# FINANCIAL MANAGEMENT:
# Review of Assertions Included in the Bureau of Alcohol, Tobacco and Firearms' Fiscal Year 2000 Annual Report of Drug Control Funds

OIG-01-054 March 23, 2001

## Office of Inspector General

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**The Department of the Treasury**

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**Bureau of Alcohol, Tobacco and Firearms' Amended Annual Reporting of Fiscal Year 2000 Drug Control Funds**

### Abbreviations

| | |
|---|---|
| ATF | Bureau of Alcohol, Tobacco and Firearms |
| FY | Fiscal Year |
| OIG | Office of Inspector General |
| ONDCP | Office of National Drug Control Policy |
| U.S.C. | United States Code |

March 23, 2001

Bradley A. Buckles
Director
Bureau of Alcohol, Tobacco and Firearms

We have reviewed the assertions in Section b of the accompanying Bureau of Alcohol, Tobacco and Firearms' (ATF) Amended Annual Reporting 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 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. This matter was first reported in our report on our FY 1999 review. In FY 2000, ATF made progress in documenting the data used in calculating this percentage. ATF's management anticipates utilizing fully documented and updated data to prepare the FY 2001 Report of Drug Control Funds.

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 ATF, 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.

* * * * * *

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 26, 2001

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

ASSISTANT DIRECTOR

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MEMORANDUM TO: Deputy Assistant Inspector General for Financial Management and Information Technology Audits

FROM: Assistant Director (Management)/CFO

SUBJECT: Draft Report on the Review of the Bureau of Alcohol, Tobacco and Firearms' Fiscal Year 2000 Annual Report of Drug Control Funds

Thank you for the opportunity to comment on the subject report. The Bureau concurs with its findings.

In order to revalidate our methodology, we have reviewed the information in our financial system to ensure it is accurate and captures the breakout we require. We have has also issued guidance to field agents ensuring that actions involving a drug nexis are captured by our law enforcement information system. Our methodology will be revalidated for the FY 2001 annual report.

Should there be any questions, please contact Harry Chelpon of the ATF Budget Office, (202) 927-7833.

William T. Earle

William T. Earle

## Financial Audits Division

Michael Fitzgerald, Director
Marie Maguire, Audit Manager
Ade Bankole, Lead Auditor
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**The Department of the Treasury**

Office of Accounting and Internal Control
Office of Budget

**Bureau of Alcohol, Tobacco and Firearms**

Director
Deputy Director
Assistant Director, Management / Chief Financial Officer
Assistant Director, Inspection
Assistant Director, Liaison and Public Information

**Office of Management and Budget**

OIG Budget Examiner

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: Acting Budget Officer

SUBJECT: Amended Annual Reporting of FY 2000 Drug Control Funds

This memorandum is to transmit an amended version of the Bureau of Alcohol, Tobacco and Firearms' (ATF) Annual Reporting of FY 2000 Drug Control Funds. The original report (dated December 29, 2000) reflected an administrative error misstating the calculation used to derive the pro-rating percentage of resources applicable to support anti-drug programs.

Sections a.(1) and b.(1)(a) of the report were amended to state the actual methodology applied, where the Bureau divided "the number of defendants arraigned under U.S.C. 18 section 924(c) provisions and/or a narcotics crime" as the numerator of the equation, by "the total of all defendants charged in a year", and not vice versa.

This was the sole change to the report. The calculations and methodologies used are unchanged. Should there be any questions, please contact Harry Chelpon of the ATF Budget Office, (202) 927-7833.

Melissa L. McCoy

Melissa L. McCoy

Attachment

# DEPARTMENT OF THE TREASURY
# BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
# Annual Reporting of FY 2000 Drug Control Funds

## DETAILED ACCOUNTING SUBMISSION

### a. Table of FY 2000 Drug Control Obligations

($ in millions)

| Drug Resources By Goal | FY 2000 |
|---|---|
| Goal 1 | 8.0 |
| Goal 2 | 258.5 |
| **Total:** | 266.5 |
| | |
| **Drug Resources By Function** | |
| Investigations | 258.5 |
| Prevention | 8.0 |
| **Total:** | 266.5 |
| | |
| **Drug Resources By Decision Unit** | |
| Reduce Violent Crime | 266.5 |
| Protect the Public | 0.0 |
| Collect the Revenue | 0.0 |
| **Total:** | 266.5 |

#### (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-related charges being filed against defendants. Based upon historical case statistics, ATF has devoted approximately 56 percent of the FTE achieved and obligations incurred under its Reduce Violent Crime Activity for drug investigations or community outreach-oriented prevention projects. The Bureau divided the number of defendants arraigned under U.S.C. 18 section 924(c) provisions and/or a narcotics crime by the total of all defendants charged in a year to derive a ratio. This ratio is used to pro-rate the share of total ATF budgetary resources, including both requested appropriations and anticipated reimbursable authority, applicable to support anti-drug programs. We revalidate this methodology whenever significant changes are suspected. We anticipate a revalidation prior to our FY 2001 Annual Report. The "Reduce Violent Crime" major budget activity encompasses approximately 78 percent of the Bureau's FY 2000 Net Costs.

#### (2) Methodology Modifications

None

#### (3) Material Weaknesses or Other Findings

None

#### (4) Reprogramming or Transfers

None

**(5) Other Disclosures**

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-related charges being filed against a defendant. ATF budgetary resources devoted to the drug budget are derived from a ratio by dividing the number of defendants arraigned under U.S.C. 18 section 924(c) provisions and/or narcotics crimes by the total of all defendants in a year. 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 78% of its resources to the RVC Activity in FY 2000. 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 2000 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.

# DEPARTMENT OF THE TREASURY
# BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
# Annual Reporting of FY 2000 Drug Control Funds

### (d) Financial Systems

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. In FY 2000, the method for tracking estimated drug-related obligations was the Financial Resources Desktop (FReD) utilizing elements such as gross obligations, project coding and obligations against earmarked initiative funding.

### (2) Application of Methodology

For FY 2000, the methodology used to estimate obligations and FTE utilization is consistent with the narrative descriptions provided in paragraphs b.(1)(a) and b.(1)(d) above. This was the actual methodology utilized to generate the "Table of Prior Year Drug Obligations." However, fluctuations may occur from year-to-year based on the percentage of Bureau resources devoted to the "Reduce Violent Crime" Activity. The fluctuations 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.