

of 100% electronic transaction processing, real time financial data, and integration with other major systems. This conversion provides:

- electronic requisitions, reprogramming of funds, goods and services receiving reports, and travel funds commitments;
- email notification of payment to ATF employees and vendors;
- electronic submission of payment data to the Treasury disbursing agency versus creating a tape and sending it Federal Express to Philadelphia, Pennsylvania, to generate payments; and
- elimination of paper statements associated with Small Purchase credit card transactions and daily draw downs against budgets.

❖ **Implementation of the Civil Asset Forfeiture Reform Act of 2000**

With the enactment of the Civil Asset Forfeiture Reform Act in April 2000, OM lead the effort to provide training to 23 field divisions by first conducting a train-the-trainers conference. Providing additional support to the trainers resulted in the successful training of special agents and attorneys in the field prior to the August 2000 effective date of implementation of the Act.

❖ **Human Resources**

Hired 208 new agents; 54 have been cleared and are ready to report in FY 2001; and 116 are awaiting clearance. In addition, under new hiring procedures, over 1100 applicants took the Treasury Enforcement Agent Examination during the fiscal year; 760 passed and are eligible to advance in the hiring process.

❖ **Construction of the Canine Training Facility**

Completed the construction of a new Canine Training Facility, which provides state-of-the-art facilities for training ATF handlers and canines. The 24,000 square-foot facility located in Front Royal, Virginia, houses a staff of 21 personnel.

Financial Results, Position and Condition

Overview of Financial Data

ATF's financial management vision is "to enable ATF to work better and cost less by financial and program personnel working in partnership, using modern management techniques and integrated financial systems. Together, we will ensure the integrity of information, make informed decisions, and measure performance to achieve desirable outcomes and real cost effectiveness."

A number of enhancements were made during FY 2000 to comply fully with the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Government Performance and Results Act of 1993, the Debt Collection Improvement Act of 1996, the Federal Managers' Financial Integrity Act of 1982, the Federal Financial Management Improvement Act of 1996, and a number of GSA-mandated travel regulation changes. ATF completed its financial system conversion from a mainframe to client-server environment. The Bureau converted all ATF cardholders to a new Treasury-wide credit card program, standardized its expenditure categories to meet Treasury-wide requirements, and enhanced its cost accounting to incorporate payroll expenditures down to Bureau programs and project levels.

ATF continues to make progress in implementing Federal financial management reforms and incorporating advances in information management technology into its processes. This has contributed to ATF again receiving an unqualified audit opinion from PricewaterhouseCoopers LLP for FY 2000.

Budget Integrity

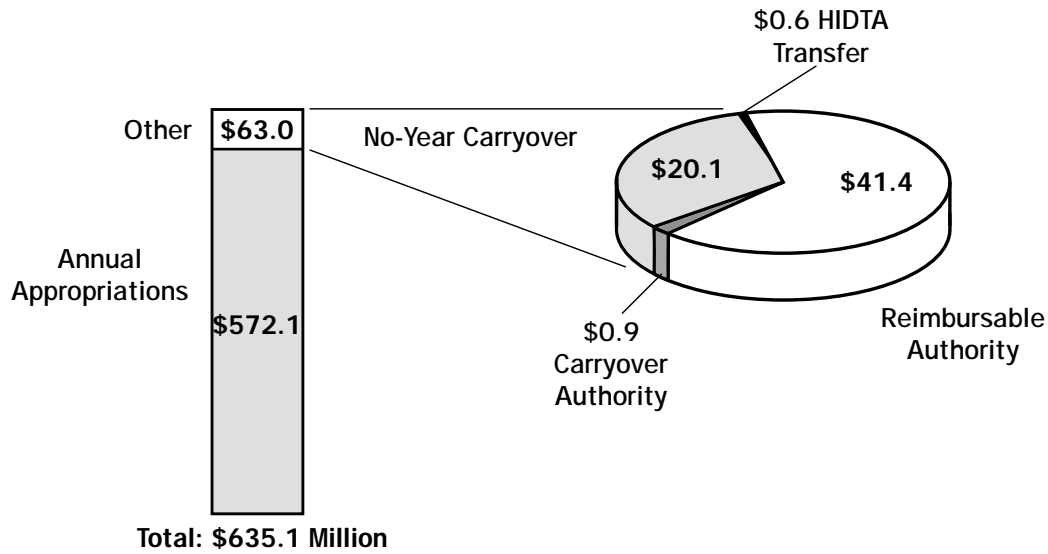
Sources of Funds

The total budget authority available for use by ATF in FY 2000 was \$676.0 million. Of that amount, the Congress appropriated \$566.0 million for the Bureau's Salaries and Expenses Fund and \$40.9 million for the Violent Crime Reduction Trust Fund. An additional \$69.1 million was made available from other sources. These other sources included the following: no-year carryover funds of \$19.6 million; appropriation trans-

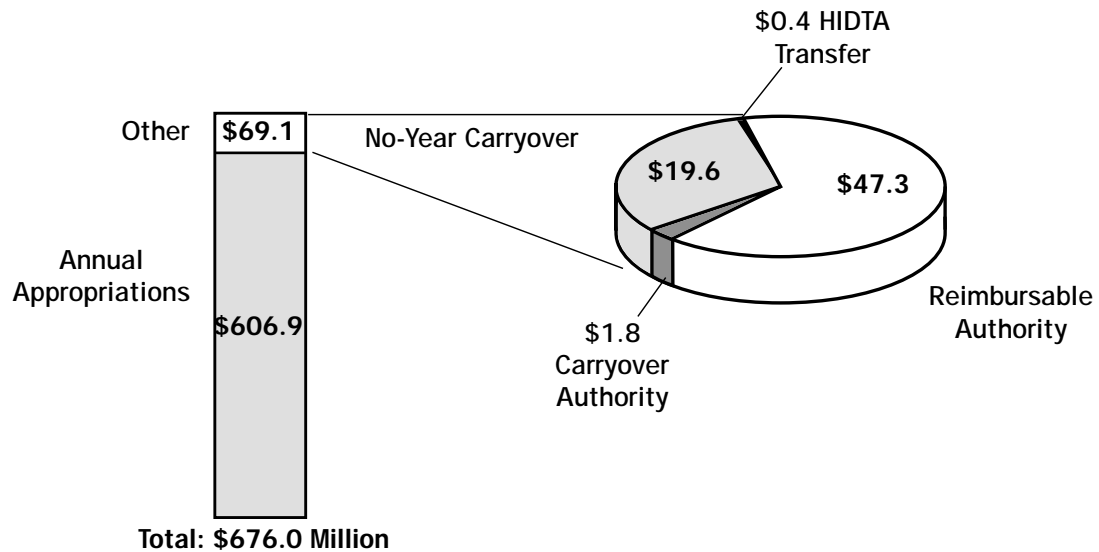
fers of \$.4 million from the Office of National Drug Control Policy to support ATF efforts in High Intensity Drug Trafficking Areas (HIDTA); \$47.3 million in

; reimbursable authority from other Government agencies; and \$1.8 million, which represents 50 percent of the FY 1999 unobligated balance.

Sources of Funds FY 1999 (Dollars in Millions)



Sources of Funds FY 2000 (Dollars in Millions)



Uses of Funds

ATF incurred obligations of \$654.5 million during FY 2000. Of the \$16.7 million in budget authority that was not obligated in FY 2000, \$3.8 million represents the Bureau's Salaries and Expenses; \$.05 million represents HIDTA funding; and \$12.83 million represents no-year appropriation carryover funds available for use in FY 2001. The aforementioned funds include \$.03 million transferred to the Department in support of the Honors Attorney Program; \$2.56 million transferred to the US Secret Service,

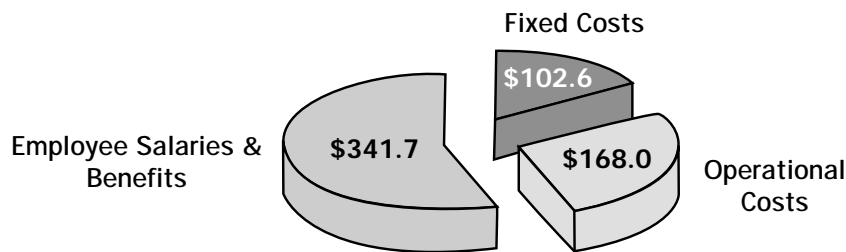
of which \$1.8 million was from prior-year unobligated funds and \$.7 million from No-year funds; \$1.1 million representing the rescission of No-year funding and \$1.2 million representing the rescission of Salaries and Expenses.
 In FY 2000, the Bureau's full-time equivalent (FTE) level increased by 309 FTE. This increase was the basis for a corresponding increase in salaries and benefits and fixed costs; thus, a decrease in operational costs.

Uses of Funds

FY 1999

(Dollars in Millions)

Total: \$612.3 Million

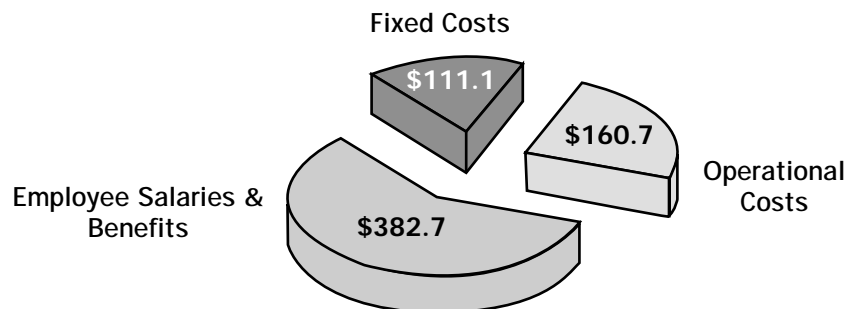


Uses of Funds

FY 2000

(Dollars in Millions)

Total: \$654.5 Million

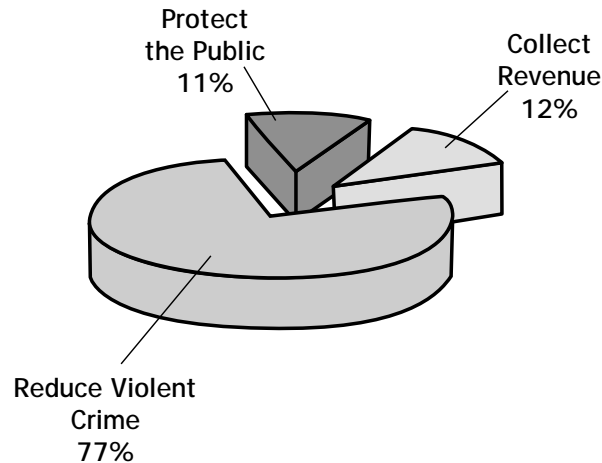


Cost Accounting and Performance Measurement

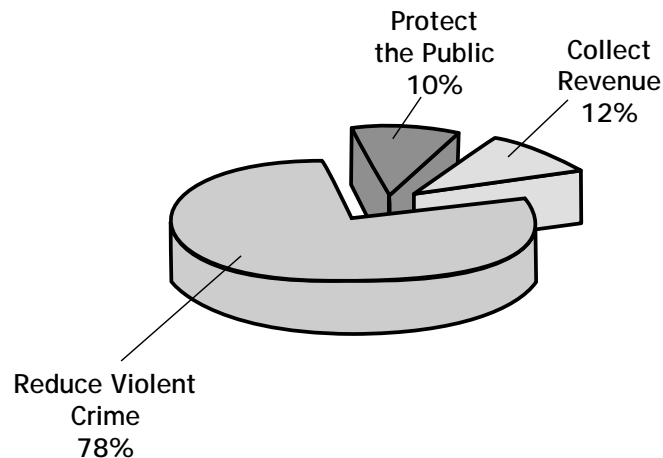
ATF continued its multi-year effort to develop and implement a Bureau-wide planning and reporting framework in the cost accounting and performance measurement area. In FY 1998, ATF implemented a new cost structure and laid the groundwork to standardize the cost structure for all Bureau systems that capture resource data. This new framework was also

utilized in developing ATF's FY 2001 and 2002 budget submissions. The new framework links strategic planning, budgeting, and program planning into a single, integrated package, permitting the Bureau to improve formulation and execution of its programs. During FY 2000, the Bureau furthered its implementation of Cost Accounting requirements by having employees directly charge their time against the Bureau's activities at the project level in a new standardized time reporting format.

Cost by Activity FY 1999



Cost by Activity FY 2000



Financial Performance

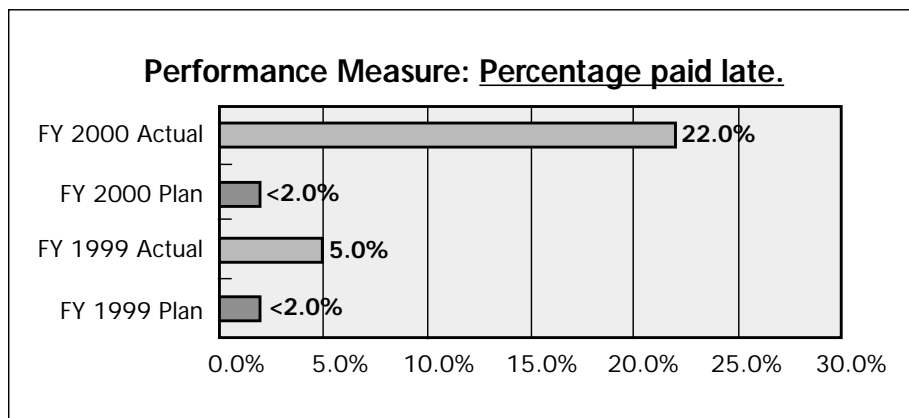
ATF's annual financial management performance plan contains key financial performance indicators. There are three major activities identified in ATF's Financial Management Performance plan. These activities are: 1) provide leadership to promote the acquisition and management of ATF's resources, revenue, and assets; 2) provide quality financial services; and 3) provide financial information on ATF operations that supports reporting and decision making. Strategic goals, annual performance goals, and measures were developed to achieve these three financial management activities. Several of the key goals and measures in the FY 2000 Financial Management Performance Plan are displayed below.

❖ Activity: To provide quality financial services.

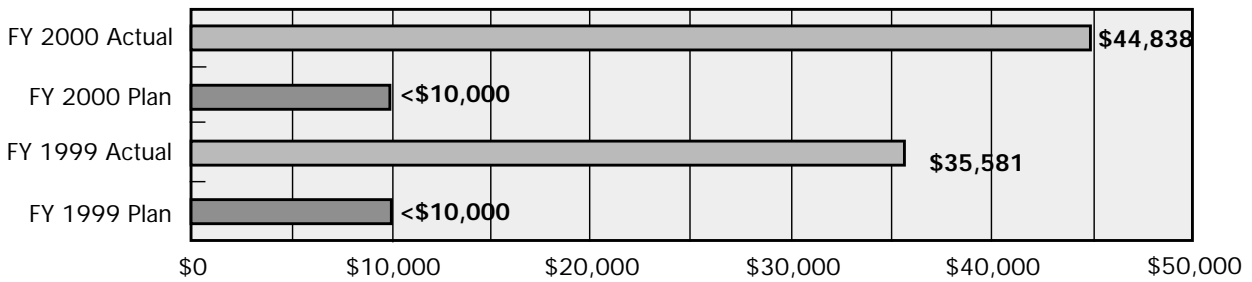
Strategic Goal: Focus on customer service and innovate financial processes.

Annual Performance Goal: Compliance with Prompt Pay Act (PPA).

In FY 2000, the Bureau's annual delinquent rate increased to 22.0 percent, from 5.0 percent in FY 1999. At the beginning of FY 2000, ATF converted from a mainframe-based financial management system to a client-server system. The conversion decentralized many centralized accounting features and impacted payments. The Treasury benchmark is 2 percent, which ATF will strive to meet in FY 2001.

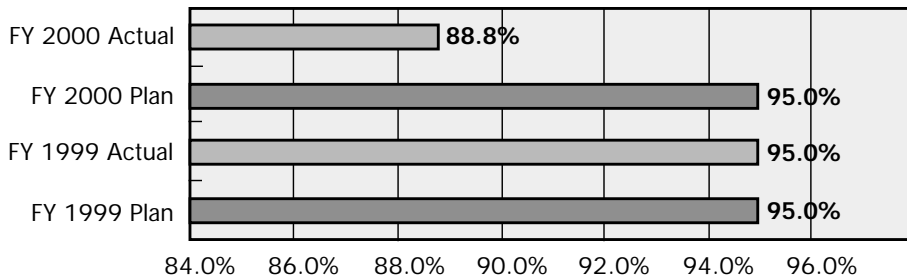


Performance Measure: Dollar amount of interest paid.



Annual Performance Goal: Compliance with electronic funds transfer (EFT) legislation.

Performance Measure: Percentage of vendors paid via EFT.



Note: Total number of vendor payments in FY 2000 was 11,822.

❖ Activity: To provide financial information on ATF operations which supports reporting and decision making.

Strategic Goal: Provide complete and accurate financial statements.

Annual Performance Goal: Implement new schedules required under OMB Bulletin 97-01.

Performance Measure: Earn an unqualified audit opinion on ATF's Financial Statements.

2000 Plan: Unqualified Opinion

2000 Actual Results: Unqualified Opinion

Cash Management

ATF is complying with existing cash management laws and regulations and is aggressively working to enhance its cash management policies and operations through the implementation of new or improved technologies. Its activities in the cash management area are detailed below:

❖ **Debt Collection Improvement Act Compliance.**

This act requires the use of electronic funds transfer for all Federal payments made after January 1, 1999.

Vendor payments: In FY 2000, ATF paid 89 percent of its vendors electronically, seven percent less than in FY 1999. ATF attributes the drop in EFT payments to the system conversion that resulted in several payment configuration issues. For example, ATF lost the ability to make lump-sum payments to some of its vendors, who were consequently paid via check.

Employee payments: ATF processes travel payments 100 percent electronically within one week of receiving a completed travel voucher. The significant reduction in process time ensures that travelers receive reimbursement in their bank accounts within four to eleven days after submitting vouchers. Nearly all of ATF's employees receive salary payments via electronic funds transfer.

- ❖ **Collection Mechanisms.** ATF uses the automated FEDWIRE Deposit System and ACH Remittance Express Program to collect alcohol and tobacco excise taxes from taxpayers who pay more than \$5 million in taxes per calendar year. In addition, ATF uses lockboxes provided through the Treasury lockbox network to collect other excise taxes, firearms license and permit fees, and Special Occupational Taxes.

ATF has entered into a Memorandum of Agreement with the Financial Management Service (FMS) and a commercial bank to accept credit cards for the payment of licensing fees and other taxes. Once implemented, ATF plans to expand to include accepting credit card transactions over the Internet.

- ❖ **Credit Cards.** In FY 1999, ATF implemented the new government-wide credit card program, with Citibank as its vendor and MasterCard as its brand. ATF has over 3,500 purchase cardholders who use the card primarily for small purchases (under \$2,500). In FY 2000, cardholders purchased goods and services in excess of \$14 million with the cards. Over 4,200 ATF employees have travel cards for use while on official government travel; In FY 2000, these individuals used their travel cards to cover travel and transportation expenses in excess of \$23 million.
- ❖ **Imprest Funds.** ATF closed all miscellaneous imprest funds nation-wide at the end of FY 1999 and is encouraging employees to use the purchase card whenever possible. ATF cardholders are authorized to write convenience checks against their purchase cards. In FY 2000, these cardholders used convenience checks to purchase over \$218,000 in goods and services.

Limitations of the Financial Statements

The financial statements were prepared to report the financial position and results of operations pursuant to the requirements of 31 U.S.C. 3515(b). The statements have been prepared from the books and

records of ATF according to formats prescribed by the Office of Management and Budget. The statements are in addition to the financial reports used to monitor and control budgetary resources prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Management Responsibilities

Bureau management is responsible for the fair presentation of information contained in the principal financial statements, in conformity with generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 97-01. Management is also responsible for the fair presentation of ATF's performance measures in accordance with OMB requirements. The quality of the Bureau's internal control structure rests with management, as does the responsibility for identification and compliance with pertinent laws and regulations.