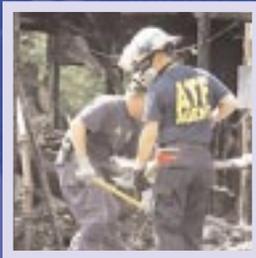


2003

Performance and Accountability Report



Message from the Director

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) protects our Nation and its citizens from the threats of violent crime and terrorism, and this annual report describes our accomplishments during fiscal year 2003. The past year brought many internal and structural changes, as ATF completed its realignment as a bureau within the Department of Justice with responsibility for enforcement of the Federal criminal laws relating to alcohol, tobacco products, firearms and explosives.

Though the new additional threat of terrorism has arisen, violent crime still endangers the lives and property of Americans, and ATF remains committed to holding the line against domestic violent criminals. ATF is a crucial partner in the Project Safe Neighborhoods (PSN) initiative, and continues to fight violent crime through its Integrated Violence Reduction Strategy, providing invaluable resources to law enforcement, such as the National Integrated Ballistic Information Network and the National Tracing Center.

Explosives and firearms have proven to be preferred tools of the terrorist. By regulating the explosives industry and investigating explosives-related crimes, ATF helps safeguard the American public against the malicious misuse of explosives. ATF is fulfilling its statutory responsibilities as regulator of the explosives industry, along with additional new responsibilities under the Safe Explosives Act. The Act is intended to reduce the availability of explosives to felons and other prohibited persons, and it requires that all persons obtaining explosive materials obtain a Federal permit.

We at ATF take quite seriously our responsibility to act as good stewards of the resources given us by Congress, and to gain the most value for the American people by working effectively with other agencies. ATF's management accountability systems are in compliance with the Federal Managers' Financial Integrity Act and with standards set by the General Accounting Office. We place great importance on our relations with other law enforcement agencies, and are proud to have built effective partnerships across the country. ATF continues to share its expertise with others, providing training in explosives, arson, and many other areas for Federal, State, local, and international partners.

I was delighted, though not surprised, to hear that in a recent OPM survey, ATF ranked 8th in a survey of the best workplaces within the Federal Government. Ultimately, ATF succeeds in its mission because of the dedication and expertise of its employees. I am proud of their achievements, and honored to have served as their Director.



Bradley A. Buckles



Message from the Chief Financial Officer

Each year seems to bring new and more complex challenges to our doorstep. This accountability report seeks to clearly present how we have confronted change and leveraged opportunity. Though we ended one relationship with the Treasury Department, we embarked on a new one at the Department of Justice. I am pleased to report that this transition was accomplished as a seamless and efficient evolution that did not interrupt our vision of exceptional performance.

An unstated component of our fiscal year 2003 performance is the ongoing value of prior year investments in the human and technology resources at ATF. Without these components we would not have been able to achieve the results that are catalogued in this report. In previous reports I have focused on our pride in meeting every standard of both internal and external accountability. In today's environment, being accurate, accountable and timely is merely an honest starting point. Our goal is to demonstrate how these fundamentals support our core mission of reducing violent crime and protecting the public.



Our mission takes our personnel to the most violent, complex and sensitive sectors of society. We achieve the goals of our Federal mandates by recruiting and training an exceptional staff, reaching out to the community, and measuring our performance. This is a report of that performance. Please take a moment to explore the expanded library of information about ATF, both here and on our website www.atf.gov. I know you will find reflected here an agile and resourceful organization, dedicated to making this a safer Nation in which to live and prosper.

A handwritten signature in blue ink that reads "William T. Earle".

William T. Earle
wtearle@atf.gov



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ATF personnel at the scene of an apartment building gutted by a fire.



ATF personnel in training at Fort AP Hill, at the scene of a car explosion.



Forensic Chemist examining sifted debris from a bombing for intact explosives and component parts.



Firearms Specialist firing a weapon into a water tank to recover a bullet and identify its resulting markings.

Fingerprint Specialist using computer technology to add a fingerprint into a database.



Vision

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) must respond to the public outcry against crime, violence, and other threats to public safety. We must also continue to do our part to maintain the economic stability of the country. Our vision will help us chart the course to change the way we do business and achieve new levels of effectiveness and teamwork.

Mission

The mission of the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) is the enforcement of Federal criminal laws relating to alcohol, tobacco products, firearms, explosives and arson, as well as the regulatory functions associated with the firearms and explosives industries. In connection with enforcement of Federal firearms and explosives laws, the primary objectives are to reduce firearms violence and regulate the firearms and explosives industries fairly and effectively, which will have the effect of preventing terrorist acts.

ATF Values

We value each other and those we serve. We will:

- Set and uphold the highest standards of excellence and integrity;*
- Provide quality service and promote strong external partnerships;*
- Develop a diverse, innovative, and well-trained work force in order to achieve our goals collectively; and*
- Embrace learning and change in order to meet the challenges of the future.*

FY 2003 Highlights

- Became a Bureau under the U.S. Department of Justice. The Homeland Security Bill of 2002, signed by President George W. Bush on November 25, 2002, split the Bureau of Alcohol, Tobacco and Firearms (ATF) into two entities, with the newly created Alcohol and Tobacco Tax and Trade Bureau (TTB) remaining at Treasury to regulate and collect revenue from the alcohol and tobacco industries. ATF acquired additional responsibilities for regulating explosives under a provision in the Homeland Security Bill titled the Safe Explosives Act (SEA).
- Implemented the provisions of the SEA. As the most significant enhancement of agency responsibilities related to Federal explosives since 1970, the SEA is intended to reduce the availability of explosives to felons and other prohibited persons, and to require that all persons obtaining explosive materials obtain a Federal permit. ATF:
 - issued an additional 3,500 explosives permit applications, which included screening all individuals responsible for explosives operations and every explosives possessor;
 - developed and deployed two major information systems initiatives to ensure compliance with the Act; these systems support ATF's issuance of the new Explosives Limited Permit to intrastate users of explosives; and
 - trained 313 special agents, 526 inspectors, 14 attorneys, and 76 specialists on the new law.
- Opened 33,693 criminal cases (up from 30,616 in FY 2002), recommended 16,704 persons for prosecution (up from 11,875 in FY 2002), and indicted 8,880 defendants (up from 6,920 in FY 2002).
- Conducted 744 gang investigations. Sample results: four ATF-led investigations in nine states resulted in 95 arrests, 118 search warrants, and the seizure of 1,001 firearms and \$90,000 in currency.
- Currently conducting 295 investigations involving the trafficking of illicit or counterfeit tobacco products. ATF has confirmed ties to terrorist organizations in four of these investigations.
- Through its investigations of illegal firearms trafficking, assisted in separate cases in the prosecution of defendants who were illegally exporting weapons overseas in violation of the Arms Export Control Act (AECA), selling weapons without a license, assault, and aiding and abetting. In FY 2003, ATF assisted in the conviction of 6,169 defendants.
- Conducted 7,883 explosives inspections of which 2,721 were compliance inspections and 5,162 were application inspections. Detected or corrected over 1,165 explosives industry public safety violations.
- Completed 6,380 requests for crime gun data from ATF personnel and other law enforcement personnel, up from 3,934 in FY 2002.
- Completed 3,772 forensic laboratory cases, up from 3,204 in FY 2002 (a 17 percent increase).
- Received 64,336 Brady National Instant Criminal Background Check System's (NIC's) referrals and sent 9,787 to field offices for investigation/follow-up.
- Developed and implemented Project Safe Neighborhoods (PSN) via ATF's Integrated Violence Reduction Strategy (IVRS). PSN/IVRS promotes partnerships with law enforcement agencies and prosecutors. Agencies develop focused enforcement strategies

to investigate, arrest and prosecute violent offenders, prohibited possessors of firearms, domestic and international firearms traffickers, and others who illegally attempt to acquire firearms. ATF provides assistance and leadership within the law enforcement community to effectively solve violent crimes through the use of specialized resources, technology and training. More than 6,500 law enforcement officers and prosecutors have received PSN training.

- Through the National Integrated Ballistic Information Network (NIBIN) Program, installed automated ballistics comparison equipment in all participating forensic laboratories in the continental United States and its territories, a total of 228 sites. ATF is currently deploying software within the NIBIN network to give State and local law enforcement agencies the ability to compare data within the continental United States.
- Worked in partnership with the National Shooting Sports Foundation (NSSF) to promote the “Don’t Lie for the Other Guy” campaign to educate the industry and the public about illegal firearms purchases.
- Developed a standardized policy for issuing adverse actions when violations of firearms laws and regulations are found during the inspection of Federal firearms licensees (FFLs). The Bureau also established a review process for monitoring adverse actions and ensuring that they are implemented consistently across the United States.
- Provided funding to 260 different agencies to support their participation in the Gang Resistance Education and Training (G.R.E.A.T.) Program. The program certified 659 new G.R.E.A.T. officers in the G.R.E.A.T. Officer Training course. Over 1,993 agencies have 6,505 officers certified to teach the program. During FY 2003, G.R.E.A.T. officers nationwide taught approximately 304,842 school children.
- Completed construction of and moved into the new 176,000-square-foot National Laboratory Center (NLC). Located in the same area and opened at the same time was the new National Fire Research Center. The relocation from the facilities in Rockville, MD, to the new facilities located in Ammendale, MD, was completed in February 2003. All personnel and equipment were successfully relocated, and business operations were kept up and running throughout the move.
- Launched *learn.atf*, ATF’s virtual learning center, which offers a variety of high-quality e-learning courses, reference tools, and performance support services to ATF employees. The creation of *learn.atf* supports the President’s Management Agenda e-Training initiative. From the December 2002 launch through the end of FY 2003, there were a total of 3,809 registrations for both non-mandatory and mandatory courses, with 2,693 completions.
- Implemented web-based systems for filing applications to import firearms and ammunition, for explosives permits under the SEA, and for firearms trace requests.
- Implemented its IT Capital Planning and Investment Control (CPIC) processes for choosing and managing IT investments and ensuring that they are aligned with the Bureau’s Strategic Plan (SP). The intent of the CPIC is to meet legislative mandates for managing capital investments, and to meet the public’s growing demand for a government that offers web-based solutions for doing business with the government. The majority of these investments support new and innovative web-based solutions for doing business with ATF.

Management's Discussion and Analysis

Mission and Organizational Structure

Organizational Structure

ATF's mission is the enforcement of Federal criminal laws relating to firearms, explosives, arson, alcohol and tobacco diversion and the regulatory functions associated with the firearms and explosives industries. In connection with enforcement of Federal firearms and explosives laws, the primary objectives are to reduce firearms violence and regulate the firearms and explosives industries fairly and effectively, which will contribute to the prevention of terrorist acts.

Until the passage of the Homeland Security Act of 2002, the Bureau of Alcohol, Tobacco and Firearms (ATF) was a law enforcement bureau of the Department of the Treasury dedicated to enforcing Federal laws and regulations and collecting revenue relating to alcohol, tobacco products, firearms and explosives. With the passage of the Homeland Security Act of 2002, the regulatory and revenue collecting functions relating to the alcohol and tobacco industries were realigned to the newly created Alcohol and Tobacco Tax and Trade Bureau within the Department of the Treasury. ATF was realigned as a bureau to the Department of Justice and renamed the Bureau of Alcohol, Tobacco, Firearms and Explosives; this name change (which recognizes ATF's expertise in explosives investigation) reflects the expanded role in explosives regulation under the provisions of the SEA. ATF uses its wealth of industry expertise and knowledge in its enforcement of Federal laws relating to firearms and explosives, and Federal criminal laws relating to alcohol and tobacco, protecting the public's legitimate access to these commodities while fighting unlawful use and trafficking.

ATF's national headquarters, located in Washington, DC, includes offices that develop major policies and programs in accordance with the applicable laws and regulations that ATF enforces. ATF executive structure consists of the Director, Deputy Director, Chief Counsel/Deputy Ethics Official, and the Assistant Directors for the Offices of Field Operations; Firearms, Explosives, and Arson; Inspection; Public and Governmental Affairs; Management/Chief Financial Officer; Science and Technology/Chief Information Officer; and Training and Professional Development. These executives form the Bureau's Strategic Leadership Team and Investment Review Board. The Offices of the Chief of Staff; Ombudsman; the Executive Assistant for Equal Opportunity; and the Strategic Planning Office are key components of the Office of the Director.

Geographically, ATF has offices in major U.S. cities, and representatives that address the trafficking of firearms, explosives, alcohol, and tobacco in areas throughout the world, such as Guam, the Virgin Islands, Puerto Rico, Colombia, Mexico, France, Canada, and the Caribbean. The field structure comprises 23 field divisions strategically located throughout the United States, with a single executive heading each office and having responsibility for all law enforcement and industry regulation within the geographical area.

ATF's Internet site contains supporting documentation and reference materials on ATF programs. It can be accessed at <http://www.atf.gov>.

Key Functions and Responsibilities

The SEA establishes new statutory requirements that are both regulatory and criminal in nature, with ATF assigned responsibility for their implementation. This responsibility adds to ATF's role in regulating the explosives related industry. ATF continues to maintain the expertise and authority to investigate explosives-related crimes as per the Organized Crime Control Act of 1970. The provisions of the SEA will assist ATF in helping to prevent terrorist and criminal access to explosives by requiring that all persons responsible for explosives licensee/permittee operations submit fingerprints and photographs. This requirement will enable ATF and the Federal Bureau of Investigation (FBI) to verify the identities of these individuals and ensure that appropriate background checks are conducted. The Act's limited permit category is designed for the intrastate purchasers who buy explosives infrequently and do not intend to transport or use the explosives interstate. Intrastate purchasers were not required to obtain Federal permits prior to the passage of the SEA.

In addition, the Act authorizes the establishment, maintenance, and operation of a National Center for Explosives Training and Research (NCETR) at Fort AP Hill. At this facility, ATF will provide advanced and specialized training programs for Federal, State, local, and international law enforcement agencies and offer comprehensive training for all aspects of explosives detection, handling, and destruction.

ATF is committed to holding the line against domestic violent criminals. "Violent crime" has not disappeared. In 2001, more than 1.4 million violent crimes were committed nationwide, and firearms were involved in more than 25 percent of those incidents. Further, 63 percent of murders were committed with firearms. Accordingly, ATF must remain vigilant to protect the public from violent firearms crime.

The President's Project Safe Neighborhoods (PSN) initiative is tailored toward the needs of the communities in each of the 94 individual U.S.

Judicial Districts across the country. A key to the initiative is ATF's Integrated Violence Reduction Strategy (IVRS), which combines enforcement and regulatory efforts, state-of-the-art information and technology, and community outreach and prevention as a core firearms strategy. ATF will continue to fight violent firearms crime by focusing on investigating firearms traffickers, armed career criminals, and prohibited possessors; effectively regulating the firearms industry to prevent firearms diversion; and discouraging firearms violence through outreach efforts.

ATF provides advanced and specialized training programs for ATF; for other Federal, State, local and international law enforcement officers at the NCETR located at Fort AP Hill, VA; and at the Canine Training Facility, Front Royal, VA. These programs include explosives and accelerant detection for canines and canine handlers, post-blast investigation, advanced explosives destruction techniques, and ATF Certified Explosives Specialist (CES) certification and re-certification. International law enforcement agencies that have participated in the training include Poland, Egypt, South Africa, Ukraine, Kazakhstan, Colombia, Bangladesh, and Mexico.

ATF is responsible for enforcing Federal criminal laws as they relate to alcohol and tobacco diversion. ATF's investigative efforts are directed at reducing the source of funding to criminal and terrorist organizations and ensuring the proper collection of Federal excise tax revenue. ATF's efforts stem the ever-increasing loss of revenue to affected states and the Federal government.

The incentive to evade cigarette taxes has risen dramatically along with tax rates, resulting in billions of dollars of lost revenue from cigarette smuggling, export cigarette diversion (gray market), offshore infiltration, stamp counterfeiting, and Internet sales (currently over 250 sites). Internationally, contraband cigarette trafficking is a common commodity crime, and according to the World Bank, in 2002 governments around the world lost approximately \$24 to \$30 billion in uncollected tax revenue. A research firm mentioned in a General Accounting Office (GAO) report estimates that Internet sales in the United

States will exceed \$5 billion in 2005 and that the states will lose about \$1.4 billion in tax revenue from these sales.

Current investigations have identified several instances of terrorist groups forming alliances with tobacco traffickers to generate monies used to support their organization and activities. Diversion schemes often generate tremendous cash profits that are then laundered to disguise the origin of the money and to further unlawful schemes. Criminal organizations also use these profits to fund other criminal activities such as smuggling illegal immigrants and trafficking narcotics, firearms, and stolen property.

Although not as common as tobacco diversion, the smuggling of illegal alcohol is very much a part of the moneymaking schemes utilized by organized criminal enterprises. The encroachment of organized crime and other groups played a pivotal role in the movement of alcohol through illegal channels. Enforcement efforts on both the domestic and international front have contributed to a reduction of illicit trade associated with tobacco and alcohol diversion.

Increased emphasis on homeland security and ATF's move from the Department of the Treasury to the Department of Justice have heightened the requirement for law enforcement and intelligence agencies to work together as a seamless unit. ATF is a rich source of information given its jurisdiction and historical expertise in firearms, explosives, arson, and investigating the illegal diversion of alcohol and tobacco products as potential sources of funding for criminal and terrorist enterprises. The Bureau's unique data as it relates to homeland security and counter-terrorism efforts is integral to the overall mission and support of law enforcement in the United States.

ATF also serves on many intelligence committees and task forces associated with special events management, homeland security, and terrorist-related investigations and has representatives to most of the traditional intelligence organizations. ATF products will be available to the intelligence community, and, in turn, ATF will gain access to critical information possessed by other agencies that will make the Bureau more proactive, by equipping its special agents and

inspectors with information necessary to disrupt criminal organizations and individuals that threaten public safety.

Financial Structure

Congressional appropriations provide financing sources to ATF on an annual, multiple-year, and no-year basis in nine different appropriations. These appropriations finance operating expenses and the purchase of property and equipment as specified by law. Appropriations are also received to meet specific program objectives. Generally, annual appropriations provide for most, but not all, salaries and expenses, and core program activities, while multi-year and no-year funding provides for a variety of specialized programs, activities, and functions.

Major Challenges Facing ATF

Headquarters Relocation

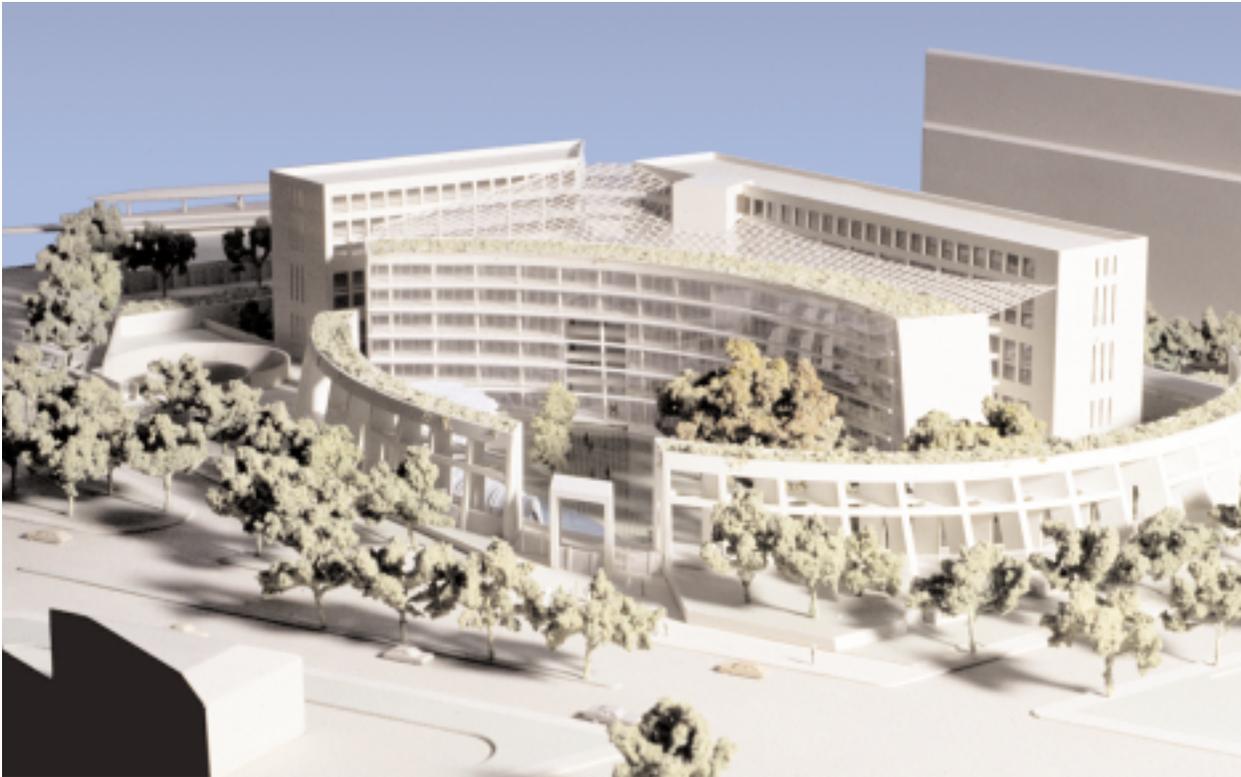
The most urgent priority facing ATF is to secure the necessary funds to complete construction and relocation of a new ATF Headquarters. It will be a structure with reinforcement against progressive collapse, blast resistant exterior facades, and sophisticated electronic access control and intrusion detection systems. Following the Oklahoma City bombing, Congress mandated this protection initiative as part of the 1995 Anti-Terrorism Act in order to mitigate ATF's vulnerability to terrorist attack. Subsequent world events, such as those of September 11, prompted a heightened exigency to provide safe and protected key Federal buildings, such as the planned ATF Headquarters. Not only will the new building better protect its employees, but it will be the first Federal facility built at Florida and New York Avenues, a currently underdeveloped downtown area. The new ATF building along with a metro station will help revitalize this neighborhood with shops and restaurants springing up to serve the new Federal employees on the block along with their contractors. The facility supports the Presi-

dent’s Homeland Security initiatives and will consolidate the majority of ATF corporate headquarters operations into a single secure location. For the first time in 15 years, ATF will be based in a Federally owned and controlled facility, rather than a shared commercially leased space.

Building on Current Expertise to Meet Strategic Objectives

ATF has recognized expertise in its programmatic areas; other Federal, State, local, and international organizations rely on ATF as a key player in counter-terrorism and violent crime reduction efforts. ATF’s ranking as the 8th best place to work of the 189 subcabinet agencies illustrates both its employees’ belief in and dedication to its mission and its commitment to supporting its employees with sound technology and resource management. ATF has continued to advance in the face of an ever-changing world, where criminals and terrorists have increasingly sophisticated weapons to damage and destroy.

To continue that advance requires ATF to leverage limited resources and use technology as a force multiplier. Focused and timely intelligence and the collection and analysis of information allow ATF to use its limited resources in a way that best accomplishes its mission. Continued advancements in technological capabilities allow ATF employees to make the most of their knowledge, experience, and expertise. Additionally, ATF must continue to capture meaningful measures on its IT investments and find a balance between IT investments and program infrastructure needs as budget funds become more limited. The retention of ATF’s dedicated and skilled professionals and the recruitment of new, equally dedicated employees to add to its ranks are critical if ATF is to move forward. ATF’s prospective leaders need to possess a blend of business acumen, people skills, and an ability to lead change to accomplish ATF’s mission. These individuals will play a key role in turning the President’s principles of citizen-centered, results-oriented, and market-based government into a reality. These are all challenges that ATF faces.



Conceptual design of new ATF Headquarters.

Performance Goals and Results

Because the ATF was a bureau under the Department of the Treasury during fiscal year 2002, performance data for that period will not be presented with the Department of Justice information in this report. Performance data for fiscal year 2003 are presented on an annualized basis as ATF was a reporting entity under the Department of the Treasury from October 2002 until January 23, 2003.

One hundred percent of ATF's Net Costs support the Department of Justice's strategic goal of enforcing Federal criminal laws.

ATF's Strategic Objective: Reduce Violent Crime

Annual Goal: Effectively contribute to a safer America by reducing violent crime and terrorist-related crimes involving firearms.

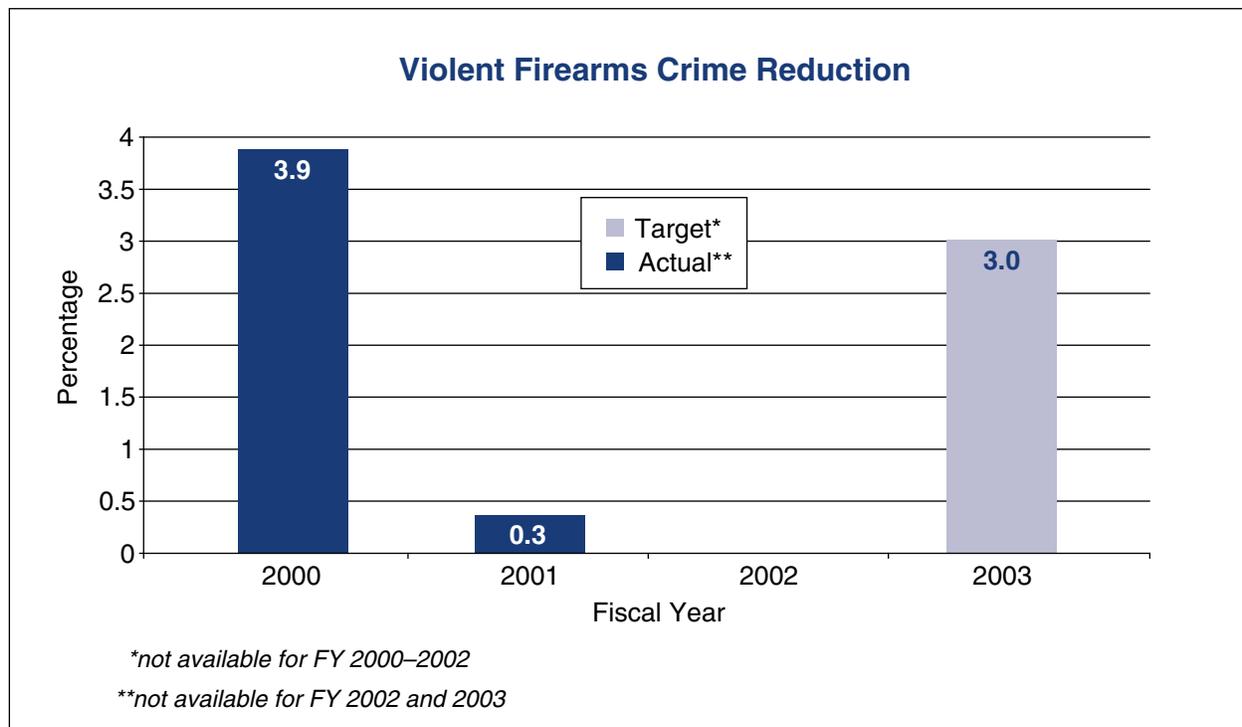
Background/Program Objectives:

ATF enforces the Federal firearms laws and regulations, as well as provides support to Federal, State, and local law enforcement officials in their fight against crime and violence. The issue of firearms-related violent crime is not a simple problem to combat: It is fueled by a variety of causes that vary from region to region. Common elements, however, do exist. Chief among these is the close relationship between firearms violence and the unlawful diversion of firearms out of commerce into the hands of prohibited individuals. To break this link, ATF employs IVRS, a comprehensive and integrated set of programs involving the vigorous enforcement of the

firearms laws, regulation of the firearms industry, and outreach and prevention efforts. Key elements of the IVRS strategy are as follows:

- Partnering with domestic and international law enforcement agencies and prosecutors at all levels to develop comprehensive enforcement plans. These plans focus on the arrest and prosecution of violent offenders, prohibited possessors of firearms, firearms traffickers, and others who illegally attempt to acquire firearms.
- Providing leadership to the law enforcement community by making specialized resources and training available to help solve violent crimes and identify firearms trafficking trends (e.g., training in advanced firearms investigative techniques, use of firearms tracing, and automated ballistics comparison).
- Ensuring that only qualified applicants enter the regulated firearm industry by employing appropriate screening procedures prior to licensing.
- Ensuring industry compliance with the Gun Control Act, the National Firearms Act, and the Arms Export Control Act.
- Partnering with schools, law enforcement, community organizations, the firearms industry, and others to facilitate educational efforts aimed at reducing firearms violence.
- Educating the public and the firearms industry about ATF policies and regulations, product safety, and security using the Internet, trade publications, seminars, and industry meetings.

Performance Information



Performance Measure: Violent Firearms Crime Reduction

Data Collection, Validation, and Verification:

Data are obtained from customized reports generated by the FBI Uniform Crime Report database, captured by the FBI from police departments nationwide. Data are verified by the FBI when the Uniform Crime Reports are published. Data will not be available for fiscal year 2003 until fiscal year 2005.

Data Limitations: The change in violent firearms crime in designated metropolitan areas is compared to areas without substantial ATF presence that are similar in population, occurrence of violent crime, and geography. Data reported reflect actual data for two years prior due to the time lag in the publication of the Uniform Crime Report. Substantial presence is defined as the existence of multiple ATF programs in the metropolitan area that have greater levels of activity than in the comparable areas (e.g., greater use of investigative services such as NIBIN and comprehensive firearms tracing associated with the Youth Crime Gun Interdiction Initiative, higher numbers of

defendants and years sentenced, greater numbers of children trained in the Gang Resistance Education and Training Program).

The following data support the measurements listed above and reflect the success in reducing violent firearms crime in pilot areas where ATF has a substantial presence. The crime reductions in these areas are compared to other metropolitan areas that have similar violent crime rates, populations, and general geography where the same levels of ATF activity or services are not in place.

Discussion of FY 2003 Accomplishments:

ATF, by virtue of the laws it enforces, investigates and brings to justice some of the most violent members of society. IVRS encompasses investigations into the movement of firearms from legal to illegal commerce, domestic and international firearms trafficking, and possession and use of firearms by prohibited people and violent criminals. During FY 2003, ATF's IVRS efforts resulted in the initiation of 29,619 firearms investigations. Among the criminals investigated by ATF in FY 2003 were street

Violent Firearms Crime Reduction in Areas with a Substantial ATF Presence

Metropolitan Area	1998	1999	2000	2001	% Change Over Prior Year	% Change Since 1998
Birmingham, AL	914	739	689	645	(6.4)	(29.4)
Comp. El Paso, TX ¹	648	599	539	511	(5.2)	(21.1)
Atlanta, GA	8,950	7,575	8,124	7,561	(6.9)	(15.5)
Comp. Dallas, TX	7,748	7,723	8,464	9,734	15.0	25.6
Indianapolis, IN	3,058	2,512	2,267	2,548	12.4	(16.7)
Comp. Oklahoma City, OK	1,664	1,330	1,276	1,420	11.3	(14.7)
Boston, MA	1,529	1,495	1,592	1,750	9.9	14.5
Comp. Pittsburgh, PA	1,484	1,587	1,702	1,523	(10.5)	2.6
Detroit, MI	12,114	11,204	11,118	10,881	(2.1)	(10.2)
Comp. Newark, NJ	3,545	3,514	3,501	3,399	(2.9)	(4.1)
Houston, TX	9,368	9,886	9,545	10,831	13.5	15.6
Comp. Dallas, TX	7,748	7,723	8,464	9,734	15.0	25.6
Average Change in Areas with Substantial ATF Presence					3.4	(7.0)
Average Change in Comparable Areas					3.7	2.3
Net Difference					(0.3)	(9.3)

¹Metropolitan areas used for comparison are those that most closely match the metropolitan areas listed above in terms of population, crime rates, and—wherever possible—geography.

gangs, outlaw motorcycle gangs, members of white supremacist organizations, and firearms and narcotics traffickers. The following are synopses of significant investigations that culminated in prosecution in FY 2003:

Tampa and Orlando, Florida. ATF initiated an investigation in August 1998 upon learning of an individual and his associates who were reportedly interested in purchasing large quantities of AK-47 type rifles and illegally exporting them to South America. The individuals purchased more than 600 of the weapons over a four-month period from gun shows in the Tampa area, and 28 weapons have since been recovered in Colombia, some in the hands of terrorist groups. On January 3, 1999, ATF and U.S. Customs agents seized 78 such weapons purchased by the suspects, approximately 9,000 rounds of ammunition, and an airplane that was headed toward Haiti. In November

2002, the suspects were indicted on charges of conspiracy, false statements to a Federal firearms dealer, money laundering, and violations of the AECA. The primary defendant was convicted on all charges and sentenced to 41 months' imprisonment in August 2003.

Joplin, Missouri. ATF initiated an investigation in November 1999 of an individual who was dealing in firearms at flea markets without a license. After several undercover contacts with the suspect, ATF learned that he had been selling firearms at flea markets for 12 years. He said that he purchased firearms on a regular basis from a friend with a Federal firearms license, and he talked about transferring firearms to individuals who were taking them to Mexico to sell for a profit. He also admitted to having purchased over \$1 million in merchandise from his "supplier." The defendant, who was suspected of having traf-

ficked at least 500 firearms, was sentenced in June 2003 to 37 months in prison for dealing in firearms without a license.

Melville, New York. In February 2002, ATF, the FBI, the Nassau County Police, and the Suffolk County Police investigated the Pagans Outlaw Motorcycle Club after an armed assault at a Hell's Angels-sponsored event in Plainview, NY. One gang member was killed during the attack, and 73 Pagans were held on State charges of riot and gang assault. ATF recovered and traced 14 firearms, and assisted with the prosecution of the gang members. All but one of the defendants were charged with conspiracy to commit an assault and were sentenced in the first quarter to terms of imprisonment ranging from 27 to 60 months. One defendant was sentenced to 36 months in prison on charges of aiding and abetting.

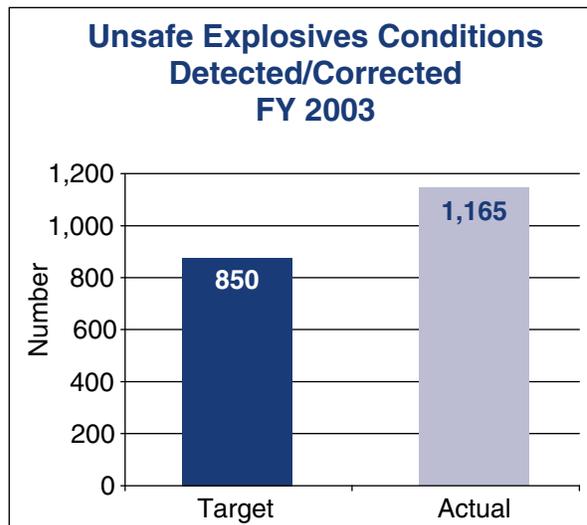
Annual Goal: Protect the public by inspecting regulated entities.

ATF complements reducing violent crime with training and prevention strategies through law enforcement, industry regulation, industry partnerships, technology, and reducing public safety risk and consumer deception on regulated commodities.

Ensuring compliance with laws and regulations through education, inspection, and investigation is an integral part of protecting the public. With existing resources, ATF will continue to inspect at least 50 percent of the explosives industry annually. Based on experience at this inspection level, ATF expects to respond to and ensure corrective actions are carried out for 850 unsafe explosives storage conditions.

Performance Measure: Unsafe Explosives Conditions Discovered and Resolved by Inspections

Data Collection, Validation, and Verification: Data are collected via ATF's regulatory management information system and are obtained through inspection reports from ATF field divisions on the results of explosives inspections.



Data are verified through ATF's ongoing quality assurance and internal inspection efforts.

Discussion of FY 2003 Accomplishments:

- Implemented the SEA, which requires all persons who wish to receive explosive materials to acquire a Federal license or permit. The Act enhances ATF's current mission of regulating the explosives industry and protecting the public from explosives incidents and is intended to eliminate the availability of explosives to felons, other prohibited persons, and terrorists.
- Continued to emphasize that industry compliance with Federal laws and regulations remains an important element for securing the safety of the public. ATF works with industry, State governments, and others to achieve a balanced regulation that is less burdensome yet sufficient to ensure public safety. ATF trains, informs, and assists these industry members and government agencies, as well as the public, with the goal of protecting the public and preventing consumer deception. Specifically, continued liaison efforts with explosives industry members, explosives licensees/permittees, and public safety agencies have become extremely important to mitigate the possibility of terrorists obtaining explosives through the legal explosives industry.
- Inspected 66 percent of the explosives licensee/permittees in FY 2003. The target percentage for inspection was 50 percent.

ATF Programs and Initiatives

Federal Firearms and Explosives Law Enforcement

Integrated Violence Reduction Strategy (IVRS) Program Components

Armed Violent Criminal Apprehension Program. One component of the IVRS (see page 7) is the Armed Violent Criminal Apprehension Program. This program seeks to identify, investigate, and recommend the prosecution of a wide range of firearms offenders: career criminals who use firearms, individuals who are actively involved in armed violent criminal activities or armed drug trafficking, and other categories of prohibited persons in possession of firearms (e.g., convicted felons, fugitives from justice, illegal aliens, and individuals convicted of certain domestic violence misdemeanors or subject to certain domestic violence restraining orders).

Youth Crime Gun Interdiction Initiative (YCGII). Under YCGII, ATF identifies and investigates illegal sources of firearms trafficked or diverted to youths and juveniles. This program requires a commitment on the part of participating jurisdictions to request traces for all crime guns recovered in their area and, if possible, to identify the date of birth of the possessor. The first goal of YCGII is to find patterns to aid law enforcement in working to keep guns out of the hands of our Nation's youth.

This initiative began in 1996 with 17 cities accounting for approximately 20,000 trace requests. Presently, this initiative has grown to 60 cities and accounts for 96,902 firearms traces.

Illegal Firearms Trafficking Enforcement Program. ATF identifies and investigates illegal firearms traffickers and the diversion of firearms out of lawful commerce and into the hands of criminals. Crime gun trace data shows that there are geographic "market areas" where crime guns are recovered and "source areas" that provide firearms to those markets. In these cases, investigative techniques vary depending on whether the agent is in a market or source area. In either case, firearms trafficking investigations can be complex and time consuming. They can involve illegal second-party purchases of firearms for those unable to legally possess firearms (with or without the complicity of a licensee), illegal dealing at gun shows or other locations, robberies of gun stores, and thefts from interstate shipments. More than 900 ATF defendants were sentenced in cases involving firearms trafficking in FY 2003.

Special agents receive several weeks of training in all aspects of firearms investigation during basic training. They may enhance this expertise by attending advanced firearms trafficking courses. Agents have access to an array of assets to support trafficking investigations, including Federal Firearms License (FFL) records, multiple handgun sales information, crime gun trace data, and Online LEAD analysis.

Internationally, ATF works with other agencies to prevent firearms from reaching the hands of drug traffickers, organized crime members, and terrorist organizations. ATF enforces provisions of the AECA, has primary jurisdiction over firearms and ammunition imports, and has shared jurisdiction of firearms exports with the United States Department of Commerce and the Department of State's Office of Munitions Control.

Firearms Tracing. The National Tracing Center (NTC) is the only operation of its kind in the world. This facility conducts traces of firearms

recovered at crime scenes and from youth for any Federal, State, local, or international law enforcement agency. The specific goal of the NTC is to increase the number of trace requests via increased electronic access to NTC information. In addition, the NTC is the only repository for all Federal firearms licensees' out-of-business records, where millions of records are stored.

Continuing ATF's partnership with the firearms industry, the NTC has 39 firearm manufacturers and wholesalers who provide the NTC online access to records through ACCESS 2000, which was utilized during the process of at least part of 76,788 traces.

The NTC provides ATF personnel and other law enforcement agencies with crime gun data specific to their geographic areas. During fiscal year 2003, the NTC completed 6,380 requests. This included the following:

- 60 Geographical Information System (GIS) mapping projects completed for the field and State and local police departments.
- 33 trace studies.
- 2,378 FFL and individual histories. ATF agents and inspectors use this information when planning or conducting compliance inspections of firearms licensees.
- Approximately 353 proactive referrals of investigation regarding potential firearms trafficking cases. Of the referrals initiated, 69 have resulted in an active ATF investigation.
- Approximately 20 Project Safe Neighborhoods (PSN) data extracts for various locations throughout the United States. Field personnel in conjunction with Prosecuting Attorneys utilize these data extracts to identify potential firearms traffickers and to conduct hot spot analysis.
- In excess of 200 requests for crime gun and multiple sales statistics pertaining to various locations throughout the United States and internationally. The statistics provided include the Top Firearms Traced, Top Crimes, Time-to-Crime, Total Number of Traces, Average Age of Possessor, Source and Target States, and Top Source Dealers.

The NTC also provided technical training to contract field Youth Crime Gun Analysts, which enabled them to analyze and evaluate the crime gun trace data and multiple sales data for their jurisdiction, allowing the analyst to identify trends and patterns and potential firearms traffickers.

National Instant Criminal Background Check System (NICS). The Brady Handgun Violence Prevention Act (Brady Act) requires a National Instant Criminal Background Check System (NICS) for the purchase of every firearm from a Federal firearms licensee. While the NICS record check process is performed by the FBI, ATF investigates and enforces Brady Act violations. Under 18 U.S.C. § 922(t), with limited exceptions, a licensee is prohibited from transferring a firearm to an unlicensed person unless the licensee contacts the NICS system and receives a response that he may proceed or receives no response and three days have elapsed since contacting the system. During FY 2003, ATF received 64,336 Brady NICS referrals, resulting in 9,787 field investigations.

Firearms and Explosives Licenses, Inspection, and Investigation

Firearms Licensing. ATF is responsible for enforcing the Federal laws pertaining to Federal firearms and explosives. The Gun Control Act of 1968 mandates that every manufacturer, importer, or dealer in firearms obtain a Federal firearms license. Applicants submit their application forms, with all required information, to the National Licensing Center (NLC), which is responsible for actual license issuance. ATF conducts an applicant inspection to explain the Federal firearms laws and regulations and determine if the applicant is eligible for a license prior to its issuance. When an inspection reveals that the applicant is not eligible for a Federal firearms license, then the NLC denies the application and refunds the application fee payment. Inspectors also make referrals to the appropriate regulatory agency such as a zoning, occupancy, fire code,

or law enforcement agency when an inspection reveals conflicts with State laws and local ordinances. There are approximately 104,000 Federal firearm licensees.

Ongoing Licensee Inspections. Once a licensee is engaged in business, inspectors ensure that licensee's compliance with Federal laws and specific record keeping regulations. ATF enforces the licensing provisions of the Gun Control Act of 1968 by conducting on-premises inspections, including focused inspections on problem areas throughout the United States. Inspections of firearm licensees focus on ensuring that firearms are properly accounted for and that licensees are complying with legal and regulatory requirements. Licensees are selected for focused inspections when data from the NTC and other information indicate that illicit trafficking may be taking place. During FY 2003, there were 14,903 firearms compliance and application inspections conducted.

Explosives Licensing. Similar to the firearms industry, all explosives manufacturers, importers, and dealers must obtain a Federal Explosives License (FEL) from ATF to conduct business, and users of explosives are required to obtain a Fed-

eral permit. The Safe Explosives Act (SEA) expanded the permit requirement to include all persons obtaining explosive materials and added a limited permit category for intrastate purchasers who buy explosives infrequently and do not intend to transport or use the explosives interstate. SEA requires the submission of fingerprints by persons responsible for explosives-related operations and of personal information by these individuals and employees who possess explosives. ATF uses this information to initiate background checks.

Ongoing Explosives Inspections. ATF recognizes the value of averting accidents and keeping explosives from the hands of those who are prohibited from possessing them. ATF enforcement provides a system of industry regulation, emphasizing a proactive approach to potential problems. In the explosives industry, ATF emphasizes the safe and secure storage of explosives and accountability. ATF maintains a regular program of on-site inspections to ensure that explosives are stored in approved facilities that are secure from theft and located at prescribed distances from inhabited buildings, railways, and roads. Immediate action is taken to resolve unsafe storage condi-



ATF inspector performing an inspection at a gun store.

tions. These inspections ensure that the licensees and permittees keep accurate records of the receipt and disposition of explosive materials that are verified through actual inventories of explosives in storage. Unusual discrepancies in records are referred immediately to the appropriate office for further investigation. During FY 2003, inspections resulted in 1,165 explosives industry public safety violations being detected or corrected. ATF conducted a total of 2,721 compliance and 5,162 applications inspections in FY 2003.

National Firearms Act Enforcement

The National Firearms Act (NFA) requires that firearms importers, manufacturers, and dealers register and pay taxes to transfer or make certain weapons. Payment of an annual special occupational tax allows unlimited transfers during the tax year; alternatively, individuals or entities can pay a set amount for each individual transfer. Firearms requiring registration and payment of a transfer or making tax are machineguns, silencers, short-barreled rifles and shotguns, destructive devices, and certain concealable weapons classified as “any other weapons.” ATF processes all applications to manufacture, transfer and register NFA firearms and notices of NFA firearms manufactured or imported. During FY 2003, ATF recorded 264,622 NFA firearms and destructive devices into the registry. The registration information supports the field programs inspecting firearms licensees and conducting criminal investigations. ATF continually provides technical information to the industry and the public concerning compliance with the NFA.

Firearms and Ammunition Importation

ATF regulates the importation of firearms, ammunition, and other defense-related articles through the issuance of import permits. It also maintains close liaison with the Department of State and the U.S. Customs Service to ensure that the permits issued do not conflict with the foreign policy and national security interests of the United States.

Industry Seminars

ATF conducts seminars for firearms and explosive permittees and licensees, providing current information on the laws and regulations pertaining to these commodities. Through these seminars, ATF has fostered partnerships with firearms and explosives industry members to prevent tragedies stemming from the illegal use of firearms and explosives. Seminar attendees include industry officials, licensees, permittees, and State and local law enforcement officials.

Firearms Integration Technology

The Firearms Integration Technology (FIT) system is a multi-year project to combine all of ATF’s firearms IT database systems into three transaction-processing applications. FIT will combine 20 firearms software applications into a set of three integrated transaction-processing applications and one integrated firearms data warehouse for analysis and reporting. This effort will integrate applications from licensing, tracing, enforcement, and analysis. FIT goals are: reducing maintenance and support costs for firearms applications; and providing a web-based tool for interacting with citizens, industry, and law enforcement agencies. This initiative will improve both internal and external customer service. External customers will experience shorter processing times and increased efficiency. Internal customers will be able to use management reports to identify process weaknesses, roadblocks, and resource needs.

G.R.E.A.T. Program

The Gang Resistance Education and Training (G.R.E.A.T.) Program is a prevention program that seeks to deter students from gang activities and provides them with the necessary life skills to resist violence and gang pressure. The mission of the G.R.E.A.T. Program is to provide classroom instruction for school children and a wide range of community-based activities that result in the necessary life skills, a sense of competency, usefulness, and personal empowerment

needed to avoid involvement in youth violence and criminal activity.

In FY 2003, ATF provided funding to 260 different agencies to support their participation in the G.R.E.A.T. Program. The program certified 659 new G.R.E.A.T. officers in the G.R.E.A.T. Officer Training course. Over 1,993 agencies have 6,505 officers certified to teach the program. During FY 2003, G.R.E.A.T. officers nationwide taught approximately 304,842 school children. Since the program began in 1992, more than 3.6 million children have been taught.

During FY 2003, ATF continued to fund its five regional training partners in LaCrosse, WI; Phoenix, AZ; Orange County, FL; Portland, OR; and Philadelphia, PA. They conducted 41 weeks of G.R.E.A.T. Officer Training programs, including remote trainings in Texas, Alabama, Georgia, Tennessee, North Carolina, Montana, Hawaii, Indiana, New Jersey, and California. In July 2002, ATF's G.R.E.A.T. Program launched the new G.R.E.A.T. Families curriculum. To date, 350 G.R.E.A.T. officers have been trained in the Families curriculum.

Fire and Explosives Investigations

In 2003, ATF initiated 4,224 fire and explosives investigations that resulted in the deaths of, or injuries to, 1,137 individuals and property losses in excess of \$825 million. These investigations range from serial arsonists who terrorize small communities to large commercial losses that are the result of arson-for-profit schemes. Whether a single pipe bomb in a vehicle to an accidental explosion at a manufacturing plant that kills or injures several employees, in each case, ATF works side by side with State and local investigators to first identify the origin and cause of a fire or explosion and then, if determined to be a criminal act, identify the perpetrator. ATF investigates the theft and criminal misuse of explosives.



ATF personnel at the scene of an apartment building gutted by a fire.

Fire and Explosives Incident Response Programs

An integral part of ATF's overall violent crime reduction strategy, ATF's arson and explosives projects are directed toward preventing the criminal use of explosives and the crime of arson, and providing effective post-incident response.

National Response Team

The National Response Team (NRT) can respond within 24 hours to major bombing and fire scenes anywhere in the United States. The NRT has developed an innovative approach to the documentation of large crime scenes through the use of Sokkia Forensic Mapping. This highly technical system is being used on all NRT activations and has been deployed to assist State and local authorities on major crime scenes. The NRT responded to 27 callouts in FY 2003, for a total of 564 callouts since the NRT's creation in 1978.

Explosives Enforcement Officers

ATF's Explosives Enforcement Officers (EEOs) have unique technical capabilities in explosives and bomb disposal. EEOs provide explosives device determinations that are used in criminal prosecutions by ATF special agents. Their duties range from constructing facsimiles of explosive and incendiary devices and conducting explosive products testing and evaluations to assisting the State Department's Diplomatic Security Service in conducting antiterrorism capability assessments outside the continental United States.

Certified Explosives Specialists

ATF's Special Agent Certified Explosives Specialists (SACES) Program consists of highly trained ATF special agents who have developed an unmatched level of expertise in post-blast analysis through years of experience and are proficient in all aspects of explosives identification, handling, instruction, demonstration, and destruction in support of ATF's Explosives Enforcement Program.



ATF agent in the process of setting up an explosives shot.

They are a field division's primary resource in explosives-related matters. They provides explosives-specific technical assistance and instruction and conduct explosives investigations.

In FY 2003, ATF had 336 SACES, based in 50 States, Puerto Rico, and Guam, providing support to the entire United States and its territories. ATF also has SACES in Canada, Mexico, and Colombia.

Certified Fire Investigators

The Anti-Arson Act of 1982 amended the Federal Explosives laws to criminalize the destruction of certain property by fire as well as by explosives. At that time, ATF directed more resources toward arson enforcement and quickly became a leader in this area. ATF realized the need for highly trained specialists with the requisite education, experience, and training to provide expert witness testimony in the area of fire origin and cause. ATF established the Certified Fire Investigator (CFI) Program over 15 years ago. Today, ATF's CFI Program is the only one of its type in Federal law

enforcement and has received national and international acclaim. CFIs provide this expertise to local, State, and Federal law enforcement and fire service organizations throughout the Nation.

In FY 2003, there were 83 CFIs in ATF. There are 16 CFI candidates currently in training. CFIs are based in 36 states and provide support to the entire United States and its territories.

Fire Protection Engineers

In addition to the SACES, ATF has a staff of nine fire protection engineers dedicated to providing more specialized technical assistance in the area of fire origin and cause analysis. They provide technical advice and support to U.S. attorneys, and testify as expert witnesses in the prosecution of criminal cases. In FY 2003, these engineers completed over 45 forensic cases and provided 198 days of on-scene investigation support. ATF's new Fire Research Laboratory, which is a 50,000 square foot facility that opened during FY 2003, will allow the scientists to carry out live fire experiments to support fire investigations.

Profilers

ATF has three behavioral profilers and one geographic profiler assigned to the National Center for the Analysis of Violent Crime at the FBI Academy in Quantico, VA. The ATF behavioral profilers analyze behavior characteristics of serial arsonists and bombers and provide investigative suggestions to case investigators. The ATF geographic profiler uses a relatively rare investigative methodology that tracks the locations of connected crimes in an attempt to pinpoint the most probable area where the offender would live. Although the emphasis of the ATF agents engaged in criminal investigative analysis (profiling) is in the jurisdictional area of bombings and arsons, they have assisted in a wide range of violent crimes, including homicide, kidnapping, child abduction, and national security cases. They have provided assistance to investigators from other countries, and training for ATF and FBI agents and other Federal, State, local, and foreign law enforcement and fire investigation agencies.



ATF personnel at the scene of an apartment building gutted by a fire.

The profilers consulted with law enforcement investigators in over 150 cases in FY 2003.

Explosives and Accelerant Detection Canines

In 1997, ATF began training explosives detection canine teams for State, local, and other Federal agencies. Currently, there are 88 ATF-certified explosives detection canine teams working throughout the United States. Thirty-two of these teams include ATF special agent canine handlers, and 56 are explosives detection canine teams for State, local, and other Federal agencies. In 1992, in conjunction with the United States Department of State, Office of Anti-Terrorism Assistance, ATF began training explosives detection canine teams for foreign police departments. To date, 300 explosives detection canines in 13 countries have been trained. In FY 2003, ATF trained 61 explosives detection canines.

ATF trains accelerant detection canines for State and local fire departments, police departments, and State fire marshal offices. Currently, 60 of these teams are used in fire investigations to help identify potential points of origin started by ignitable liquids. During FY 2003, ATF conducted six check-backs of accelerant detection canines to review the performance of the teams.

International Response Team

ATF's International Response Team (IRT), through an agreement with the Department of State, deploys in support of Diplomatic Security Service and foreign government requests and investigates explosives and arson incidents.

National Church Arson Task Force

Since its inception in 1996, the National Church Arson Task Force (NCATF) has coordinated the efforts of all Federal law enforcement participants to investigate fires, bombings, and attempted bombings at the Nation's places of worship. ATF was designated as the lead Federal agency to investigate the cause and origin of these incidents, and, in conjunction with Federal, State, and local partners, the task force has continued to be a model of interagency cooperation.

Arson and Explosives National Repository (AENR)

The AENR contains over 100,000 arson and explosives incidents. This information is obtained from Federal, State, and local fire service/law enforcement incident reports, bomb technicians, and explosives investigators. The principal Federal partners in the data collection effort include ATF, the FBI, and the United States Fire Administration (USFA).

In FY 2003, ATF fielded the Explosives Intelligence System (XBase). XBase was developed in partnership with the New Scotland Yard Bomb Data Center and is already in use in the United

Kingdom. Embassies in Mexico City, Mexico, and Bogota, Colombia, are equipped with XBase, as are several law enforcement agencies in those countries, to help combat the terrorist misuse of explosives worldwide.

ATF also developed and deployed the Bomb Arson Tracking System (BATS), which is a free, web-based system for other Federal, State, and local agencies involved in the investigation of arsons, bombings, and other explosives incidents. ATF developed BATS to allow law enforcement agencies to not only track their own investigations, but also to share information with other jurisdictions easily and quickly to help solve arsons and bombings, and determine national trends and patterns. BATS also allows users to graphically display incidents with GIS mapping capabilities and generate reports. BATS is scheduled to be officially released nationwide in early FY 2004.

Interagency Counter-terrorism Mission Partnership

ATF maintains an aggressive Critical Incident Management exercise program consisting of two annual multi-division field-training exercises (FTXs). During these FTXs, ATF field divisions respond to scenario-driven events designed to exercise the Bureau's response to critical incidents. These exercises focus on command and control; Federal, State, and local cooperation; and ATF's role in the interagency counter-terrorism mission. Additionally, ATF was an active participant in TOPOFF 2, conducted in May 2003. TOPOFF 2 was a national-level interagency weapon of mass destruction (WMD) counter-terrorism exercise and involved the Department of Homeland Security, the FBI, and a multitude of other Federal, State, and local agencies. ATF is also a participant in the Policy Coordinating Committee for Counter-terrorism Exercise Subgroup and in a multi-agency task force directed by the White House to develop a National Response Plan and a National Incident Management System.

Explosives Research

As designated by the Department of the Treasury to meet a congressional mandate, ATF completed its study on tagging explosive materials, rendering common chemicals inert, imposing controls on precursor chemicals, researching State-licensing requirements, and researching explosives detection technologies. There are several studies on explosives characteristics and effects, as well as explosives identification and detection, that continue. This research includes the development of a menu-driven post-blast analysis computer protocol, the completion of a comprehensive software database of all explosives experiments conducted to date to serve as an investigative reference tool, and the development of a portable, real-time explosives detector. The studies pursued will also help identify and defend unspecified existing vulnerabilities against terrorism; strengthen physical structures in defense against terrorist attacks involving unconventional, enhanced, and novel improvised explosive devices; and enhance explosives detection technology.

Alcohol and Tobacco Diversion Programs

ATF collects, evaluates, analyzes, and disseminates alcohol and tobacco intelligence and information. Intelligence information and support is both national and international in scope. During FY 2003, ATF directly supported approximately 50 tobacco investigations. Some of these multi-jurisdictional investigations involve multi-million dollar trafficking schemes.

During FY 2003, ATF received information regarding potential criminal violations from industry members, citizen informants, and other sources. This information was further developed through intelligence research and analysis and disseminated to the field through a referral system. Approximately 65 such referrals occurred in FY 2003.

ATF employees provided regular briefings on cigarette trafficking trends and schemes to local, State, and Federal law enforcement and



Part of an Advanced Explosives Destruction Techniques (AEDT) training class at Fort AP Hill, Virginia.

regulatory conferences. In addition, Bureau-training sessions on the value and application of intelligence source and resources provided guidance to assist agents conducting alcohol and tobacco investigations. Presentations related to cigarette trafficking were made at ATF regional Asset Forfeiture seminars and Alcohol and Tobacco Diversion Training sessions.

ATF maintains its constructive working relationship with state governments and with members of the tobacco industry. ATF continues to work with them on matters of mutual concern including counterfeit cigarettes, Internet cigarette sales, and counterfeit tax stamps.

ATF also continued its positive working relationship with the Royal Canadian Mounted Police (RCMP) and the Canadian Customs Revenue Agency (CCRA). In November 2002, RCMP, CCRA, and ATF held the first joint tobacco diversion workshop in Ottawa, Canada. ATF continues to meet regularly with Canadian counterparts to implement proposals from the November workshop.

Bureau-wide Programs and Initiatives

Special Operations Programs

Administering national support programs for law enforcement field activities related to polygraph examinations, undercover investigations, communications support, critical incident management, and special enforcement projects and programs is the responsibility of the Office of Field Operations (FO). FO manages the Emergency Expense Fund, the Special Response Teams (SRTs), and Witness Protection Programs and coordinates the Organized Crime and Drug Enforcement Task Force program (OCDETF) and the Bureau's support mission to the U.S. Secret Service and State Department.

A national tactical team program consisting of 125 highly trained team members, the SRT responds to requests for tactical support throughout the Nation. The basic SRT mission is to save lives through the resolution of conflict produced by criminal elements. The Crisis Negotiator Program Manager coordinates a nationwide negotiator team of 40 skilled members who are experts at resolving critical situations. The Operational Medic Program Manager coordinates the use of 41 personnel trained in providing basic and advanced life support. These programs, when combined, assist the Bureau in enhancing agent safety, protecting the public, and reducing violent crime.

National Enforcement Operations Center (NEOC)

The NEOC provides Bureau-wide tactical communications and maintains criminal and statistical records to support various law enforcement information databases. It is staffed 24 hours a day, and provides various types of communication support to field operational components and Bureau Headquarters. This includes providing assistance to ATF personnel; other Federal, State, and local law enforcement agencies; and the general public, with hotline programs to support Project Safe Neighborhood (PSN).

During FY 2003, the NEOC received approximately 158,700 telephone calls for service from the general public and other law enforcement agencies. NEOC processed 368 hotline referral calls, 784 Federal Firearms Licensee theft calls, and 72 Federal Explosive Licensee theft calls. In addition, NEOC entered 4,136 ATF-wanted persons into the NCIC database, and cleared NCIC records of 4,052 wanted persons upon notification of arrest, 1,455 NCIC fugitive arrests, and 948 NCIC firearms locates. Finally, the Center received 77,738 telecommunications messages from ATF elements, other law enforcement agencies, and various communications centers worldwide.

Secret Internet Protocol Router Network (SIPRNET)

ATF is currently involved in a pilot project with the Department of Justice (DOJ) to obtain access to the Secret Internet Protocol Router Network (SIPRNET). This pilot will basically provide ATF with Internet communications at the SECRET classification level. As part of the pilot, ATF HQ, the Arson and Explosives (A&E) National Repository, and the Washington and Baltimore Intelligence Groups will participate, each group receiving one workstation configuration, with multiple logon accounts. Target implementation dates for the pilot are March/April 2004, with full roll-out over the next 18 to 24 months.

Acquiring SIPRNET access will provide ATF with an automated means of communicating information at the SECRET level. Currently, secure fax and telephones are used to convey SECRET information between ATF HQ and the 23 field divisions. This can be inefficient and extremely time consuming, very often causing information to be transmitted in an untimely manner. SIPRNET will provide timely, effective communication among ATF participants and to other SIPRNET members in the intelligence community (e.g., DOJ, Executive Office of the U.S. Attorney (EOUSA), ATF Central Intelligence Agency Representative, ATF Defense Intelligence Agency Representative, our partners at the National Reconnaissance Office, the National Imagery and Mapping Agency, and the National Security Agency, to name a few).

Joint Worldwide Intelligence Communications System (JWICS)

ATF is involved in a project with DOJ to consolidate ATF's JWICS connection. JWICS provides electronic access to the intelligence community at the Top Secret/Sensitive Compartmented Information (TS/SCI) level. Currently

ATF has a primary node connection to the Defense Intelligence Agency (DIA) for JWICS access. The consolidation project will entail modifying ATF's JWICS access to connect to JWICS through the DOJ connection. ATF should realize considerable cost savings, on a recurring basis, once this consolidation effort is successfully completed.

Interagency Intelligence Partnerships

ATF is represented at the National Drug Intelligence Center (NDIC), El Paso Intelligence Center (EPIC), Federal Crime Enforcement Network (FinCEN), INTERPOL, the FBI Counterterrorism Center (FBI/CTC), Central Intelligence Agency (CIA), Department of Homeland Security (DHS), Defense Intelligence Agency (DIA), and the National Joint Terrorism Task Force (NJTTF). ATF maintains a Memorandum of Understanding with the Nation's six Regional Information Sharing Systems (RISS) agencies, which represent thousands of State and local law enforcement agencies sharing unique and vital intelligence resources.

ATF also:

- continued its support of the FBI Joint Terrorism Task Forces (JTTF) with full-time assignment of special agents across the nation. In addition, ATF has a special agent assigned to represent ATF at the NJTTF at FBI headquarters;
- continued its active involvement in the Law Enforcement Working Group (LEWG). The LEWG is comprised of senior representatives from other Federal law enforcement agencies who seek to help the law enforcement community articulate its needs more effectively to the intelligence community;
- continued its ongoing representation at the executive level in the FBI Strategic Intelligence Operations Center (SIOC); and

-
- is involved in the Law Enforcement Information Sharing (LEIS) group. This is an inter-agency organization where ATF employees are assigned to each of the LEIS subcommittees, contribute their expertise in various areas, and facilitate the exchange of information.

Investigative Case Management System

The foundation of ATF's ability to collect, manage, analyze, and disseminate data is realized through the continuing development of the National Field Office Case Information System (N-FOCIS) application suite. N-FOCIS is comprised of five basic subsystems: N-Force, N-Spect, N-Quire, N-Force Vault, and Text Management System (TMS). N-FOCIS provides the Bureau with an integrated and centralized data management solution that allows for real-time monitoring and oversight of all criminal enforcement and industry operations activities in the field. N-FOCIS provides the platform for analysis of case information to aid in the identification and tracking of criminal enterprises. N-FOCIS is a national program utilized by 95 percent of ATF, which has aided in the implementation of a re-engineering effort. This has resulted in the reduction of operating costs, and increased investigative productivity by automating manual business processes. By replacing laborious business processes with electronic processes, many ATF offices are moving closer to a paperless environment.

N-FOCIS has integrated numerous data systems utilized by ATF. Examples of such integration include the sharing of information between N-FOCIS and the Arson and Explosives Incident System (AEXIS), the Firearms Tracing System (FTS), the ATF NICS Referral database (ANR), the FLS, the Forfeited Asset Tracking System (FASTRAK), and an automated evidence vault management system known as N-Force Vault.

The N-FOCIS database allows ATF to manage and analyze activities in support of numerous government initiatives. Examples of the initiatives

impacted are Project Safe Neighborhoods, Integrated Violence Reduction Strategy, Project Safe Homes, Youth Crime Gun Interdiction Initiative, and Project Exile.

ATF is working to further integrate N-FOCIS with internal and external law enforcement operations systems. ATF plans to develop a means of sharing information between N-FOCIS and ATF'S National Laboratories by integrating with the Laboratory Information Management System (LIMS). This will enable laboratory personnel to have immediate access to field investigative information, necessary for the examination of evidence, and preparation of reports in support of criminal prosecutions. ATF has initiated plans to seek development to share information between N-FOCIS and the Justice Management Division's Joint Automated Booking System (JABS), Regional Informational Sharing System (RISS-NET), and the Executive Office of the United States Attorney's case management system, which is designed to track prosecutions.

Laboratory Services

ATF achieved a major goal in FY 2003 with completion of the new 176,000-square-foot laboratory. The National Laboratory Center (NLC) is the administrative headquarters for ATF laboratory services nationwide and houses the ATF (Washington) Forensic Science Laboratory, the Fire Research Laboratory, and the Department of the Treasury Alcohol and Tobacco Laboratory of the Bureau of Alcohol and Tobacco Tax and Trade. Built in Ammendale, MD, the Rockville, MD, operations relocated to the facility in February 2003. A dedication ceremony on June 16, 2003, gave visitors the opportunity to explore the new facility where crime scene evidence is examined, fire scene investigations are conducted, and illicit alcohol and tobacco trade investigations are conducted. The NLC includes an exhibit hall, audio tour, and a database of the ATF laboratory history.

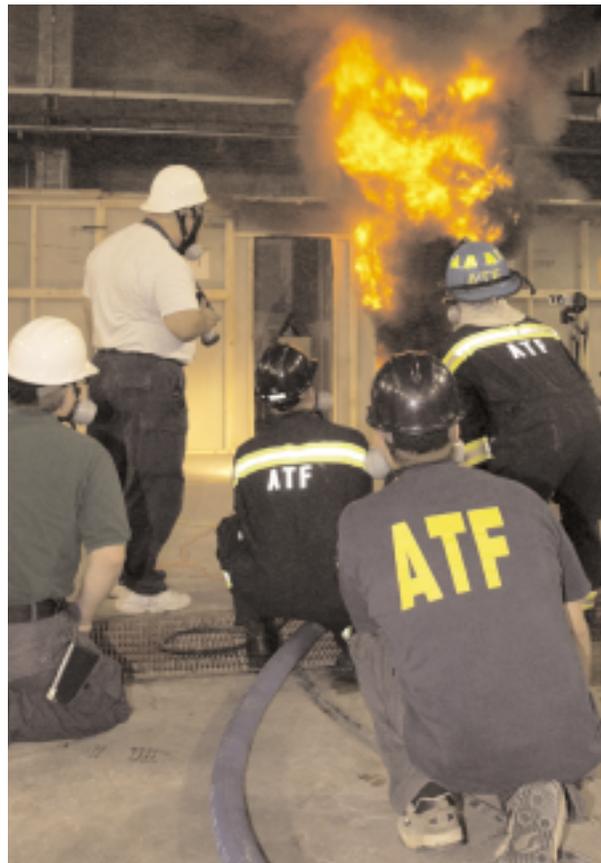


The new National Laboratory Center at Ammendale, Maryland.

The NLC provided key forensic support in the DC area sniper investigation in October–November of 2002. The expertise of the ATF firearms examiners, fingerprint specialists, and forensic chemists was used at all sniper shooting scenes. An ATF firearms examiner processed all of the ballistic evidence associated with the investigation. The NLC also deployed the mobile laboratory to many of the sniper shooting scenes.

With the capture of Birmingham bombing suspect Eric Rudolph, the ATF Laboratories became an integral component in the preparation of the prosecution’s case. The Forensic Science Laboratory–Atlanta took the lead in working with the Federal agencies involved in the case.

In FY 2003, Laboratory Services personnel completed 3,772 forensic cases; provided 461 days of instruction to ATF and other Federal, State, and local law enforcement agencies; spent 314 days providing expert testimony in courts of law; and spent 552 days providing scientific advice and support at ATF-investigated fire scenes.



ATF personnel simulating a fire of a test structure, at the Fire Research Laboratory in Ammendale.

Technical Services

Consolidated within the Office of Science and Technology, technical services encompass:

- the purchase of investigative equipment, investigative supplies, and agent safety equipment, including body armor, law enforcement special purpose vehicles, and electronic surveillance equipment;
- electronic surveillance in support of field divisions and the evaluation of new technology;
- the application of advanced computer technology to digital evidence seized by the Bureau. Recently, ATF undertook the development of a new Cybercrime program. This program was created to allow special agents to investigate violations of ATF-enforced laws and gather criminal intelligence information on the Internet;
- the operation and maintenance of a national wireless communications system;
- an interagency effort involving the Departments of Justice, Homeland Security, and Treasury to develop a consolidated nationwide infrastructure. The Integrated Wireless Network (IWN) would support the infrastructure needs of all the components and bureaus of DOJ, DHS, and Treasury; and
- the processing of several thousand requests for audio/visual, video production, graphics, and photographic support from internal ATF and external customers including the Department of the Treasury and international, State, and local law enforcement agencies and organizations.

Continuity of Operations (COOP)

In FY 2003, ATF conducted the build out, installation, and configuration of the Headquarters Alternate Operating Facility (AOF) COOP Center in Martinsburg, WV, to include alternate minimal functional capability for the NEOC, Headquarters

Emergency Management Operations Center (HEMOC), Critical Incident Management Support Team (CIMST), and the new COOP Control Center staffed by Directorate representatives. ATF outfitted numerous Headquarters facility-assigned official vehicles with ATF radios to enhance mobile communications capabilities to ensure communication during the COOP relocation process during business hours.

Other enhancements in support of COOP included expanding the emergency management staff, making technological improvements to HEMOC, conducting awareness training for Headquarters employees on Weapons of Mass Destruction, and training Headquarters facility floor evacuation teams. Additionally, ATF established a shelter-in-place program for the Headquarters facility and the Headquarters AOF COOP Center to include water and food rations and established an IntraWeb page containing employee emergency preparedness references and guidance.

System Operations Security and Standardization

Secure remote access for ATF's traveling community of employees was accomplished this year using the ATF Virtual Private Network (VPN). The VPN provides a secure medium to access the ATF network and its resources. The VPN can support up to 1,500 simultaneous connections, providing users access to mission-critical data and business applications. One million two hundred thousand minutes of usage are logged each month, providing connectivity to ATF remote users using VPN and dial up.

The ambitious project of standardizing and centrally managing ATF's voice systems continued during FY 2003. In addition to completing all 23 field division and three main service centers, ATF has standardized 58 percent of the field office phone systems. This standardization project allows for future routing of voice over the secure ATF wide area data network, and centralizes management of the Public Branch Exchanges and Voice Mail Systems. The standardization allows

agents to relocate operations to any office without learning a new phone system. This standardization project allows ATF to implement Voice over IP (VoIP) trunking between these locations in a disaster recovery mode.

ATF has implemented a Microsoft Active Directory domain structure and consolidated over 190 file servers into one. Moving to an Active Directory domain structure for user network authentication and file sharing allows ATF to develop a more robust security posture, while increasing system performance more than 30 percent. It centralizes user domain and administration functions and provides an easier method to develop our stringent domain security policies. This singular enhancement has greatly improved our ability to protect ATF's network from malicious attacks, and strengthens access control capabilities, ensuring only those users with a need-to-know requirement can get access to the information.

E-Government Program

ATF's Firearms Integration Technology (FIT), which involves the integration of 20 systems into three databases, is the cornerstone of facilitating transactions with citizens, regulated industry members, and other government agencies. Completion of each phase of the FIT project results in web-enabled business transactions with ATF's external customers.

As part of its implementation of the SEA, ATF deployed a web-based solution to enable citizens to submit new explosives permit applications, and for ATF to issue new Explosives Limited Permits to intrastate users of explosives in May 2003. Also in 2003, ATF successfully deployed "eForm 6," a web-based application that provides the firearms industry with electronic submissions of applications to import firearms, ammunition, and implements of war. eForm 6 provides industry with the ability to review application status and approved applications on-line.

In September 2003, ATF successfully deployed the Bombing and Arson Tracking System (BATS), which is a web-based application that allows Federal, State, and local law enforcement to enter bombing and arson incidents into

ATF's database; this helps local law enforcement officers and fire investigators to identify serial offenders.

ATF continued to make progress in supporting and participating in the OMB Quicksilver initiatives. The Quicksilver initiatives are government-wide initiatives to integrate agency operations and IT investments. The goal of these initiatives is to eliminate redundant systems and significantly improve the government's quality of customer service. To date, ATF is currently participating in the following Quicksilver initiatives: E-Clearance, E-Records, E-Rulemaking, E-Authentication, and E-Training.

Inspection

ATF's Office of Inspection (OI) has primary responsibility for the planning, administration, and implementation of all inspection and internal affairs for ATF.

OI appraises the effectiveness of operations; assesses the quality of management and supervision; and determines adherence to organizational policies, regulations, and procedures. To accomplish this, OI inspects all administrative and operational activities of ATF field divisions and Headquarters offices on a three-year cycle. These inspections ensure that component offices are in compliance with ATF and Justice rules and regulations. During FY 2003, OI conducted 18 full-scale inspections for a total of 140 offices in Headquarters and in the field.

OI conducts employee misconduct and integrity investigations, either criminal or administrative, as well as other sensitive investigations assigned by the Director; and reports to the Inspector General, Department of Justice, on matters involving significant investigations. When investigating complaints or allegations of improper conduct, embezzlement, attempted bribery, acceptance of bribes, gifts, or gratuities, where an employee of ATF is involved, OI remains sensitive to the rights of employees and balances that with the obligation to conduct a thorough and timely investigation. OI provides specialized training to all employees in order to prevent misconduct, and the training reassures the

public that ATF adheres to the highest standards of ethics and integrity.

OI conducts background investigations for all tentatively selected ATF applicants, contractors, task force officers, and others having access to ATF automated systems, ATF proprietary information, and/or unescorted access to ATF space. In addition, OI also conducts periodic reinvestigations on current employees, per Department of Justice guidelines and in accordance with Executive Order 12968, Access to Classified Information, and issues National Security clearances as needed. During FY 2003, OI processed a total of 2,707 background investigations. These included 618 backgrounds for new special agents, inspectors, and other professional series and support staff; 1,372 backgrounds for contractors and task force officials; and 717 updates and upgrades on ATF personnel.

Chief Counsel

With attorneys located in both Headquarters and the field, ATF's Office of Chief Counsel provides a full range of legal support to the Bureau's varied missions. The Chief Counsel is a member of the Executive Staff and principal legal advisor to the Director, Deputy Director, and Assistant Directors. The Chief Counsel also serves as ATF's Deputy Ethics Official and is responsible for overseeing ATF's centralized ethics program. The program covers a number of components, including ethics counseling, training, financial disclosure, outside employment and post-employment, and Hatch Act restrictions.

The four Headquarters' divisions (Administration and Ethics; Disclosure and Forfeiture; Firearms, Explosives, and Arson; and Litigation) provide legal advice on specific programs and national initiatives implemented by the Bureau. They also prepare, review, or assist in the preparation of proposed legislation, regulations, and executive orders relating to the laws affecting and enforced by ATF; make recommendations to the Department of Justice concerning litigation involving ATF; and represent the Agency in personnel litigation.

Outside of Headquarters, ATF has co-located an ATF attorney with the ATF Academy at FLETC and maintains a Counsel office in 18 of its 23 field divisions. ATF's goal is to co-locate a Counsel office in each of the remaining field divisions. As an integral part of each division's management team, each field Counsel office is charged with providing legal advice related to specific cases, operations, and initiatives implemented by the client field division; representing ATF in administrative proceedings; and providing training.

Training

ATF's Office of Training and Professional Development (TPD) manages ATF's training programs for ATF's own employees, as well training programs for State and local law enforcement, international officials, and industry personnel in ATF's areas of expertise. The launching of *learn.atf* represents a significant milestone in how ATF trains its own employees (see page 2). In recognition of its contribution to ATF's mission, ATF's Leadership Institute received the Training Officers Conference's (TOC) 2003 Distinguished Service Award for Management of the Human Resource Development Program.

New Professional Training—Agents and Inspectors. During FY 2003, 176 special agents attended New Professional Training (NPT) at the ATF Academy. There were no inspector classes delivered during this time period. With the graduation of the final NPT agent class of FY 2003 (NPT-307), the ATF Academy has surpassed the mark of 1,000 special agents trained since the inception of NPT in FY 1998.

Career/Occupational Development.

Training in this area included the following:

- One Basic Firearms Interstate Nexus Training Class (18 students), one Advanced Ammunition Training Class (14 students), and two Advanced Interstate Nexus Training Classes (32 students).

- Two advanced Canadian Firearms Trafficking Techniques courses in conjunction with the Provincial Weapons Enforcement Unit, Ontario, Canada, and the National Weapons Enforcement Support Team, Canada Department of Justice, for 150 Canadian law enforcement officers and 60 ATF agents and inspectors. Held two additional advanced Firearms Trafficking Techniques courses for another 100 ATF employees.
- Three Alcohol and Tobacco Diversion Training classes to 109 ATF employees and 20 non-ATF participants. Held an Alcohol and Tobacco Diversion Workshop to develop scenario-based as well as counterfeit cigarette and tax stamp identification practical exercises.
- Command and Control classes to provide instruction on operational topics for 79 agent first-line supervisors.
- The training of 150 special agents in post-blast investigations.
- Critical Incident Decisionmaking Training for 60 senior ATF managers. Designed to address the decisionmaking process during critical incidents, this course reviews the significance of the relationship between the overall command of an incident and the command of the tactical response functions.
- Two Advanced Arson and Explosives Investigation Techniques training classes to 77 special agents.
- The sponsoring of 43 ATF employees who are classified as explosives specialists, National Response Team members, or fire investigators to the Hazardous Materials Incident Response School, presented by the Environmental Protection Agency.
- Multi-divisional large-scale field training exercise for Critical Incident Management in Tampa, FL, with the Miami, Nashville, and Tampa Field Divisions for approximately 300 participants.
- The training of 62 special agents and 50 inspectors in Chemistry of Pyrotechnics. In addition, ATF began to host advanced explo-

sives training classes specifically for non-special agent supervisors. A total of 24 regulatory supervisors attended a Pyrotechnics for Inspectors class.

- Collaboration with The Institute for Intergovernmental Research in the delivery of Intelligence Counterterrorism Training.

State, Local, and International Training.

Training in this area included delivering the following courses:

- Eleven 2-week Advanced Explosives Destruction Techniques courses to State and local bomb technicians from around the country.
- Four 2-week Advanced Explosives Investigative Techniques (post-blast) courses to State and local investigators.
- Six 1-week Post-Blast Investigative Techniques courses for Regional Security Officers (RSOs) assigned to the Department of State Diplomatic Security Service (DSS). These RSOs are responsible for security at U.S. embassies around the world. These courses will continue for newly hired DSS agents.
- Eleven 1-week Post-Blast Investigative Techniques courses to State and local investigators in locations around the country.
- Two 2-week Complex Arson Investigative Techniques courses at the Federal Law Enforcement Training Center (FLETC) in Glynco, GA, to State and local arson investigators.
- Three 2-week Advanced Cause and Origin/Courtroom Techniques courses at FLETC to State and local arson investigators.
- Twelve 1-week Serial Number Restoration courses for State and local police forensic laboratory personnel. These courses are delivered in police forensic laboratories around the country.
- Four 10-week Explosives Detection Canine Handler courses for State, local, other Federal, and international agencies. Delivered one 5-week Accelerant Detection Canine Handler course for State and local fire investigators.

In addition, ATF

- Provided international training courses to more than 700 law enforcement officers from more than 40 countries, which included firearms and explosives identification, small arms trafficking, post-blast investigation, and serial number restoration.
- Completed one and started another session of the ATF National Firearms Examiner Academy (NFEA). This is a unique and innovative yearlong training program designed to provide training for apprentice/entry-level firearms examiners from Federal/State/local law enforcement agencies in which no formal training program exists. The sessions were held at the ATF National Laboratory in Rockville, MD. In March 2003, 12 students graduated from the fourth NFEA that began in March 2002. The NFEA began its fifth academic class in March 2003, which is scheduled for completion in March 2004.

Management and Administration

ATF's Office of Management (OM) supports ATF's operations by administering its core business processes of finance, human resources, procurement, property, physical security and safety, and administrative programs.

ATF Reorganization. An unanticipated FY 2003 challenge was the split of ATF into two separate bureaus (i.e., the Bureau of Alcohol, Tobacco, Firearms and Explosives and the Alcohol and Tobacco Tax and Trade Bureau) to reside in two separate departments, namely the Departments of Justice and the Treasury, respectively, as mandated by the Homeland Security Act. This organizational change had an impact on all parts of ATF—program areas as well as support areas.

ATF had 60 days from the passage of the Homeland Security Act to split itself into two separate entities and to “stand up” a new organization. ATF met the mandated deadline, completing all reorganization tasks by January 24, 2003, the official transition deadline, in this unprecedented restructuring. With little direction, ATF employees

were challenged to complete an inordinate amount of tasks in a limited amount of time. For instance, the Office of Management's Personnel Division completed 20,000 personnel actions in 60 days, including correcting salaries, transitioning thrift savings plan loans, and ensuring internal personnel systems remained aligned with the National Finance Center payroll system, thus ensuring that all employees were paid on time. Other divisions within OM divided the ATF financial information into the two components; assigned contracts and requisitions to the appropriate organization; acquired space for 11 TTB locations; assisted with the design and distribution of TTB credentials and visible badges; and provided extensive support for TTB documentation needs in printing, forms design, directives preparation, records management, and mail management.

The DOJ's Office of Inspector General listed this organization change in its report *Top Management Challenges—2002 List*. Through extensive planning, leadership and sound judgment, and effective use of resources, ATF was able to surmount the difficulties of this challenge.

New ATF Headquarters. OM is leading the effort to obtain new secure facilities for ATF and to relocate employees and mission operations resulting from requirements established after the 1995 Oklahoma City bombing. The new facility is being constructed utilizing DOJ Level IV and the Interagency Security Council (ISC) Level D criteria designations. It will provide the Federal Government with a world-class Federal building and serve as an example of the integration of security and open design. ATF's move to the new Headquarters on New York Avenue is scheduled during FY 2006, with construction contract award scheduled for December 2004 and full construction to begin in February 2005.

As a full partner with GSA on the new ATF HQ project, final site design approvals were received from Federal and local authorities, including the National Capital Planning Commission (NCPC), Commission of Fine Arts (CFA), and District of Columbia Government, as well as the District of Columbia Historic Preservation Office. ATF provided agency representation and

contract oversight during the construction contract process. ATF also served on the selection board for \$8 million in GSA contract awards for construction management and site excavation.

Financial Management. In accordance with statutory requirements, ATF uses electronic funds transfer (EFT) for bill payments. Currently, ATF pays 99 percent of all travel payments and in excess of 94 percent of all commercial payments via EFT.

In 2003, ATF entered into a task order with the Bank of America under the GSA Smart Pay program to implement an integrated charge card program. The card consolidates the separate business lines of travel, fleet, and purchase into a single card. One of the benefits of the integrated card is an enhanced internal control of managing charge card delinquencies. If an employee becomes 60 days overdue on the individually billed portion of his/her account (i.e., travel), then the card is suspended so that the employee cannot use the card for any purchases. With individual profiles, employees can be given access to only those business lines that they need.

Human Resources. ATF has expanded its use of the automated human resource system (HR Connect) to manage its personnel actions. The objective is to create a paperless environment to facilitate processing these actions and to provide improved customer service. To date, managers and/or their proxies have initiated over 15,000 personnel actions in HR Connect. Available now to every ATF employee, they can now use Employee Self Service (ESS) via HR Connect to review a wide variety of their own personnel data and update some of it on-line. More than 95 percent of all employees have used HR Connect in some capacity. The data in HR Connect are being used to feed data to other important ATF systems, such as the E-learning system. ATF's goal is the continued expansion of technology for the employee application and selection processes and for data exchanges with other ATF systems

OM coordinated the implementation of the pilot flexiplace program in the field, and is developing an approach to incorporate flexiplace in the new Headquarters building in an expansion of the pilot. The Office of Management recently implemented a six-month pilot for nonbargaining unit employees, which expired in January 2004.

Having a fully staffed workers' compensation team has enabled specialists to better manage claims on a daily basis including better and consistent follow-up with supervisors, managers, employees, and Department of Labor. The Safety and Health Information Management System (SHIMS) reporting system allows on-line electronic initiation of workers' compensation claims and has now been fully deployed throughout ATF. ATF uses SHIMS data for safety investigations in responses to claims for on-the-job injuries and/or illnesses. By submitting claims electronically, claimant and Workers' Compensation Specialists received claim numbers and claims status at a much faster rate.

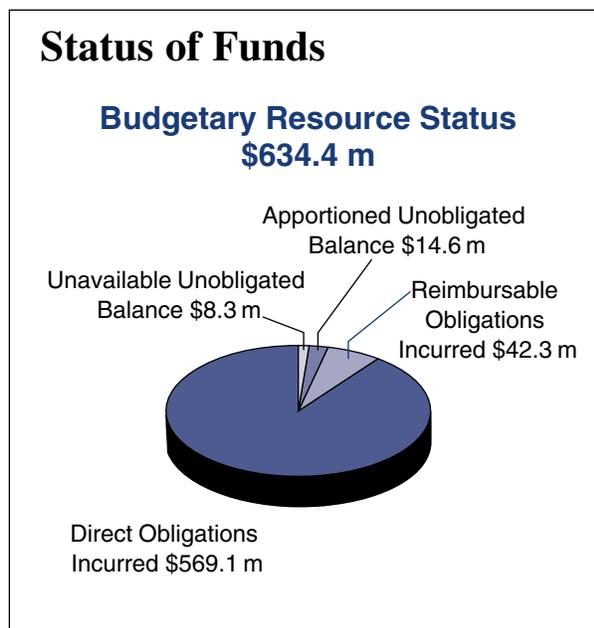
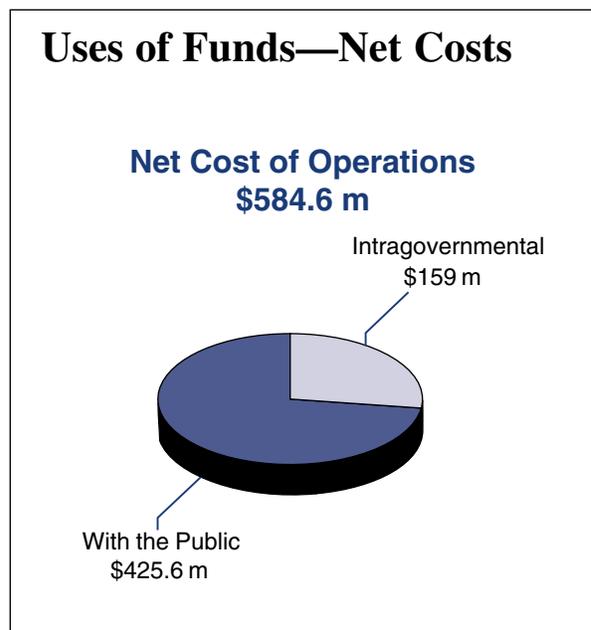
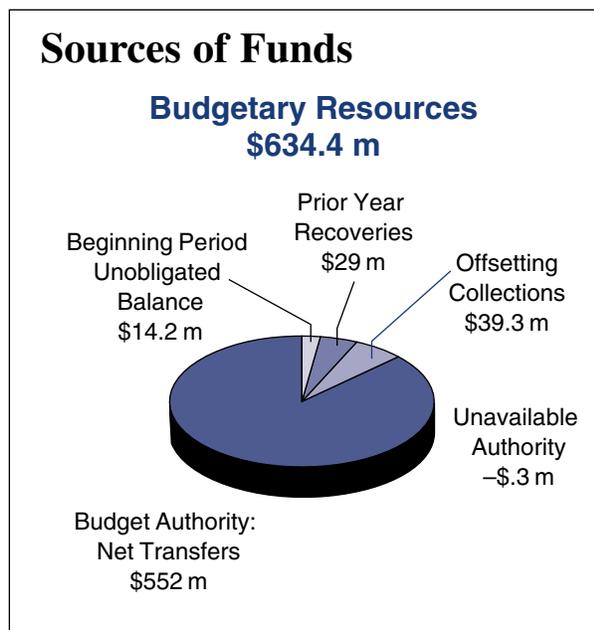
Office of Workers' Compensation Program (OWCP) costs were down \$19,079 according to 3rd quarter FY 2003 statistics. Medical costs were down \$40,604 and fatal compensation payments were down \$40,063. These numbers may be attributed to ATF's implementation of its law enforcement training, particularly tactical and new professional training.

Mail Security. As a result of the anthrax contamination in ATF Headquarters in October 2001, ATF searched for an off-site facility to house the mail handling operations, in conjunction with building storage requirements and shipping/receiving operations. This effort culminated in the acquisition of a site in Cheverly, MD. Occupancy is expected in early 2004. This initiative enhances the safety and security for all Bureau employees by screening and opening all mail and parcels prior to delivery.

Financial Results, Position, and Condition

Overview of Financial Data

Budget Integrity



2003 Financial Highlights

ATF's total assets as of September 30, 2003, were \$484 million, of which approximately 46 percent consists of the fund balance with the Treasury. Total liabilities were approximately \$251 million. The net cost of ATF operations totaled \$585 million for the year ended September 30, 2003, all of which is reported under the Department of Justice's Strategic Goal Number 2: Enforce Federal Criminal Laws.

The Department of Justice's Strategic Goal 1 applies a strict definition to the resources that are considered "counter-terrorism" in nature; this definition includes those activities for which the primary mission is counter-terrorism. For ATF,

this includes joint terrorism task force initiatives. However, many of ATF's other activities support the counter-terrorism goal in a variety of ways. Explosives are a key terrorist tool; proceeds from the illegal diversion of alcohol and tobacco products represent a way to fund terrorist activities. ATF's responsibilities in preventing and investigating explosives and arson incidents and for enforcing Federal criminal laws as they relate to alcohol and tobacco diversion contribute to homeland security and the counter-terrorism effort. Using a broader definition of counter-terrorism activities, to include providing homeland security, ATF spent \$359.3 million or 61 percent of its net costs on the counter-terrorism/homeland security effort in FY 2003.

Financial Performance

ATF's annual Financial Management Performance Plan contains key financial performance indicators. There are three major activities identified in the Plan:

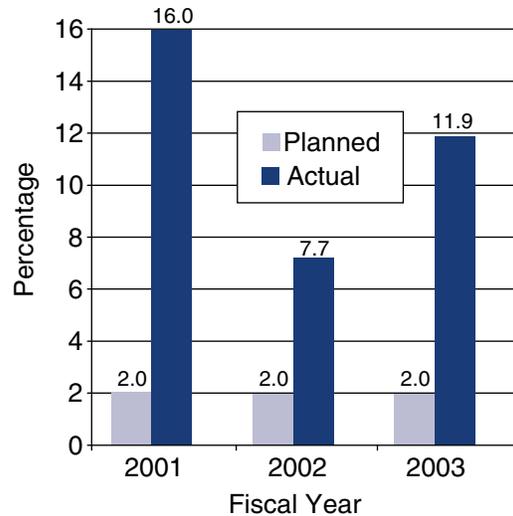
1. provide leadership to promote the acquisition and management of ATF's resources, revenue, and assets;
2. provide quality financial services; and
3. provide financial information on ATF operations that supports reporting and decision-making. Strategic goals, annual performance goals, and measures were developed to achieve these three financial management activities.

Goal: Focus on customer service and innovate financial processes.

Compliance with Prompt Payment Act (PPA).

ATF's target is 2 percent or less per year. In FY 2003, the annual delinquent rate for all invoices increased to 11.98 percent from 7.7 percent in the previous fiscal year. The increase is attributable

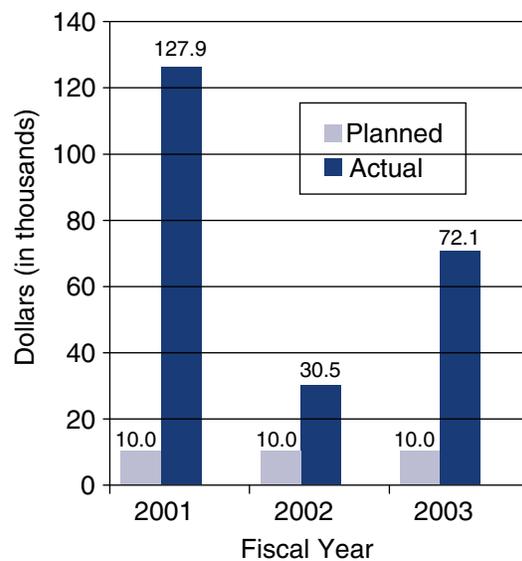
Percentage of Invoices Paid Late



to the split of ATF into ATF and TTB and the transition of the bureaus into their respective departments.

ATF's target is \$10,000 or less per year. In FY 2003, ATF paid \$72,142 in Prompt Payment interest, an increase from \$30,549 in the preceding year. The increase is attributable to the split of ATF into ATF and TTB and the transition of the bureaus into their respective departments.

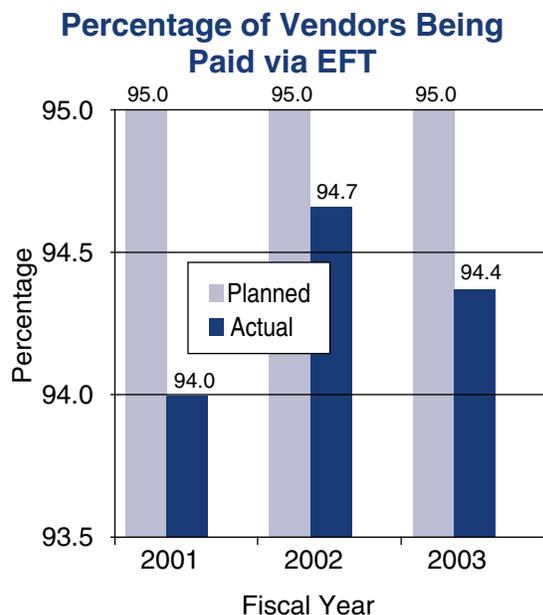
Dollar Amount of Interest Paid



Compliance with electronic funds transfer legislation. The Debt Collection Improvement Act of 1996 requires the use of electronic funds transfer for all Federal payments made after January 1, 1999.

Indicator being measured: Percentage of vendors paid via Electronic Funds Transfer (EFT).

ATF's target is 95 percent or greater per year. In FY 2003, the percentage of vendors being paid via EFT was 94.4 percent, down slightly from the 94.7 percent reached in FY 2002. ATF is now using the Central Contractor Registry as required by regulation and continues its efforts to increase the percentage of contractors being paid via EFT.



Goal: Provide complete and accurate financial statements.

Implement new schedules required under OMB Bulletin 01-09.

Indicator being measured: Earn an unqualified audit opinion on ATF's Financial Statements.

After performing two reviews on ATF's financial statements (2001 and 2002) and one internal control review (2002), KPMG audited ATF's financial statements for FY 2003. ATF received an unqualified audit opinion. This is the seventh unqualified opinion that ATF has received (FY 1995–2000, 2003).

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. Activities in cash management include:

- Debt Collection Improvement Act compliance. In FY 2003, ATF paid 94.4 percent of its vendors electronically. In addition, ATF has initiated acceptance of electronic invoices with its integrated charge card vendor.
- Collection Mechanisms. ATF uses lockboxes through the Treasury lockbox network to collect firearms and explosives license fees, National Firearms Act making and transfer taxes, and import fees. ATF is receiving check and document images through the lockbox for its firearms and explosives applications and payments and is working to expand image usage.

Systems and Controls

The Financial Resources Desktop (FReD) system is the primary automated financial system for ATF. The system supports the full range of financial management requirements, including the general ledger function, budget execution, travel, credit card purchases, third party, and Treasury payments. FReD conforms to core requirements prescribed by the Joint Financial Management Improvement Program (JFMIP) and Treasury.

The Bureau's systems modernization efforts are designed to improve the effectiveness and efficiency of financial data processing and reporting capabilities. Planned improvements to the Bureau's financial systems address integrating all financial-related systems and establishing direct links between program costs and performance measures.

The following were financial management system accomplishments in FY 2003:

- Completed the upgrade of financial system software.
- Split the financial transactions associated with ATF between ATF and TTB in support of the organizational split required by the Homeland Security Act. This included identifying the transactions associated with each organization, moving open transactions to the appropriate organization, and determining the appropriate intergovernmental elimination entries for reporting to both Treasury and Justice.
- Started accepting daily imports of integrated charge card data from the vendor bank. This enables better tracking of credit card charges and earlier detection of potentially fraudulent transactions.

FY 2004 systems activities will address the auditors' findings in this area.

Management Controls Program in ATF

Managers must conform to specific management accountability and improvement policies when designing, planning, organizing, and carrying out their responsibilities in order to ensure the most efficient and effective operation of their programs. These policies address delegation of authority and responsibility, hierarchical reporting of emerging management problems, personal integrity, quality data, separation of key duties and responsibilities, periodic comparisons of actual with recorded accountability of resources, routine assessment of programs with a high potential for risk, systematic review strategy to assess the effectiveness of program operations, and prompt management actions to correct significant problems or improve operations.

Management accountability systems must assure basic compliance with the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and the management control standards set by the GAO. ATF performs quarterly reviews of its financial operations, systems, and controls and reports significant results to the Justice Management Division. Beginning with fiscal year 2003, ATF reports this information to the Attorney General and must assure the Attorney General that its management systems incorporate at least the minimum control standards described in the Department guidance. In addition, any inspection, audit, evaluation, peer or program review process, self-assessment, or equivalent, used by ATF management to keep informed about needs and opportunities for improvement must incorporate these same standards into its methodology.

Federal Managers’ Financial Integrity Act (FMFIA) Summary

The FMFIA requires Federal agencies to conduct ongoing evaluations of the adequacy of the systems of internal accounting and administrative control and report yearly to the President all material weaknesses found through these evaluations. The FMFIA also requires the heads of agencies to provide the President with yearly assurance that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. To provide this report and assurance to the President, the Attorney General depends upon information from component heads regarding their management controls.

The Bureau centrally manages the FMFIA program, with oversight responsibilities assigned to the CFO. However, each executive office maintains responsibility for a cost-effective system of controls to provide reasonable assurance that Government resources are protected against fraud, waste, abuse, mismanagement, or misappropriation. The Bureau’s Executive Staff’s responsibilities include ensuring that new and existing programs and administrative support activities are managed efficiently and effectively. All Executive Staff members and managers are accountable for safeguarding resources and are also evaluated as financial managers. Increased emphasis on management controls has had a positive impact on programs achieving the intended results. This process also ensures that the utilization of resources is consistent with mission priorities and that programs and resources are being used without waste, fraud, or mismanagement. There is a strong oversight of ATF operations

through the Headquarters and field divisions review process. In addition, the CFO Steering Committee, chaired by the Deputy CFO, is comprised of deputies of each major Bureau component. This committee provides a forum for monitoring progress, resolving problems, providing coordination, and developing consensus recommendations regarding issues that arise from the Bureau’s audit and its management and internal control environment.

ATF maintains compliance with all applicable laws and regulations with independent Auditors’ noted exception with ATF’s funding of capital leases. In accordance with OMB Circular A-11, we ensure that performance information and data are reliable. The reliability of the performance data is measured by periodic data sampling, benchmarking, and audits, and is monitored by Bureau staff to ensure its integrity and that standard reporting instructions are followed.

Legal Compliance

ATF management is responsible for ensuring compliance with applicable laws and regulations. To ensure compliance, ATF performs reviews of its operations. In addition, the DOJ’s Office of the Inspector General performed tests with respect to the FMFIA. No significant incidents of non-compliance or program material weaknesses related to financial management were found. See the independent Auditors’ Report on Internal Controls for noted reportable conditions.

Auditors' Reports



2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Financial Statements

Inspector General
U.S. Department of Justice

Director
Bureau of Alcohol, Tobacco, Firearms and Explosives

We have audited the accompanying consolidated balance sheet of the U.S. Department of Justice, Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), as of September 30, 2003, and the related consolidated statements of net cost, changes in net position, financing, and custodial activities, and the combined statement of budgetary resources for the period from January 24, 2003 (Inception) to September 30, 2003. These financial statements are the responsibility of the ATF's management. Our responsibility is to express an opinion on these consolidated and combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of the ATF as of September 30, 2003, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activities for the period from January 24, 2003 (Inception) to September 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis and Required Supplementary Information sections is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We





have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued reports dated November 26, 2003, on our consideration of the ATF's internal control over financial reporting and its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audits.

KPMG LLP

November 26, 2003



2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Internal Control

Inspector General
U.S. Department of Justice

Director
Bureau of Alcohol, Tobacco, Firearms and Explosives

We have audited the consolidated and combined financial statements of the U.S. Department of Justice, Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) as of September 30, 2003, and for the period from January 24, 2003 (Inception) to September 30, 2003, and have issued our report thereon dated November 26, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the ATF's internal control over financial reporting by obtaining an understanding of the ATF's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated and combined financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982. The objective of our audit was not to provide assurance on the ATF's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the ATF's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being





audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected.

We noted certain matters, described in Exhibit I, involving the internal control over financial reporting and its operation that we consider to be reportable conditions. However, none of the reportable conditions are considered to be material weaknesses. Exhibit II presents the status of prior year reportable conditions.

As required by OMB Bulletin No. 01-02, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis section of the Accountability Report, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion thereon.

We also noted other matters involving internal control and its operation that we have reported to the management of the ATF in a separate letter dated November 26, 2003.

This report is intended solely for the information and use of the ATF's management, the Department of Justice Office of the Inspector General, OMB, and Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 26, 2003

Reportable Conditions

The ATF must implement effective IT general access and system software controls to address vulnerabilities.

We reviewed the design and operating effectiveness of ATF's general controls for the information technology systems. Our procedures included interviewing ATF management and staff, reviewing supporting documentation, and performing specific tests. We also performed external and internal penetration tests and conducted a vulnerability assessment that included assessing the control structures in place to ensure the information systems data remains reliable, accurate, and complete. Our review focused on various portions of the IT environment as it relates to the processing of financial information.

Using guidance outlined in the General Accounting Office's *Federal Information System Controls Audit Manual (FISCAM)*, dated January 1999, we reviewed the following four areas: entity-wide security program planning and management, access control, system software, and segregation of duties. We also relied upon guidance in technical publications issued by the National Institute of Standards and Technology (NIST) and as established in OMB Circular A-130, *Management of Federal Information Resources*. Overall, we ensured adequate coverage of general and application controls through follow-up performed on issues resulting from prior year financial reviews.

The ATF has shown improvement in the areas of entity-wide security, access control, service continuity, change controls, segregation of duties, and applications controls. However, we found certain conditions still exist from prior year audits that indicate the ATF needs to continue to improve its general controls. For example, the information systems lack documented and approved policies and procedures that specify secure operating systems configurations for communication services, access controls, and implementing system modifications. Further, there are information systems weaknesses related to database access and security controls.

Specifically, during our testing, we noted the following:

- Controls over financial network operating systems can be more effectively managed—Various operating systems on the financial network that provide user connectivity to the ATF systems have not been configured to reduce the risk of circumventing security controls. It is critical to develop policies and procedures for configuring network devices, in order to minimize the risk of unnecessary functionality remaining enabled within the network that could result in the security controls being circumvented.
- Access controls over various financial and operational databases need to be strengthened—Database authentication and authorization controls have not been effectively implemented to prevent unauthorized access. For example, weak database system accounts and passwords were identified, as well as excessive access and privileges. These weaknesses cause a lack of segregation of duties and user accountability, which could result in unauthorized database changes and users not being accountable for actions executed on the system.

The Office of Management and Budget, Circular Number A-130, *Security of Federal Automated Information Resources*, requires agencies to establish controls to ensure adequate security for all information processed, transmitted, or stored in Federal automated information systems. In every general support system, a number of technical, operational, and management controls are used to prevent and detect harm. Such controls include individual accountability, "least privilege," and separation of duties.

These general access controls and system software vulnerabilities could compromise ATF's design and operating effectiveness over the information technology systems, as well as the secu-

ity and reliability of the financial data. ATF needs to strengthen controls and processes to prevent these vulnerabilities from recurring.

Recommendation No. 1

We recommend that the Director, ATF review the network services and ports and disable any that are unnecessary. Additionally, ATF should review and update current policies and procedures to provide clear guidelines for approving services that will run on servers attached to the network.

Recommendation No. 2

We recommend that the Director, ATF complete an inventory of all databases within the environment and ensure all the default passwords have been removed, user and developer access is appropriate, and database server passwords are in compliance with ATF password requirements. ATF should also develop policies and procedures to ensure the database server is periodically scanned for weak or default passwords.

Exhibit II

Status of Prior Years' Recommendations		
Reported Condition	Recommendations	Status
<p>Information Systems. The ATF needs to strengthen the general controls over its information systems.</p> <p><i>FY 2002 ATF Limited Official Use Review of General and Selected Application Controls, Appendix A, General Controls, dated November 8, 2002.</i></p>	<ol style="list-style-type: none"> 1. MONITORING ACCESS & USE OF SYSTEMS—Audit the network for the existence of network applications running on the servers and disable them where they are not needed. Furthermore, establish and enforce clear guidelines for approving which services will run on servers attached to the network. 2. PHYSICAL CONTROL—Create a policy that ensures any non-ATF laptop is registered with facilities management. Additionally, ensure security guards monitor incoming laptops and inspect the associated documentation. 3. DATABASE MANAGEMENT-AUTHORIZATION—Implement a phased approach to achieving a more secure database environment. 4. DATABASE MANAGEMENT-AUDITING CONFIGURATIONS—Auditing should be established at the database server level to ensure that no unauthorized users are removing data from the data dictionary or accessing tables for which they should not have privileges. Specifically, an audit plan should be developed to ensure security-related events are recorded. 5. NETWORK DEVICES—Network devices should be configured to enforce Telnet authentication. Also, the Simple Network Management Protocol (SNMP) community name of “public” should be changed to something difficult to deduce or guess. 6. LIGHTWEIGHT DIRECTORY ACCESS PROTOCOL—The Lightweight Directory Access Protocol server should be configured to disallow anonymous connections. Additionally, the SNMP default community name of “public” should be changed to a name that is difficult to deduce or guess. 	<ol style="list-style-type: none"> 1. In process 2. Closed 3. In process 4. In process 5. Closed 6. Closed
<p>Information Systems. The ATF needs to strengthen the application controls over its information systems.</p> <p><i>FY 2002 ATF Limited Official Use Review of General and Selected Application Controls, Appendix B, Application Controls, dated November 8, 2002.</i></p>	<ol style="list-style-type: none"> 1. SEGREGATION OF CRITICAL FINANCIAL APPLICATIONS AND INFORMATION SYSTEMS DUTIES—Ensure the implementation of additional access controls over Property Plus (PPLUS) and Procurement Desktop (PD), including enhancing the segregation of duties between security administrators and data entry personnel. If there is a lack of sufficient resources, a possible solution may be to implement a peer review process by which PPLUS and PD security administrators/alternates periodically monitor/review other security administrators'/alternates' data entry activities. In addition, ATF should consider enhancing the ATF Management Control Improvement Program to specifically address segregation of duties by developing a formal segregation of duties policy, including identification of specific incompatible duties. 2. REVIEW OF ACCESS MONITORING LOGS—Ensure that PPLUS access logs are reviewed on a weekly basis. 	<ol style="list-style-type: none"> 1. Closed 2. Closed

As required by *Government Auditing Standards* and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, we have reviewed the status of prior years' findings and recommendations. The following table summarizes these issues and provides our assessment of the progress the ATF has made in correcting these reportable conditions.



2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance with Laws and Regulations

Inspector General
U.S. Department of Justice

Director
Bureau of Alcohol, Tobacco, Firearms and Explosives

We have audited the consolidated and combined financial statements of the U.S. Department of Justice, Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) as of September 30, 2003, and for the period from January 24, 2003 (Inception) to September 30, 2003, and have issued our report thereon dated November 26, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of the ATF is responsible for complying with laws and regulations applicable to the ATF. As part of obtaining reasonable assurance about whether the ATF's financial statements are free of material misstatement, we performed tests of the ATF's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the ATF. However, providing an opinion on compliance with laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with certain provisions of laws and regulations described in the preceding paragraph, exclusive of FFMIA, disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02, and is described below.

OMB Circular A-11, *Preparation, Submission, and Execution of the Budget (Revised 07/25/2003)*, Appendix B, requires that lease purchases and capital leases must be fully funded at lease inception. Currently ATF is funding these leases annually.





Under FFMIA, we are required to report whether the ATF's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

The results of our tests disclosed no instances in which the ATF's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

This report is intended solely for the information and use of the ATF's management, the Department of Justice Office of the Inspector General, OMB, and Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 26, 2003

Financial Statements, Accompanying Notes and Required Supplemental Information

Department of Justice—Bureau of Alcohol, Tobacco, Firearms and Explosives
Consolidated Balance Sheet

As of September 30, 2003
(Dollars in Thousands)

2003

ASSETS (Note 8)

Intragovernmental	
Fund Balance with U.S. Treasury (Note 2)	\$ 223,817
Accounts Receivable, Net (Note 4)	7,212
Other (Note 7)	10,093
Total Intragovernmental	241,122
Cash and Other Monetary Assets (Note 3)	6,314
Accounts Receivable, Net (Note 4)	1,005
General Property, Plant, and Equipment, Net (Note 6)	235,316
Total Assets	\$ 483,757

LIABILITIES (Note 11)

Intragovernmental	
Accounts Payable	\$ 20,018
Accrued FECA Liability (Note 1.P)	19,846
Custodial Liability (Note 16)	693
Other (Note 10)	2,818
Total Intragovernmental	43,375
Accounts Payable	43,705
Actuarial FECA Liabilities (Note 1.P)	107,446
Accrued Payroll and Benefits	11,325
Accrued Annual and Compensatory Leave	31,056
Seized Cash and Monetary Assets	4,090
Contingent Liabilities (Note 12)	81
Capital Lease Liability (Note 9)	5,037
Other (Note 10)	5,372
Total Liabilities	\$ 251,487

NET POSITION

Unexpended Appropriations	\$ 187,641
Cumulative Results of Operations	44,629
Total Net Position	\$ 232,270
Total Liabilities and Net Position	\$ 483,757

The accompanying notes are an integral part of these financial statements.

Department of Justice—Bureau of Alcohol, Tobacco, Firearms and Explosives

Consolidated Statement of Net Cost

For the Period From January 24, 2003 Through September 30, 2003

(Dollars in Thousands)

	FY	Intragovernmental			With the Public			Net Cost of Operations (Note 15)
		Gross Cost	Less Earned Revenues	Net Cost	Gross Cost	Less Earned Revenues	Net Cost	
Goal 2:	2003	\$ 193,310	\$ 34,272	\$ 159,038	\$ 425,695	\$ 153	\$ 425,542	\$ 584,580

Goal 2: Enforce Federal Criminal Laws

The accompanying notes are an integral part of these financial statements.

Department of Justice—Bureau of Alcohol, Tobacco, Firearms and Explosives
Consolidated Statement of Changes in Net Position

For the Period From January 24, 2003 Through September 30, 2003

(Dollars in Thousands)

	Cumulative Results of Operations 2003	Unexpended Appropriations 2003
Beginning Balances	\$ —	\$ —
Budgetary Financing Sources:		
Appropriations Transferred—In/Out (Note 19)	—	722,428
Other Adjustments	—	(332)
Appropriations Used	534,455	(534,455)
Other Financing Sources:		
Donations and Forfeitures of Property	140	—
Transfers—In/Out Without Reimbursement (Note 19)	74,121	—
Imputed Financing From Costs		
Absorbed by Others (Note 14)	20,493	—
Total Financing Sources	629,209	187,641
Net Cost of Operations	(584,580)	—
Ending Balances	\$ 44,629	\$ 187,641

The accompanying notes are an integral part of these financial statements.

Department of Justice—Bureau of Alcohol, Tobacco, Firearms and Explosives

Combined Statement of Budgetary Resources

For the Period From January 24, 2003 Through September 30, 2003

(Dollars in Thousands)

2003

Budgetary Resources:

Budget Authority:

Net Transfers (Note 19) \$ 552,051

Unobligated Balance:

Beginning of Period —

Net Transfers, Actual (Note 19) 14,238

Spending Authority From Offsetting Collections:

Earned

Collected 39,722

Receivable From Federal Sources 7,215

Change in Unfilled Customer Orders

Without Advance From Federal Sources (7,591)

Subtotal 39,346

Recoveries of Prior Year Obligations 29,098

Permanently Not Available (333)

Total Budgetary Resources (Note 17) \$ 634,400

Status of Budgetary Resources:

Obligations Incurred:

Direct \$ 569,199

Reimbursable 42,297

Total Obligations Incurred (Note 18) 611,496

Unobligated Balance Apportioned 14,600

Unobligated Balances Not Available 8,304

Total Status of Budgetary Resources \$ 634,400

Relationship of Obligations to Outlays:

Obligated Balance, Net—Beginning of Period —

Obligated Balance Transferred, Net (Note 19) 243,398

Obligated Balance, Net—End of Period:

Accounts Receivable (7,215)

Unfilled Customer Orders From Federal Sources (7,828)

Undelivered Orders 134,957

Accounts Payable 82,388

Outlays:

Disbursements \$ 623,870

Collections (39,722)

Net Outlays \$ 584,148

The accompanying notes are an integral part of these financial statements.

Department of Justice—Bureau of Alcohol, Tobacco, Firearms and Explosives

Consolidated Statement of Financing

For the Period From January 24, 2003 Through September 30, 2003

(Dollars in Thousands)

2003

Resources Used to Finance Activities:

Budgetary Resources Obligated

Obligations Incurred	\$ 611,496
Less: Spending Authority From Offsetting Collections and Recoveries	(68,444)
Net Obligations	<u>543,052</u>

Other Resources

Donations and Forfeitures of Property	140
Transfers—In/Out Without Reimbursement	74,121
Imputed Financing From Costs Absorbed by Others (Note 14)	20,493
Net Other Resources Used to Finance Activities	<u>94,754</u>

Total Resources Used to Finance Activities **637,806**

Resources Used to Finance Items Not Part of the Net Cost of Operations:

Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	36,602
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations	(7,591)
Resources That Finance the Acquisition of Assets	(285,226)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	<u>(409)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(256,624)</u>

Total Resources Used to Finance the Net Cost of Operations **\$ 381,182**

**Components of Net Cost of Operations That Will Not Require
or Generate Resources in the Current Period:**

Components Requiring or Generating Resources in Future Periods:	
Increase in Annual Leave Liability	\$ 31,056
Other	<u>132,410</u>
Total Components of Net Cost of Operations Requiring or Generating Resources in Future Periods (Note 13)	163,466
Components Not Requiring or Generating Resources:	
Depreciation and Amortization	32,908
Other	<u>7,024</u>
Total Components of Net Cost of Operations Not Requiring or Generating Resources	<u>39,932</u>

**Total Components of Net Cost of Operations That Will Not
Require or Generate Resources in the Current Period** **203,398**

Net Cost of Operations **\$ 584,580**

The accompanying notes are an integral part of these financial statements.

Department of Justice—Bureau of Alcohol, Tobacco, Firearms and Explosives

Consolidated Statement of Custodial Activity

For the Period From January 24, 2003 Through September 30, 2003

(Dollars in Thousands)

2003

Revenue Activity:

Sources of Cash Collections:

Fees and Licenses	\$	6,699
Fines, Penalties, and Restitution Payments		2
Other Revenue		226

Total Cash Collections \$ 6,927

Accrual Adjustments (6)

Total Custodial Revenue \$ 6,921

Disposition of Collections:

Transferred to Federal Agencies:		
U.S. Department of the Treasury		(6,605)
(Increase) Decrease in Amounts To Be Transferred		14
Refunds and Other Payments		(330)

Net Custodial Activity (Note 16) \$ —

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF or the Bureau), an enforcement agency, was transferred to the Department of Justice (DOJ) on January 24, 2003, pursuant to the Homeland Security Act of 2002, from the Department of the Treasury (Treasury). Prior to the transfer, ATF had two prominent missions, collecting taxes and fees from the alcohol and tobacco industries, as well as a law enforcement mission. ATF's new mission under DOJ is primarily to enforce the Federal laws and regulations relating to firearms, explosives, and arson. A new organization, the Alcohol and Tobacco Tax and Trade Bureau (TTB), was created within Treasury to assume the duties of collecting the taxes and fees from the alcohol and tobacco industries.

B. Basis of Presentation

The financial statements were prepared to report the significant assets, liabilities, net cost of operations, changes in net position, budgetary resources, and custodial activity of ATF. The financial statements have been prepared from the books and records of ATF in conformity with accounting principles generally accepted in the United States of America (GAAP), form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 01-09, and DOJ's Financial Statement Requirements and Preparation Guide. ATF's accounting policies are summarized in this note. GAAP for Federal entities is primarily the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants. GAAP also includes Financial Accounting Standards Board (FASB) statements and concepts, Accounting Research Bulletins, Accounting Principles Board Opinions, as well as OMB, General Accounting Office, and agency guidance. These statements are different from the financial reports, also prepared by ATF, pursuant to OMB directives that are

used to monitor and control ATF's use of budgetary resources.

Because ATF was a Treasury entity until January 24, 2003, its 2002 financial statements and activity as of and for the period October 1, 2002, through January 23, 2003, will be reported in Treasury's financial statements. Only activity from January 24, 2003, through September 30, 2003, will be reported in DOJ's financial statements. As such, ATF's financial statements will not present comparative information.

C. Basis of Accounting

Transactions are recorded on a proprietary accrual and a budgetary basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is exchanged. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints. As a result, certain line items on the proprietary financial statements may not equal similar line items on the budgetary financial statements. Examples include, but are not limited to, the following:

- Total accounts receivable on the Balance Sheet may not equal accounts receivable on the Statement of Budgetary Resources because receivables due from the public are presented on the Balance Sheet but not on the Statement of Budgetary Resources;
- Total accounts payable on the Balance Sheet may not equal accounts payable on the Statement of Budgetary Resources because certain funded liabilities are presented separately on the Balance Sheet but included aggregately in accounts payable on the Statement of Budgetary Resources; and
- Appropriations received on the Statement of Changes in Net Position may not equal appropriations received on the Statement of Budgetary Resources because offsetting receipts for special funds are reported as appropriations received on the Statement of Budgetary Resources, but are reported as either exchange revenue on the Statement of Net Cost or non-exchange revenue on the Statement of Changes in Net Position.

D. Revenues and Other Financing Sources

(1) Exchange Revenues

Exchange revenues are inflows of resources to a Government entity that the entity has earned by providing something of value to the public or another Government entity at a price.

ATF provides a number of services, including enforcement, training and professional development, and science and information technology to other government agencies through reimbursable agreements.

Most of ATF's exchange revenues result from the Bureau's agreement with the U.S. Department of State to train explosives-detecting canines for foreign countries. The canines will be used in foreign countries to combat terrorism and protect American travelers abroad. Similarly, ATF is funded on a reimbursable basis for activity related to enforcement of the Controlled Substance Act.

(2) Non-exchange Revenues

Non-exchange revenues are inflows of resources that the government demands or receives by donation. For ATF, most non-exchange revenues result from collecting taxes and fees from firearms and ammunition industries.

(3) Financing Sources

Financing sources provide inflows of resources during the reporting period and include appropriations used and financing imputed with respect to any cost subsidies. Unexpended appropriations are recognized separately in determining net position, but are not financing sources until used.

ATF receives the majority of the funding needed to support the Bureau through congressional appropriations. The appropriations received are annual, multiple-year, and no-year funding that may be used, within statutory limits, for operating and capital expenditures (primarily equipment, furniture, and furnishings). Appropriations are also received to meet specific program objectives. The Bureau's activities are funded by the following:

- 15-3-0700—*Salaries and Expenses Appropriation and Reimbursable Authority*
- 15-X-0700—*No-year Appropriation for Anti Terrorism and Gang Resistance Education and Training*

- 15-3/4-0700—*Two-year Appropriation for High Intensity Drug Trafficking Area Initiative and ATF New HQ Building*
- 15-X-8526 and 15-X-8528—*Violent Crime Trust Funds*

All of these appropriations and the related gross costs, revenues, and net cost as shown in the Statement of Net Cost are in Federal budget functional classification 750, Administration of Justice.

The accompanying financial statements of ATF include the accounts of the above funds under ATF control.

Appropriations are recognized as a financing source at the time the related program or administrative expense is incurred. Appropriations expended for property are recognized as a financing source when the asset is consumed in operations (depreciation).

Costs financed by other Federal entities on behalf of ATF are recognized as imputed financing sources as required by Statements of Federal Financial Accounting Standards (SFFAS) No. 5, "Accounting for Liabilities of the Federal Government."

Other financing sources result from distributions ATF receives from the DOJ Asset Forfeiture Fund. These resources finance the Youth Crime Gun Interdiction Initiative and other law enforcement initiatives, including seizing and forfeiting property of parties engaged in unlawful activities.

E. Fund Balance with U.S. Department of the Treasury and Cash

Treasury processes the Bureau's cash receipts and disbursements. Entity fund balance with Treasury and cash are primarily appropriated funds available to pay current liabilities and to finance authorized purchase commitments. Non-entity fund balance with Treasury is primarily escrow accounts designated to finance offers-in-compromise and cash bonds held in lieu of corporate surety bonds guaranteeing payment of taxes.

F. Accounts Receivable

Intragovernmental accounts receivable consist of amounts due under reimbursable agreements with Federal entities for services provided by ATF. Public accounts receivable consist of taxes, penalties, and interest that have been assessed but unpaid at year end.

Receivables due from Federal agencies are considered to be fully collectible. An allowance for

doubtful accounts is established for public receivables based on specific identification and individual analysis.

G. General Property, Plant, and Equipment

Property, plant, and equipment purchased with a cost greater than or equal to \$25,000 per unit, and a useful life of two years or more, is capitalized and depreciated. Other equipment is expensed when purchased. Normal repairs and maintenance are charged to expense as incurred.

ATF also capitalizes internal use software when the development costs are greater than or equal to \$500,000. The same threshold will also apply to enhancements that add significant functionality to the software. ATF will amortize this software based on its classification. The classifications are as follows: (1) Enterprise and Other Business Software; 5 years, and (2) Personal productivity and desktop operating software; 3 years.

Assets are depreciated on a straight-line basis beginning the month the asset was put into use.

H. Prepayments

Prepayments are payments made to cover certain periodic expenses before those expenses are incurred. In accordance with Public Law 91-614, ATF participates in the Treasury's Working Capital Fund for which it receives services on a reimbursable basis. Payments made in advance are authorized for services that have been deemed as more advantageous and more economical when provided centrally. The services provided include those for telecommunications, payroll/personnel systems, printing, and other central services. The amount reported represents the balance available at the end of the fiscal year after charges/expenses incurred by the Fund are deducted.

I. Seized and Forfeited Property

Property is seized in consequence of a violation of public law. Generally, seized property includes monetary instruments and various types of weapons, ammunition, and explosives.

ATF also participates in the DOJ Asset Forfeiture Fund. ATF is reimbursed by the fund for carrying out forfeiture activities. ATF also contributes forfeited property to the fund. Non-prohibited property that has a street value is liquidated with the proceeds going to the fund.

J. Non-entity Assets

Non-entity assets consist principally of receivables for excise taxes and fees that are to be distributed to the Treasury, other Federal agencies, and other governments. Non-entity assets are not considered a financing source (revenue) available to offset operating expenses of ATF.

K. Liabilities

Liabilities represent the amount of monies, or other resources, that are likely to be paid by ATF as the result of a transaction or event that has already occurred. However, no liability can be paid by ATF absent an appropriation. Liabilities for which an appropriation has not been enacted, and for which there is uncertainty an appropriation will be enacted, are classified as liabilities not covered by budgetary resources. Also, liabilities of ATF arising from other than contracts can be abrogated by the Government, acting in its sovereign capacity.

Intragovernmental liabilities consist of amounts payable to the Treasury for collections of excise tax, fees receivable, payables to other Federal agencies, and accrued FECA charges. Liabilities also include amounts due to be refunded to taxpayers, as well as amounts held in escrow for offers-in-compromise and cash bonds held in lieu of corporate surety bonds guaranteeing payment of taxes.

L. Litigation Contingencies and Settlements

Probable and estimable unsettled litigation and claims against ATF are recognized as a liability and expense for the full amount of the expected loss. Expected litigation and claim losses include settlements to be paid from the Treasury Judgment Fund (Judgment Fund) on behalf of ATF and settlements to be paid from Bureau appropriations. Claims in excess of \$2,500 are paid by the Judgment Fund.

Settlements paid from the Judgment Fund for ATF are recognized as an expense and imputed financing source.

M. Annual, Sick, and Other Leave

Annual and compensatory leave earned by ATF employees, but not yet used, is reported as an accrued liability. The accrued balance is adjusted annually to current pay rates. Any portions of the accrued leave, for which funding is not available, are recorded as an unfunded liability. Sick leave and other leave are expensed as taken.

N. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. § 3901-3907, Federal agencies must pay interest on payments for goods or services made to business concerns after the due date. The due date is generally 30 days after receipt of a proper invoice or acceptance of the goods or services.

O. Retirement Plan

Most ATF employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS), to which ATF contributes 7.00 percent of basic pay (7.50 percent for those personnel classified as law enforcement agents) and the employee contributes 7.00 percent (7.50 percent for those personnel classified as law enforcement agents) for a total contribution rate of 14.00 percent in FY 2003 (15.00 percent for those personnel classified as law enforcement agents). On January 1, 1984, the Federal Employees' Retirement System (FERS) went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983 are automatically covered by FERS and Social Security. For most employees hired after December 31, 1983, ATF also contributes the employer's matching share of Social Security. For the FERS basic benefit, the employee contributes 0.8 percent of basic pay (1.3 percent for those personnel classified as law enforcement agents) while ATF contributes 10.7 percent (23.3 percent for those personnel classified as law enforcement agents) for a total contribution of 11.5 percent in FY 2003 (24.6 percent for those personnel classified as law enforcement agents). The cost of providing a FERS basic benefit as provided by the Office of Personnel Management (OPM) is equal to the amounts contributed by ATF and the employees because the plan is fully funded.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established, and ATF makes a mandatory 1 percent contribution to this account. In addition, ATF makes matching contributions, ranging from 1 to 4 percent, for FERS-eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees.

ATF recognized the full cost of providing future pension and other retirement benefits (ORB) for current employees as required by SFFAS No. 5. Full cost includes pension and ORB contributions

paid out of Bureau appropriations and costs financed by the OPM. Costs financed by OPM are reported in the accompanying financial statements as an imputed financing revenue source. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of the OPM.

P. Federal Employees' Compensation Act

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job and employees who have incurred a work-related injury or occupational disease. The future workers' compensation estimates were generated from an application of actuarial procedures developed to estimate the liability for FECA benefits. The actuarial liability estimates for FECA benefits include the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined using the paid losses extrapolation method, which is calculated over the next 37-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict ultimate payments related to that period.

Claims are paid for ATF employees by the Department of Labor (DOL) from the FECA fund, for which ATF reimburses DOL. The accrued liability represents claims paid by DOL for ATF employees, for which the fund has not been reimbursed. The actuarial liability is an estimate of future costs to be paid on claims made by ATF employees. The estimated future cost is not obligated against budgetary resources until the year in which the cost is billed to ATF.

Q. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent liabilities at the date of the financial statements, and the amount of revenues and costs reported during the period. Actual results could differ from those estimates.

Note 2. Fund Balance With U.S. Treasury

Fund balance with Treasury as of September 30, 2003 consisted of the following:
(in thousands)

Fund Balances:	
Trust Funds	\$ 10,465
Appropriated Funds	212,515
Other Fund Types	837
Total Fund Balance with Treasury	<u>\$ 223,817</u>

Status of Fund Balances:	
Unobligated Balance—Available	\$ 14,600
Unobligated Balance—Unavailable	8,304
Obligated Balance not yet Disbursed	200,913
Total Status of Fund Balances	<u>\$ 223,817</u>

Other fund types include proceeds from the sales of surplus vehicles, amounts held in suspense accounts, and collections of tax revenues that have not yet been paid to the general fund.

Note 3. Cash, Foreign Currency, and Other Monetary Assets

Cash as of September 30, 2003 consisted of the following: (in thousands)	
Imprest Funds	\$ 2,224
Seized Monetary Instruments	4,090
Total Cash, Foreign Currency, and Other Monetary Assets	<u>\$ 6,314</u>

Cash available for ATF use represents agent cashier (imprest) funds. The agent cashier funds are used to finance the purchase of evidence and information from informants in open ATF investigations and enforcement operations.

Note 4. Accounts Receivable, Net

Accounts receivable as of September 30, 2003 were as follows: (in thousands)	
Intragovernmental	
Accounts Receivable	\$ 7,212
Allowance for Uncollectible Accounts	—
Total Intragovernmental	<u>7,212</u>
With the Public	
Accounts Receivable	1,046
Allowance for Uncollectible Accounts	(41)
Total With the Public	<u>1,005</u>
Total Accounts Receivable, Net	<u>\$ 8,217</u>

An allowance for uncollectible amounts has been recognized for these receivables. The allowance is based on an analysis of individual receivable balances, historical collection rates, and the application of estimated collectible amounts to categories of receivable balances at year end.

Note 5. Seized Property

Seized property is acquired during the course of an investigation. This property is considered contraband, evidence of a crime, or subject to forfeiture. Seized property includes monetary instruments, handguns, machine guns, rifles, shotguns, ammunition (components, magazines, and rounds), and explosives (blasting agents, blasting caps, detonating cords, explosive powder, and other explosives). Seized property that will be destroyed, such as explosives, are reported as the number of items seized, and is not considered to have a value. All other seized property is reported at its market value at the date of seizure.

Seized monetary instruments, valued at \$4.1 million, were held as evidence and are included in cash and other monetary assets in the accompanying consolidated balance sheet.

**Balance as of
September 30, 2003**
(in thousands)

<u>Seized Property</u>	<u>Units</u>	<u>Value</u>
Handguns	11,934	\$ 2,906
Machine guns	1,735	1,111
Rifles	8,404	2,419
Shotguns	4,302	1,000
Ammunition	12,955	784
Other	1,956	727
Explosives	2,544	—
Total	<u>43,830</u>	<u>\$ 8,947</u>

Because ATF was transferred to DOJ mid-year, the beginning balances necessary to fully disclose all activity related to seizures are not available. For fiscal 2003 ATF is only reporting the ending balances for each of its property categories and the estimated value for each type of weapon.

Note 6. General Property, Plant, and Equipment

General property, plant, and equipment consisted of the following as of September 30, 2003:

	<i>(in thousands)</i>			
	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life
Land and Land Rights	\$ 18,200	\$ —	\$ 18,200	N/A
Buildings, Improvements, and Renovations	95,453	(1,980)	93,473	40 yrs
Vehicles	27,902	(19,902)	8,000	3–6 yrs
Equipment	151,068	(80,652)	70,416	3–10 yrs
Assets Under Capital Leases	32,639	(25,358)	7,281	3–6 yrs
Leasehold Improvements	48,156	(16,623)	31,533	2–20 yrs
Internal Use Software	15,659	(11,346)	4,313	3–5 yrs
Internal Use Software in Development	2,100	—	2,100	N/A
Total	<u>\$ 391,177</u>	<u>\$ (155,861)</u>	<u>\$ 235,316</u>	

Depreciation and amortization are calculated using the straight-line method. In addition to capital improvements to current leased facilities, leasehold improvements at September 30, 2003, also include the design and pre-engineering costs for the planned Headquarters building in Washington, DC. Leasehold improvements are amortized over the lesser of the life of the lease or useful life of the asset. Assets under capital lease are capitalized at the present value of future payments or fair market value at the time of acquisition and depreciated under the guidelines of the respective property categories or the life of the lease, whichever is shorter. The land located in College Park and New York Avenue is recorded at its acquisition value. There are no restrictions on the use or convertibility of property and equipment.

Note 7. Other Assets

Other assets as of September 30, 2003 consisted of the following:

	<i>(in thousands)</i>
Due From General Fund	\$ 4
Prepayments	10,089
Total Other Intragovernmental Assets	<u>\$ 10,093</u>

Treasury's working capital fund was advanced \$10.1 million. Federal Prison Industries and the General Services Administration have been paid \$5,000 and \$14,000, respectively, for goods or services that have not been received.

Note 8. Non-entity Assets

Non-entity Assets as of September 30, 2003 consisted of the following:

	<i>(in thousands)</i>
Cash and other monetary assets	\$ 4,090
Accounts receivable, net	704
Total non-entity assets	<u>4,794</u>
Total entity assets	<u>478,963</u>
Total assets	<u>\$ 483,757</u>

Accounts receivable with the public consist principally of outstanding taxes, penalties, and interest that have been assessed and remain unpaid at year end.

Note 9. Leases

Future Capital Lease Payments

ATF entered into a capital lease, modernizing its information technology through Bureau-wide deployment of its Enterprise Systems Architecture. Under this capital lease agreement, the contractor is providing computer and related software for ATF’s strategic and day-to-day business requirements. In addition to this major program, the Bureau has entered into a number of smaller capital lease agreements for laboratory and other office equipment.

Assets acquired by capital lease agreements are reported on the accompanying Balance Sheet based on the lesser of the present value of the future minimum lease payments or the fair market value of the asset. Imputed interest rates range from 1.4 to 13.9 percent.

The capital lease liability is expected to be funded from future sources and is considered a component of other liabilities not covered by budgetary resources. For assets under capital lease, the acquisition value of machinery and equipment, which represents computer hardware, laboratory, and other office equipment, is \$27.9 million. The remaining \$4.7 million is the acquisition value of related computer software.

Capital Leases:

Summary of Assets Under Capital Lease:	<i>(in thousands)</i>
Machinery & Equipment	\$ 32,639
Accumulated Amortization	(25,358)
Total	<u>\$ 7,281</u>

Future minimum lease payments for capital leases on machinery, equipment, and related computer software as of September 30, 2003 are as follows:

Future Payments Due:

Fiscal Year	Equipment
2004	\$ 3,605
2005	1,375
2006	204
2007	51
2008	19
After 2008	—
Subtotal	<u>5,254</u>
Less: Imputed Interest	(217)
Net Capital Lease Liability	<u>\$ 5,037</u>

Net Capital Leases Liability Not Covered by Budgetary Resources \$ 5,037

Future Operating Lease Payments

The Bureau leases various copiers, fax machines, and vehicles under agreements accounted for as operating leases. Future commitments under operating leases for equipment as of September 30, 2003 are as follows:

Operating Leases:

Future Operating Lease Payments Due:	<i>(in thousands)</i>
Fiscal Year	Equipment
2004	\$ 967
2005	946
2006	907
2007	903
2008	884
After 2008	—
Total Future Lease Payments	<u>\$ 4,607</u>

Note 10. Other Liabilities

Other liabilities consisted of the following as of September 30, 2003: *(in thousands)*

Intragovernmental Liabilities	
Other Accrued Liabilities	\$ —
Employer Contributions and Payroll Taxes	2,818
Total Intragovernmental	<u>2,818</u>
Liability for Deposit Fund, Clearing Accounts, and Undeposited Collections	4,796
Other Liabilities	576
Total With the Public	<u>5,372</u>
Total Other Liabilities	<u>\$ 8,190</u>

All other liabilities are considered current.

Note 11. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources consisted of the following as of September 30, 2003:
(in thousands)

Intragovernmental	
Accrued FECA Liability	\$ 19,846
Total Intragovernmental	<u>19,846</u>
FECA Actuarial Liabilities	107,446
Accrued Annual and Compensatory Leave	31,056
Capital Lease Liabilities	5,037
Contingent Liabilities	81
Total With the Public	<u>143,620</u>
Total Liabilities Not Covered by Budgetary Resources	163,466
Total Liabilities Covered by Budgetary Resources	88,021
Total Liabilities	<u>\$ 251,487</u>

Note 12. Contingent Liabilities

ATF is a party to various administrative proceedings, legal actions, and claims brought by or against it. These claims are of a nature considered normal for a government law enforcement agency. Most financial liabilities resulting from litigation and claims against ATF are payable from the permanent judgment appropriation established by 31 U.S.C. Section 1304 Treasury Judgment Fund. In the opinion of the Bureau's management, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or cost of operations of ATF.

At September 30, 2003, ATF legal counsel was processing approximately 180 of these actions against the Bureau. ATF identified and accrued, at September 30, 2003, \$81,000 as a contingent liability. These amounts represent those costs that ATF believes are probable and reasonably estimable. These liabilities result from administrative tort and employee claims.

ATF counsel identified at September 30, 2003, \$148,000 for which ATF has not recorded an accrual, because in management's opinion, an unfavorable outcome is reasonably possible but not probable. These cases result from administrative tort and employee claims, contract takings, patent infringement and tax claims lawsuits, administrative EEO/personnel cases, and lawsuits filed under the Federal Tort Claims Act.

As of September 30, 2003, there was one large group of Federal Tort Claims Act administrative claims involving the bombing of the Federal building in Oklahoma City, Oklahoma. This group entailed 655 individual claims seeking over \$16 billion in damages.

There were several lawsuits filed under the Federal Tort Claims Act against the United States involving actions by ATF employees acting within the scope of their employment at the Branch Davidian compound near Waco, Texas. The plaintiffs were seeking approximately \$8 billion. The District Court issued a favorable decision for ATF and the Court of Appeals affirmed that favorable decision. Plaintiffs may seek Supreme Court review. ATF believes these cases are without merit and remote, and ATF is aggressively defending the cases.

Note 13. Future Funding Requirements

Total liabilities not covered by budgetary resources for FY 2003, in the amount of \$163.5 million, generally do not equal the total financing sources yet to be provided on the Consolidated Statement of Financing for FY 2003 of \$163.5 million. However, because ATF is a new entity within the DOJ, ATF does not have any beginning balances as of January 24, 2003. The unfunded expenses included in the Consolidated Statement of Financing will equal the liabilities not covered by budgetary resources.

Generally, liabilities not covered by budgetary resources require future funding and can only be liquidated with the enactment of future appropriations. These liabilities include accrued leave, actuarial liabilities, contingent liabilities, and the net present value of future lease payments.

Note 14. Imputed Financing

Imputed financing for the period ended September 30, 2003 included the following:

	<i>(in thousands)</i>
Judgment Fund	\$ 177
Health Insurance	11,814
Life Insurance	38
Pension	8,464
Total	<u>\$ 20,493</u>

Imputed financing recognizes actual costs of future benefits to be paid by other Federal entities. These benefits include Federal Employees Health and Benefits Program (FEHBP), Federal Employees Group Life Insurance Program (FEGLI), and pensions. Imputed financing also recognizes costs to be paid by the Judgment Fund, which was established by Congress and funded at 31 U.S.C. 1304 to pay in whole or part the court judgments and settlement agreements negotiated by Treasury on behalf of agencies, as well as certain types of administrative awards. During the period these costs total \$177,000.

SFFAS No. 5, "Accounting for Liabilities of the Federal Government," requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. ATF does not report CSRS assets, FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to retirement plans because the accounting for and reporting of such amounts is the responsibility of OPM. Based on cost factors provided by OPM, estimated future pension benefits for ATF employees, to be paid by OPM, total \$8.5 million. Similarly, OPM, rather than ATF, reports liabilities for future payments to retired employees who participate in the FEHBP and FEGLI Programs. The FY 2003 FEHBP cost factor applied to a weighted average number of employees enrolled in the FEHBP is \$964, which is produced at a \$11.8 million imputed cost. The FY 2003 FEGLI cost factor for employees enrolled in the FEGLI program, as provided by OPM, is .02 percent of their basic pay. The FEGLI amount totaling \$38,000 is also included as an expense and imputed financing source in ATF's financial statements for FY 2003.

Note 15. Consolidated Gross Cost and Earned Revenue by Budget Functional Classification

Consolidated Cost and Earned Revenue by Budget Functional Classification

		<i>(in thousands)</i>		
		Gross Costs	Earned Revenue	Net Costs
<hr/>				
Fiscal Period Ended September 30, 2003				
Administration of Justice	750	\$ 619,005	\$ (34,425)	\$ 584,580
		<u> </u>	<u> </u>	<u> </u>

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification

		Gross Costs	Earned Revenue	Net Costs
<hr/>				
Fiscal Period Ended September 30, 2003				
Administration of Justice	750	\$ 193,310	\$ (34,272)	\$159,038
		<u> </u>	<u> </u>	<u> </u>

Note 16. Net Custodial Revenue Activity

As an agent of the Federal Government and as authorized by 26 U.S.C. § 6301, ATF collects excise taxes from firearms and ammunition industries, as well as permit and license fees. In addition, Special Occupational Taxes are collected from certain firearms businesses. ATF receives no dedicated collections.

Substantially all of the taxes and fees collected by ATF net of related refund disbursements are remitted to the Department of the Treasury General Fund. The Department of the Treasury further distributes this revenue to Federal agencies in accordance with various laws and regulations. As of September 30, 2003 the amount of custodial liability was \$693,000.

Note 17. Statement of Budgetary Resources vs. Budget of the United States

As discussed in Note 1A, ATF transferred from Treasury to the DOJ on January 24, 2003. ATF’s actual fiscal 2002 data is presented in the DOJ Budget Appendix; however, its Statement of Budgetary Resources is presented in Treasury’s financial statements, therefore this comparison is not required.

Note 18. Apportionment Categories of Obligations Incurred

	<i>(in thousands)</i>		
	Direct Obligations	Reimbursable Obligations	Total Obligations Incurred
	<hr/>	<hr/>	<hr/>
Fiscal Period Ended September 30, 2003:			
Obligations Apportioned Under Category A	<u>\$ 569,199</u>	<u>\$ 42,297</u>	<u>\$ 611,496</u>

The amount of direct and reimbursable obligations against amounts apportioned under Category A is reported in the table above. Apportionment categories are determined by the apportionment category reported on the Standard Form 132 *Apportionment and Reapportionment Schedule*. Category A represents resources appropriated for calendar quarters.

Note 19. Allocation Transfers of Appropriation

As a result of the Homeland Security Act, ATF was transferred from Treasury to DOJ on January 24, 2003. Because of the change in Departments, the Bureau was required to transfer the majority balance of its unexpended appropriations to DOJ. ATF's unexpended appropriations on January 23, 2003 were \$802.8 million. Of the \$802.8 million in unexpended appropriations, \$749 million was transferred to DOJ and \$53.9 million was transferred to a new entity created by Treasury called TTB.

In addition to the amounts transferred from Treasury, the Executive Office of the President—ONDCP also transferred \$460,000 to ATF to fund programs for countering drug trafficking. ATF also subsequently transferred \$27 million to the DOJ working capital fund.

Transfers—In/(Out) on the Statement of Changes in Net Position (SCNP):

	<i>(in thousands)</i>	
	Cumulative Results of Operations	Unexpended Appropriations
Budgetary Financing Sources (BFS):		
BFS Transfers to DOJ pursuant to the Homeland Security Act of 2002	\$ —	\$ 748,968
Other BFS Transfers	—	(26,540)
Total BFS Transfers	—	722,428
Other Financing Sources (OFS):		
OFS Transfers to DOJ pursuant to the Homeland Security Act of 2002	59,803	—
Other OFS Transfers	14,318	—
Total OFS Transfers	74,121	—
Total Transfers on SCNP	<u>\$ 74,121</u>	<u>\$ 722,428</u>

Transfers—In/(Out) on the Statement of Budgetary Resources (SBR):

	Unobligated Balance	Obligated Balance
SBR Transfers to DOJ pursuant to the Homeland Security Act of 2002	\$ 592,829	\$ 243,398
Other SBR Transfers	(26,540)	—
Total Transfers on SBR	<u>\$ 566,289</u>	<u>\$ 243,398</u>

List of Acronyms

ACFS	Association of Certified Fraud Specialists	LEIS	Law Enforcement Information Sharing
AECA	Arms Export Control Act	LEWG	Law Enforcement Working Group
AENR	Arson and Explosives National Repository	LIMS	Laboratory Information Management System
AEXIS	Arson and Explosives Incident System	NCATF	National Church Arson Task Force
AICPA	American Institute of Certified Public Accountants	NCETR	National Center for Explosives Training and Research
ANR	ATF NICS Referral	NCIC	National Crime Information Center
AOF	Alternate Operating Facility	NCPC	National Capital Planning Commission
ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives (or the Bureau)	NDIC	National Drug Intelligence Center
A&E	Arson and Explosives	NEOC	National Enforcement Operations Center
BATS	Bombing and Arson Tracking System	NFEA	National Firearms Examiner Academy
BFS	Budgetary Financing Sources	N-FOCIS	National Field Office Case Information System
CCRA	Canadian Customs Revenue Agency	NIBIN	National Integrated Ballistic Information Network
CES	Certified Explosives Specialist	NICS	National Instant Criminal Background Check System
CFA	Commission of Fine Arts	NJTTF	National Joint Terrorism Task Force
CFI	Certified Fire Investigator	NLC	National Laboratory Center
CIA	Central Intelligence Agency	NPT	New Professional Training
CI MST	Critical Incident Management Support Team	NRT	National Response Team
COOP	Continuity of Operations	NSSF	National Shooting Sports Foundation
CPIC	Capital Planning and Investment Control	NTC	National Tracing Center
DHS	Department of Homeland Security	OCDETF	Organized Crime and Drug Enforcement Task Force
DIA	Defense Intelligence Agency	OFS	Other Financing Sources
DSS	Diplomatic Security Service	OI	Office of Inspection
DOJ	Department of Justice	OM	Office of Management
DOL	Department of Labor	ONDCP	Official National Drug Central Policy
EEO	Explosives Enforcement Officer	OPM	Office of Personnel Management
EFT	Electronic Funds Transfer	ORB	Other Retirement Benefits
EOUSA	Executive Office of the US Attorney	OSII	Office of Strategic Intelligence and Information
EPIC	El Paso Intelligence Center	OWCP	Office of Workers Compensation Program
ESS	Employee Self Service	PPA	Prompt Payment Act
FASAB	Federal Accounting Standards Advisory Board	PSN	Project Safe Neighborhoods
FASB	Financial Accounting Standards Board	RCMP	Royal Canadian Mounted Police
FASTRAK	Forfeited Asset Tracking System	RISS	Regional Information Sharing Systems
FECA	Federal Employees Compensation Act	RISS-NET	Regional Information Sharing System
FEGLI	Federal Employees Group Life Insurance Program	RSO	Regional Security Officer
FEHBP	Federal Employees Health Benefits Program	SACES	Special Agent Certified Explosives Specialists
FEL	Federal Explosives License	SBR	Statement of Budgetary Resources
FERS	Federal Employees' Retirement System	SCNP	Statement of Changes in Net Position
FBI	Federal Bureau of Investigation	SEA	Safe Explosives Act
FBI/CTC	FBI Counter-terrorism Center	SFFAS	Statements of Federal Financial Accounting Standards
FFL	Federal Firearms Licensee	SHIMS	Safety and Health Information Management System
FinCEN	Federal Crime Enforcement Network	SIOC	Strategic Intelligence Operations Center
FIT	Firearms Integration Technology	SIPRNET	Secret Internet Protocol Router Network
FLETC	Federal Law Enforcement Training Center	SNMP	Simple Network Management Protocol
FMFIA	Federal Managers' Financial Integrity Act	SP	Strategic Plan
FO	Field Operations	SRT	Special Response Team
FReD	Financial Resources Desktop	TS/SCI	Top Secret Sensitive Compartmented Information
FTS	Firearms Tracing System	TTB	Alcohol and Tobacco Tax and Trade Bureau
FTX	Field-training Exercise	TMS	Text Management System
GAAP	Generally Accepted Accounting Principles	TOC	Training Officers Conference
GAO	General Accounting Office	TPD	Training and Professional Development
GIS	Geographical Information System	TSP	Thrift Savings Plan
G.R.E.A.T.	Gang Resistance Education and Training	USFA	United States Fire Administration
HEMOC	Headquarters Emergency Management Operations Center	VoIP	Voice over IP
IRT	International Response Team	VPN	Virtual Private Network
ISC	Interagency Security Council	WMD	Weapons of Mass Destruction
IVRS	Integrated Violence Reduction Strategy	XBase	Explosives Intelligence System
IWN	Integrated Wireless Network	YCGII	Youth Crime Gun Interdiction Initiative
JABS	Joint Automated Booking System		
JFMIP	Joint Financial Management Improvement Program		
JTTF	Joint Terrorism Task Forces		
JWICS	Joint Worldwide Intelligence Communications System		

Principal Officers of ATF

Director	Bradley A. Buckles
Deputy Director	Richard J. Hankinson
Chief Counsel	Stephen R. Rubenstein
Assistant Director (Field Operations)	Paul Snabel
Assistant Director (Firearms, Explosives and Arson Programs)	John P. Malone
Assistant Director (Inspection)	Richard E. Chase
Assistant Director (Public and Governmental Affairs)	Kathleen L. Kiernan
Assistant Director (Management)/CFO	William T. Earle
Assistant Director (Science and Technology)/CIO	Marguerite R. Moccia
Assistant Director (Training and Professional Development)	Mark C. Logan

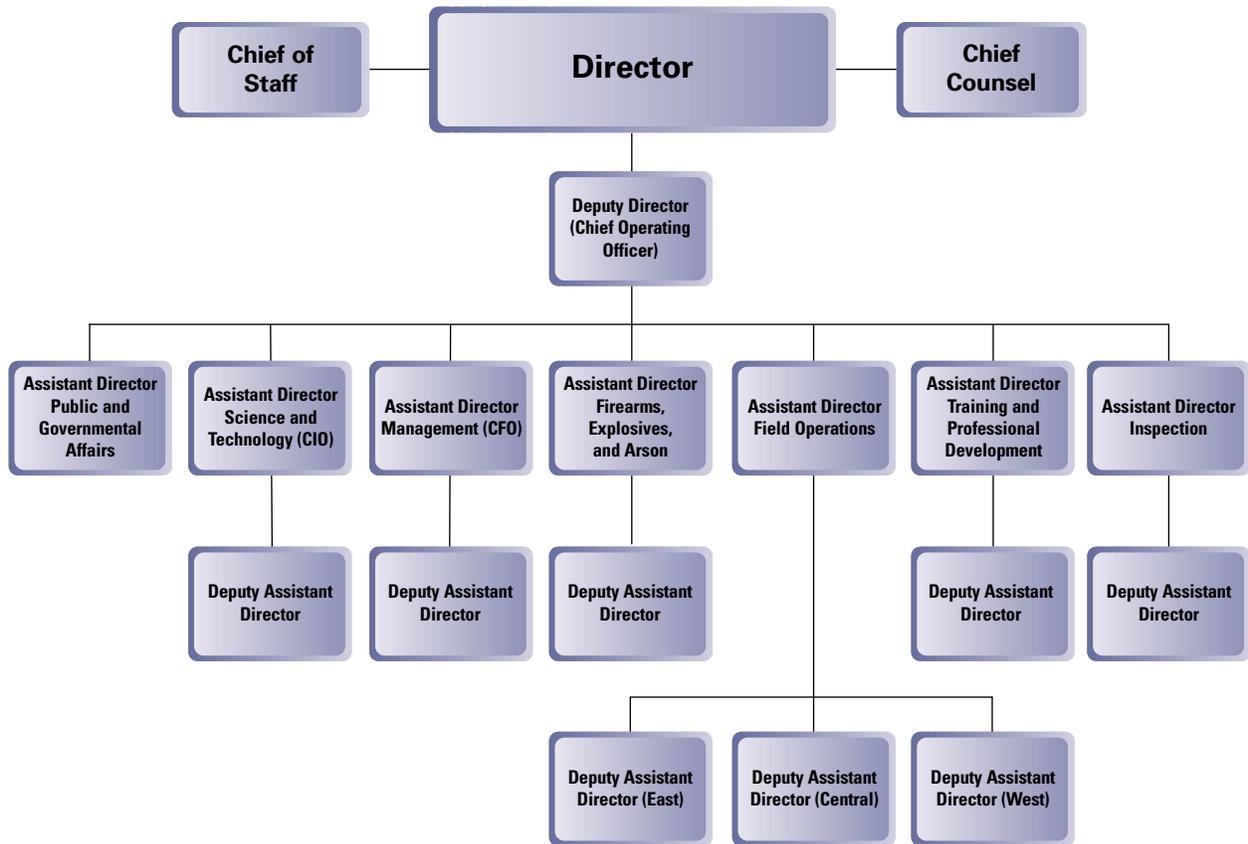
For additional information, or an updated list of Principal Officers, contact:

Office of Public Information
Bureau of Alcohol, Tobacco, Firearms and Explosives
650 Massachusetts Avenue, N.W.
Washington, D.C. 20226-0013
(202) 927-8500
or visit our Internet Address
<http://www.atf.gov>



Bureau of Alcohol, Tobacco, Firearms and Explosives

Organization Chart



Evolution of ATF

- 2002 Homeland Security Act of 2002**—transferred the authorities, functions, personnel, and assets of ATF from the Department of the Treasury to the Department of Justice (DOJ), and created within DOJ the Bureau of Alcohol, Tobacco, Firearms and Explosives, which continues to be referred to as ATF.
- 2002 Safe Explosives Act**—enacted as part of Homeland Security Act of 2002, strengthens Federal explosives laws enforced by ATF; expands explosives permitting provisions; expands categories of persons prohibited from possessing explosives.
- 2001 Patriot Act**—designated two Gun Control Act offenses [importation under section 922(l) and trafficking under section 924(n)] as “specified unlawful activity” for purposes of the money-laundering statutes.
- 2000 Civil Asset Forfeiture Reform Act**—the Act changed the procedures and burden of proof applicable to civil forfeiture of various kinds of property, including the forfeiture of firearms under the Gun Control Act; permitted the forfeiture of property in criminal proceedings where forfeiture was traditionally limited to civil actions.
- 1999 Omnibus Appropriations Act**—added “nonimmigrant aliens” to categories of persons prohibited from possessing firearms, and required firearms dealers to have available secure gun storage or safety devices.
- 1998 Brady Law**—mandatory five-day waiting period for transfer of firearm to non-licensee replaced by mandatory background checks through National Instant Criminal Check System (NICS) for firearms purchasers.
- 1997 Omnibus Appropriations Act**—added “misdemeanor crimes of domestic violence” to categories of persons prohibited from possessing firearms; authorized ATF to establish canine odor recognition standards and national explosives repository; added interstate commerce element to Gun Free School Zones Act.
- 1996 Antiterrorism and Effective Death Penalty Act of 1996**—added plastic explosives offenses; increased sentences for a number of explosives offenses; required taggant study.
- 1994 Violent Crime Control and Law Enforcement Act**—amended and strengthened current Federal firearms and explosives laws enforced by ATF; added a new category of prohibited persons: any person under certain restraining orders; implemented a ban on semiautomatic assault weapons.
- 1993 Brady Law**—created a mandatory five-day waiting period for purchasing handguns. Provision allows law enforcement to check the background of each handgun purchaser before delivery of any handguns are made by Federal firearms dealers. (Waiting period provisions took effect in 1994.)
- 1992 Gang Resistance Education And Training (G.R.E.A.T.)**—program established for gang violence prevention.
- 1986 Firearms Owners Protection Act**—enacted significant amendments to the Gun Control Act, to include provisions to impose mandatory penalties for certain criminal offenses, provisions relating to inspections of Federal Firearms Licensees, provisions relating to the forfeiture of firearms, and the implementation of a machine gun ban.
- 1984 Armed Career Criminal Act/Comprehensive Crime Control Act**—Congress passed amendments to the 1968 Gun Control Act, establishing mandatory sentences for armed drug traffickers and violent career criminals.
- 1982 Antiarson Act**—amended the Federal explosives laws to include destruction of property by fire along with destruction by explosives.
- 1978 Contraband Cigarette Act**—ATF helps State enforcement agencies to improve their enforcement and revenue collection capabilities, in response to the millions of dollars being lost to the State by cigarette smuggling from low-tax to high-tax states.
- 1972 Alcohol, Tobacco, and Firearms Division**—was separated from the IRS and given full Bureau status in the Treasury Department as the Bureau of Alcohol, Tobacco, and Firearms.
- 1970 Title XI of the Organized Crime Control Act of 1970**—contained provisions for regulation of the explosives industry and established certain bombings and arsons as Federal crimes. Alcohol and Tobacco Tax Division name changed to the Alcohol, Tobacco, and Firearms Division under the IRS.
- 1968 Gun Control Act**—created stricter licensing and regulation of the firearms industry and established new categories of offenses involving firearms and the first direct Federal jurisdiction aimed at criminal use of explosives. Responsibilities delegated to the Alcohol and Tobacco Tax Division.
- 1954 Internal Revenue Code**—Alcohol and Tobacco Tax Division gained jurisdiction over the regulation and tax collection on the alcoholic beverages, tobacco products and firearms industries.
- 1952 Title Change**—As a result of alcohol tax duties being delegated to the Alcohol Tax Unit in 1951, the unit title was changed to Alcohol and Tobacco Tax Division of the Internal Revenue Service (IRS).
- 1938 Federal Firearms Act**—established regulations of the firearms industry and made it a crime for felons and fugitives to receive firearms in interstate commerce.
- 1935 Federal Alcohol Administration Act**—created licensing and permit requirements and established regulations designed to ensure an open and fair marketplace to the legal businessman and to the consumer.
- 1934 National Firearms Act**—imposed criminal, regulatory, and tax laws on gangster-type weapons such as machine guns, and the Bureau of Prohibition turned over its responsibilities to a newly created Alcohol Tax Unit within the Bureau of Internal Revenue.
- 1927 Prohibition Unit**—became the separate Bureau of Prohibition, under the Department of Justice.
- 1794 Whiskey Rebellion**—violent resistance to the established authority of the Federal government to levy an excise tax on distilled spirits.
- 1791 Congress imposed the first Federal tax on distilled spirits.**