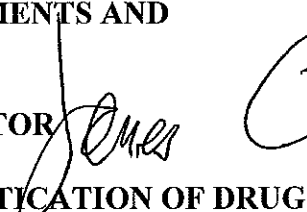


# ONDCP Circular: Accounting of Drug Control Funding and Performance Summary

May 8, 2018

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**TO:** THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

**FROM:** JAMES W. CARROLL, DEPUTY DIRECTOR 

**SUBJECT:** ANNUAL ACCOUNTING AND AUTHENTICATION OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE

1. **Purpose.** This circular provides the policies and procedures to be used by National Drug Control Program agencies in conducting a detailed accounting and authentication of all funds expended on National Drug Control Program activities and the performance measures, targets, and results associated with those activities in the last completed fiscal year.
2. **Rescission.** This circular rescinds and replaces the ONDCP Circular, *Annual Accounting of Drug Control Funds*, dated January 18, 2013.
3. **Authority.**
  - a. 21 U.S.C. § 1704(d) provides: “The Director [ONDCP] shall –
    - (A) require the National Drug Control Program agencies to submit to the Director not later than February 1 of each year a detailed accounting of all funds expended by the agencies for National Drug Control Program activities during the previous fiscal year, and require such accounting to be authenticated by the Inspector General of each agency prior to submission to the Director; and
    - (B) submit to Congress not later than April 1 of each year the information submitted to the Director under subparagraph (A).”
  - b. 21 U.S.C. § 1703(d)(7) authorizes the Director of National Drug Control Policy to “... monitor implementation of the National Drug Control Program, including – (A) conducting program and performance audits and evaluations; and (B) requesting assistance of the Inspector General of the relevant agency in such audits and evaluations ...”

4. **Definitions.** As used in this circular, key terms related to the National Drug Control Program and budget are defined in Section 4 of the ONDCP Circular, *Budget Formulation*, dated May 8, 2018. These terms include: *National Drug Control Program, National Drug Control Program agency, Bureau, Drug Methodology, Drug Control Functions, and Budget Decision Units*. Further, Reprogrammings and Fund Control Notices referenced in Section 6 of this circular are defined in Section 7 and Section 9 of the ONDCP Circular, *Budget Execution*, dated May 8, 2018.
5. **Coverage.** The provisions of this circular apply to all National Drug Control Program agencies.
6. **Detailed Accounting Submission.** The Chief Financial Officer (CFO) of each agency, or other accountable senior executive, shall prepare a Detailed Accounting Submission to the Director, ONDCP. For agencies with no bureaus, this submission shall be a single report, as defined by this section. For agencies with bureaus, the Detailed Accounting Submission shall consist of reports, as defined by this section, from the agency's bureaus. The CFO of each bureau, or accountable senior level executive, shall prepare reports. Each report must include (a) a table highlighting prior year drug control obligations data, and (b) a narrative section making assertions regarding the prior year obligations data. Report elements are further detailed below:
  - a. **Table of Prior Year Drug Control Obligations** – For the most recently completed fiscal year, each report shall include a table of obligations of all drug control budgetary resources appropriated and/or available during the year being reported, including any non-expired (multi-year) appropriations. Such table shall present obligations by Budget Decision Unit and Drug Control Function, as these categories are displayed for the agency or bureau in the *National Drug Control Strategy Budget and Performance Summary*<sup>1</sup>. Further, this table shall be accompanied by the following disclosures:
    - (1) **Drug Methodology** – The drug methodology shall be specified in a separate exhibit. For obligations calculated pursuant to a drug methodology, this presentation shall include sufficient detail to explain fully the derivation of all obligations data presented in the table.
    - A. **Obligations by Budget Decision Unit** – Drug control obligations reported by Budget Decision Unit and Drug Control Function shall represent 100 percent of the actual obligations of the bureau for those Budget Decision Units, as they are defined for the National Drug Control Budget. (See Attachment C of the ONDCP Circular, *Budget Formulation*, dated May 8, 2018.)

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<sup>1</sup>Consistent with reporting requirements of the ONDCP Circular, *Budget Formulation*, dated May 8, 2018, resources received from the following accounts are excluded from obligation estimates: (1) ONDCP – High Intensity Drug Trafficking Areas (HIDTA) and (2) DOJ – Organized Crime Drug Enforcement Task Force Program. Obligations against these resources shall be excluded from the table required by this section but shall be reported on a consolidated basis by these bureaus. Generally, to prevent double-counting agencies should not report obligations against budget resources received as a reimbursement. An agency that is the source of the budget authority for such reimbursements shall be the reporting entity under this circular.

For the multi-mission bureaus listed in Attachment B of the ONDCP Circular, *Budget Formulation*, dated May 8, 2018, obligations reported by Budget Decision Unit and Drug Control Function shall be calculated pursuant to an approved drug methodology. For these multi-mission bureaus, this presentation shall include sufficient detail to explain fully the derivation of all obligations data presented in the table.

**B. Obligations by Drug Control Function** – All bureaus employ a drug methodology to report obligations by Drug Control Function.

- (2) **Methodology Modifications** – Consistent with ONDCP’s prior approval, if the drug methodology has been modified from the previous year, then the changes, their purpose, and the quantitative differences in the amount(s) reported using the new method versus the amount(s) that would have been reported under the old method shall be disclosed.<sup>2</sup>
  - (3) **Material Weaknesses or Other Findings** – Any material weakness or other findings by independent sources, or other known weaknesses, including those identified in the Agency’s Annual Statement of Assurance, which may affect the presentation of prior year drug-related obligations data, shall be highlighted. This may be accomplished by either providing a brief written summary, or by referencing and attaching relevant portions of existing assurance reports. For each material weakness or other finding, corrective actions taken, currently underway, or contemplated shall be identified.
  - (4) **Reprogrammings or Transfers** – All prior year reprogrammings or transfers that affected drug-related budgetary resources for all non-expired appropriations shall be identified; for each such reprogramming or transfer, the effect on drug-related obligations reported in the table required by this section also shall be identified.
  - (5) **Other Disclosures** – Agencies may make such other disclosures as they feel are necessary to clarify any issues regarding the data reported under this circular.
- b. **Assertions** – Each report shall include a narrative section where the following assertions are made regarding the obligation data presented in the table required by Section 6a:
- (1) **Obligations by Budget Decision Unit** – With the exception of the multi-mission bureaus noted in Section 6a(1)(a), reports under this section shall include an assertion that obligations reported by budget decision unit are the actual obligations from the bureau’s accounting system of record for these Budget Decision Units.
  - (2) **Drug Methodology** – An assertion shall be made regarding the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources by function for all bureaus and by budget decision unit for the

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<sup>2</sup> For changes that did not receive prior approval, the agency or bureau shall submit such changes to ONDCP for approval under separate cover.

those multi-mission agencies noted in Section 6a(1)A above. The criteria associated with this assertion are as follows:

- a) **Data** – A methodology should be based on reliable data. Reliability considers the data's availability, timeliness, and relevance. For example, if a methodology considers workload or another activity base, then the source of these data and the current connection to drug control obligations should be described in the report.
  - b) **Financial Systems** – Financial systems supporting the drug methodology should yield data that fairly present, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.
- (3) **Application of Drug Methodology** – Each report shall include an assertion that the drug methodology disclosed in this section was the actual methodology used to generate the table required by Section 6a. Calculations must be sufficiently well documented to independently reproduce these data. Calculations should also provide a means to ensure consistency of data between reporting years.
  - (4) **Reprogrammings or Transfers** – Further, each report shall include an assertion that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$1 million.
  - (5) **Fund Control Notices** – Each report shall also include an assertion that the data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21 U.S.C. §1703(f) and Section 9 of the ONDCP Circular, *Budget Execution*.
7. **Performance Summary Report.** The CFO, or other accountable senior executive, of each agency for which a Detailed Accounting Submission is required, shall provide a Performance Summary Report to the Director of National Drug Control Policy. Each report must include performance-related information for National Drug Control Program activities, and the official is required to make certain assertions regarding that information. The required elements of the report are detailed below.
- a. **Performance Reporting-** The agency's Performance Summary Report must include each of the following components:
    - (1) **Performance Measures** – The report must describe the performance measures used by the agency to assess the National Drug Control Program activities it carried out in the most recently completed fiscal year and provide a clear justification for why those measures are appropriate for the associated National Drug Control Program activities. The performance report must explain how the measures: clearly reflect the purpose and activities of the agency; enable assessment of agency contribution to the National Drug Control Strategy; are outcome-oriented; and are used in agency management.

The description must include sufficient detail to permit non-experts to understand what is being measured and why it is relevant to those activities.

- (2) **Prior Years Performance Targets and Results** – For each performance measure, the report must provide actual performance information for the previous four fiscal years and compare the results of the most recently completed fiscal year with the projected (target) levels of performance established for the measures in the agency’s annual performance budget for that year. If any performance target for the most recently completed fiscal year was not met, the report must explain why that target was not met and describe the agency’s plans and schedules for meeting future targets. Alternatively, if the agency has concluded it is not possible to achieve the established target with available resources, the report should include recommendations concerning revising or eliminating the target.
  - (3) **Current Year Performance Targets** – Each report must specify the performance targets established for National Drug Control Program activities in the agency’s performance budget for the current fiscal year and describe the methodology used to establish those targets.
  - (4) **Quality of Performance Data** – The agency must state the procedures used to ensure that the performance data described in this report are accurate, complete, and unbiased in presentation and substance. Agency performance measures must be supported by data sources that are directly pertinent to the drug control activities being assessed and ideally allow documentation of small but significant changes.
- b. **Assertions** – Each report shall include a letter in which an accountable agency official makes the following assertions regarding the information presented in Section 7a:
- (1) **Performance reporting system is appropriate and applied** – The agency has a system to capture performance information accurately and that system was properly applied to generate the performance data.
  - (2) **Explanations for not meeting performance targets are reasonable** – An assertion shall be made regarding the reasonableness of any explanation offered for failing to meet a performance target and for any recommendations concerning plans and schedules for meeting future targets or for revising targets or eliminating performance measures.
  - (3) **Methodology to establish performance targets is reasonable and consistently applied** – An assertion that the methodology described above to establish performance targets for the current year is reasonable given past performance and available resources.
  - (4) **Adequate performance measures exist for all significant drug control activities** - Each Report shall include an assertion that the agency has established at least one acceptable performance measure for each Drug Control Budget Decision Unit identified in reports required by section 6a(1)(A) for which a significant amount of

obligations (\$1,000,000 or 50 percent of the agency drug budget, whichever is less) were incurred in the previous fiscal year. Each performance measure must reflect the intended purpose of the relevant National Drug Control Program activity.

c. **Criteria** - The criteria associated with these assertions are as follows:

- (1) **Data** – If workload, participant, or other quantitative information supports these assertions, the sources of these data should be well documented. If these data are periodically collected, the data used in the report must be clearly identified and must be the most recently available.
- (2) **Other Estimation Methods** – If professional judgment or other assessment methodologies are used to make these assertions, the objectivity and strength of these techniques must be thoroughly explained and documented. These assessment methodologies estimation methods should be subjected to periodic review to confirm their continued validity.
- (3) **Reporting Systems** – Reporting systems supporting the assertions should be current, reliable, and an integral part of the agency's performance management processes.

8. **Inspector General Authentication.** Each report defined in Sections 6 and 7 shall be provided to the agency's Inspector General (IG) for the purpose of expressing a conclusion about the reliability of each assertion made in the report. ONDCP anticipates that this engagement will be an attestation review, consistent with the *Statements for Standards of Attestation Engagements*, promulgated by the American Institute of Certified Public Accountants.

9. **Unreasonable Burden Exception.**

- a. **Accounting of Drug Control Funding.** Unless a detailed report, as specified in Section 6, is specifically requested by ONDCP, an agency or bureau included in the National Drug Control Budget with prior year drug-related obligations of less than \$50 million may submit through its CFO, or its accountable senior executive, an alternative report to ONDCP, consisting of only the table highlighted in Section 6a, omitting all other disclosures. Reports will be accompanied by statements from the CFO or an accountable senior executive, attesting that full compliance with this Circular would constitute an unreasonable reporting burden. In those instances, obligations reported under this section will be considered as constituting the statutorily required detailed accounting, unless ONDCP notifies the agency that greater detail is required.
- b. **Performance Summary Report.** Unless a detailed report, as specified in Section 7, is specifically requested by ONDCP, an agency or bureau included in the National Drug Control Budget with prior year drug-related obligations of less than \$50 million may submit an alternative report to ONDCP. The alternative Performance Summary Report shall include the report and assertions as outlined in Section 7. Reports will be accompanied by statements from an accountable senior executive, attesting that full compliance with this Circular would constitute an unreasonable reporting burden.

**10. Due Dates and Point of Contact.** Agency management must submit reports to their Office of Inspector General (OIG) in sufficient time to allow for review and IG authentication under Section 8 of this Circular. Each agency CFO, or accountable senior level executive, shall transmit a Detailed Accounting Submission and Performance Summary Report, as defined in Sections 6 and 7, along with the IG's authentications, as defined in Section 8, by February 1 of each year to the attention of:

Associate Director; Policy, Research and Budget  
Office of National Drug Control Policy  
750 17<sup>th</sup> Street, N.W.  
Washington, DC 20503

Email: [Executive\\_Secretariat@ondcp.eop.gov](mailto:Executive_Secretariat@ondcp.eop.gov)