DRUG ENFORCEMENT ADMINISTRATION ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2010

U.S. Department of Justice
Office of the Inspector General
Audit Division

Audit Report 11-16
February 2011

DRUG ENFORCEMENT ADMINISTRATION ANNUAL FINANCIAL STATEMENTS FISCAL YEAR 2010

OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the Drug Enforcement Administration (DEA) for the fiscal years (FY) ended September 30, 2010, and September 30, 2009. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the DEA's audit in accordance with U.S. generally accepted government auditing standards. The audit resulted in an unqualified opinion on the FY 2010 financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity's operations in conformity with U.S. generally accepted accounting principles. For FY 2009, the DEA also received an unqualified opinion on its financial statements (OIG Report No. 10-14).

KPMG LLP also issued reports on internal control and on compliance and other matters. For FY 2010, the *Independent Auditors' Report on Internal Control over Financial Reporting* identified no deficiencies in internal controls. In the FY 2010 *Independent Auditors' Report on Compliance and Other Matters*, the auditors identified no instances of non-compliance with applicable laws and regulations and the *Federal Financial Management Improvement Act of 1996*.

The OIG reviewed KPMG LLP's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the DEA's financial statements, conclusions about the effectiveness of internal control, conclusions on whether the DEA's financial management systems substantially complied with the *Federal Financial Management Improvement Act of 1996*, or conclusions on compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated November 4, 2010, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with U.S. generally accepted government auditing standards.

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MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Fiscal year 2010 was another successful year for the Drug Enforcement Administration in financial management. For the twelfth consecutive year, we received an unqualified ("clean") audit opinion on our consolidated financial statements. Furthermore, our financial statement audit is completely free of any material weaknesses and significant deficiencies. These audit results are evidence of the hard work and collaboration among the 308 DEA offices world-wide and our commitment to sound financial management practices.

Although extraordinarily challenging, DEA successfully implemented the Unified Financial Management System (UFMS) in January 2009. Fiscal year 2010 was the first full year of operating and processing all financial and procurement transactions in the new system. The successful implementation of UFMS is critical to the future financial successes of our agency, but ultimately we will always rely on the cooperation and participation of DEA employees at all levels to achieve our goals and maintain our already high standards in financial management.

The implementation of a new financial system brought to light several issues to be addressed during the year. Chief among these challenges is DEA's ability to account for our obligations in a timely and accurate manner. Our ability to properly manage agency resources is key to the success of DEA's mission. I am pleased to say that although there is still a great deal of work to be done in this area, significant progress was made throughout the fiscal year. As a result of this hard work DEA's auditors did not identify any significant findings related to the management of undelivered orders to be included in the audit reports, as they did in fiscal year 2009.

On behalf of the Acting Administrator and entire Executive Staff, I would like to thank the many talented and dedicated men and women in DEA who are responsible for this year's exceptional record. DEA's Senior Leadership is keenly aware of the pivotal role financial management plays in service to our Special Agents and other core personnel. In particular, I would like to congratulate the financial management staff in Headquarters and the field for their tireless efforts to maintain solid financial management practices, as evidenced by the outstanding results of this year's testing, even in the face of a difficult system implementation. I am privileged to be a part of this fine community of individuals and I consider this report a reflection of the outstanding service these dedicated people provide to DEA, day in and day out.

Frank Kalder

Frank M. Kalder
Chief Financial Officer
October 29, 2010

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Management's Discussion and Analysis

Unaudited

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U.S. DEPARTMENT OF JUSTICE
DRUG ENFORCEMENT ADMINISTRATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

MISSION AND ORGANIZATIONAL STRUCTURE

Mission

The mission of the Drug Enforcement Administration (DEA) is to enforce the controlled substances laws and regulations of the United States (U.S.) and bring to the criminal and civil justice system of the U.S., or any other competent jurisdiction, those organizations and principal members of organizations involved in the growing, manufacturing, or distribution of controlled substances appearing in or destined for illicit traffic in the U.S., including organizations that use drug trafficking proceeds to finance terror; and to recommend and support enforcement-related programs aimed at reducing the availability of and demand for illicit controlled substances on the domestic and international markets.

Organizational Structure of the DEA

The DEA is a component of the Department of Justice (DOJ). It is headed by an Administrator, who is appointed by the President and confirmed by the Senate. During fiscal year (FY) 2010, the DEA operated a total of 226 Domestic Offices, which consisted of 21 Domestic Field Divisions, through which 37 Domestic District Offices, 117 Resident Offices, and 51 Posts of Duty reported. The DEA also operated 82 Foreign Offices, which consisted of 62 Foreign Country Offices and 20 Resident Offices in 61 countries. Of the 82 Foreign Offices, nine offices reported through Domestic Field Divisions (seven through the Caribbean Field Division and two through the Miami Field Division).

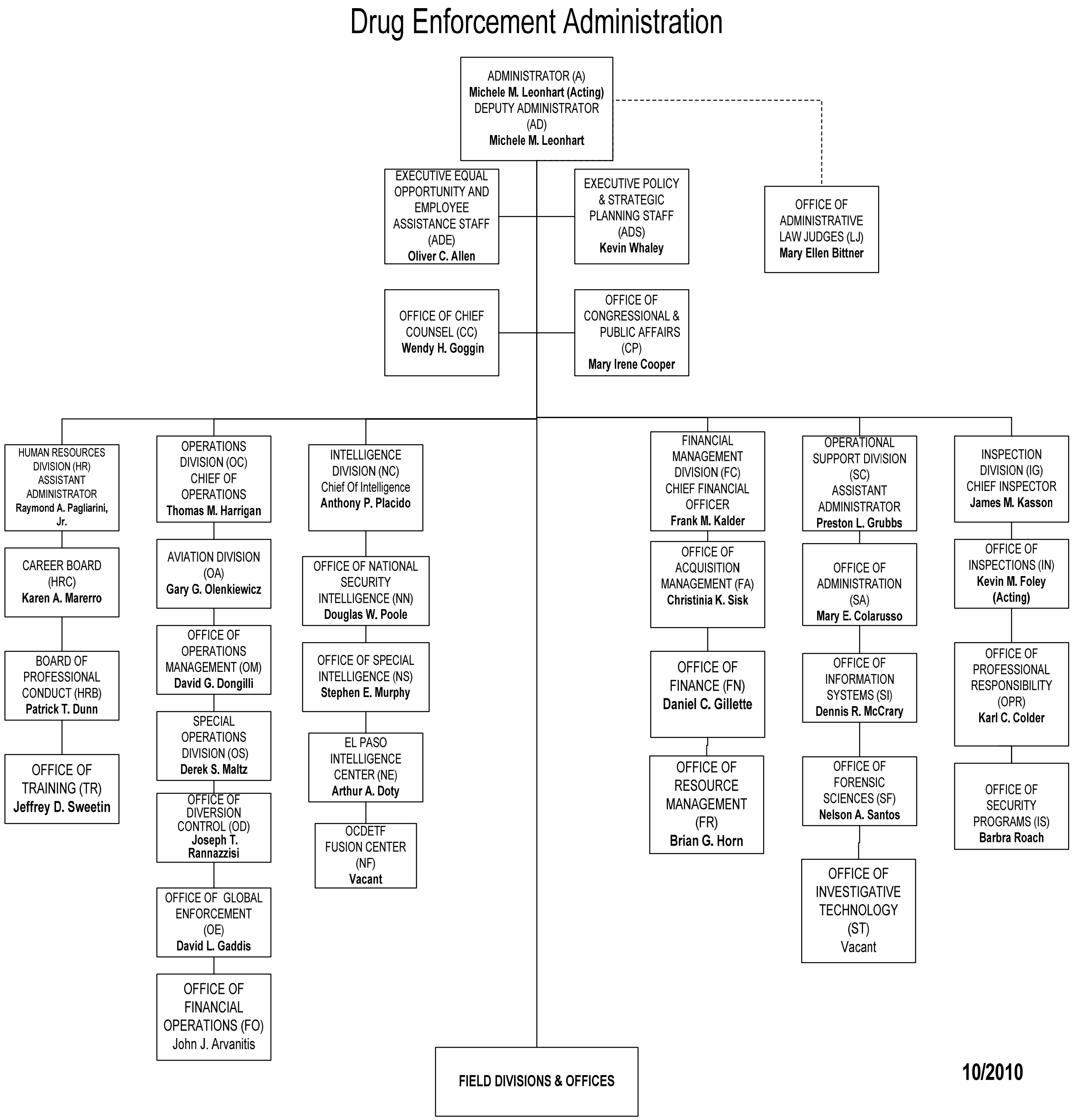
The DEA's authorized positions for FY 2010 are 10,908 positions, including 5,293 Special Agents. The chart below provides a breakout of the DEA's staffing by position category and compares authorized positions to on-board strength at the end of FY 2010:

FY 2010 Staffing Data [1]

Position Category	Authorized Positions	On-Board Strength September 30, 2010[2]
Special Agent	5,293	5,001
Diversion Investigator	516	461
Intelligence Specialist	967	816
Chemist	349	303
Support[3]	3,783	3,261
TOTAL	10,908	9,842

[1] Includes 1,309 Organized Crime Drug Enforcement Task Force (OCDETF) Program reimbursable positions and 1 Joint Interagency Task Force (JIATF) Program reimbursable position.
[2] Reflects on-board strength as of Pay Period 19, which ended September 25, 2010. Pay Period 19 is classified as the Final Pay Period for FY 2010 by the Office of Personnel Management (OPM) and DOJ.
[3] Support includes all Professional/Administrative and Technical/Clerical Positions and Employees.

The chart below depicts the Headquarters Offices that report to the Deputy Administrator and/or the Administrator:



FINANCIAL STRUCTURE

In FY 2010, the DEA had available funding in seven different annual, multi-year, and no-year appropriations. Generally, the DEA's annual appropriation provides 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.

PERFORMANCE INFORMATION

Resources

Under the DOJ Strategic Plan, the DEA's resources are devoted to the achievement of DOJ Strategic Goals 1, Prevent Terrorism and Promote the Nation's Security, and 2, Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People.

Table 1. Source of DEA Resources
(Dollars in Thousands)

Source	FY 2010	FY 2009	Change %
Earned Revenue:	$ 678,302	$ 593,283	14.3%
Budgetary Financing Sources:			
Appropriations Received	2,053,353	1,959,084	4.8%
Appropriations Transferred In/Out	39,756	158,467	(74.9)%
Other Financing Sources:			
Transfers In/Out Without Reimbursement	9,518	12,323	(22.8)%
Imputed Financing From Costs Absorbed by Others	75,709	66,398	14.0%
Total	$ 2,856,638	$ 2,789,555	2.4%

Table 2. How DEA Resources are Spent
(Dollars in Thousands)

Strategic Goal (SG)	FY 2010	FY 2009	Change %
SG 1. Prevent Terrorism and Promote the Nation's Security			
Total Gross Cost	$ 100,315	$ 66,558	50.7%
Less: Total Earned Revenue	632	536	17.9%
Total Net Cost of Operations	$ 99,683	$ 66,022	51.0%
SG 2. Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People			
Total Gross Cost	$ 2,801,202	$ 2,672,648	4.8%
Less: Total Earned Revenue	677,670	592,747	14.3%
Total Net Cost of Operations	$ 2,123,532	$ 2,079,901	2.1%

FY 2010 Financial Highlights

Strategic Goal 1, Prevent Terrorism and Promote the Nation's Security, includes the DEA's membership in the Intelligence Community (IC), a special investigations unit, support of counterterrorism intelligence inquiries, Afghanistan Foreign-deployed Advisory and Support Teams (FAST), and the DEA's enforcement operations in the Middle East, Central Asia, and Southwest Asia, such as Operation Containment. FY 2010 is the fourth year that the DEA is scoring resources as Strategic Goal 1. In FY 2010, Goal 1 net costs increased by 51 percent. This is the result of a transfer from the State Department to support DEA operations in Afghanistan. This funding was available to support DEA's Afghanistan expansion efforts, including 69 positions, in FY 2009 and FY 2010. Because the funding was received in August 2009, it was not obligated and expended until FY 2010.

Strategic Goal 2, Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People, includes the majority of the DEA's enforcement and regulatory activities. In FY 2010, Strategic Goal 2 net costs increased by 2.1 percent.

Data Reliability and Validity

The DEA views data reliability and validity as critically important in the planning and assessment of our performance. As such, this document includes a discussion of data validation, verification, and any data limitations for each performance measure presented. Each Reporting Component ensures that data reported meets the following criteria:

> *At a minimum, performance data are considered reliable if transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management. Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data possible will exceed the value of any data so obtained.*

In addition, the DEA was requested to ensure that data reported met the Office of Management and Budget (OMB) standards for data reliability as presented in OMB Circular No. A-11, *Preparing and Submitting Budget Estimates*, Section 230.2 (f), *Relationships Between the Annual Program Performance Report, the Annual Performance Plan, and the Accountability Report*. Based on a review of the OMB standard, the DEA has determined that its performance data is reliable.

FY 2010 REPORT ON SELECTED RESULTS

STRATEGIC GOAL 1: Prevent Terrorism and Promote the Nation's Security – 4.5 percent of the DEA's Net Costs support this Goal.

PROGRAM:

Background/Program Objectives:

Intelligence and National Security

In recognition of the national security threat that illegal drugs pose to the U.S., the contributions that the DEA makes in the area of national security, and the continued mandate for increased intelligence sharing between law enforcement and intelligence agencies, DEA's Office of National Security Intelligence (ONSI) was designated a member of the Intelligence Community (IC) in February 2006. Since February 2006, the DEA has enhanced its ability to exploit its confidential sources for national and homeland security issues and the dissemination of information to the IC and other law enforcement agencies.

The ONSI is a component of the DEA's Intelligence Division (NC) within the DEA Headquarters. The ONSI conducts exclusively the operational responsibilities of the NC in order to ensure separation of the DEA's intelligence and law enforcement functions. The objective of the ONSI is to maximize the DEA's contribution to national security, while protecting the primacy of its law enforcement mission. Through the efforts of the ONSI, the DEA fulfills the requirement to share intelligence mandated by the USA Patriot Act and the Attorney General's guidelines to share information. ONSI facilitates full and appropriate intelligence coordination and information sharing with the other members of the IC and homeland security elements to enhance U.S. efforts to reduce the supply of drugs, protect national security, and combat global terrorism.

The DEA collection management system, managed through the ONSI, plays a critical role in the facilitation of information sharing with the IC. The system includes Intelligence Analysts based at the DEA's headquarters and in the field who serve as the interface between the IC and the DEA's primary law enforcement mission. The collection management system provides the tool for satisfying internal DEA requirements as well as intelligence requirements from the law enforcement community, IC, and other information-sharing partners. The ONSI, through its Collection Requirements Unit, has developed and implemented methodologies for responding to IC requirements with information derived from law enforcement operations and investigations. These processes are designed to identify, gather, collate and disseminate information in response to identified requirements in a structured manner that will maximize the value of the information to the end user.

ONSI continues to build DEA's Reports Officer Program, which is responsible for reviewing DEA investigative and intelligence reporting for the purpose of extracting and disseminating to other U.S. intelligence and federal law enforcement agencies information that could assist in protecting homeland security. These Intelligence Information Reports (IIRs) enhance information sharing. DEA's Report Officer Program provides thousands of IIRs to the IC. These reports, while based on information derived from drug investigations, provide information on a variety of national security issues, including terrorism, WMD, biological weapons, political corruption, and foreign policy interests.
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Performance Measure: Percentage of IC Requests for Information (RFIs) Provided by the Requested Deadline

FY 2001 Actual Performance	N/A, Measure first reported in FY 2009.
FY 2002 Actual Performance	N/A, Measure first reported in FY 2009.
FY 2003 Actual Performance	N/A, Measure first reported in FY 2009.
FY 2004 Actual Performance	N/A, Measure first reported in FY 2009.
FY 2005 Actual Performance	N/A, Measure first reported in FY 2009.
FY 2006 Actual Performance	N/A, Measure first reported in FY 2009.
FY 2007 Actual Performance	N/A, Measure first reported in FY 2009.
FY 2008 Actual Performance	N/A, Measure first reported in FY 2009.
FY 2009 Actual Performance	90%
FY 2010 Target	100%
FY 2010 Actual Performance	85%

Data Collection and Storage: As a result of receiving RFIs from a variety of sources, including the DEA, IC, and Law Enforcement (LE) partners, the ONSI researches information and develops products. These products are internally tracked through an MS Access database. The ONSI also uses a SIPERNET-based shared system (FORUM) for customer and field units to track the status of the RFIs. The ONSI does not maintain any databases of IC or LE partners' information. The answers to all RFIs are retained in a secure hard copy file section at the ONSI.
Data Validation and Verification: Each RFI is validated through the ONSI CRMS Unit.
Data Limitations: None known at this time.

Discussion of FY 2010 Results:

As of September 30, 2010, DEA provided 85 percent of IC RFIs by the requested deadline. Each year, DEA's target is to meet 100 percent of the requested deadlines; however, with the newness of this program, there are anticipated fluctuations as the program grows. The decline between on time performance between FY 2009 and FY 2010 reflects increased workload as ONSI accepts more IC requests with short deadlines.

Background/Program Objectives:

Foreign-deployed Advisory and Support Teams (FAST)

The DEA's FAST deployed to Afghanistan to provide guidance to DEA's Afghan counterparts and conduct bilateral investigations that identify, target, and dismantle illicit drug trafficking and money laundering organizations. The DEA's FAST also provide tactical and operational training to Counter Narcotics Police - Afghanistan (CNP-A) officers assigned to the Narcotics Interdiction Unit (NIU). The ultimate goal in Afghanistan is to conduct bilateral investigations in conjunction with the NIU. The DEA assists the NIU in destroying clandestine labs, which includes seizing, and in some cases destroying, precursor chemicals, opium, and opiate stockpiles as well as improvised devices. Also, with FAST tactical and operational training, the NIU will be made increasingly proficient in drug enforcement operations conducted unilaterally. A strengthened NIU is required to fight the narcotics threat currently undermining the security and stability efforts in Afghanistan. The FAST also play an important role in protecting the lives of both the U.S. military and coalition partners.

Performance Measure: Number of Afghan NIU Officers Who Received Tactical and Operational Training by FAST Agents.

Note: In FY 2009, DEA reexamined all agency-wide performance measures in response to DOJ guidance and is discontinuing this measure in FY 2010; therefore, an FY 2010 target was not established.

FY 2001 Actual Performance	N/A, Measure first reported in FY 2006.
FY 2002 Actual Performance	N/A, Measure first reported in FY 2006.
FY 2003 Actual Performance	N/A, Measure first reported in FY 2006.
FY 2004 Actual Performance	N/A, Measure first reported in FY 2006.
FY 2005 Actual Performance	N/A, Measure first reported in FY 2006.
FY 2006 Actual Performance	126
FY 2007 Actual Performance	145 [Resources Scored as Goal 1 Beginning FY 2007.]
FY 2008 Actual Performance	188
FY 2009 Actual Performance	230
FY 2010 Target	N/A, Measure is being discontinued.
FY 2010 Actual Performance	330

Data Collection and Storage: Statistics associated with FAST activities are gathered and tracked by the Office of Global Operations using applications such as Excel and Word. These statistics are provided to the Evaluation and Planning Section (FRE) and other Headquarters program offices on a quarterly basis.
Data Validation and Verification: Data is reviewed upon receipt by the Office of Global Enforcement, FAST Section (OTF), but only technical or unusual deviations are checked.
Data Limitations: None known at this time.

<u>Discussion of FY 2010 Results</u>:

As of September 30, 2010, 330 NIU received tactical and operational training from FAST.

In FY 2010, the FAST provided guidance, mentorship and tactical and operational training so that the NIU will operate as a self sustained narcotics police institution capable of identifying and disrupting heroin trafficking organizations linked to terrorists in Afghanistan. Training of the NIU in FY 2010 has proven to be valuable in that the NIU seized drugs and munitions that belong to anti-coalition forces, including the Taliban. The total number of NIU officers trained will continue to fluctuate due to attrition as law enforcement officers are reassigned out of their unit if their work performance does not meet appropriate standards set by the DEA and NIU supervisors. Also, certain percentages of NIU officers resign, transfer out of the unit to pursue other employment, or are killed in the line of duty.

Background/Program Objectives:

<u>Enforcement Operations in the Middle East, Central Asia, and Southwest Asia - Operation Containment</u>

The DEA expanded its overseas presence to continue investigative efforts against organizations in the Middle East, Central Asia, and Southwest Asia region and pursue links to foreign terrorist organizations. The DEA implements administrative, diplomatic, and investigative measures to reduce the flow of drugs into world markets and dismantle drug-related terrorist activities. The DEA is currently engaging in proactive enforcement and intelligence gathering operations targeting the command and control structure of heroin trafficking organizations in the Afghanistan and Southwest Asia region. Specifically, in FY 2002, the DEA initiated *Operation Containment*, an intensive, multi-national program that attempts to place a security belt around Afghanistan to prevent processing chemicals from entering and opium and heroin from leaving. This initiative supports existing Sensitive Investigative Units (SIUs) in Uzbekistan, Kyrgyzstan, and Tajikistan.

Performance Measure: Percent of Bilateral Investigations Initiated in the Middle East, Central Asia, and Southwest Asia Region

Note: In FY 2009, DEA reexamined all agency-wide performance measures in response to DOJ guidance and is discontinuing this measure in FY 2010; therefore, a FY 2010 target was not established.

FY 2001 Actual Performance	N/A, Measure first reported in FY 2006.
FY 2002 Actual Performance	N/A, Measure first reported in FY 2006.
FY 2003 Actual Performance	N/A, Measure first reported in FY 2006.
FY 2004 Actual Performance	N/A, Measure first reported in FY 2006.
FY 2005 Actual Performance	N/A, Measure first reported in FY 2006.
FY 2006 Actual Performance	14%
FY 2007 Actual Performance	12% [Resources Scored as Goal 1 Beginning FY 2007]

FY 2008 Revised Actual Performance	11%
FY 2009 Actual Performance	10%
FY 2010 Target	N/A, Measure is being discontinued
FY 2010 Actual Performance	13%

Data Collection and Storage: The number of Bilateral Investigations initiated in the Middle East, Central Asia, and Southwest Asia Region are retrieved from the DEA's case tracking system, the Case Status Subsystem (CAST).
Data Validation and Verification: Each originating office must conduct periodic reviews of its files. Active cases which do not have investigatory activity for a 90-day period must be reviewed by the Resident Agent in Charge or group supervisor. The Special Agent in Charge must review the status of all files on a semi-annual basis. Pending cases must be reviewed 180 days after they initially become "pending" and then every 90 days until closed. It is the responsibility of the field office supervisor to determine that the creation, maintenance, and the review of CAST file records are performed regularly. A review of the overall CAST record quality, other CAST concerns, or CAST statistics for a DEA field division are also provided to the Office of Inspections on an ad hoc basis.
Data Limitations: The DEA is currently improving its reporting systems and its overall data quality. All statistics are limited by a lack of a relational link between case files and enforcement outputs (e.g. arrest, seizure, and work hour data). The link is inferred through data manipulation, but some areas are prone to error until all data systems are linked in a relational manner, and errors are prevented through data validation and referential integrity.

Discussion of FY 2010 Enforcement Operations in the Middle East, Central Asia, and Southwest Asia Accomplishments:

As of September 30, 2010, 13 percent of all bilateral investigations were initiated in this region.

The DEA is working to establish a permanent presence and develop strong relationships with its host nation law enforcement counterparts in countries located in this region. As there has been a link established between terrorists and drug trafficking organizations, the DEA is engaging in proactive drug enforcement and intelligence gathering operations with its host nation counterparts by targeting the command and control structure of heroin trafficking organizations operating in the Middle East, Central Asia, and Southwest Asia region. Through *Operation Containment*, the DEA continued to work with countries from Central Asia, the Caucasus, Europe, and Russia to reduce the heroin flowing out of Afghanistan.

However, despite DEA's successes in this region, the DEA cannot operate unilaterally and is constantly faced with complex external challenges that impede progress towards achievement of agency goals and objectives. For example, most international drug laws are inadequate to address counter drug efforts. Many countries lack effective legislative measures and the judicial means to effectively impede illicit drug production, diversion, transportation, or distribution in their countries. In addition, changes within foreign governments may hinder cooperation in host countries in the areas of drug and chemical control. Therefore, the number of bilateral investigations will continue to fluctuate as the DEA is faced with numerous external obstacles.

STRATEGIC GOAL 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People – 95.5 percent of the DEA's Net Costs support this Goal.

PROGRAM:

Background/Program Objectives:

International and Domestic Enforcement

The DEA is committed to bringing organizations involved in the growing, manufacturing, or distribution of controlled substances to the criminal and civil justice system of the U.S., or any other competent jurisdiction. To accomplish its mission, the DEA targets Priority Target Organizations (PTOs), which represent the major drug supply and money laundering organizations operating at the international, national, regional, and local levels that have a significant impact upon drug availability in the United States. Specifically, the Priority Targeting Program focuses on dismantling entire drug trafficking networks by targeting their leaders for arrest and prosecution, confiscating the profits that fund continuing drug operations, and eliminating international sources of supply. As entire drug trafficking networks from sources of supply to the distributors on the street are disrupted or dismantled, the availability of drugs within the United States will be reduced.

PTOs identified by the DEA's domestic field divisions and foreign country offices are tracked using the *Priority Target Activity Resource Reporting System* (PTARRS), an Oracle database used to track operational progress and the resources used in the related investigations, (i.e., investigative work hours and direct case-related expenses). Through PTARRS, DEA assesses and links PTOs to drug trafficking networks, which address the entire continuum of the drug conspiracy.

In its effort to target PTOs, the DEA is guided by key drug enforcement programs such as the Organized Crime Drug Enforcement Task Forces (OCDETF) program. Specifically, the DEA participated in approximately 86 percent and had the lead or co-lead in approximately 79 percent of all OCDETF investigations in FY 2010. The DEA, through the OCDETF program, targeted the drug trafficking organizations on the DOJ's FY 2010 Consolidated Priority Organization Target (CPOT) list – the "Most Wanted" drug trafficking and money laundering organizations believed to be primarily responsible for the Nation's illicit drug supply.

The disruption or dismantlement of CPOT-linked organizations is primarily accomplished through multi-agency and multi-regional investigations directed by the DEA and the Federal Bureau of Investigation (FBI). These investigations focus on the development of intelligence-driven efforts to identify and target drug trafficking organizations that play a significant role in the production, transportation, distribution, and financial support of large scale drug trafficking operations. The DEA's ultimate objective is to dismantle these organizations so that reestablishment of the same criminal organization is impossible.

The DEA's long-term goal is to contribute to DOJ's goal to reduce the supply of drugs available for consumption in the United States. After multiple attempts by the Office of National Drug Control Policy's Drug Availability Steering Committee to develop a reliable methodology for estimating the availability of the four major drug types (cocaine, heroin, marijuana, and methamphetamine), DOJ's Associate Deputy Attorney General, Director of OCDETF has concluded that, for the foreseeable future, there are no reliable national estimates of drug availability in the United States. As a result, a Performance Measures Working Group was established to develop a replacement outcome measure for DOJ's current long-term outcome goal for drug enforcement - "Contribute to the Reduction in the Supply of Illegal Drugs Available for Consumption in the U.S." The working group consists of representatives from DEA, OCDETF, Asset Forfeiture Fund (AFF), FBI, Immigration and Customs Enforcement (ICE), and the National Drug Intelligence Center (NDIC). The intent of the Working Group is to include the agreed upon replacement long-term outcome goal in DOJ's new Strategic Plan, which is scheduled to be published during the fall of 2010.

As the nation's preeminent drug law enforcement organization, the DEA has also the responsibility to respond to the drug enforcement training needs of the U.S. law enforcement community. Each law enforcement officer trained to conduct narcotics investigations contributes to the nationwide counterdrug effort. By teaching others the methodologies and techniques of drug enforcement, the DEA is able to expand drug enforcement across the United States in a very cost-effective manner.

Performance Measure: Disrupt or Dismantle International and Domestic PTOs Linked to CPOT Targets and Not Linked to CPOT Targets

FY 2001 Actual Performance	94 PTOs Disrupted or Dismantled (94 Not Linked to CPOT)
FY 2002 Actual Performance	222 PTOs Disrupted or Dismantled (30 Linked to CPOT / 192 Not Linked to CPOT)
FY 2003 Actual Performance	458 PTOs Disrupted or Dismantled (52 Linked to CPOT / 406 Not Linked to CPOT)
FY 2004 Actual Performance	706 PTOs Disrupted or Dismantled (160 Linked to CPOT / 546 Not Linked to CPOT)
FY 2005 Actual Performance	1,152 PTOs Disrupted or Dismantled (283 Linked to CPOT / 869 Not Linked to CPOT)
FY 2006 Actual Performance	1,305 PTOs Disrupted or Dismantled. (231 Linked to CPOT/ 1,074 Not Linked to CPOT)
FY 2007 Actual Performance	1,537 PTOs Disrupted or Dismantled. (195 Linked to CPOT/ 1,342 Not Linked to CPOT)
FY 2008 Actual Performance	2,291 PTOs Disrupted or Dismantled (337 Linked to CPOT / 1,954 Not Linked to CPOT)
FY 2009 Actual Performance	2,362 PTOs Disrupted or Dismantled (364 Linked to CPOT[1] / 1,998 Not Linked to CPOT)
FY 2010 Target	2,670 PTOs Disrupted or Dismantled (385 Linked to CPOT / 2,285 Not Linked to CPOT)
FY 2010 Actual Performance	2,673 PTOs Disrupted or Dismantled (501 Linked to CPOT[2] / 2,172 Not Linked to CPOT

[1] FY 2009: 364 consists of 123 Dismantlements and 241 Disruptions of PTOs linked to CPOT. These numbers are included in the table on page 14. These numbers represent DEA's portion of the actual performance reported in DOJ's Consolidated MD&A and Performance and Accountability Report. Since there may be some overlap in the disruptions and dismantlements reported by FBI and DEA, the numbers are deconflicted and consolidated to avoid double counting. Therefore it may not be poss ble to add DEA's and FBI's totals to arrive at DOJ's Consolidated Target/Actual.

[2] FY 2010: 501 consists of 172 Dismantlements and 329 Disruptions of PTOs linked to CPOT. These numbers are included in the table on page 14. These numbers represent DEA's portion of the actual performance reported in DOJ's Consolidated MD&A and Performance and Accountability Report. Since there may be some overlap in the disruptions and dismantlements reported by FBI and DEA, the numbers are deconflicted and consolidated to avoid double counting. Therefore it may not be poss ble to add DEA's and FBI's totals to arrive at DOJ's Consolidated Target/Actual.

Priority Target Organizations (PTOs)
International & Domestic Enforcement
Disrupted and Dismantled[1]

Fiscal Year	PTO Linkages	OCDETF PTOs Disrupted	OCDETF PTOs Dismantled	OCDETF Total	Non-OCDETF PTOs Disrupted	Non-OCDETF PTOs Dismantled	Non-OCDETF Total	Total PTOs Disrupted	Total PTOs Dismantled	Total
FY 2001 Actual	PTOs Linked to CPOT	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]
	PTOs Not Linked to CPOT	27	41	68	16	10	26	43	51	94
	Total, FY 2001 Actual	27	41	68	16	10	26	43	51	94
FY 2002 Actual	PTOs Linked to CPOT[3]	5	9	14	12	4	16	17	13	30
	PTOs Not Linked to CPOT	54	70	124	34	34	68	88	104	192
	Total, FY 2002 Actual	59	79	138	46	38	84	105	117	222
FY 2003 Actual	PTOs Linked to CPOT[3]	29	6	35	10	7	17	39	13	52
	PTOs Not Linked to CPOT	186	99	285	77	44	121	263	143	406
	Total, FY 2003 Actual	215	105	320	87	51	138	302	156	458
FY 2004 Actual	PTOs Linked to CPOT	103	20	123	32	5	37	135	25	160
	PTOs Not Linked to CPOT	217	135	352	125	69	194	342	204	546
	Total, FY 2004 Actual	320	155	475	157	74	231	477	229	706
FY 2005 Actual	PTOs Linked to CPOT	133	77	210	47	26	73	180	103	283
	PTOs Not Linked to CPOT	338	253	591	179	99	278	517	352	869
	Total, FY 2005 Actual	471	330	801	226	125	351	697	455	1,152
FY 2006 Actual	PTOs Linked to CPOT	102	48	150	52	29	81	154	77	231
	PTOs Not Linked to CPOT	424	258	682	232	160	392	656	418	1,074
	Total, FY 2006 Actual	526	306	832	284	189	473	810	495	1,305
FY 2007 Actual	PTOs Linked to CPOT	84	49	133	40	22	62	124	71	195
	PTOs Not Linked to CPOT	515	293	808	363	171	534	878	464	1,342
	Total, FY 2007 Actual	599	342	941	403	193	596	1,002	535	1,537
FY 2008 Actual	PTOs Linked to CPOT	167	52	219	84	34	118	251	86	337
	PTOs Not Linked to CPOT	788	334	1,122	555	277	832	1,343	611	1,954
	Total, FY 2008 Actual	955	386	1,341	639	311	950	1,594	697	2,291
FY 2009 Actual	PTOs Linked to CPOT	130	81	211	111	42	153	241	123	364
	PTOs Not Linked to CPOT	639	397	1,036	604	358	962	1,243	755	1,998
	Total, FY 2009 Actual	769	478	1,247	715	400	1,115	1,484	878	2,362
FY 2010 Target	PTOs Linked to CPOT	[4]	[4]	[4]	[4]	[4]	[4]	251	134	385
	PTOs Not Linked to CPOT	[4]	[4]	[4]	[4]	[4]	[4]	1,422	863	2,285
	Total, FY 2010 Target	[4]	[4]	[4]	[4]	[4]	[4]	1,673	997	2,670
FY 2010 Actual	PTOs Linked to CPOT	177	111	288	152	61	213	329	172	501
	PTOs Not Linked to CPOT	611	404	1,015	733	424	1,157	1,344	828	2,172
	Total, FY 2010 Actual	788	515	1,303	885	485	1,370	1,673	1,000	2,673

[1] Includes disruptions, closed (PTARRS status code E) and disruptions pending dismantlements (PTARRS status code D) Prior to FY 2003, DEA did not include disruptions pending dismantlements its reported numbers of PTO disruptions

[2] The CPOT list was not developed until the end of FY 2002

[3] Not all information concerning direct links between PTOs and CPOT targets is maintained in PTARRS The number of domestic PTOs linked to CPOT targets for FY 2002 and FY 2003 were identified by an analysis conducted at headquarters In October 2003, PTARRS began to track PTOs with direct links to CPOT targets, which are identified by the field and validated by headquarters

[4] For planning purposes and the establishment of targets, DEA does not differentiate between OCDETF and non-OCDETF investigations

Data Definition: Disruption means impeding the normal and effective operation of the targeted organization, as indicated by changes in organizational leadership and/or changes in methods of operation, including, for example, financing, trafficking patterns, communications or drug production. Disruption Pending Dismantlement means impeding the normal and effective operation of the targeted organization, but continuing towards the organization's complete evisceration such that it is incapable of operating and/or reconstituting itself. Dismantlement means destroying the organization's leadership, financial base and supply network such that the organization is incapable of operating and/or reconstituting itself. The first CPOT List was issued in September 2002, and is updated semi-annually. The List identifies the most significant international drug trafficking and money laundering organizations and those primarily responsible for the Nation's drug supply. Enforcement agencies are focused on identifying links among disparate domestic drug trafficking and money laundering organizations and on making connections to their ultimate sources of supply. Investigators continually work up and across the supply chain, with the goal of disrupting and dismantling the entire network controlled by or supporting a given CPOT organization. An organization is considered "linked" to a CPOT, if credible evidence exists (i.e., from corroborated confidential source information, phone tolls, Title III intercepts, financial records, or other similar investigative means) of a nexus between the primary target of the investigation and a CPOT target. The nexus need not be a direct connection to the CPOT, so long as a valid connection exists to a verified associate or component of the CPOT organization.
Data Collection and Storage: Each Country Office Attaché or Special Agent in Charge (SAC) nominates PTOs in PTARRS based on intelligence information. Headquarters staff ensures that PTOs are tracked and nominations are supported by data and information.
Data Validation and Verification: PTARRS provides its users with a means of electronically proposing, nominating, reviewing, editing, and tracking PTO investigations, including the PTO's eventual disruption and dismantlement. The roles in the electronic approval chain are as follows: • Special Agent (SA) - The SA, Task Force Officer, or Diversion Investigator collects data on lead cases that will be proposed as PTOs. They can create, edit, update, and propose a PTO record. • Group Supervisor (GS) – The GS/Country Attaché (CA) coordinates and plans the allocation of resources for a proposed PTO. The GS/CA can create, edit, update, propose, resubmit, and approve a PTO record. • Assistant Special Agent in Charge (ASAC) - The ASAC/Assistant Regional Director (ARD) reviews the PTO proposed and approved by the GS/CA, ensuring that all the necessary information meets the criteria for a PTO. The ASAC/ARD can also edit, update, resubmit, or approve a proposed PTO. • Special Agent in Charge (SAC) - The SAC/Regional Director (RD) reviews the proposed PTO from the ASAC/ARD and is the approving authority for the PTO. The SAC/RD can also edit, update, resubmit, or approve a proposed PTO. **Headquarters Responsibilities** • Operations Division (OC) – The Section Chief of OMD, or his designee, is the PTO Program Manager, and is responsible for the review of all newly approved PTO submissions and their assignment to the applicable OE or FO section. The PTO Program Manager may request that incomplete submissions be returned to the field for correction and resubmission. OMD is also responsible for tracking and reporting information in the PTO Program through PTARRS; and is the main point-of-contact for the PTO program and PTARRS related questions. • OMD will assign PTO's based on the nexus of the investigation to organizations located in specific geographic areas of the world, or to specific program areas. After assignment of a PTO, the appointed HQ section becomes the point-of-contact for that PTO and division/region personnel should advise appropriate HQ section personnel of all significant activities or requests for funding during the course of the investigation. The Staff Coordinator (SC) assigned to the PTO will initiate a validation process to include a review for completeness and confirmation of all related linkages (e.g., CPOTs.) In the unlikely event that the documentation submitted is insufficient to validate reported linkages the SC will coordinate with the submitting office to obtain the required information. • All PTO cases that are reported as disrupted or dismantled must be validated by OMD or OMO.

OMD will validate all non-OCDETF related PTO cases and OMO will validate all OCDETF related cases. These disruptions and dismantlements are reported to the Executive Office of OCDETF via memo by OMO.
Data Limitations: All statistics are limited by a lack of a relational link between case files and enforcement outputs (e.g., arrest, seizure, and work hour data). The link is inferred through data manipulation, but some areas are prone to error until all data systems are linked in a relational manner, and errors are prevented through data validation and referential integrity.

***Discussion of FY 2010 International and Domestic Enforcement Accomplishments**:*

As of September 30, 2010, the DEA disrupted or dismantled 2,673 PTOs, which is 0.11 percent above its FY 2010 target of 2,670. When compared with FY 2009 actuals (2,362 PTOs disrupted or dismantled), this also represents a 13 percent increase in performance. Morever, a comparison of the FY 2009 actuals and the FY 2010 target further demonstrates DEA's willingness to both set ambitious target and focus its limited resources toward achieving those goals. While the number of CPOT linked PTO disruptions/dismantlements greatly exceeded its target by 30 percent, for the first time the number of non-CPOT linked PTO failed to reach its target by 4.9 percent. However, this is not necessarily bad news because DEA's primary goal is to identify and disrupt/dismantle the most insidious and dangerous trafficking organizations who pose the greatest threat to our national security and public health; CPOT linked PTOs. Due to the implementation of enhanced internal and external (OCDETF) validation protocols, DEA mandated that its Special Agents intensify their efforts and investigate in a more collaborative manner with its financial and intelligence assets to work through the complexity of each PTO investigation to either establish and further document CPOT linkages or rule them out. The weighted distribution of the FY 2010 PTO disruptions or dismantlements (actual to target) in favor of CPOT linked PTOs over not CPOT linked bears it out. This is a testament to those collaborative and better coordinated efforts by DEA leadership in the field and at Headquarters.

The investigations against these targets have become much more complex. Law enforcement is pursuing more complex investigative techniques to achieve a significant impact against these organizations. This inherently takes more time. Utilizing such techniques as electronic surveillance and in-depth financial investigations has permitted the DEA to improve upon its success in permanently dismantling major drug trafficking organizations. However, these sophisticated techniques are more time intensive and as a result investigations can last for several years.

Two recent, significant accomplishments in FY 2010 are as follows:

- February 2010 was a landmark month in DEA's efforts against Mexican drug cartels and the successes would not have been possible without the continuing close cooperation between the U.S. and the Government of Mexico. On February 4, Miguel Caro-Quintero was sentenced to 17 years in a U.S. federal prison. Miguel Caro-Quintero had assumed control of the family organization after the arrest of his brother Rafael Caro-Quintero,who was complicit in the kidnapping, torture, and murder of DEA Special Agent Enrique Camarena. Caro-Quintero had previously admitted to trafficking more than 100 tons of marijuana from 1985 through 1988, resulting in more than $100,000,000 in payment being sent to Mexico. On February 19, Mexico extradited Vicente Zambada-Niebla, a leader in the Sinaloa Cartel and son of kingpin Ismael “Mayo” Zambada-Garcia. Zambada-Niebla and other leaders of the Sinaloa Cartel coordinated their narcotics trafficking activities to import multi-ton quantities of cocaine from Central and South America to the interior of Mexico, using various means of transportation. Then, they allegedly smuggled hundreds of kilograms of cocaine at a time, as well as multi-kilograms of heroin, across the U.S. border to Chicago and throughout the U.S.

- On June 9, 2010, 429 arrests took place in 16 states as part of “Project Deliverance,” which targeted the transportation infrastructure of Mexican drug trafficking organizations in the United States, especially along the Southwest border, through coordination between federal, State and local law enforcement. More than 3,000 agents and officers operated across the United States to make the arrests. Also, $5.8 million, 17 pounds of methamphetamine, 112 kilograms of cocaine, 2,951 pounds of marijuana, 141 weapons and 85 vehicles were seized by law enforcement agents. In addition to 2,266 arrests overall, “Project Deliverance” has led to the seizure of $154 million, and 1,262 pounds of methamphetamine, 2.5 tons of cocaine, 1,410 pounds of heroin, 69 tons of marijuana, 501 weapons and 527 vehicles during the 22-month multi-agency law enforcement operation.

Background/Program Objectives:

<u>State and Local Assistance</u>

The DEA supports State and local law enforcement with methamphetamine-related assistance and training, which allows State and local agencies to better address the methamphetamine threat in their communities and reduce the impact that methamphetamine has on the quality of life for American citizens.

One of the most critical, specialized training programs offered by DEA to State and local law enforcement officers is in the area of Clandestine Laboratory Training. Often, it is the State and local police who first encounter the clandestine laboratories and must ensure that they are investigated, dismantled, and disposed of appropriately.

The DEA offers three Clandestine Laboratory Training courses (State and Local Clandestine Laboratory Certification, Clandestine Laboratory Site Safety, and Clandestine Laboratory Tactical training). The first two courses provide detailed information regarding Occupational Safety and Health Administration (OSHA) regulations and standards. Officers are informed of the hazards that they are likely to encounter and how to handle these hazards. For example, during training, officers become familiar with the personal protective equipment that must be worn when dismantling a clandestine lab. During the third course, officers are taught the difference between traditional drug investigations and clandestine laboratory investigations. Teaching others the techniques used to investigate and dismantle clandestine laboratories acts as a force multiplier for the DEA.

Performance Measure: Total Number of State and Local Law Enforcement Officers Trained in Clandestine Laboratory Enforcement

FY 2001 Actual Performance	1,049
FY 2002 Actual Performance	1,275
FY 2003 Actual Performance	1,573

FY 2004 Actual Performance	1,029
FY 2005 Actual Performance	1,043
FY 2006 Actual Performance	1,077
FY 2007 Actual Performance	952
FY 2008 Actual Performance	968
FY 2009 Actual Performance	873
FY 2010 Target	950
FY 2010 Actual Performance	1,306

Data Collection and Storage: The DEA Training Academy receives quarterly training data from the field on training provided by Division Training Coordinators (DTC). The field data is combined with the data generated by the DEA's Training Academy for total training provided by the DEA. Data is tabulated quarterly based on the fiscal year.
Data Validation and Verification: Data is reviewed upon receipt, but only technical or unusual deviations are checked.
Data Limitations: None known at this time.

Discussion of FY 2010 State and Local Assistance Accomplishments:

As of September 30, 2010, DEA trained 1,306 State and local law enforcement officers in Clandestine Laboratories in FY 2010. The DEA Office of Training exceeded its target of training 950 State and local law enforcement officers in FY 2010 by 37.5 percent. This was attributed to additional Clandestine Laboratory Training conducted in association with the Federal Bureau of Investigation (FBI) and the National Improvised Explosive Familiarization (NIEF) Program.

Background/Program Objectives:

Diversion Control

The Diversion Control Program (DCP) is responsible for carrying out a primary mission of the DEA: to enforce the Controlled Substances Act (CSA) and its regulations pertaining to pharmaceutical controlled substances and listed chemicals. The DCP actively monitors more than 1.3 million individuals and companies that are registered with the DEA to handle controlled substances or listed chemicals through a system of scheduling, quotas, recordkeeping, reporting, and security requirements.

The DCP implements an infrastructure of controls established through the CSA and ancillary regulations. This system balances the protection of public health and safety by preventing the diversion of controlled substances and listed chemicals while ensuring an adequate and uninterrupted supply for legitimate needs. The DCP conducts and facilitates domestic and international investigations; plans and allocates program resources; promulgates regulations; and conducts liaison with industry as well as federal, state, and local counterparts.

The Problem of Diversion

The diversion and abuse of pharmaceutical controlled substances has long been a problem, but these problems have become more acute in recent years. There are many factors contributing to the increased abuse of prescription drugs. Many mistakenly believe that abusing prescription drugs is safer than using illicit street drugs.

Prescription drugs are easily obtainable from friends and family. Moreover, many people are not aware of the potentially serious consequences of using prescription drugs non-medically.

Over the last several years, national surveys have documented the fact that a significant number of Americans are abusing controlled substance prescription drugs for nonmedical purposes. According to the 2009 National Survey on Drug Use and Health (published in September 2010) 7 million Americans were current non-medical users of psychotherapeutic drugs. Of that number 5.3 million Americans abused pain relievers. The survey also indicated that the abuse of prescription drugs was second only to marijuana and had the largest number of new initiates.

The Centers for Disease Control (CDC) reported that "the number of deaths involving prescription opioid analgesics increased from roughly 2,900 in 1999 to 7,500 in 2004, an increase of 158.6 percent in 5 years." The CDC also reported that unintentional poisoning deaths attributed to methadone increased from 786 in 1999 to 4,462 in 2005, a 467.7 percent change, and that unintentional poisoning deaths attributed to psychotherapeutic drugs increased from 671 in 1999 to 1,300 in 2004, a 93.7 percent change. According to the CDC, opioid analgesics were involved in almost 40 percent of all poisoning deaths in 2006.

The Florida Medical Examiner's Commission reported that in 2006, there were 2,230 deaths associated with prescription drugs in the State of Florida, an average of 6 deaths per day. In 2007, the Florida Medical Examiner's Commission reported that there were 2,752 lethal dose reports of prescription drugs detected in deceased persons in the State of Florida or an average of more than 7.5 persons per day. In 2009, there were 3,571 deaths related to prescription drugs or an average of nearly 9.8 deaths per day in Florida.

DEA focuses the majority of its investigations on where the diversion occurs the most, at the pharmacy and practitioner level of the distribution chain. These investigations may include non-registrants or end users who are involved in large-scale diversion. Other forms of diversion may include, thefts and robberies from pharmacies, illegal Internet distribution organizations (individuals and organizations that operate over the Internet and prescribe and dispense controlled substances without a valid prescription), prescription fraud and doctor shopping.

On September 25, 2010, the Drug Enforcement Administration (DEA) coordinated the National Take Back Day. Approximately 4,094 collection sites and 2,992 state and local law enforcement agencies participated in this first-ever nationwide program to remove potentially dangerous controlled substances from our nation's medicine cabinets. Approximately 121 tons of potentially dangerous drugs were collected during the one-day event. As stated by Acting Administrator Michele M. Leonhart "This effort symbolizes DEA's commitment to halting the disturbing rise in addiction caused by their misuse and abuse. Working together with our state and local partners, the medical community, anti-drug coalitions, and a concerned public, we will eliminate a major source of abused prescription drugs, and reduce the hazard they pose to our families and communities in a safe, legal, and environmentally sound way."

All of the goals, strategies and initiatives supported by the DCP are intended to establish stronger standards of control, aid in preventing the diversion of pharmaceutical controlled substances and chemicals, and enhance public safety by building greater accountability and qualitative reporting requirements into its network of compliance indicators.

Diversion of Controlled Chemicals: Almost all illicit drugs are produced using a combination of chemicals that react either upon an organic base ingredient or, in the case of synthetic drugs, with each other to produce the finished drug. Almost all of these chemicals have legitimate uses. Most are widely available in household cleaning and healthcare products and throughout a large variety of manufacturing industries. Cocaine, for example, is extracted from coca leaves and converted into its most common form by using a large quantity and variety of industrial chemicals. Heroin is synthesized using a combination of acetylating and purifying agents after morphine has first been extracted in a chemical process from raw opium. Methamphetamine, PCP, LSD, and MDMA are synthetic drugs manufactured from various chemical precursors.

DEA has initiated and actively participates in several ongoing, multi-national operations to prevent, detect, and eliminate the diversion of chemicals and other precursor substances across global markets. On the domestic front, the DEA has liaison and outreach programs with the chemical industry to improve cooperation and compliance with new and on-going initiatives implemented to reduce the amount of diversion. On the international front, the DEA is working to increase its efforts to conduct and improve overseas liaison by providing international chemical control training to foreign law enforcement officials. The resultant training has enabled foreign counterparts to improve their ability to detect and identify clandestine shipments of banned chemical imports thereby denying source country traffickers the requisite precursors and reagents necessary to refine and produce illegal drugs.

Performance Measure (Pharmaceuticals & Listed Chemicals): CSA Compliance among Adjusted Type B Registrants – Adjusted Type B Registrant Compliance Indicator

Note: In FY 2009, DEA reexamined all agency-wide performance measures in response to DOJ guidance and is discontinuing this measure in FY 2010; therefore, a FY 2010 target was not established.

FY 2001 Actual Performance	95.38 %
FY 2002 Actual Performance	95.80 %
FY 2003 Actual Performance	97.70 %
FY 2004 Actual Performance	96.83 %
FY 2005 Actual Performance	97.04 %
FY 2006 Actual Performance	95.66 %
FY 2007 Actual Performance	97.10 %
FY 2008 Actual Performance	88.54 %
FY 2009 Actual Performance	94.90 %
FY 2010 Target	N/A, Measure Discontinued
FY 2010 Actual Performance	94.54%

Data Definition: Type B Registrants manufacture and distribute controlled substances at the wholesale level. These include manufacturers, distributors, analytical labs, importers/exporters and narcotic treatment programs. The Adjusted Number of Type B Registrants excludes researchers and analytical labs because the amount of controlled substances maintained or supplied to these Type B registrants is minimal and the risk to public safety nominal relative to the vast amount of controlled substances handled by manufacturers, distributors, importer/exporters and narcotic treatment programs. Non-Compliant Type B registrants include all type B registrants sanctioned for CSA violations within the fiscal year of interest. Adjusted Type B Compliance Indicator (%) = (Adjusted Number of Type B Registrants − Adjusted Number of Non-Compliant Type B Registrants) / (Adjusted Number of Type B Registrants) X 100 %. At the beginning of each fiscal year, the number of Adjusted Type B Registrants is identified. The cumulative number of administrative, civil, and criminal sanctions levied against these registrants is documented and reported on a quarterly basis.
Data Collection and Storage: During the reporting quarter, the Diversion field offices change the status of a registrant's CSA2 master record to reflect any regulatory investigative actions that are being conducted on the registrant. The reporting of the regulatory action by each field office is available on a real-time basis through the reporting system within CSA2 as the investigative status change occurs. The regulatory investigative actions that are collected in a real-time environment are as follows: letters of admonition/memorandum of understanding (MOU), civil fines, administrative hearing, orders to show cause, restricted records, suspensions, surrenders for cause, revocations, and applications denied. The CSA2 enables the DEA to maintain all of the historical and investigative information on the DEA registrants. It also serves as the final repository for a majority of punitive (i.e., sanctions) actions levied against CSA violators.
Data Validation and Verification: The Diversion Investigator and the field office Group Supervisor (GS) are tasked to ensure that timely and accurate reporting is accomplished as the registrant's investigative status changes. Both the GS and the Diversion Program Manager (DPM) have the ability to view the report of ingoing and completed regulatory investigation actions for their office/division at any time during the quarter or at the quarter's end, since the actions are in real-time.
Data Limitations: The enforceable longevity (duration) and the severity of the sanctions levied vary among registrants types and jurisdictions. Because there is no adequate methodology for normalizing these data we have to rely on Diversion's data validation and verification procedures. Therefore, while the DEA acknowledges this data limitation, it asserts that these data have "face" or intrinsic validity due to the quality controls in place. Diversion affirms that it will continue to proactively test and evaluate its validation and verification procedures in order to ensure the quality and reliability of its data.

Discussion of FY 2010 Diversion Control Accomplishments:

The DEA computes the Percentage of Adjusted Type B Registrants that are in Compliance with the CSA at the end of each quarter as an assessment of its overall performance. This performance measure tracks the percentage of the wholesale population or "bulk handlers" of controlled substances that are compliant with the CSA, and it represents a key measure of the agency's effort to safeguard the public.

In FY 2010, the DEA reported 94.54 percent compliance. The Adjusted Type B Compliance Indicator is a "negative" or "inverse" measure that demonstrates the DEA's effectiveness in detecting violators and applying sanctions against CSA violators. Overall, from FY 2003 through FY 2010, the data clearly demonstrates temporal fluctuations in the level of CSA compliance that can be expected as CSA violators are identified, sanctioned, and eventually removed from the registrant population. The data also shows that the combined enforcement and regulatory efforts of the DCP successfully ensures a high degree of compliance among its registrant population.

Performance Measure (Chemicals): Percentage of Mandated List I Chemical Regulatory Investigations Initiated

Note: In FY 2009, DEA reexamined all agency-wide performance measures in response to DOJ guidance and is discontinuing this measure in FY 2010; therefore, a FY 2010 target was not established.

FY 2001 Actual Performance	118.0 %
FY 2002 Actual Performance	139.0 %
FY 2003 Actual Performance	119.0 %
FY 2004 Actual Performance	90.0 %
FY 2005 Actual Performance	98.0%
FY 2006 Actual Performance	85.0 %
FY 2007 Actual Performance	90.0 %
FY 2008 Actual Performance	106.7 %
FY 2009 Actual Performance	118.1%
FY 2010 Target	N/A, Measure Discontinued
FY 2010 Actual Performance	149.7%

Data Definition: List I Chemical Investigations (%) = Number of List I Chemical Investigations / Number of non-supervisory Diversion Investigators (DIs) on board at the start of the fiscal year. Note: The Number of Chemical Investigations (fiscal year target) is pre-determined by the on-board strength of non-supervisory DIs at the beginning of the fiscal year. Each non-supervisory DI is required to conduct at least one, but no more than two, List I regulatory investigations per fiscal year. Thus, the annual target or goal is one investigation per non-supervisory DI and it is expressed as a percentage of non-supervisory DIs on board or 100%. The cumulative number of List I Chemical Investigations is documented and reported on a quarterly basis.
Data Collection and Storage: During the reporting quarter, the Diversion field offices change the status of a registrant's CSA2 master record to reflect any regulatory investigative actions that are being conducted on the registrant. The reporting of the regulatory action by each field office is available on a real-time basis through the reporting system within CSA2, as the investigative status change occurs. The regulatory investigative actions that are collected in a real-time environment are as follows: letters of admonition/MOU, civil fines, administrative hearings, orders to show cause, restricted records, suspensions, surrenders for cause, revocations, and applications denied. The CSA2 enables the DEA to maintain all of the historical and investigative information on the DEA registrants. It also serves as the final repository for a majority of punitive (i.e., sanctions) actions levied against CSA violators.
Data Validation and Verification: The Diversion Investigator and the field office GS are tasked to ensure that timely and accurate reporting is accomplished as the registrants investigative status changes. Both GS and the DPM have the ability to view the report of ingoing and completed regulatory investigation actions for their office/division at any time during the quarter or at the quarter's end, since the actions are in real-time.
Data Limitations: The enforceable longevity (duration) and the severity of the sanctions levied vary among registrants types and jurisdictions. Because there is no adequate methodology for normalizing these data we have to rely on Diversion's data validation and verification procedures. Therefore, while the DEA acknowledges this data limitation, it asserts that these data have "face" or intrinsic validity due to the quality controls in place. Diversion affirms that it will continue to proactively test and evaluate its validation and verification procedures in order to ensure the quality and reliability of its data.

Discussion of FY 2010 Diversion Control Accomplishments:

The availability of List I chemicals on the Internet has provided traffickers with an almost unlimited supply of the chemicals needed to manufacture illicit substances. This trend almost mirrors the availability of pharmaceutical products on the Internet. In order to meet this challenge, the DEA needs to aggressively identify and shut down these Internet sites. Diversion Investigators are uniquely qualified to assess production capabilities, assess chemical trafficking patterns, and develop leads on individuals and businesses engaged in the diversion of chemical precursors.

The DEA has a long standing, proactive mandate to inspect its chemical registrants for regulatory and criminal violations on a regularly scheduled basis. List I chemical regulatory investigations are routine investigations initiated by the DEA to detect and identify compliance issues at their onset and thereby institute corrective measures or impose sanctions that deter and/or prohibit their reoccurrence.

With a goal of one List I chemical regulatory investigation per non-supervisory Diversion Investigator (1 to 1 or 100 percent), this performance measure tracks the percentage of the List I chemical regulatory investigations initiated in recognition of the DEA's proactive mandate to ensure compliance among its chemical registrants and thereby prevents the diversion of chemical precursors to illegal markets. In FY 2010, the DEA reported 149.7 percent of its mandated List I chemical regulatory investigations initiated.

Performance Measure: Number of Administrative/Criminal Sanctions Imposed on Registrants/Applicants

FY 2001 Actual Performance	573
FY 2002 Actual Performance	495
FY 2003 Actual Performance	548
FY 2004 Actual Performance	618
FY 2005 Actual Performance	628
FY 2006 Actual Performance	711
FY 2007 Actual Performance	743
FY 2008 Actual Performance	952
FY 2009 Actual Performance	864
FY 2010 Target	770
FY 2010 Actual Performance	687

Data Definition: Consists of administrative code 1 (surrender for cause), code 2 (revocation), code 9 (suspension), code D (denial), code R (restriction), Letters of Admonition, Administrative Hearings, and Civil Fines. Registrants lose or forfeit the DEA Registration or are convicted of a drug felony. Registrants are permanently denied access to controlled substances pending a reversal of circumstances.
Data Collection and Storage: During the reporting quarter, the Diversion field offices change the status of a registrant's CSA2 master record to reflect any regulatory investigative actions that are being conducted on the registrant. The reporting of the regulatory action by each field office is available on a real-time basis through the reporting system within CSA2 as the investigative status changes. The regulatory investigative actions that are collected in a real-time environment are as follows: letters of admonition/MOU, civil fines, administrative hearings, orders to show cause, restricted records, suspensions, surrenders for cause, revocations, and applications denied. The CSA2 enables the DEA to maintain all of the historical and investigative information on the DEA registrants. It also serves as the final repository for a majority of punitive (i.e., sanctions) actions levied against CSA violators.
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these data we have to rely on Diversion's data validation and verification procedures. Therefore, while the DEA acknowledges this data limitation, it asserts that these data have "face" or intrinsic validity due to the quality controls in place. Diversion affirms that it will continue to proactively test and evaluate its validation and verification procedures in order to ensure the quality and reliability of its data.

Discussion of FY 2010 Diversion Control Accomplishments:

As the DEA continues to focus on more complex, trafficking organizations and the financial entities that support them, the number of administrative/criminal sanctions will increase. The DEA's goal is to dismantle the organizations most responsible for the diversion of pharmaceuticals and precursor chemicals. In addition, collaborative enforcement efforts among Federal, State, and local law enforcement agencies and increases in Federal and State sponsored legislation that target and eliminate the methods previously exploited by diverters, have driven many of the most egregious elements out of the registrant populations. In FY 2010, the DEA reported 687 administrative/criminal sanctions imposed on its registrants/applicants.

ANALYSIS OF FINANCIAL STATEMENTS HIGHLIGHTS

Financial Statements

The DEA received an unqualified ("clean") audit opinion from the independent public accounting firm of KPMG LLP on its FY 2010 financial statements provided on pages 47 to 81. This is the twelfth consecutive year the DEA received a clean opinion. This unqualified audit opinion provides independent assurance to the public that the information presented in the DEA financial statements is fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

The following sections provide a discussion and analysis of the financial statements and related information.

Statement of Net Cost

The Statement of Net Cost presents the DEA's results of operations. The following table presents the total results of operations for the last four fiscal years.

Net Cost of Operations (Dollars in Millions)				
	FY 2007	**FY 2008**	**FY 2009**	**FY 2010**
Earned Revenue	$ 540	$ 575	$ 593	$ 678
Gross Cost	$ (2,350)	$ (2,514)	$ (2,739)	$ (2,901)
Total Net Cost	$ (1,810)	$ (1,938)	$ (2,146)	$ (2,223)

The Statement of Net Cost compares fees earned to cost incurred during a specific period of time.

Intragovernmental Revenues are predominately from reimbursable activity within the Department of Justice, in particular agreements for task force support with OCDETF. Intragovernmental Revenues increased by 18.1 percent from FY 2009 to FY 2010 from $410M to $484M, respectively.

Consolidated Balance Sheet

The Consolidated Balance Sheet shows that the DEA's assets as of September 30, 2010 were $1,314M, a net decrease of $14M from FY 2009 balance of $1,328M.

Fund Balance with Treasury was $809M at September 30, 2010, a 3.3 percent increase from the FY 2009 balance of $783M. Fund Balance with Treasury represents 61.6 percent of total assets.

Intragovernmental Accounts Receivable was $39M at September 30, 2010, a 46.3 percent decrease from the FY 2009 balance of $73M. Intragovernmental Accounts Receivable represents 3.0 percent of total assets. Intragovernmental Accounts Receivable for FY 2009 was high due to the conversion to UFMS.

General Property, Plant, and Equipment decreased 1.3 percent during FY 2010, from $387M to $382M. General Property, Plant and Equipment represent 29.1 percent of total assets.

Intragovernmental Liabilities were $97M at September 30, 2010, a 16.3 percent decrease from the FY 2009 balance of $115M. Intragovernmental Liabilities represents 11.6 percent of total liabilities. The decrease in Intragovernmental Liabilities can be attributed to a decrease in accounts payable with the Department of State.

Liabilities with the public were $736M at September 30, 2010, a 7.3 percent increase from the FY 2009 balance of $687M. In FY2009 DEA prospectively changed the methodology for estimating Deferred Revenue. It will take the full three year cycle to see the final effect of the change. There was a $41M increase in Deferred Revenue for FY2010 compared to an increase of $55M in FY2009. Liabilities with the public represent 88.4 percent of total liabilities.

Statement of Budgetary Resources

Total budgetary resources for spending are primarily comprised of Congressional authority appropriated for current year use, as well as fee collections. The following table displays the DEA's total budgetary resources over the last four years, with the related percentage change over the previous year.

Budgetary Resources (Dollars in Millions)				
	FY 2007	**FY 2008**	**FY 2009**	**FY2010**
Budgetary Resources	$ 2,571	$ 2,819	$ 3,067	$ 3,276
Percentage Change	8.11%	9.62%	8.81%	6.81%

During FY 2010, the DEA's total budgetary resources available for spending increased 6.8 percent over the amount available in FY 2009 due to enhancements in annual, no-year, and reimbursable authorities and funds. The DEA continues to manage its resources efficiently and effectively to support the mission of the agency.

Finally, Spending Authority from Offsetting Collections increased from FY 2009 to FY 2010 from $467M to $499M, as of September 30, 2010. These increases are primarily due to increased intradepartmental reimbursable activity with OCDETF and AFF.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Management Controls Program in the DEA

The DEA remains committed to ensuring that funding allocated to combat drug trafficking is managed effectively and efficiently. The DEA continually evaluates its operations to improve management practices and the accuracy and soundness of the agency's financial data. In accordance with OMB Circular A-123 requirements, a comprehensive risk assessment analysis was performed on all 118 allowances, covering nine significant business processes spanning 55 criteria. The DEA met all DOJ required A-123 deadlines, reporting dates, and requirements. Based on the results of the risk assessments, comprehensive on-site reviews were conducted at 13 high risk divisions, laboratories, and headquarters offices.

DEA conducted comprehensive on-site reviews at 13 offices, at which time key management controls were tested. The reviews included analyzing source documentation, conducting employee interviews, performing transaction walk-throughs, and ensuring compliance with the DEA's Financial and Acquisition Management Policy Manual (FAMPM), as well as applicable laws and regulations. The review process is part of DEA's management control program, which is designed to ensure that DEA's financial records, systems, and statements fairly present DEA's financial position and results of operation. At the conclusion of each review, the team briefed management on the results of the testing and discussed areas of concern as well as corrective action recommendations.

In support of DEA's objective to train its managers and staff on the most current and up-to-date financial management policies and procedures, the Financial Management Division:

1. Conducted Unified Financial Management System (UFMS) Overview Training for Managers. Two classes (one foreign and one domestic) were conducted. Each class was one week in length. There were 22 students in the domestic class (March 2010) and ten students in the foreign class (June 2010). DEA managers with fiscal responsibilities received an overview of all major UFMS roles using the "Lifecycle of an Obligation" approach. Students were also instructed on the use of UFMS reports and tools for fiscal management.
2. Conducted three Undelivered Delivered Orders (UDOs) classes. Students received instruction on: the definitions and impact of commitments and obligations and the reconciliation of unliquidated commitments; step-by step instructions on the reconciliation and certifications of UDOs; the key roles of those with reconciliation responsibilities. A total of 60 students were trained.
3. Conducted Temporary Duty (TDY) Travel Voucher Preparation Training for one Diversion Investigator class, six Basic Agent Training classes, and one Forensic Chemist class. A total of 287 students were trained.
4. Conducted 45 UFMS training classes at the DEA Headquarters and the St. Louis Division Office between February 2010 and July 2010. The training was

geared for new system users, but also served as a refresher course for current users. A total of 876 students were trained.

5. Conducted three imprest fund cashier training sessions during FY 2010. Two of the classes were taught in the traditional classroom setting and one class was taught as a Video Teleconferencing (VTC). A total of 51 students were trained.
6. Conducted financial management training for three Foreign Orientation Program (FOP) audiences during FY 2010. Topics included: Permanent Change of Station (PCS) travel voucher requirements; Relocation Income Tax Allowance; miscellaneous expense allowances; foreign payments; cash operations. A total of 203 students were trained.
7. Conducted Imprest Fund Audit training for one Group Supervisor Institute class. A total of 40 students were trained.

Quarterly Status Report. As part of Departmental reporting requirements, the DEA prepares a Quarterly Status Report (QSR) that includes data on obligations, availability of funds, personnel, performance targets and results, workload targets and results, and progress on outstanding Federal Managers' Financial Integrity Act (FMFIA) findings. The QSR has resulted in the timely identification of problems and the resolution of identified deficiencies. In addition, the QSR has helped the DEA to meet the preparation, auditing, and submission deadlines for the annual financial statements.

Managerial Cost Accounting (MCA) System. The MCA provides the DEA with full cost information that is used to evaluate and report on operations, facilitate decision-making, and assess performance. Specifically, the MCA integrates DEA costs with DEA performance to show how the DEA resources are allocated to achieve its mission.

Federal Managers' Financial Integrity Act of 1982

The Federal Mangers' Financial Integrity Act of 1982 (FMFIA) provides the statutory basis for management's responsibility for and assessment of internal accounting and administrative controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. FMFIA requires federal agencies to establish controls that reasonable ensure that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. FMFIA also requires agencies to assess and report annually on the internal controls that protect the integrity of federal programs (FMFIA § 2) and whether financial management systems conform to related requirements (FMFIA § 4).

Guidance for implementing FMFIA is provided through OMB Circular A-123. In addition to requiring agencies to provide an assurance statement on the effectiveness of programmatic internal controls and conformances with financial systems requirements, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting. The Department requires components to provide both assurance statements in order to prepare the agency assurance statement.

Management of the DEA is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. For FY 2010, DEA assessed its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, as required by Section 2 of the FMFIA. Based on the results of this assessment, DEA can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and its compliance with applicable laws and regulations as of June 30, 2010, was operating effectively, except for one reportable condition – DEA's ability to obtain reliable estimates of drug availability in the United States. DEA also assessed whether its financial management systems conform to government-wide requirements. Based on the results of this assessment, DEA can provide reasonable assurance that there are no non-conformances that are required to be reported by Section 4 of the FMFIA.

Management of the DEA is also responsible for identifying, designing, operating, maintaining, and monitoring the existence of an appropriate system of internal control that enables DEA to report its financial information accurately to the Department and that meets the requirements of OMB Circular A-123, Appendix A. In accordance with *OMB Circular A-123 Implementation Plan*, the Department's Senior Assessment Team identified the business processes significant at the Departmental level and at the component level, which comprises a significant share of those processes. As required by the Department's *FY 2010 Guidance for Implementation of OMB Circular A-123*, DEA has documented the following significant business processes and tested key controls for those processes. The results of testing identified no material weaknesses in DEA's internal control over financial reporting as of June 30, 2010; however, the results identified three reportable conditions in the areas of procurement and sensitive payments.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to improve federal financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of federal programs. FFMIA requires agencies to have financial managements systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with these three requirements in the financial statement audit report. The Federal Information Security Management Act (FISMA) states that to be substantially compliant with FFMIA, no significant deficiencies in information security policies, procedures, or practices are permissible.

During FY 2010, the DEA assessed its financial management systems for compliance with FFMIA and determined that they substantially comply with FFMIA. This determination is based on the results of testing performed in accordance with OMB Circular A-123, Appendix A. Consideration was also given to any issues identified during the DEA's financial statement audit.

Performance Management Scorecards

The DEA developed scorecards based on OMB's financial management indicators. The indicators include percentage of electronic payments to vendors, number of invoices paid on time, amount of late payment interest penalties, and travel and purchase card delinquency rates. The scorecards are issued quarterly to Special Agents in Charge (SACs) and Office Heads in 28 headquarters and division offices. The DEA makes on-line reports available, which allows SACs and Office Heads to track their office's progress and take corrective action as necessary to improve performance. At the end of FY 2010, 19 offices were "Green" on the Performance indicators. The percentage of invoices paid on-time improved from 90.81% (September 2009) to 99.09% (September 2010), resulting in an overall score of "Green".

For FY 2010, the DEA undertook an aggressive effort to work with offices to improve financial performance further by correcting identified deficiencies, with the goal of a "green" rating for all performance indicators. This effort led to the establishment of the DEA's Financial Improvement Team (FITeam) Program. This program is designed to provide fiscal offices with the tools to achieve and sustain financial management performance improvements. Core service offerings available from the FITeam include: 1) fiscal process evaluation, improvement and implementation; 2) staffing and role assignment evaluation so that workload is distributed appropriately; 3) monitoring of financial transaction and other staff performance metrics. The FITeam also works with field offices through critical targeted strategic management discussions.

Legal Compliance

Under the FMFIA, DEA is required to submit its FY 2010 Assurance Statement and Sub-Certification as well as any subsequent updates to DOJ. On August 20, 2010, DEA submitted its Assurance Statement and Sub-Certification for the 9-month period of October 1, 2009 to June 30, 2010. DEA reported that its programs and administrative activities and financial systems meet the objectives of Sections 2 and 4 of the FMFIA, with three reportable conditions in the areas of procurement and sensitive payments. The reportable conditions, however, do not affect DEA's ability to perform its mission and functions with efficiency and integrity.

On October 8, 2010, DEA submitted an Update to its FY 2010 Assurance Statement and Sub-Certification to DOJ for the remaining three months of the fiscal year (July 1, 2010 to September 30, 2010). For the period, DEA reported that its internal control is operating effectively, and that the agency is unaware of any additional reportable conditions or material weaknesses in the design or operation of internal control over financial reporting.

Improper Payments Information Act of 2002

The DEA has a robust compliance review process in place that is comprised of both internal and external reviews that are conducted at regular intervals in support of OMB's Circular No. A-136 and the Performance and Accountability Report. DEA's financial scorecard initiatives include monitoring payments daily and establishing a review process of all payment documents. Payments that have been entered into UFMS with duplicate payment information are analyzed and flagged based on prior payment history. This oversight process makes it possible to identify and recoup improper payments in accordance with the Improper Payment Information Act and the Prompt Payment Act. There are daily communications with all the DEA's offices to ensure that payment procedures are followed as outlined in the DEA's FAMPM. Furthermore, the DEA regularly provides written guidance and assistance to offices to ensure timely and error- free payment processing.

POSSIBLE FUTURE EFFECTS OF EXISTING EVENTS AND CONDITIONS

Factors and Future Trends Affecting the DEA's Goal Achievement

External Challenges: There are many external challenges that the DEA has to address to meet its goals successfully. While these factors are beyond its control, the DEA can provide tools and assistance to Headquarters and field personnel, as well as its federal, State, local, and international partners, to minimize dangers. External challenges include the following:

- The smuggling, money remittance, and communications infrastructures utilized by international drug and chemical trafficking organizations will continue to provide an operational template that can be readily exploited by terrorist organizations.

- Community Oriented Policing Services (COPS) funding directly impacts: (1) DEA's ability to provide assistance to state and local law enforcement for the cleanup of seized methamphetamine laboratories; and (2) DEA's ability to expand the Authorized Central Storage (ACS) Program to additional states.

- Most international drug laws are inadequate to address counter-drug efforts. Furthermore, many countries lack effective legislative measures and the judicial means necessary to effectively thwart the production, diversion, transportation, or distribution of drugs in their countries, and the communications and financial support associated with the drug trade.

- Source and transshipment (known in the shipping industry as cargo that goes from the point of origin to someplace other than the ultimate destination and is transferred from one conveyance to another for further transit) points such as Afghanistan and Africa mainland continue to affect the United States and the world.

- Corruption can stymie the DEA's efforts to affect international enforcement. Developing nations face an inordinate amount of problems (including indebtedness, insurgency, corruption, and underdevelopment) in conjunction with drug production and trafficking.

- As the DEA's law enforcement efforts improve, leaders of drug trafficking organizations are finding more sophisticated ways to insulate themselves from the criminal justice system. For example, they are using long and complex chains of delivery systems and state-of-the-art technology to keep their operations clandestine.

- Newly emerging drug threats continue to affect the United States and the world.

- Technological advancements in communications require vigilance and technical competency on the part of law enforcement. Internet, banking methods, and other sophisticated uses of equipment, such as instant messaging (instant two-way communications using the Internet), BlackBerry devices, Hush Mail (free online encryption tool), and Voice over Internet Protocol (which provides push to talk, email, and picture capability to wireless phones), all present challenges to law enforcement.

- The globalization of the social, technical, and economic environments of the United States and other nations creates new venues for drug production, transportation, diversion, and money laundering techniques.

- Legalization could: 1) reduce the perception of the risks and costs of use; 2) increase availability and access to harmful drugs; 3) increase demand, abuse, and addiction; and 4) remove the social sanction against drug abuse that is reinforced by legislation. Legalization would increase risks and costs to individuals, families, and communities.

- Changes in laws could affect the closed system of distribution and allow distribution of foreign-sourced controlled substances.

- Continued growth in preference in the abuser population for legitimate controlled substances to replace or supplement illicit drugs.

- The Internet has increasingly become a mechanism utilized by rogue Internet pharmacies to illegally dispense controlled substances.

Internal Challenges:

- Addressing critical infrastructure requirements.

- Ensuring operational agility. The DEA must be able to shift resources, personnel, and enforcement pressure in order to rapidly exploit trafficker vulnerabilities. To attack the flow of drugs, the DEA requires end game capabilities to operate on land, sea, or in the air - day or night. These capabilities rely heavily on the availability of aviation and travel resources to move the DEA personnel and foreign counterparts to the right location at the right moment.

- Enhancing career development opportunities to ensure effective succession planning in the DEA's leadership, since 55 percent of DEA's Senior Executives were eligible for retirement at the end of FY 2010.

- Complete and timely sharing of information and intelligence.

- Strengthening existing partnerships and building new ones with federal, State, local, and international counterparts.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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

While the statements have been prepared from the books and records of the DEA in accordance with U.S. generally accepted accounting principles for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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Reports of Independent Auditors

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KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Financial Statements

Inspector General
U.S. Department of Justice

Acting Administrator
Drug Enforcement Administration
U.S. Department of Justice

We have audited the accompanying consolidated balance sheets of the U.S. Department of Justice Drug Enforcement Administration (DEA) as of September 30, 2010 and 2009, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended. These consolidated financial statements are the responsibility of the DEA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DEA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Justice Drug Enforcement Administration as of September 30, 2010 and 2009, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the *Management's Discussion and Analysis* and *Required Supplementary Information* is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. 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 our reports dated November 4, 2010, on our consideration of the DEA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 assessing the results of our audits.

KPMG LLP

November 4, 2010

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Internal Control over Financial Reporting

Inspector General
U.S. Department of Justice

Acting Administrator
Drug Enforcement Administration
U.S. Department of Justice

We have audited the consolidated balance sheets of the U.S. Department of Justice Drug Enforcement Administration (DEA) as of September 30, 2010 and 2009, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 4, 2010.

We conducted our audits 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

The management of the DEA is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2010 audit, we considered the DEA's internal control over financial reporting by obtaining an understanding of the DEA's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DEA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DEA's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2010 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Exhibit presents the status of the prior year's finding and recommendation.

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

KPMG LLP

November 4, 2010

STATUS OF PRIOR YEAR'S FINDING AND RECOMMENDATION

As required by *Government Auditing Standards* issued by the Comptroller General of the United States, and by OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended, we have reviewed the status of the prior year's finding and recommendation. The following table provides our assessment of the progress the Drug Enforcement Administration has made in correcting the previously identified significant deficiency. We also provide the Office of the Inspector General report number where the deficiency was reported, our recommendation for improvement, and the status of the recommendation as of the end of fiscal year 2010.

Report	Significant Deficiency	Recommendation	Status
Annual Financial Statement Fiscal Year 2009, Report No. 10-14	Improvements are Needed to Strengthen the Financial Management Controls to Ensure the Timely Deobligation of Funds that are No Longer Needed	**Recommendation No. 1**: Perform a review and evaluation of the quarterly certification process. Such a review and evaluation should consider reemphasizing the certifying officer's procedures over conducting the daily and quarterly certification process and ensure the implementation of controls that will lead to increased accountability and ensure compliance with DEA procedures.	Completed*

*Sufficient progress has been made in addressing this finding and the related recommendation such that the remaining risk of misstatement no longer merits the attention by those charged with governance. Therefore, the condition has been downgraded to a deficiency in internal control.

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KPMG LLP
2001 M Street, NW
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Independent Auditors' Report on Compliance and Other Matters

Inspector General
U.S. Department of Justice

Acting Administrator
Drug Enforcement Administration
U.S. Department of Justice

We have audited the consolidated balance sheets of the U.S. Department of Justice Drug Enforcement Administration (DEA) as of September 30, 2010 and 2009, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources and custodial activity (hereinafter referred to as "consolidated financial statements") for the years then ended, and have issued our report thereon dated November 4, 2010.

We conducted our audits 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

The management of the DEA is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the DEA. As part of obtaining reasonable assurance about whether the DEA's fiscal year 2010 consolidated financial statements are free of material misstatement, we performed tests of the DEA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of 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, regulations, contracts, and grant agreements applicable to the DEA. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which the DEA's financial management systems did not substantially comply with the (1) Federal financial management system requirements, (2) applicable Federal accounting standards, and (3) application of the United States Government Standard General Ledger at the transaction level.

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

KPMG LLP

November 4, 2010

Principal Financial Statements and Related Notes

See Independent Auditors' Report on Financial Statements

U.S. Department of Justice
Drug Enforcement Administration
Consolidated Balance Sheets
As of September 30, 2010 and 2009

Dollars in Thousands	2010	2009
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 3)	$ 809,035	$ 783,421
Accounts Receivable, Net (Note 5)	39,117	72,897
Other Assets (Note 9)	51,090	55,295
Total Intragovernmental	899,242	911,613
Cash and Monetary Assets (Note 4)	13,407	10,089
Accounts Receivable, Net (Note 5)	2,325	2,543
Inventory and Related Property, Net (Note 6)	6,770	6,862
General Property, Plant and Equipment, Net (Note 8)	382,137	387,325
Advances and Prepayments	9,929	9,241
Total Assets	**$ 1,313,810**	**$ 1,327,673**
LIABILITIES (Note 10)		
Intragovernmental		
Accounts Payable	$ 42,007	$ 65,505
Accrued Federal Employees' Compensation Act Liabilities	26,651	25,594
Custodial Liabilities (Note 19)	1,584	2,310
Other Liabilities (Note 13)	26,273	21,888
Total Intragovernmental	96,515	115,297
Accounts Payable	117,280	113,778
Actuarial Federal Employees' Compensation Act Liabilities	144,858	139,308
Accrued Payroll and Benefits	59,032	52,574
Accrued Annual and Compensatory Leave Liabilities	98,608	93,474
Deferred Revenue	311,164	269,840
Seized Cash and Monetary Instruments (Note 12)	447	575
Contingent Liabilities (Note 14)	4,928	16,995
Other Liabilities (Note 13)	92	67
Total Liabilities	**$ 832,924**	**$ 801,908**
NET POSITION		
Unexpended Appropriations - All Other Funds	$ 559,167	$ 540,670
Cumulative Results of Operations - Earmarked Funds (Note 15)	(159,279)	(100,558)
Cumulative Results of Operations - All Other Funds	80,998	85,653
Total Net Position	**$ 480,886**	**$ 525,765**
Total Liabilities and Net Position	**$ 1,313,810**	**$ 1,327,673**

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

U.S. Department of Justice
Drug Enforcement Administration
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2010 and 2009

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 16)
	FY	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	
Goal 1	2010	$ 24,424	$ 75,891	$ 100,315	$ 632	$ -	$ 632	$ 99,683
	2009	$ 13,414	$ 53,144	$ 66,558	$ 501	$ 35	$ 536	$ 66,022
Goal 2	2010	836,028	1,965,174	2,801,202	482,951	194,719	677,670	2,123,532
	2009	817,575	1,855,073	2,672,648	409,000	183,747	592,747	2,079,901
Total	**2010**	**$ 860,452**	**$ 2,041,065**	**$ 2,901,517**	**$ 483,583**	**$ 194,719**	**$ 678,302**	**$ 2,223,215**
	2009	**$ 830,989**	**$ 1,908,217**	**$ 2,739,206**	**$ 409,501**	**$ 183,782**	**$ 593,283**	**$ 2,145,923**

Goal 1 Prevent Terrorism and Promote the Nation's Security
Goal 2 Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People

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

U.S. Department of Justice
Drug Enforcement Administration
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2010

Dollars in Thousands

	2010		
	Earmarked Funds	All Other Funds	Total
Unexpended Appropriations			
Beginning Balances	**$ -**	**$ 540,670**	**$ 540,670**
Budgetary Financing Sources			
Appropriations Received	-	2,053,353	2,053,353
Appropriations Transferred-In/Out	-	39,756	39,756
Appropriations Used	-	(2,074,612)	(2,074,612)
Total Budgetary Financing Sources	-	18,497	18,497
Unexpended Appropriations	**$ -**	**$ 559,167**	**$ 559,167**
Cumulative Results of Operations			
Beginning Balances	**$ (100,558)**	**$ 85,653**	**$ (14,905)**
Budgetary Financing Sources			
Appropriations Used	-	2,074,612	2,074,612
Other Financing Sources			
Transfers-In/Out Without Reimbursement	86	9,432	9,518
Imputed Financing from Costs Absorbed by Others (Note 17)	6,969	68,740	75,709
Total Financing Sources	7,055	2,152,784	2,159,839
Net Cost of Operations	(65,776)	(2,157,439)	(2,223,215)
Net Change	(58,721)	(4,655)	(63,376)
Cumulative Results of Operations	**$ (159,279)**	**$ 80,998**	**$ (78,281)**
Net Position	**$ (159,279)**	**$ 640,165**	**$ 480,886**

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

U.S. Department of Justice
Drug Enforcement Administration
Consolidated Statements of Changes in Net Position
For the Fiscal Year Ended September 30, 2009

Dollars in Thousands

	2009		
	Earmarked Funds	**All Other Funds**	**Total**
Unexpended Appropriations			
Beginning Balances	**$ -**	**$ 475,267**	**$ 475,267**
Budgetary Financing Sources			
Appropriations Received	-	1,959,084	1,959,084
Appropriations Transferred-In/Out	-	158,467	158,467
Appropriations Used	-	(2,052,148)	(2,052,148)
Total Budgetary Financing Sources	**-**	**65,403**	**65,403**
Unexpended Appropriations	**$ -**	**$ 540,670**	**$ 540,670**
Cumulative Results of Operations			
Beginning Balances	**$ (69,174)**	**$ 69,323**	**$ 149**
Budgetary Financing Sources			
Appropriations Used	-	2,052,148	2,052,148
Other Financing Sources			
Transfers-In/Out Without Reimbursement	180	12,143	12,323
Imputed Financing from Costs Absorbed by Others (Note 17)	5,953	60,445	66,398
Total Financing Sources	**6,133**	**2,124,736**	**2,130,869**
Net Cost of Operations	**(37,517)**	**(2,108,406)**	**(2,145,923)**
Net Change	(31,384)	16,330	(15,054)
Cumulative Results of Operations	**$ (100,558)**	**$ 85,653**	**$ (14,905)**
Net Position	**$ (100,558)**	**$ 626,323**	**$ 525,765**

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

U.S. Department of Justice
Drug Enforcement Administration
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2010 and 2009

Dollars in Thousands	**2010**	**2009**
Budgetary Resources		
Unobligated Balance, Brought Forward, October 1	$ 323,879	$ 161,745
Recoveries of Prior Year Unpaid Obligations	129,127	86,345
Budget Authority		
Appropriations Received	2,284,189	2,193,596
Spending Authority from Offsetting Collections		
Earned		
Collected	537,802	385,364
Change in Receivables from Federal Sources	(33,532)	39,199
Change in Unfilled Customer Orders		
Advance Received	25	(9)
Without Advance from Federal Sources	(5,407)	42,199
Subtotal Budget Authority	2,783,077	2,660,349
Nonexpenditure Transfers, Net, Actual	39,756	158,467
Total Budgetary Resources (Note 18)	**$ 3,275,839**	**$ 3,066,906**

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

U.S. Department of Justice
Drug Enforcement Administration
Combined Statements of Budgetary Resources (continued)
For the Fiscal Years Ended September 30, 2010 and 2009

Dollars in Thousands	2010	2009
Status of Budgetary Resources		
Obligations Incurred		
Direct	$ 2,532,674	$ 2,304,512
Reimbursable	519,774	438,515
Total Obligations Incurred (Note 18)	3,052,448	2,743,027
Unobligated Balance - Available		
Apportioned	195,008	313,155
Unobligated Balance not Available	28,383	10,724
Total Status of Budgetary Resources	**$ 3,275,839**	**$ 3,066,906**
Change in Obligated Balance		
Obligated Balance, Net - Brought Forward, October 1		
Unpaid Obligations	$ 687,246	$ 702,505
Less: Uncollected Customer Payments from Federal Sources	220,915	139,516
Total Unpaid Obligated Balance, Net - Brought Forward, October 1	466,331	562,989
Obligations Incurred, Net	3,052,448	2,743,027
Less: Gross Outlays	2,833,524	2,671,941
Less: Recoveries of Prior Year Unpaid Obligations, Actual	129,127	86,345
Change in Uncollected Customer Payments from Federal Sources	38,939	(81,399)
Obligated Balance, Net - End of Period		
Unpaid Obligations	777,043	687,246
Less: Uncollected Customer Payments from Federal Sources	181,976	220,915
Total Unpaid Obligated Balance, Net - End of Period	**$ 595,067**	**$ 466,331**
Net Outlays		
Gross Outlays	$ 2,833,524	$ 2,671,941
Less: Offsetting Collections	537,827	385,354
Less: Distributed Offsetting Receipts (Note 18)	231,967	235,998
Total Net Outlays (Note 18)	**$ 2,063,730**	**$ 2,050,589**

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

U.S. Department of Justice
Drug Enforcement Administration
Combined Statements of Custodial Activity
For the Fiscal Years Ended September 30, 2010 and 2009

Dollars in Thousands	**2010**	**2009**
Revenue Activity		
Sources of Cash Collections		
Fees and Licenses	$ 15,000	$ 15,000
Fines, Penalties and Restitution Payments - Civil	5,963	44,961
Total Cash Collections	20,963	59,961
Accrual Adjustments	211	211
Total Custodial Revenue	21,174	60,172
Disposition of Collections		
Transferred to Federal Agencies		
Department of the Treasury	(20,891)	(59,961)
(Increase)/Decrease in Amounts Yet to Be Transferred	(283)	(211)
Net Custodial Activity (Note 19)	$ -	$ -

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Drug Enforcement Administration (DEA or the agency), a bureau within the Department of Justice (DOJ or the department), is the lead agency responsible for the development of overall federal drug enforcement strategy, programs, planning, and evaluations. The DEA was created on July 1, 1973, as a result of the Presidential Reorganization Plan No. 2 of 1973. The DEA's mission is to enforce the United States' controlled substances laws and regulations and to bring to justice individuals involved in the growing, manufacturing, or distribution of controlled substances appearing in or destined for illicit traffic in the U.S. The DEA is also responsible for recommending and supporting non-enforcement programs aimed at reducing the availability of illicit controlled substances in domestic and international markets.

B. Basis of Presentation

The accompanying financial statements were prepared to report the DEA's financial position, net cost of operations, changes in net position, budgetary resources, and custodial activity as of and for the years ended September 30, 2010 and 2009. These financial statements include the following funds which are under the DEA's control: appropriated annual, multi-year, and no-year Salary and Expense; appropriated no-year Construction; Diversion Control offsetting authority; and the Violent Crime Reduction Trust Fund. These financial statements represent the financial results of these funds. All DEA activities are conducted under Office of Management and Budget's (OMB) Budget Functional Classification code 750 – Administration of Justice.

These financial statements have been prepared from the books and records of the DEA in accordance with U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in the OMB Circular A-136, *Financial Reporting Requirements.* These financial statements are different from the financial reports prepared pursuant to OMB directives which are used to monitor and control the use of the DEA's budgetary resources. To ensure that the DEA's financial statements are meaningful at the entity level and to enhance reporting consistency within the Department, Other Assets and Other Liabilities as defined by OMB Circular A-136 have been disaggregated on the balance sheet.

Note 1. Summary of Significant Accounting Policies (continued)

In OMB Circular A-136 Advances and Prepayments are considered Other Assets, and Accrued Federal Employees' Compensation Act Liabilities (FECA), Custodial Liabilities, Accrued Payroll and Benefits, Contingent Liabilities, Accrued Annual and Compensatory Leave Liabilities, Deferred Revenue, and Seized Cash and Monetary Instruments are considered Other Liabilities.

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of the DEA. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources and Statements of Custodial Activity are combined statements for FYs 2010 and 2009, and as such, intra-entity transactions have not been eliminated. The consolidated financial statements do not include centrally administered assets and liabilities of the Federal Government as a whole, such as General Services Administration (GSA) owned property and equipment and borrowings from the public by the U.S. Treasury, which may in part be attributable to the DEA.

D. Basis of Accounting

Transactions are recorded on the accrual and budgetary bases 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.

E. Non-Entity Assets

Included in the assets reported in the accompanying balance sheets are non-entity assets. Non-entity assets are assets held by the DEA but are not available for use by the DEA. All of the DEA's non-entity assets are with the public and consist primarily of seized monetary assets, cash generated from Attorney General Exempt Operations, and cash generated from Trafficker Directed Funds Activities. These assets cannot be used to satisfy the DEA's obligations.

Note 1. Summary of Significant Accounting Policies (continued)

F. Fund Balance with U.S. Treasury and Cash

Generally, the U. S. Treasury processes cash receipts and disbursements. The DEA's Fund Balance with the U.S. Treasury consists of appropriated funds that are available to pay current liabilities and finance authorized commitments. The DEA does not have disbursing authority. The DEA maintains a small amount of cash in commercial banks to facilitate the replenishment of the Agency's imprest funds.

G. Accounts Receivable

Accounts receivable result from amounts due from federal agencies, public organizations, or individuals. Receivables due from federal agencies consist of reimbursable agreements for services provided by the DEA and are considered to be fully collectible.

Receivables due from public organizations or individuals consist of refunds, restitutions, licensing fees, and civil monetary penalties. An allowance for uncollectible accounts is established for these receivables when it is more likely than not the receivables will not be totally collected. The allowance is measured based on analysis of both individual accounts and a group of accounts taken as a whole.

H. Inventory and Related Property

The DEA maintains an inventory of aviation parts and supplies in support of its aviation operations. The aviation inventory is valued at historical cost. Repairable parts are broken or expended parts that have been removed from DEA aircraft. Repairable parts are inoperable and may eventually be repaired, overhauled, discarded, or traded for "core" value against a new or rebuilt part. Repairable parts are valued at zero dollars.

Note 1. Summary of Significant Accounting Policies (continued)

I. General Property, Plant and Equipment

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant, and Equipment and No. 10, Accounting for Internal Use Software, the DEA reports assets at historical cost or their estimated fair value if acquired through means other than purchase. The DEA capitalizes administrative and technical investigative equipment, vehicles, boats, and capital leases that have a total cost of $25 or greater. Buildings, construction-in-progress (CIP), leasehold improvements, and aircraft are capitalized when their total cost is $100 or greater. Land is capitalized regardless of the acquisition cost. Betterments that extend the useful life of an asset are also capitalized. The cost of minor enhancements resulting from ongoing systems maintenance is expensed in the period incurred. Also, the purchase of enhanced versions of software for a nominal charge are properly expensed in the period incurred. Internal use software is capitalized when the development cost or purchase price exceeds $500. Repairs and maintenance costs are expensed. Capitalized assets (other than land and CIP) are depreciated or amortized over useful lives ranging from 5 to 50 years using a straight-line method.

J. Advances and Prepayments

The DEA’s advances and prepayments consist of funds disbursed to other federal agencies in advance of receipt of goods or services, advances to state and local entities that participate in the Domestic Cannabis Eradication and Suppression Program, and travel advances issued to federal employees. Travel advances are limited to meals and incidental expenses incurred by federal employees during official travel. Advances and prepayments are recorded as an asset and are expensed when the related goods or services are received. Advances and prepayments involving other Federal agencies are classified as Other Assets on the balance sheet (Note 9).

Note 1. Summary of Significant Accounting Policies (continued)

K. Forfeited and Seized Property

The DEA routinely seizes property as part of its law enforcement activities. All property seized for forfeiture is reported by the DOJ's Assets Forfeiture Fund, including property that has evidentiary value. As required by SFFAS No. 3, *Accounting for Inventory and Related Property,* seized monetary assets held for evidence by the DEA are recorded as assets with an offsetting liability. Non-monetary assets held for evidence are disclosed in a footnote to the financial statements at appraised or market value with the exception of firearms which are disclosed according to the number of firearms added, disposed, and on-hand. Firearms are held until they are no longer needed as evidence and then destroyed. DEA uses a one thousand dollar reporting threshold for seized property. Illegal drugs seized and held as evidence by the DEA have no legal value and are reported in the footnotes by quantity only. The analysis of drug evidence is presented in accordance with Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*. The DEA discloses drug evidence that is categorized in Schedules 1 through 5 of the Controlled Substances Act. Drugs are destroyed when they are no longer needed for evidence.

L. Liabilities

The DEA's liabilities consist of funds or other resources that are likely to be paid by the Agency as the result of a transaction or event that has already occurred. However, no liability can be paid absent proper budget authority. The federal government can accept liabilities for the DEA, when the Agency contractually acts in the sovereign capacity of the federal government. Accrued payroll and benefits are accrued based on the number of days in a pay period earned but not paid to employees at the end of the quarter.

Intragovernmental liabilities covered by budgetary resources consist of expenses incurred by other Federal agencies for goods or services performed by those agencies on behalf of DEA where the DEA has not yet paid them. These expenses are funded by the DEA under reimbursable agreements.

Note 1. Summary of Significant Accounting Policies (continued)

M. Contingencies and Commitments

The DEA is party to various administrative proceedings, legal actions, and claims. The balance sheet includes an estimated liability for those legal actions where management and the Chief Counsel consider adverse decisions "probable" and amounts are reasonably estimable. Legal actions where management and the Chief Counsel consider adverse decisions "probable" or "reasonably possible" and the amounts are reasonably estimable are disclosed in Note 14, *Contingencies and Commitments*. However, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is "remote". Reasonably possible losses are not recognized in the balance sheet. An unfunded liability is established when claims are determined to be probable and measurable. Settlements less than two thousand five hundred dollars are paid from the DEA's appropriations. The U.S. Treasury Judgment Fund may pay, on behalf of the DEA, amounts in excess of two thousand five hundred dollars.

N. Annual, Sick, and Other Leave

Annual and compensatory leave earned by the DEA employees but not yet used is recorded as an accrued liability. Each year, the liability is adjusted to reflect current pay rates. Any portion of the accrued leave for which funding is not currently available is recorded as an unfunded liability. Sick leave and other types of non-vested leave are expensed as used.

O. Interest on Late Payments

The Prompt Payment Act requires federal agencies to pay invoices owed to vendors for the purchase of goods or services within 30 days after the receipt of a proper invoice or after the acceptance of the goods or service, whichever is later. Payments made after this date must include an interest penalty.

Note 1. Summary of Significant Accounting Policies (continued)

P. Retirement Plans

On January 1, 1984, the Federal Employees' Retirement System (FERS) became effective pursuant to the Federal Employees' Retirement System Act. Employees hired after December 31, 1983 are automatically covered by FERS and Social Security.

Employees hired prior to January 1, 1984 can elect to join FERS and Social Security or remain in the Civil Service Retirement System (CSRS). For employees covered by CSRS the DEA contributes 7.0% of the employees' gross pay for regular and 7.5% for law enforcement officers' retirement. For employees covered by FERS, the DEA contributes 11.2% of employees' gross pay for regular and 24.9% for law enforcement officers' retirement. A primary feature of FERS is the Federal Thrift Savings Plan to which the DEA automatically contributes 1.0% of an employee's pay and matches the employee's contribution up to an additional 4.0%. The DEA also contributes the matching share of Social Security for FERS participants.

The accompanying financial statements report expenses incurred by the DEA for required contributions made to retirement plans administered by the Office of Personnel Management (OPM). In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, the DEA recognizes an additional expense for Pension and Other Retirement Benefits incurred but not already covered by employee and DEA contributions. This expense will ultimately be paid by the OPM and is offset in the accompanying financial statements with an imputed financing source.

Note 1. Summary of Significant Accounting Policies (continued)

Q. Federal Employee Compensation Benefits

The FECA authorizes income and medical cost protection to covered federal civilian employees who are injured on the job or who have incurred a work-related occupational disease, and to beneficiaries of deceased employees whose death is attributable to a job-related injury or occupational disease. FECA benefit claims for the DEA employees are initially paid by the Department of Labor (DOL) and subsequently reimbursed by the DEA.

The DEA's FECA liability consists of two components: (1) unpaid bills and (2) an estimated future cost. Unpaid bills are claims paid by the DOL but not yet billed to or paid by the DEA. Estimated future costs are determined by applying actuarial procedures to anticipated future costs. The DOL is responsible for calculating the actuarial FECA liability for future compensation benefits for all federal agencies. These benefits include the liability for death, disability, medical, and miscellaneous costs for approved compensation cases. This liability is determined using a paid-losses extrapolation method calculated over a 37-year period. This method utilizes historical benefit payment patterns that relate to a specific period.

Projected annual benefit payments are discounted to present value. The resulting liability is then distributed by DOL to each benefiting agency. The DOJ calculates and distributes each bureau's respective portion of the total DOJ actuarial liability.

The actuarial FECA liability is recorded for financial reporting purposes only and is an extended estimate of future costs which will not be obligated against budgetary resources until the year in which the cost is actually paid by the DEA.

R. Intragovernmental Activity

Intragovernmental costs and exchange revenue represent transactions made between two reporting entities within the federal government. Costs and earned revenues with the public represent exchange transactions made between the reporting entity and a non-federal entity. The classification of revenue or cost as "intragovernmental" or "with the public" is defined on a transaction-by-transaction basis. The purpose of this classification is to enable the federal government to prepare consolidated financial statements, not to match public and intragovernmental revenue with the costs incurred to produce public and intragovernmental revenue.

Note 1. Summary of Significant Accounting Policies (continued)

S. Revenues and Other Financing Sources

The DEA's largest funding source is from congressional appropriations, which are used to support DEA's operations. The DEA also receives reimbursable funding from other federal agencies for services performed by the DEA on their behalf. Annual, multi-year, and no-year appropriations are used within statutory limitations for operating and capital expenditures. Appropriations are recognized as a financing source when related program or administrative expenses are incurred.

The DEA collects exchange revenue from several sources. The largest exchange revenue source for the DEA relates to the Diversion Control Program authorized by the Controlled Substances Act. This Act requires physicians, pharmacists, and chemical companies to be licensed with the DEA to manufacture and distribute certain controlled substances. The DEA charges a licensing fee for this service. Each fiscal year, federal statutes require $15 million of the total fees collected for the Diversion Control Program to be transferred to the U.S. Treasury. Diversion Control Program license fees received from public registrants are renewed annually or triennially. The unearned portion of the fees is recorded as deferred revenue in the accompanying financial statements.

Certain federal agencies pay expenses on behalf of the DEA where repayment is not required. These expenses are considered imputed financing and the DEA records them as both a financing source and expense.

In addition, Agency personnel participate with state and local government organizations in the DEA mission related law enforcement task forces. State and local governments look to the DEA for expertise in intelligence and investigative support. The DEA Agents also participate in joint investigations with a variety of other federal organizations such as the FBI, Assets Forfeiture Fund, Office of National Drug Control Policy, and the Organized Crime Drug Enforcement Task Force. Prices for the DEA participation in federal, state, and local law enforcement activities are established within the applicable reimbursable agreement.

Note 1. Summary of Significant Accounting Policies (continued)

The table below summarizes the type of revenue sources and the typical pricing policy for exchange revenue:

Revenue Source	Pricing Policy
Controlled Substances Act Licensing	Full Cost, OMB A-25
State and Local Task Force Participation	Direct Cost Only
Joint Intragovernmental Agency Investigations	Direct Cost Only
Assets Forfeiture Fund	Direct Cost Only

T. Earmarked Funds

The Statement of Federal Financial Accounting Standards No. 27, *Identifying and Reporting Earmarked Funds*, defines 'earmarked funds' as being financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. The three required criteria for an earmarked fund are:

1. A statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes;

2. Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and

3. A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

The Diversion Control Fee account is the only DEA fund meeting these criteria for reporting purposes.

Note 1. Summary of Significant Accounting Policies (continued)

U. Tax Exempt Status

As an agency of the Federal Government, DEA is exempt from all income taxes imposed by any governing body whether it is a Federal, state, commonwealth, local, or foreign government.

V. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

W. Reclassifications

The FY 2009 financial statements were reclassified to conform to the FY 2010 Departmental financial statement presentation requirements. The reclassifications had no material effect on total assets, liabilities, net position, change in net position or budgetary resources as previously reported.

X. Subsequent Events

Subsequent events and transactions occurring after September 30, 2010 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

In a Civil Settlement Agreement dated October 13, 2010, CVS Pharmacy, Inc. agreed to pay $75 million in civil penalties as a result of unlawful distribution and sales of pseudoephedrine. On October 20, 2010 DEA received the collection amount. Both the receivable and the collection are FY 2011 activities. DEA does not have use of penalties collected; they are returned to the U.S. Treasury.

(Dollars in Thousands, Except as Noted)

Note 2. Non-Entity Assets

Non-entity assets are assets held by the DEA but are not available for use by the DEA. All of the DEA's non-entity assets are with the public.

As of September 30, 2010 and 2009

	2010	2009
With the Public		
Cash and Monetary Assets	$ 7,999	$ 5,561
Accounts Receivable, Net	1,528	1,541
Total With the Public	9,527	7,102
Total Non-Entity Assets	9,527	7,102
Total Entity Assets	1,304,283	1,320,571
Total Assets	$ 1,313,810	$ 1,327,673

(Dollars in Thousands, Except as Noted)

Note 3. Fund Balance with U. S. Treasury

The Fund Balance with U.S. Treasury reported on the consolidated balance sheets represents the undisbursed portion of all funds recorded in the DEA's general ledger as of each reporting period. The September 30, 2010 and 2009 balances include $7,185 and $3,083 respectively, of funds that are restricted for the purchase of official government vehicles.

Restricted unobligated funds consist of expired authority and holdings that were not transferred to Treasury but were unavailable for the DEA's use. Restricted unobligated funds are presented in the table below as Unobligated Balance-Unavailable. Restricted funds include the collections of fees in excess of amounts budgeted for administering the Diversion Control Program. These collections may not be used until authorized by Congress.

As of September 30, 2010 and 2009

	2010	2009
Fund Balances		
Special Funds	$ 125,217	$ 144,693
General Funds	683,818	638,728
Total Fund Balances with U.S. Treasury	$ 809,035	$ 783,421
Status of Fund Balances		
Unobligated Balance – Available	$ 195,008	$ 313,155
Unobligated Balance – Unavailable	28,383	10,724
Obligated Balance not yet Disbursed	595,067	466,331
Other Funds (With)/Without Budgetary Resources	(9,423)	(6,789)
Total Status of Fund Balances	$ 809,035	$ 783,421

Other Funds (With)/Without Budgetary Resources include clearing and deposit accounts, imprest fund cash and receipts.

(Dollars in Thousands, Except as Noted)

Note 4. Cash and Monetary Assets

As of September 30, 2010 and 2009

	2010	2009
Cash		
Undeposited Collections	$ 21	$ 18
Imprest Funds	5,392	4,514
Other Cash	7,547	4,982
Total Cash	12,960	9,514
Monetary Assets		
Seized Monetary Instruments	447	575
Total Monetary Assets	447	575
Total Cash and Monetary Assets	$ 13,407	$ 10,089

Other cash consists of funds used for special purposes.

(Dollars in Thousands, Except as Noted)

Note 5. Accounts Receivable, Net

As of September 30, 2010 and 2009

	2010	2009
Intragovernmental		
Accounts Receivable	$ 39,117	$ 72,897
Total Intragovernmental	39,117	72,897
With the Public		
Accounts Receivable	3,939	4,208
Allowance for Uncollectible Accounts	(1,614)	(1,665)
Total With the Public	2,325	2,543
Total Accounts Receivable, Net	$ 41,442	$ 75,440

Note 6. Inventory and Related Property, Net

As of September 30, 2010 and 2009

	2010	2009
Operating Materials and Supplies Held for Current Use	$ 6,770	$ 6,862

Note 7. Forfeited and Seized Property

Analysis of Change in 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, real property, and tangible personal property of others. The DEA reports seized property at market value when seized.

Monetary seized property valued at $447 and $575 was held as evidence by the DEA on September 30, 2010 and 2009, respectively, and is included in Cash and Monetary Assets on the accompanying balance sheets (also refer to Note 4). The value of non-monetary property held as evidence is not reported in the accompanying consolidated balance sheets. Adjustments have been made to the beginning balances of seized property as a result of reconciling items from prior years.

The analysis of drug evidence is presented in accordance with Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*. Drug evidence, as presented on the following tables, consists of analyzed and bulk drugs. Analyzed drug evidence includes cocaine, heroin, marijuana and methamphetamine and represents actual laboratory tested classification and weight in kilograms (KG). Since enforcing the controlled substances laws and regulations of the United States is a primary mission of the DEA, the DEA reports all analyzed drug evidence regardless of seizure weight.

Bulk drug evidence is comprised of controlled substances housed by the DEA in secured storage facilities of which only a sample is taken for laboratory analysis. The actual bulk weight may vary from seizure weight due to changes in moisture content over time.

(Dollars in Thousands, Except as Noted)

Note 7. Forfeited and Seized Property (continued)

Unanalyzed drug evidence is qualitatively different from analyzed and bulk drug evidence because unanalyzed drug evidence includes the weight of packaging and drug categories are based on the determination of Special Agents instead of laboratory chemists. For these reasons, unanalyzed drug evidence is not reported by the DEA.

For the Fiscal Year Ended September 30, 2010

Seized Property Category		Beginning Balance	Adjustments**	Seizures	Disposals	Ending Balance
Seized for Evidence						
Seized Monetary Instruments	Value	$ 575	$ 3	$ 165	$ 296	$ 447
Personal Property	Number	42	(1)	17	18	40
	Value	$ 266	$ (17)	$ 227	$ 202	$ 274
Non-Valued						
Firearms	Number	3,644	(136)	643	695	3,456
Drug Evidence						
Cocaine	KG	343,142	(35,079)	33,526	69,501	272,088
Heroin	KG	3,316	(184)	634	744	3,022
Marijuana	KG	15,683		5,325	4,937	16,071
Bulk Drug Evidence	KG	223,936	1,278	1,128,098	1,125,748	227,564
Methamphetamine	KG	6,264		2,134	1,257	7,141
Other	KG	46,185		5,258	6,013	45,430
Total Drug Evidence		638,526	(33,985)	1,174,975	1,208,200	571,316

For the Fiscal Year Ended September 30, 2009

Seized Property Category		Beginning Balance	Adjustments**	Seizures	Disposals	Ending Balance
Seized for Evidence						
Seized Monetary Instruments	Value	$ 489	$ 31	$ 403	$ 348	$ 575
Personal Property	Number	44	2	7	11	42
	Value	$ 286	$ 14	$ 59	$ 93	$ 266
Non-Valued						
Firearms	Number	3,915	(85)	570	756	3,644
Drug Evidence						
Cocaine	KG	387,020		58,059	101,937	343,142
Heroin	KG	3,143		654	481	3,316
Marijuana	KG	14,962		5,033	4,312	15,683
Bulk Drug Evidence	KG	216,689	2,358	1,200,533	1,195,644	223,936
Methamphetamine	KG	5,895		1,712	1,343	6,264
Other	KG	51,273		6,160	11,248	46,185
Total Drug Evidence		678,982	2,358	1,272,151	1,314,965	638,526

**Adjustments include property status and valuation changes received after, but properly credited to, prior fiscal years. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

Note 7. Forfeited and Seized Property (continued)

Method of Disposition of Seized Property:

During FYs 2010 and 2009, $390 and $344 were returned to parties with a bonafide interest, and $108 and $97 were disposed of by other means, respectively. Other means of disposition include seized property that is sold, converted to cash, or destroyed.

(Dollars in Thousands, Except as Noted)

Note 8. General Property, Plant and Equipment, Net

As of September 30, 2010	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 2,425	$ -	$ 2,425	N/A
Construction in Progress	8,969	-	8,969	N/A
Buildings, Improvements, and Renovations	86,537	24,551	61,986	50 yrs.
Aircraft	154,436	61,894	92,542	7-20 yrs.
Boats	2,525	1,186	1,339	18 yrs.
Vehicles	84,682	38,815	45,867	5 yrs.
Equipment	202,687	127,655	75,032	5 yrs.
Leasehold Improvements	180,886	144,854	36,032	5-13 yrs.
Internal Use Software	43,155	20,156	22,999	5-10 yrs.
Internal Use Software in Development	34,946	-	34,946	N/A
Total	$ 801,248	$ 419,111	$ 382,137	

As of September 30, 2009	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 2,425	$ -	$ 2,425	N/A
Construction in Progress	9,307	-	9,307	N/A
Buildings, Improvements, and Renovations	80,395	19,808	60,587	50 yrs.
Aircraft	161,512	59,198	102,314	7-20 yrs.
Boats	2,525	1,051	1,474	18 yrs.
Vehicles	74,269	36,176	38,093	5 yrs.
Equipment	204,451	134,932	69,519	5 yrs.
Leasehold Improvements	175,093	127,510	47,583	5-13 yrs.
Internal Use Software	41,909	14,317	27,592	5-10 yrs.
Internal Use Software in Development	28,431	-	28,431	N/A
Total	$ 780,317	$ 392,992	$ 387,325	

The DEA purchased $17,930 and $34,540 in capitalized property from federal sources during FY 2010 and 2009, respectively. Purchases of capitalized property from the public totaled $44,753 and $64,918 during FY 2010 and 2009, respectively.

(Dollars in Thousands, Except as Noted)

Note 9. Other Assets

As of September 30, 2010 and 2009

	2010	2009
Intragovernmental		
Advances and Prepayments	$ 51,090	$ 55,295

Note 10. Liabilities not Covered by Budgetary Resources

As of September 30, 2010 and 2009

	2010	2009
Intragovernmental		
Accrued FECA Liabilities	$ 26,651	$ 25,594
Other Unfunded Employment Related Liabilities	68	(2)
Total Intragovernmental	26,719	25,592
With the Public		
Actuarial FECA Liabilities	144,858	139,308
Accrued Annual and Compensatory Leave Liabilities	98,608	93,474
Deferred Revenue	311,164	269,840
Contingent Liabilities (Note 14)	4,928	16,995
Total With the Public	559,558	519,617
Total Liabilities not Covered by Budgetary Resources	586,277	545,209
Total Liabilities Covered by Budgetary Resources	246,647	256,699
Total Liabilities	$ 832,924	$ 801,908

(Dollars in Thousands, Except as Noted)

Note 11. Leases

In the course of operations, the DEA obtains certain property through leasing arrangements. These leases may be capital leases or operating leases as defined by SFFAS No. 5, *Accounting for Liabilities of the Federal Government*. The DEA does not act as a lessor. The DEA does not currently have any capital leases.

Operating Lease Expenses

Lease Type	2010	2009
Noncancelable Operating Leases	$ 12,250	$ 12,590
Cancelable Operating Leases	212,358	195,863
Total Operating Lease Expenses	$ 224,608	$ 208,453

Noncancelable Operating Leases

In addition to GSA office space, leased assets are primarily for computer workstations. Lease terms are generally one year with an option to renew between three and five years. Most leases with GSA are cancelable and may be terminated without incurring charges.

Future Noncancelable Operating Lease Payments Due

Fiscal Year	Land and Buildings
2011	$ 12,370
2012	12,439
2013	12,509
2014	12,582
2015	12,657
After 2015	53,469
Total Future Noncancelable Operating Lease Payments	$ 116,026

(Dollars in Thousands, Except as Noted)

Note 12. Seized Cash and Monetary Instruments

The seized monetary instruments represent liabilities for seized assets held by the DEA pending disposition. The DEA may seize monetary instruments as part of its investigations. Some seized monetary instruments are retained by the DEA and reported as evidence. Seized monetary instruments valued at $447 and $575 was held as evidence by the DEA on September 30, 2010 and 2009, respectively, and is included in Cash and Monetary Assets on the accompanying balance sheets. The DEA reports all of its monetary instruments held as evidence under the heading of seized cash and monetary instruments. None of the monetary instruments held as evidence or for safekeeping as reported in Note 7 is deposited.

Note 13. Other Liabilities

All "other" liabilities are current liabilities.

As of September 30, 2010 and 2009

	2010	2009
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ 17,157	$ 15,276
Other Post-Employment Benefits Due and Payable	15	44
Other Unfunded Employment Related Liabilities	68	(2)
Advances from Others	29	-
Liability for Deposit Fund, Clearing Accounts and Undeposited Collections	1,457	1,588
Other Liabilities	7,547	4,982
Total Intragovernmental	26,273	21,888
With the Public		
Other Accrued Liabilities	6	8
Advances from Others	-	4
Other Liabilities	86	55
Total With the Public	92	67
Total Other Liabilities	$ 26,365	$ 21,955

(Dollars in Thousands, Except as Noted)

Note 14. Contingencies and Commitments

The DEA is party to various administrative proceedings, legal actions, and claims. The balance sheet includes an estimated liability for those legal actions where management and the Chief Counsel consider adverse decisions "probable" and amounts are reasonably estimable.

	Accrued Liabilities	Estimated Range of Loss Lower	Estimated Range of Loss Upper
As of September 30, 2010			
Probable	$ 4,928	$ 4,928	$ 4,928
Reasonably Possible		$ 4,493	$ 4,493
As of September 30, 2009			
Probable	$ 16,995	$ 16,995	$ 16,995
Reasonably Possible		$ 3,283	$ 3,283

Note 15. Earmarked Funds

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. Other financing sources include Transfer-In/Out without Reimbursement and Imputed Financing from Costs Absorbed by Others.

Public Law 102–395 established the Diversion Control Fee Account in 1993. Fees charged to private sector registrants by the DEA under the Diversion Control Program are set at a level that ensures the recovery of the full costs of operating this program. The program's purpose is to prevent, detect, and investigate the diversion of controlled substances from legitimate channels, while ensuring an adequate and uninterrupted supply of controlled substances required to meet legitimate needs. Strategic objectives include: (1) Identifying and targeting those responsible for the diversion of pharmaceutical controlled substances through traditional investigation and cyber crime initiatives to systematically disrupt and dismantle those entities involved in diversion schemes; (2) Supporting the registrant population with improved technology, including E-Commerce and customer support while maintaining cooperation, support, and assistance from the regulated industry; (3) Educating the public on the dangers of prescription drug abuse and taking proactive enforcement measures to combat emerging drug trends; and, (4) Ensuring an adequate and uninterrupted supply of controlled substances to meet medical and scientific needs.

The Diversion Control Fee Account is a separate account in the General Fund of the Treasury. Each fiscal year, offsetting receipts of $15 million are deposited in the Diversion Control Fee Account for the operation of the Diversion Control Program. These amounts remain available until expended and are refunded out of that account by the Secretary of the Treasury for reimbursement for expenses incurred in the operation of the Diversion Control Program. In order to sustain operations in both the first quarter (each fiscal year, federal statutes require $15 million of the total fees collected for the Diversion Control Program to be transferred to the U.S. Treasury) and in years where fees collected do not equal spending requirements, the Diversion Control Fee Account operates similarly to a revolving fund in that excess collections are carried over to the next fiscal year.

(Dollars in Thousands, Except as Noted)

Note 15. Earmarked Funds (continued)

As of September 30, 2010 and 2009

	2010 Diversion Control Fee Account	2009 Diversion Control Fee Account
Balance Sheets		
Assets		
Fund Balance with U.S. Treasury	$ 123,755	$ 143,100
Other Assets	52,534	46,228
Total Assets	$ 176,289	$ 189,328
Liabilities		
Accounts Payable	$ 8,479	$ 995
Other Liabilities	327,089	288,891
Total Liabilities	$ 335,568	$ 289,886
Net Position		
Cumulative Results of Operations	$ (159,279)	$ (100,558)
Total Net Position	$ (159,279)	$ (100,558)
Total Liabilities and Net Position	$ 176,289	$ 189,328
For the Fiscal Years Ended September 30, 2010 and 2009		
Statements of Net Cost		
Gross Cost of Operations	$ 255,152	$ 217,450
Less: Exchange Revenues	189,376	179,933
Net Cost of Operations	$ 65,776	$ 37,517
Statements of Changes in Net Position		
Net Position Beginning of Period	$ (100,558)	$ (69,174)
Other Financing Sources	7,055	6,133
Total Financing Sources	7,055	6,133
Net Cost of Operations	(65,776)	(37,517)
Net Change	(58,721)	(31,384)
Net Position End of Period	$ (159,279)	$ (100,558)

(Dollars in Thousands, Except as Noted)

Note 16. Net Cost of Operations by Suborganization

For the Fiscal Year Ended September 30, 2010

	Suborganizations		
	All Other	Diversion	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security			
Gross Cost	$ 100,315	$ -	$ 100,315
Less: Earned Revenue	632	-	632
Net Cost (Revenue) of Operations	99,683	-	99,683
Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People			
Gross Cost	$ 2,546,050	$ 255,152	$ 2,801,202
Less: Earned Revenue	488,294	189,376	677,670
Net Cost (Revenue) of Operations	2,057,756	65,776	2,123,532
Net Cost (Revenue) of Operations	2,157,439	65,776	2,223,215

For the Fiscal Year Ended September 30, 2009

	Suborganizations		
	All Other	Diversion	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security			
Gross Cost	$ 66,558	$ -	$ 66,558
Less: Earned Revenue	536	-	536
Net Cost (Revenue) of Operations	66,022	-	66,022
Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People			
Gross Cost	$ 2,455,198	$ 217,450	$ 2,672,648
Less: Earned Revenue	412,814	179,933	592,747
Net Cost (Revenue) of Operations	2,042,384	37,517	2,079,901
Net Cost (Revenue) of Operations	2,108,406	37,517	2,145,923

Note 17. Imputed Financing from Costs Absorbed by Others

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e., non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the DEA from a providing entity that is not part of the U.S. Department of Justice. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, the material Imputed Inter-Departmental financing sources recognized by the DEA are the cost of benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FEGLI), the Federal Pension plans that are paid by other Federal entities, and any un-reimbursed payments made from the Treasury Judgment Fund on behalf of the DEA. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. 1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expenses when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund.

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. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees, such that the amount calculated would be sufficient to fund the projected pension benefits. For employees covered by Civil Service Retirement System (CSRS), the cost factors are 30.1% of basic pay for regular, 51.1% for law enforcement officers, 23.5% regular offset, and 45.6% law enforcement officers offset. For employees covered by Federal Employee Retirement System (FERS), the cost factors are 13.8% of basic pay for regular and 29.8% for law enforcement officers.

The cost to be paid by the other agencies is the total calculated future costs, less employee and employer contributions. In addition, other retirement benefits, which include health and life insurance that are paid by other Federal entities, must also be recorded.

(Dollars in Thousands, Except as Noted)

Note 17. Imputed Financing from Costs Absorbed by Others (continued)

For the Fiscal Years Ended September 30, 2010 and 2009

	2010	2009
Imputed Inter-Departmental Financing		
Treasury Judgment Fund	$ 6,016	$ 6,868
Health Insurance	46,899	46,203
Life Insurance	195	183
Pension	22,599	13,144
Total Imputed Inter-Departmental	$ 75,709	$ 66,398

The U.S. Department of the Treasury makes payments for the Judgment Fund, while the OPM pays health insurance, life insurance, and pension amounts in excess of government and employee contributions.

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts*, are the unreimbursed portion of the full costs of goods and services received by the DEA from a providing entity that is part of the Department. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Costs are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. The DEA currently does not record any Imputed Intra-Departmental Financing Sources.

(Dollars in Thousands, Except as Noted)

Note 18. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

The direct and reimbursable obligations under Categories A and B are reported in the table below. Apportionment categories are determined in accordance with the guidelines provided in Part 4 "Instructions on Budget Execution" of OMB Circular A-11 *Preparation, Submission and Execution of the Budget*. Category A represents resources apportioned for calendar quarters and Category B represents resources apportioned for other time periods or for activities, projects, objectives or for a combination thereof.

	Direct Obligations	Reimbursable Obligations	Total Obligations Incurred
For the Fiscal Year Ended September 30, 2010			
Obligations Apportioned Under			
Category A	$ 2,404,852	$ 519,774	$ 2,924,626
Category B	127,822	-	127,822
Total	$ 2,532,674	$ 519,774	$ 3,052,448
For the Fiscal Year Ended September 30, 2009			
Obligations Apportioned Under			
Category A	$ 2,267,417	$ 438,515	$ 2,705,932
Category B	37,095	-	37,095
Total	$ 2,304,512	$ 438,515	$ 2,743,027

Status of Undelivered Orders:

Undelivered Orders (UDO) represent the amount of goods and/or services ordered, which have not been actually or constructively received. This amount includes any orders which may have been prepaid or advanced but for which delivery or performance has not yet occurred.

As of September 30, 2010 and 2009

	2010	2009
UDO Obligations Unpaid	$ 536,545	$ 435,906
UDO Obligations Prepaid/Advanced	60,473	63,886
Total UDO	$ 597,018	$ 499,792

Note 18. Information Related to the Statement of Budgetary Resources (continued)

Statement of Budgetary Resources vs. the Budget of the United States Government:

The following table identifies known differences between the DEA's Statement of Budgetary Resources and the Budget of the United States. The reconciliation as of September 30, 2010 is not presented because the submission of the Budget of the United States Government (Budget) for FY 2012, which presents the execution of the FY 2010 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2011.

For the Fiscal Year Ended September 30, 2009
(Dollars in Millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	$ 3,067	$ 2,743	$ 236	$ 2,051
Funds not Reported in the Budget:				
Expired Funds	(42)	(32)	-	-
Appropriated Trust or Special Fund Receipts	-	-	-	235
Redistribution of Clearing Accounts and Miscellaneous Receipts	-	-	(1)	1
Other	-	-	-	(1)
Budget of the United States Government	$ 3,025	$ 2,711	$ 235	$ 2,286

In addition to the above, reconciliation with the SF-133, *Report on Budget Execution and Budgetary Resources*, was performed. This reconciliation confirmed that differences between the Statement of Budgetary Resources and the SF-133 are also the result of the adjustments identified above.

Note 19. Net Custodial Revenue Activity

For the fiscal periods ended September 30, 2010 and 2009, DEA collected $20,963 and $59,961 respectively. These collections include $15 million of the total fees collected for the cost of operation of the Diversion Control Program and civil monetary penalties related to violations of the Controlled Substances Act that were incidental to DEA's mission. Since DEA has no statutory authority to use these funds, DEA transmits them to the U.S. Treasury's General Fund. The DEA has a custodial liability for funds that have not yet been transmitted to the U.S. Treasury's General Fund. The September 30, 2010 and 2009 balances for custodial liabilities were $ 1,584 and $ 2,310 respectively.

(Dollars in Thousands, Except as Noted)

Note 20. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

For the Fiscal Years Ended September 30, 2010 and 2009	2010	2009
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 3,052,448	$ 2,743,027
Less: Spending Authority from Offsetting Collections and Recoveries	628,015	553,098
Obligations Net of Offsetting Collections and Recoveries	2,424,433	2,189,929
Less: Offsetting Receipts	231,967	235,998
Net Obligations	2,192,466	1,953,931
Other Resources		
Transfers-In/Out Without Reimbursement	9,518	12,323
Imputed Financing from Costs Absorbed by Others (Note 17)	75,709	66,398
Net Other Resources Used to Finance Activities	85,227	78,721
Total Resources Used to Finance Activities	2,277,693	2,032,652
Resources Used to Finance Items not Part of the Net Cost of Operations		
Net Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not Yet Provided	(102,608)	64,709
Resources That Fund Expenses Recognized in Prior Periods (Note 21)	(12,067)	(196)
Resources That Finance the Acquisition of Assets	(62,683)	(99,458)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	(1,714)	22,933
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(179,072)	(12,012)
Total Resources Used to Finance the Net Cost of Operations	$ 2,098,621	$ 2,020,640

(Dollars in Thousands, Except as Noted)

Note 20. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing) (continued)

For the Fiscal Years Ended September 30, 2010 and 2009	2010	2009
Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period		
Components That Will Require or Generate Resources in Future Periods (Note 21)	$ 53,396	$ 67,789
Depreciation and Amortization	71,510	64,250
Other	(312)	(6,756)
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	124,594	125,283
Net Cost of Operations	$ 2,223,215	$ 2,145,923

(Dollars in Thousands, Except as Noted)

Note 21. Explanation of Differences Between Liabilities not Covered by Budgetary Resources and Components of Net Cost of Operations Requiring or Generating Resources in Future Periods

Liabilities that are not covered by realized budgetary resources and for which there is not certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $586,277 and $545,209 on September 30, 2010 and 2009, respectively, are discussed in Note 10, *Liabilities not Covered by Budgetary Resources.* Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases, along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

For the Fiscal Years Ended September 30, 2010 and 2009

	2010	2009
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Contingent Liabilities	(12,067)	-
Decrease in Other Unfunded Employment Related Liabilities	-	(196)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (12,067)	$ (196)
Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	$ 5,134	$ 5,385
(Increase)/Decrease in Exchange Revenue Receivable from the Public	261	(7)
Other		
Increase in Actuarial FECA Liabilities	5,550	1,935
Increase in Accrued FECA Liabilities	1,057	91
Increase in Deferred Revenue	41,324	54,510
Increase in Contingent Liabilities	-	5,875
Increase in Other Unfunded Employment Related Liabilities	70	-
Total Other	48,001	62,411
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	$ 53,396	$ 67,789

Required Supplementary Information
Unaudited

U.S. Department of Justice
Drug Enforcement Administration
Required Supplementary Information
Combining Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2010

Dollars in Thousands

	S&E	Violent Crime	Diversion	Construction	Total
Budgetary Resources					
Unobligated Balance, Brought Forward, October 1	$ 235,861	$ 204	$ 87,806	$ 8	$ 323,879
Recoveries of Prior Year Unpaid Obligations	111,847	45	17,235	-	129,127
Budget Authority					
Appropriations Received	2,053,353	-	230,836	-	2,284,189
Spending Authority from Offsetting Collections					
Earned					
Collected	537,465	2	209	126	537,802
Change in Receivables from Federal Sources	(33,532)	-	-	-	(33,532)
Change in Unfilled Customer Orders					
Advance Received	25	-	-	-	25
Wi hout Advance from Federal Sources	(5,407)	-	-	-	(5,407)
Subtotal Budget Au hority	2,551,904	2	231,045	126	2,783,077
Nonexpenditure Transfers, Net, Actual	39,756	-	-	-	39,756
Total Budgetary Resources	$ 2,939,368	$ 251	$ 336,086	$ 134	$ 3,275,839
Status of Budgetary Resources					
Obligations Incurred					
Direct	$ 2,264,650	$ -	$ 267,996	$ 28	$ 2,532,674
Reimbursable	519,774	-	-	-	519,774
Total Obligations Incurred	2,784,424	-	267,996	28	3,052,448
Unobligated Balance - Available					
Apportioned	126,561	251	68,090	106	195,008
Unobligated Balance not Available	28,383	-	-	-	28,383
Total Status of Budgetary Resources	$ 2,939,368	$ 251	$ 336,086	$ 134	$ 3,275,839
Change in Obligated Balance					
Obligated Balance, Net - Brought Forward, October 1					
Unpaid Obligations	$ 623,944	$ 5,548	$ 55,294	$ 2,460	$ 687,246
Less: Uncollected Customer Payments from Federal Sources	220,915	-	-	-	220,915
Total Unpaid Obligated Balance, Net Brought Forward, October 1	403,029	5,548	55,294	2,460	466,331
Obligations Incurred, Net	2,784,423	-	267,997	28	3,052,448
Less: Gross Outlays	2,582,533	237	250,390	364	2,833,524
Less: Recoveries of Prior Year Unpaid Obligations, Actual	111,847	45	17,235	-	129,127
Change in Uncollected Customer Payments from Federal Sources	38,939	-	-	-	38,939
Obligated Balance, Net - End of Period					
Unpaid Obligations	713,986	5,267	55,666	2,124	777,043
Less: Uncollected Customer Payments from Federal Sources	181,976	-	-	-	181,976
Total Unpaid Obligated Balance, Net - End of Period	$ 532,010	$ 5,267	$ 55,666	$ 2,124	$ 595,067
Net Outlays					
Gross Outlays	$ 2,582,533	$ 237	$ 250,390	$ 364	$ 2,833,524
Less: Offsetting Collections	537,490	2	209	126	537,827
Less: Distributed Offset ing Receipts	1,131	-	230,836	-	231,967
Total Net Outlays	$ 2,043,912	$ 235	$ 19,345	$ 238	$ 2,063,730

U.S. Department of Justice
Drug Enforcement Administration
Required Supplementary Information
Combining Statement of Budgetary Resources
For The Fiscal Year Ended September 30, 2009

Dollars in Thousands

	S&E	Violent Crime	Diversion	Construction	Total
Budgetary Resources					
Unobligated Balance, Brought Forward, October 1	$ 101,315	$ 7	$ 60,423	$ -	$ 161,745
Recoveries of Prior Year Unpaid Obligations	77,147	184	9,009	5	86,345
Budget Authority					
Appropriations Received	1,959,084	-	234,512	-	2,193,596
Spending Authority from Offsetting Collections					
Earned					
Collected	385,202	-	159	3	385,364
Change in Receivables from Federal Sources	39,199	-	-	-	39,199
Change in Unfilled Customer Orders					-
Advance Received	(9)	-	-	-	(9)
Without Advance from Federal Sources	42,199	-	-	-	42,199
Subtotal Budget Authority	2,425,675	-	234,671	3	2,660,349
Nonexpenditure Transfers, Net, Actual	158,467	-	-	-	158,467
Total Budgetary Resources	$ 2,762,604	$ 191	$ 304,103	$ 8	$ 3,066,906
Status of Budgetary Resources					
Obligations Incurred					
Direct	$ 2,088,228	$ (13)	$ 216,297	$ -	$ 2,304,512
Reimbursable	438,515	-	-	-	438,515
Total Obligations Incurred	2,526,743	(13)	216,297	-	2,743,027
Unobligated Balance - Available					
Apportioned	225,137	204	87,806	8	313,155
Unobligated Balance not Available	10,724	-	-	-	10,724
Total Status of Budgetary Resources	$ 2,762,604	$ 191	$ 304,103	$ 8	$ 3,066,906
Change in Obligated Balance					
Obligated Balance, Net - Brought Forward, October 1					
Unpaid Obligations	$ 640,903	$ 6,450	$ 52,653	$ 2,499	$ 702,505
Less: Uncollected Customer Payments from Federal Sources	139,516	-	-	-	139,516
Total Unpaid Obligated Balance, Net - Brought Forward, October 1	501,387	6,450	52,653	2,499	562,989
Obligations Incurred, Net	2,526,743	(13)	216,297	-	2,743,027
Less: Gross Outlays	2,466,556	705	204,646	34	2,671,941
Less: Recoveries of Prior Year Unpaid Obligations, Actual	77,147	184	9,009	5	86,345
Change in Uncollected Customer Payments from Federal Sources	(81,399)	-	-	-	(81,399)
Obligated Balance, Net - End of Period					
Unpaid Obligations	623,944	5,548	55,294	2,460	687,246
Less: Uncollected Customer Payments from Federal Sources	220,915	-	-	-	220,915
Total Unpaid Obligated Balance, Net - End of Period	$ 403,029	$ 5,548	$ 55,294	$ 2,460	$ 466,331
Net Outlays					
Gross Outlays	$ 2,466,556	$ 705	$ 204,646	$ 34	$ 2,671,941
Less: Offsetting Collections	385,193	-	158	3	385,354
Less: Distributed Offsetting Receipts	1,486	-	234,512	-	235,998
Total Net Outlays	$ 2,079,877	$ 705	$ (30,024)	$ 31	$ 2,050,589