	231.7
Protect the Public	0.0
Collect the Revenue	0.0
Total:	231.7

(1) Drug Methodology

The Bureau of Alcohol, Tobacco and Firearms (ATF) estimate of drug-related costs is based upon the full-time equivalents (FTE) expended on investigations that result in drug charges being filed against defendants. The Bureau divides the total of all defendants charged in a year by the number of defendants arraigned under U.S.C. 18 section 924(c) provisions and/or a narcotics crime to derive a ratio. This ratio is used to pro-rate the share of total ATF budgetary resources, including both requested appropriations applicable to support anti-drug programs.

Based upon historical case statistics, ATF has devoted approximately 56 percent of the FTE achieved (FTE reported through SF113G data) and obligations incurred under its Reduce Violent Crime (RVC) Activity for drug investigations or community outreach-oriented prevention projects. This major budget activity encompassed nearly 74.9 percent of the FY 2000 President's Budget request; preliminary data from the Bureau's net cost of operations indicates an RVC activity share factor of 75.5 percent applicable for this year's request.

(2) Methodology Modifications

None

(3) Material Weaknesses or Other Findings

None

(4) Reprogramming or Transfers

None

(5) Other Disclosures

This is the first year for submission of this annual reporting requirement. The information and data reflects the Bureau's position in relation to the drug budget, and reflects methodology consistent with formulation of the drug budget.

b. Assertions

(1) Drug Methodology

Per our discussions with the Office of National Drug Control Policy and the Office of Management and Budget, the drug methodology used to estimate obligations and FTE utilization is reasonable and accurate. The criteria associated with this assertion are as follows:

(a) Data

The estimate of drug-related costs is based upon the full-time equivalents (FTE) expended on investigations that result in drug charges being filed against a defendant. ATF budgetary resources devoted the drug budget are derived from a ratio by dividing the total of all defendants in a year by the number of defendants arraigned under U.S.C. 18 section 924(c) provisions and/or narcotics crimes. Based upon historical case statistics, ATF has devoted approximately 56 percent of the FTE achieved and obligations incurred under its "Reduce Violent Crime" (RVC) Activity. The most recent "net cost" data indicates that the Bureau devoted approximated 75.5% of its resources to the RVC Activity in FY 1999. This major activity would include investigations such as gun-related crimes with a drug nexus, drug investigations, or community outreach-oriented prevention projects, such as the Gang Resistance, Education and Training (G.R.E.A.T.). The methodology employed by ATF during FY 1999 is the same methodology that has been certified in the past by the Office of National Drug Control Policy.

(b) Other Estimation Methods

None

(c) Completeness

The Bureau of Alcohol, Tobacco and Firearms' Drug Control Budget contains two components: Investigations and Prevention. Both of these components fall under the Bureau's "Reduce Violent Crime" Activity.

(d) **Financial Systems**

In FY 1999, the method for tracking estimated drug-related obligations was the Financial Management Information System (FMIS) utilizing elements such as gross obligations, project coding and obligations against earmarked initiative funding. The Bureau has migrated its financial system from a mainframe environment to a client-server in order to integrate the core financial system with other financial and mixed-financial systems. The new Financial Resources Desktop (FReD) was brought on-line October 1, 1999.

(2) Application of Methodology

For FY 1999, the methodology used to estimate obligations and FTE utilization is consistent with the narrative descriptions provided in paragraphs b.(1)(d) and b.(1)(a) above. This was the actual methodology utilized to generate the "Table of Prior Year Drug Obligations." However, marginal fluctuations may occur from year-to-year based on the percentage of Bureau resources devoted to the "Reduce Violent Crime" Activity. The fluctuation would be a function of changes occurring to the Bureau's most recent analysis of its "net cost of operations" for its three core activities, "Reduce Violent Crime," "Collect the Revenue" and "Protect the Public."

(3) Financial Plan – Including Reprogramming or Transfers

No changes were made to the Bureau's Financial Plan that required ONDCP approval per ONDCP Circular dated 12/17/99.