

**Fiscal Year 1998  
Annual Accountability Report  
U.S. Department of Justice**

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# 1998 Annual Accountability Report U.S. Department of Justice





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# Foreword

## To the Senate and the House of Representatives of the United States of America in Congress Assembled:

*This Annual Accountability Report highlights the accomplishments of the Department of Justice in fiscal year 1998, reflecting the dedication and expertise of the Department's employees and their commitment to the principles of justice and fair treatment for all Americans.*

*Serious crime continued to fall in the first half of 1998, marking the 6th consecutive year of this decline. Working with Federal, tribal, state, and local governments, Justice components carried out innovative initiatives to dismantle international and domestic drug trafficking and money laundering organizations, improve emergency response capabilities to domestic and international terrorist threats, protect the integrity and availability of the Nation's critical information infrastructures, and obtain restitution for crime victims. Department-led, multi-agency task forces focused their efforts on violent drug offenders, organized gangs, corrupt public officials, worker exploitation, and Indian Country crime.*

*The tragic loss of life and injuries at several of our Nation's schools in 1998 prompted President Clinton to direct the Departments of Justice and Education to develop an early warning guide to help adults reach troubled children more effectively. The guide was distributed to every school in the Nation for the fall term.*

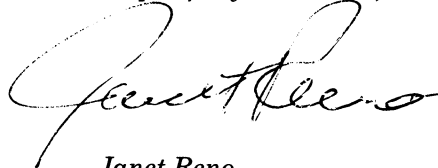
*The Community Oriented Policing Services Office added over 17,500 officers to our streets, bringing the ranks of funded community policing officers to more than 88,000, in support of the President's goal to fund 100,000 cops on the beat by the year 2000.*

*Legislation passed in 1998 supports our efforts to counter terrorism and espionage and fight crimes against women and children. The Department also supported passage of the Alternative Dispute Resolution Act of 1998, a statute designed to help prevent wasteful and protracted litigation from clogging our court system.*

*Also, this year, I am pleased to provide reasonable assurance that our management control and financial systems, taken as a whole, met the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. While we still have a number of material challenges to resolve, the Department is steadily improving in this area.*

*This report is on the Department's web site at [www.usdoj.gov](http://www.usdoj.gov).*

Respectfully submitted,



Janet Reno

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# Introduction

## Overview of the Department of Justice

The Attorney General enforces Federal laws and contributes to the fair and efficient administration of the Federal justice system. To do this, the Attorney General directs the activities of the more than 121,300 attorneys, law enforcement professionals, and other employees of the U.S. Department of Justice (the Department). This Annual Accountability Report summarizes the Department's performance and major accomplishments during 1998.<sup>1</sup>

The responsibilities of the Department are wide-ranging. They include detecting, apprehending, prosecuting, and incarcerating criminal offenders; upholding the civil rights of all Americans; enforcing laws to protect the environment; ensuring healthy business competition in our free enterprise system; safeguarding the consumer from fraudulent activity; enforcing the immigration laws of the United States; and representing the American people in all legal matters involving the U.S. Government. The components of the Department, shown on the following organizational chart, carry out these responsibilities. Among these components are the major law enforcement agencies—the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration (DEA), the United States Marshals Service (USMS), the Immigration and Naturalization Service (INS), and the Bureau of Prisons (BOP)—the litigating components, i.e., the legal Divisions and the U.S. Attorneys; and the Office of Justice Programs (OJP) and the Community Oriented Policing Services (COPS) Office.

Although the Department is headquartered in Washington, DC, most of its work takes place outside of Washington. As a result, most of its employees are located in any of roughly 2,700 Department installations around the country (which range from a one- or two-person border station to a large Division office in a major city) or in one of more than 74 foreign cities.

The Department of Justice had a budget of more than \$20 billion in 1998, a 7-percent increase over last year's budget of \$18.7 billion. This increase was due largely to the Department receiving targeted increases in OJP grants and in drug, counterterrorism, and immigration programs.

In an attempt to bring cohesion to the Department's many mandatory planning and reporting documents, and to make these documents more useful, the format of the *FY 1998 Annual Accountability Report of the Department of Justice* aligns with the

### Mission

**T**o enforce the law and defend the interests of the United States according to the law, to provide Federal leadership in preventing and controlling crime, to seek just punishment for those guilty of unlawful behavior, to administer and enforce the Nation's immigration laws fairly and effectively, and to ensure fair and impartial administration of justice for all Americans.

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<sup>1</sup> This report covers fiscal year (FY) 1998, which began on October 1, 1997, and ended on September 30, 1998. All references to years indicate fiscal years unless otherwise noted.

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Department's core functions and related goals as delineated in its Strategic Plan. The Strategic Plan sets out the broad direction for the Department and provides performance indicators for measuring its progress. To provide consistency in the Department's planning and reporting efforts, these seven core functions also serve as chapter divisions for the present Annual Accountability Report. Further, the Department's *FY 1998 Annual Financial Statement* is included intact as the final chapter. The report is organized as follows:

- Chapter I: Investigation and Prosecution of Criminal Offenses
- Chapter II: Assistance to Tribal, State, and Local Governments
- Chapter III: Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests
- Chapter IV: Immigration
- Chapter V: Detention and Incarceration
- Chapter VI: Protection of the Federal Judiciary and Improvement of the Justice System
- Chapter VII: Management
- Chapter VIII: Annual Financial Statement

Each chapter examines ways in which the Department, through the work of its various component agencies, has made progress over the past year towards achieving the performance goals associated with each core function. Also identified in each chapter, in compliance with the Federal Manager's Financial Integrity Act (FMFIA), are "management challenges," or areas that raise particular FMFIA issues for management. In addition to identifying problems associated with a particular Department function or program, the report also offers solutions for overcoming identified management challenges and describes progress being made toward that end.

Three appendices include (1) a glossary of the abbreviations and acronyms used in this report, (2) criminal caseload statistical reports on intellectual property crimes with related information from the U.S. Attorneys, and (3) an index of justice component web sites.



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## Highlights of 1998 Accomplishments

### Investigation and Prosecution of Criminal Offenses

- In the first half of 1998, serious crime continued to fall, as it has for the past 6 years in a row. The Department worked closely with state and local law enforcement agencies, using a coordinated approach to combat crime. The Federal Bureau of Investigation's (FBI's) Safe Streets program, which targets violent gangs in city, suburban, and rural areas, achieved more than 12,000 arrests nationwide. The Drug Enforcement Administration's (DEA's) Mobile Enforcement Team program concluded 34 cases in 1998, taking more than a ton of drugs and 2,250 dealers off the streets.
- In Operation Reciprocity, the FBI and DEA, together with the U.S. Customs Service, arrested more than 50 people for drug trafficking along the Southwest border, seizing tons of cocaine.
- The Unabomber pleaded guilty and was sentenced to life in prison.
- The Department's enforcement efforts placed a special emphasis on the continued threat presented by Iraq, Iran, and Libya in the area of nuclear and conventional weapons procurement and chemical and biological weapons endeavors.
- The United States obtained custody in 1998 of Mohammed Rashed, charged with the 1982 terrorist bombing of Pan American Flight 830 en route from Tokyo to Honolulu. He is currently awaiting trial on murder charges.
- The FBI strengthened its programs to prevent and combat terrorism. Shortly after United States embassies in Kenya and Tanzania were bombed, three suspects were taken into custody and indicted in the cases. Also, charges were filed in the fatal bombing at Centennial Olympic Park during the Olympic Games.

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## **Assistance to Tribal, State, and Local Governments**

- In 1998, the Department awarded more than three times the money and twice the number of grants awarded last year under the Rural Domestic Violence and Child Victimization Enforcement Grant Program. A total of \$19.4 million went to 62 jurisdictions to help women and children affected by domestic violence. Another 90 jurisdictions received \$53.8 million to help investigate and prosecute domestic violence as a serious crime.
- The Community Oriented Policing Services Office awarded nearly \$1.2 billion in grants to put more than 17,500 officers on the streets, bringing the ranks of community policing officers funded to 88,112. The Department is ahead of schedule and under budget in its commitment to fulfilling the President's goal of adding 100,000 community policing officers to our Nation's streets.
- In an effort to better coordinate and optimize the resources of the various law enforcement agencies in certain areas of Indian Country, five Safe Trails Task Forces were made operational there to address drug trafficking, violent gang and non-gang activity, and crimes against children.

## **Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests**

- The Department's Antitrust Division obtained a record \$267 million in criminal fines and had a record year in its merger enforcement activities, challenging 51 mergers either formally or informally, including the largest merger to have been successfully challenged in American history. It also obtained the largest divestiture in any merger case.
- In March 1998, the Foreign Claims Settlement Commission settled claims filed in its Holocaust Survivors Claims Program by U.S. nationals who suffered "loss of liberty or damage to body or health" from being in concentration camps.
- The Department's Civil Division gained its first significant success in the massive and protracted Winstar litigation, achieving four favorable settlements and averting the payment of over \$1 billion in unmeritorious claims.
- In its heightened efforts to combat health care fraud, the Department secured \$253 million in judgments and settle-



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ments. Topping these efforts was a \$140 million settlement with Health Care Service Corporation, the Medicare carrier for Michigan and Illinois, to resolve allegations of fraud.

- The Tax Division successfully prosecuted the largest motor fuels excise tax case to date, which involved an attempt by organized crime figures to evade \$140 million in taxes.
- The Environment Division made significant progress in the battle for cleaner air by obtaining \$1 billion in settlements with diesel engine manufacturers and historic settlements with Honda and Ford. In partnership with the U.S. Environmental Protection Agency, the Department participated in the Mississippi River Basin Initiative, a comprehensive Federal effort to keep illegal pollution out of the river and restore it and surrounding communities to their historic grandeur.
- The Civil Rights Division reached settlements with national restaurant and hotel chains, ensuring greater access for Americans with disabilities. The Division also established two new task forces to combat worker exploitation and abortion clinic violence.

## Immigration

- In 1998, the Immigration and Naturalization Service (INS) increased the number of deportable or inadmissible aliens it removed from the United States by 48 percent over the previous year. Largely as a result of the expedited removal program, INS exceeded its goal by a third, achieving 170,574 final order removals. Sustained focus on the removal of criminal aliens yielded 55,776 removals, marking the first time INS has removed more than 55,000 criminal aliens in a fiscal year.
- Since 1993, INS has undertaken an ambitious hiring initiative that is in its 5th year. As a result, the number of full-time permanent INS staff has increased by more than two-thirds, from 17,163 in 1993 to 28,941 in 1998. Even in a tight labor market with low unemployment, INS sustained its hiring momentum, adding 2,957 new staff in 1998.
- The INS, in cooperation with other Federal agencies and foreign governments, dismantled a multimillion-dollar alien smuggling ring whose operations spanned four continents, the largest alien smuggling organization ever dismantled in the United States.
- The Department succeeded in getting provisions of the Illegal Immigration Reform and Immigrant Responsibility Act upheld through the dismissal of a longstanding 45,000-member class action.

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## **Detention and Incarceration**

- The Federal Bureau of Prisons activated five new facilities and increased inmate housing at existing institutions, ensuring sufficient prison space so that violent and serious criminal offenders are imprisoned to the fullest extent of the law.

## **Protection of the Federal Judiciary and Improvement of the Justice System**

- The U.S. Marshals Service (USMS) helped to secure more than 57,000 criminal trials, including the Oklahoma City and World Trade Center bombing trials.
- The Department continued to place a high priority on development of technology. Programs include pioneering work in DNA identification of violent offenders and progress on developing an automated fingerprint identification system.
- Parole hearings were opened up so that victims could attend or provide input.
- In an effort to reduce violent crime by parolees in the District of Columbia, the U.S. Parole Commission has devised an improved point score system to replace the system used by the DC Parole Board. This improved scoring system will identify and disable those offenders with a high probability of serious recidivism. The Department coordinated the transition from the DC Parole Board to the Parole Commission of all DC offenders eligible for parole or reconsideration as of August 5, 1998.
- The Department prevailed in several high-profile cases in which major law firms were required to disgorge or reduce their fees because they failed to inform the bankruptcy court of actual or potential conflicts in legal representation, as required under the Bankruptcy Code. The U.S. Trustee Program worked with U.S. Attorneys to obtain bankruptcy fraud convictions of “bankruptcy foreclosure scam” operators, who unlawfully used the bankruptcy system to prey upon hundreds of financially distressed families facing home foreclosure.

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# I. Core Function: Investigation and Prosecution of Criminal Offenses

The U.S. Department of Justice (the Department) enforces this Nation's criminal laws through its component organizations and in cooperation with Federal, state, local, and even foreign agencies. These partnerships have made possible comprehensive strategies aimed at such problems as violent crime, juvenile and gang violence, drug trafficking and related crime, domestic and foreign terrorism, and public corruption and fraud. Department attorneys have assisted Federal prosecutors in indicting and prosecuting the gamut of criminal offenses that destroy the fabric of our communities. The Department's prosecutorial arsenal includes racketeering statutes, tough new drug and gun laws, stiff prison sentences, and specialized training for its employees.

## Goal 1.1: Reduce Violent Crime, Including Organized Crime, Drug, and Gang Related Violence.

The Department's fundamental strategy for reducing violent crime in America is the Attorney General's Anti-Violent Crime Initiative (AVCI), announced in March 1994. Under the AVCI, the Department has forged partnerships with law enforcement agencies at every level. Since the start of this initiative, the Nation's violent crime rate has declined 14 percent and the homicide rate has dropped 24 percent.

During 1998, the Department continued to prosecute the most violent criminal offenders using ACVI and the enhanced criminal provisions of the Violent Crime Control Act of 1994. During 1998, the U.S. Attorneys filed a total of 6,889 cases against 8,703 violent offenders, representing a 10-percent increase in the number of violent crime cases over the year before. Of those defendants whose cases were terminated during the year, 87 percent were convicted, representing the highest conviction rate in the last several years. Eighty-eight percent of all convicted defendants were sentenced to prison, with 96 defendants receiving life sentences.

### **“Carried” Weapons Can Be in the Trunk**

**T**he Department won a major victory against drug dealers in *United States v. Muscarello*. In *Muscarello*, the Supreme Court considered the meaning of "carry" in 18 U.S.C. 924(c), which makes it a crime to carry a firearm during or in relation to a crime of violence or a drug trafficking offense. The Court rejected the argument that the weapon must be carried on the person or otherwise be readily accessible to the defendant to be "carried." Rather, the Court held that common understanding of the term "carry," as well as the statute's legislative history, indicate that Congress intended the term to encompass carrying a weapon in a vehicle, even if the weapon is locked in the trunk or is otherwise not immediately accessible.

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## Organized Crime

Organized crime can include violations relating to gambling, extortion, and the infiltration of legitimate businesses. During 1998, enforcement efforts against La Cosa Nostra (LCN) bosses, capos, and soldiers resulted in 42 indictments, 22 convictions, and 208 arrests. In Detroit, Jack Tocco, the longest reigning LCN boss in the Nation, was convicted on charges of racketeering influenced and corrupt organizations (RICO), extortion, and obstruction of justice, along with one of his capos and two associates. In Boston, the entire hierarchy of the LCN family was indicted on RICO-murder charges. A major 1998 case was the indictment of John Gotti, Jr., alleged head of the Gambino LCN family, on racketeering charges. Six other high-ranking members of the Gambino LCN family were also indicted. Gotti, Jr., is the son of convicted LCN boss John Gotti, now in prison. LCN bosses and capos were also charged in New York, Las Vegas, Miami, Cleveland, and other cities.

In addition to pursuing traditional organized crime, the Department investigated and prosecuted the illegal activities of other non-traditional organized crime groups. During the year, it filed a total of 199 cases against 390 organized crime defendants. Additionally, a total of 198 cases against 575 defendants were terminated. Of those defendants whose cases were terminated during 1998, 90 percent were convicted. Sixty percent of the convicted defendants received prison sentences, including three life sentences.

- In Brooklyn, a 63-count RICO indictment was returned charging a Russian organized crime group with numerous acts of extortion, kidnapping, and prostitution. This indictment is the first in the United States to charge a Russian organized crime group as a racketeering enterprise.
- The Department continued to work closely with law enforcement agencies in other countries against organized crime operations in the United States. For example, assistance from the Russian National Police aided the Federal Bureau of Investigation's (FBI's) investigation of Yvacheslov Ivankov, a major Russian organized crime figure operating in New York. Ivankov was convicted and sentenced to 9.5 years in prison.

### **Operation Button Down Cinches LCN Operations**

**A**s part of its aggressive pursuit of LCN operations, the Federal Bureau of Investigation is carrying out Operation Button Down. The program began in March 1996 and achieved these successes by the end of 1998: indictment and/or conviction of 4 bosses, 2 underbosses, 3 consiglieres, 20 capos, 33 soldiers, and 355 associates. Assets seized in LCN cases total \$146 million.

## Gang-Related and Other Violence

Members of violent street gangs frequently engage in drug trafficking activities and frequently use firearms in the commission of their crimes. Approximately 10 million firearms are sold annually, and an additional 7 million firearms are pawned and redeemed in the United States each year. Each of these transactions requires a background check to determine whether a purchaser is prohibited from receiving a firearm under Federal or state law. In June 1998,

the Bureau of Justice Statistics (BJS) reported that pre-sale background checks blocked an estimated 69,000 handgun sales during 1997. About 62 percent of the 1997 rejections were based on a prior felony conviction or a current felony indictment.

Federal prosecutors continue to make significant strides in dismantling violent gangs by using tools such as Federal racketeering statutes and stringent narcotics and gun laws. By emphasizing the use of Federal firearms statutes against violent repeat offenders whose criminal behavior has not been deterred by state or local prosecutions, not only are armed criminals brought to justice, but the worst offenders are imprisoned for extended periods of time. In 1998, the U.S. Attorneys charged 4,343 defendants with Federal firearms violations.

Ninety-five percent of the defendants who were sentenced for firearms during the year were sentenced to prison. The average prison sentence was 8 years and 7 months, with 536 defendants receiving sentences of more than 15 years to life. The U.S. Attorneys rely on stiff Federal penalties and the joint efforts of Federal, state, and local law enforcement to prosecute firearms offenders successfully.

## Mobile Enforcement Teams

Doing its part to attack drug-related violence in America, the Drug Enforcement Administration's (DEA's) Mobile Enforcement Team (MET) program represents the most ambitious domestic enforcement program that DEA has ever undertaken. It provides Federal investigative assistance to state and local governments, mainly in response to requests from communities to help them with entrenched drug problems. Special agents in charge also sometimes initiate contact with state and local law enforcement to recommend a MET deployment if crime statistics show a nexus between violent drug gangs and rate of crime in a community.

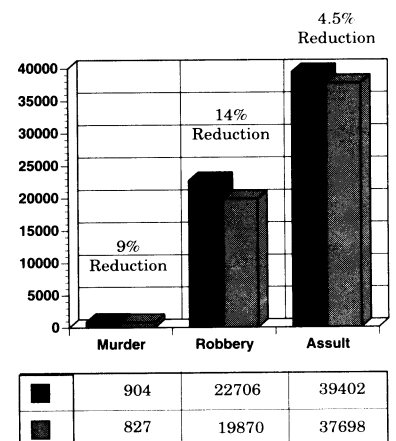
MET concluded 1998 deployments in communities as diverse as Denver, Colorado, and Sierra Vista, Arizona. The examples below represent only two of the many successes of the MET Program during 1998:

- On November 19, 1997, the Atlanta Division MET, working in cooperation with the Kinston, North Carolina Police Department and other Federal, state, and local law enforcement agencies, arrested 31 targeted defendants on drug charges and 4 individuals for nondrug offenses. The deployment also resulted in the seizures of 366 grams of crack cocaine, 626 grams of powder cocaine, and 15 pounds of marijuana. The Kinston Chief of Police and narcotic investigators observed a noticeable drop in drug trafficking activity in the city of Kingston and the surrounding areas as a result of the MET deployment.

### Met Has Impact on Violent Crime

**M**ET operations have had a significant impact on violent crime in those communities where they have been deployed. For example, as of August 31, 1998, the program had initiated 172 deployments nationwide, with crime statistics collected for 105 of them. These statistics show the program's aggregate effect on violent crime in communities across the country.

MET's Impact on Crime



## **MET Program Accomplishments**

**T**he MET Program has grown rapidly since its inception. The following statistics clearly show the program's success in 1998: 79 requests, 56 initiated deployments, 46 completed deployments, seizures of 341.6 lbs. of cocaine, 198.7 lbs. of methamphet-amine, 18.1 lbs. of heroin, 646.3 lbs. of marijuana, \$3.67 million in seized assets, and 2,250 arrests.

- On February 5, 1996, the DEA Miami Field Division MET initiated a deployment to Opa Locka, Florida. The primary target of this deployment was the Rickey Brownlee Polydrug Trafficking Organization, responsible for the distribution of significant amounts of marijuana, cocaine, and heroin. The Miami MET conducted a highly successful deployment over a 2-year period, culminating on January 22, 1998, with the arrest of Brownlee and key members of his organization.

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*Upon the successful completion of the MET deployment in Opa Locka, Florida, the Honorable Robert B. Ingram, Mayor of Opa Locka, in a letter to the Attorney General of the United States, thanked DEA for its dedication and expertise in dismantling one of South Florida's most notorious criminal enterprises. To further show his appreciation, Mayor Ingram, along with the City Commission, proclaimed March 19, 1998, as "Drug Enforcement Administration/Mobile Enforcement Team Day."*

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## **Safe Streets**

The FBI's Safe Streets program targets violent gangs in city, suburban, and rural areas. It achieved notable results in 1998, with more than 12,000 persons arrested nationwide. Since the program's beginning, some 150,000 persons have been arrested. Major achievements in 1998 include the following:

- FBI Special Agents and police officers in Los Angeles and Little Rock carried out a major Safe Streets operation against the drug trafficking operations of a large gang called the Grape Street Crips. They issued 56 indictments in Little Rock and 17 in Los Angeles. The arrests also disrupted drug trafficking in four other cities: Minneapolis, Cleveland, Jackson, and Memphis.
- Another major case was Operation Crown, in which the FBI and the New York City Police Department targeted the entire top echelon of a major gang, the Almighty Latin King and Queen Nation, and arrested 94 members and associates. The investigation focused on trafficking in firearms and drugs, with felony charges against the defendants ranging from weapons and narcotics possession to conspiracy to commit murder.

## Crimes Against Children

The Department has enacted several major programs to combat crimes against children, undertaking efforts in close cooperation with local, state, and Federal law enforcement agencies. The Department also works with the U.S. Customs Service (Customs) and the U.S. Postal Inspection Service to prevent trafficking of child pornography through computers and the mails.

In 1998, the Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded 10 state and local law enforcement agencies in rural and urban areas \$2.4 million in grants for training and equipment under its Internet Crimes Against Children (ICAC) program. The ICAC program encourages communities to develop regional, multijurisdictional, and multi-agency responses to Internet crimes against children.

Another on-line Department priority is the FBI's "Innocent Images" national initiative, an undercover task force operation targeting persons who use computer on-line facilities to recruit minors into dangerous, illicit sexual relationships and to receive, distribute, or produce child pornography. In 1998, "Innocent Images" investigations resulted in 114 search warrants and 19 consent searches, which led to 81 arrests and 53 convictions. The FBI enhanced its Innocent Images Case Management System with state-of-the-art analytical functions, including geographic and profile analyses and image matching.

Still another new dimension in protecting children is the program that now allows state and local law enforcement agencies to "flag" entries to the computerized National Crime Information Center (NCIC) when a child is missing under suspicious circumstances or may be in danger. NCIC promptly relays this information to the FBI's Child Abduction and Serial Killer Unit and to the National Center for Missing and Exploited Children (NCMEC), a non-Federal agency that has performed landmark work to help endangered children. The FBI in 1998 assigned a full-time special agent to work at the NCMEC, where a new cyber tipline was dedicated in another effort to aid children at risk.

During 1998, the Department continued to support the National Sex Offender Registry (NSOR) by providing a wide range of customer services. A point-of-contact list was developed and distributed to states and territories in support of the notification requirements of interstate moves. Additionally, system changes were made to support the November 1997 amendments to the Jacob Wetterling Crimes Against Children Act, with regard to registration of offenders crossing state borders. As of September 30, 1998, the NSOR contained 48,000 records from 28 contributing states, up from 21,000 records and 15 contributing states a year earlier.

This past fiscal year, the International Criminal Police Organization (INTERPOL)-U.S. National Central Bureau (USNCB)

## MET Restores Quality of Life in Benton Harbor, Michigan

**B**enton Harbor, with a population of 13,000, was experiencing a rapid increase in drug-related violence. With 16.5 crimes per 100 citizens, one reporter dubbed it "the state's most dangerous city." The Benton Harbor Police Department attributed the drug-related violence, which included the murder of two infants, to the Yusef Phillips organization. On June 15, 1998, the Detroit Field Division MET came to town to pursue this violent drug trafficking organization. When it ended on September 24, 1998, the deployment had netted 42 arrests, including Yusef Phillips, and 13 Federal search warrants. The situation in Benton Harbor has greatly improved as a result, with police officials reporting a drastic reduction in all types of crime. The town's Public Safety Director credits the MET philosophy and operation for restoring Benton Harbor's quality of life.

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successfully coordinated several efforts in returning internationally abducted children and bringing the parental abductors to justice:

- The USNCB coordinated a successful middle-of-the-night capture in London's Heathrow Airport of a man who had kidnapped his two young children hours before in New Jersey. The coordinated efforts of New Jersey police and prosecutors, the Department's Office of International Affairs (OIA), INTERPOL London, and Scotland Yard returned the little girls to their mother.
- On July 17, the FBI-Washington and Virginia police requested USNCB's assistance in locating a mother and an accomplice who had abducted her 11-year-old child from Virginia. Within 32 hours, a fugitive diffusion, via INTERPOL's dedicated telecommunications network, yielded news that the two had used false documents to enter the island of Malta. The USNCB, U.S. Embassy in Malta, FBI Legal Attache in Rome, and INTERPOL Malta worked together to safely return the child to the United States.

## **Forfeiture of Criminal Assets and Anti-Money Laundering Efforts**

The Department aggressively used asset forfeiture and money laundering statutes to dismantle criminal organizations and to address white-collar fraud and other crimes throughout the United States and abroad. Forfeiture helps to further law enforcement efforts and supports nonprofit community organizations in carrying out drug abuse treatment, crime prevention, job skills programs, and other community-based projects. In 1998, forfeited assets

### **Management Challenge: Asset Forfeiture Program**

The Department had a material issue for several years involving management of assets seized and forfeited in criminal cases. In 1998, the asset inventory exceeded \$1 billion, but for years no effective system existed for tracking and managing the assets from the time they were seized until they were finally sold. To address this need, the Department developed the Consolidated Assets Tracking System (CATS). During 1998, system implementation was completed, along with publication of standard operating procedures to be used by all agencies involved in the program and in development of an early warning system to flag problems before they get out of control.



supported such community-based crime-fighting activities and restored property to victims of crime. Department efforts deprived criminal enterprises of substantial assets that otherwise would have been used to facilitate and reward criminal activity. During 1998, more than \$171 million was returned to state and local law enforcement agencies through equitable sharing of seized assets.

The Department continued its initiative to train its own, state, and local law enforcement officers in promoting forfeiture as a powerful weapon against criminal organizations, while reinforcing the need to preserve basic due process rights of individual citizens. During the past year, more than 1,000 law enforcement officers participated in this training initiative.

## **Goal 1.2: Reduce the Availability and Abuse of Illegal Drugs through Traditional and Innovative Enforcement Efforts.**

In 1998, the Department submitted its Drug Control Strategic Plan to Congress. This plan articulates the Department's objectives and current efforts as well as the performance indicators to be used in evaluating accomplishments. Department priorities are to disrupt and dismantle major drug trafficking organizations, convict their members, and seize their ill-gotten assets. Over the years, the Department has forged a dual approach that includes targeting large, international drug trafficking organizations that rely on high technology and extensive money laundering, as well as individual drug distributors who are frequently violent and who degrade the quality of life in neighborhoods.

### **Interagency Cooperation**

Interagency cooperation is key to successful drug enforcement. Given the sophisticated, multijurisdictional nature of drug trafficking operations—controlled largely by criminal organizations based in Colombia, Mexico, and the Dominican Republic—the Department must gather and integrate information from all available sources. Among these is DEA's Special Operations Division (SOD), a combined DEA, FBI, Criminal Division, Customs, and U.S. Department of Defense (DOD) effort that supports ongoing investigations by producing detailed and comprehensive data analyses of the activities of major drug trafficking organizations. SOD's primary mission is to establish seamless narcotic law enforcement strategies and operations that dismantle entire trafficking organizations. SOD converts the sensitive information it collects into usable leads that are passed to domestic field divisions and foreign country offices for investigative and enforcement activities directed

### **SOD Gets Results in 1998**

**D**uring 1998, the DEA's Special Operations Division (SOD) supported 266 methamphetamine cases nationwide, which resulted in 675 arrests and seizures of 1,641 kgs. of methamphetamine; 1,038 gallons of methamphetamine; 180 lbs. of amphetamine; 554 lbs. of ephedrine; 965 lbs. of pseudoephedrine; 345,600 pseudoephedrine tablets; 51 clandestine laboratories; 6.4 lbs. methylenedioxymethamphetamine; \$4.9 million in U.S. currency; 4,498 lbs. of marijuana; 640.7 kgs. of cocaine; 16.5 kgs. of heroin; 88 weapons; 119 vehicles; and 1 boat.

## **Operation Meta Nets Impressive Results**

**T**otal arrests during the entire Operation Meta included 121 defendants. Total seizures resulting from this investigation were: 133 lbs. methamphetamine; 90 gallons methamphetamine solution (which conservatively equates to 270 to 540 lbs. methamphetamine); 3 methamphetamine clandestine labs; 1,100 kgs. of cocaine; 1,765 lbs. of marijuana; and \$2,250,208 U.S. currency. During the course of this operation, DEA domestic offices conducted 28 electronic intercepts, 54 pen registers, and 5 clone pager intercepts.

## **Preliminary Results for Operation Trinity**

- More than 1,260 arrests.
- Drug seizures totaling 12.8 metric tons of cocaine; 63,370 lbs. of marijuana; 25,900 marijuana plants; 3,178 lbs. of methamphetamine; 127 lbs. of heroin; 108 lbs. of amphetamine; and more than 137,600 pseudoephedrine tablets.
- Asset seizures of more than \$59.2 million U.S. currency.

against major trafficking organizations of a regional, national, or international scope.

Another resource is the National Drug Intelligence Center (NDIC). NDIC has greatly improved information sharing across Federal, state, and local law enforcement agencies through its National Drug Intelligence Digest and other drug intelligence products. These products provide strategic analysis of current trends and activity in the counterdrug community and are distributed to law enforcement officials throughout the country.

SOD, NDIC, the Central Intelligence Agency (CIA), the U.S. Department of Treasury's Financial Crimes Enforcement Network, and others collaborate in collecting drug intelligence information. From this integrated information, the Department has tailored action plans and specialized programs to attack all aspects of the drug problem.

- On December 4, 1997, the DEA, along with 7 Federal and 50 state and local law enforcement agencies, successfully concluded the first nationwide multijurisdictional electronic surveillance operation directed against a Mexican-based methamphetamine organization. The immediate result of this enforcement effort, dubbed Operation Meta, was disruption of a significant source of supply of the AMEZCUA-Contreras organization, responsible for smuggling precursor chemicals to Los Angeles to manufacture methamphetamine. The DEA and FBI, along with the California State Bureau of Narcotic Enforcement, the California Highway Patrol, Los Angeles County Sheriff's Office, the Texas Department of Public Safety, and many other local law enforcement agencies took part in Operation Meta.
- In October 1997, Department components, together with Customs and state and local law enforcement agencies, initiated Operation Trinity to combat drug organizations controlled from Colombia, Mexico, and the Dominican Republic. The primary phase of Operation Trinity ended in September 1998, with approximately 250 active investigations and more than 1,260 arrests nationwide. More than 800 of those arrested were members or associates of the five largest drug syndicates based in Mexico and Colombia. Operation Trinity also resulted in the seizure of 12.8 metric tons of cocaine, 63,370 lbs. of marijuana, 25,900 marijuana plants, 3,178 lbs. of methamphetamine, 127 lbs. of heroin, 108 lbs. of amphetamine, and over 137,600 pseudoephedrine tablets. Assets seized total more than \$60 million.
- Through multi-agency cooperation, domestic and foreign, the Department carried out a long-term investigation of an international cocaine trafficking organization that used a fleet of commercial fishing vessels to smuggle multiton shipments of cocaine into the United States for the Colombian Cali cartel. The alleged leader of the gang was arrested by Panamanian

authorities and turned over to the United States. He was indicted in April 1998 and is scheduled to be tried in July 1999.

The El Paso Intelligence Center (EPIC) continued to assist international and domestic drug trafficking investigations by providing query access to more than 100 million member agency computer records. EPIC can run inquiries on persons, vehicles, aircraft, vessels, businesses, addresses, and telephone numbers, and can also post a variety of alerts and lookouts in the national and worldwide lookout systems of member agencies. State and local law enforcement is a primary contributor to and user of EPIC, which during 1998 responded to more than 35,500 inquiries from state and local law enforcement agencies. All 50 States are associate members of EPIC.

## International Cooperation

International cooperation was also key to the apprehension of drug offenders. One example is Nathan "Nate" Leo Hill, an alleged drug kingpin accused of supplying more than 3,000 kilograms of cocaine to Chicago street gangs between 1987 and 1996. Hill, who was among the U.S. Marshals Service's (USMS) "Top 15 Most Wanted," was apprehended in Africa, having been a fugitive since January 1996. The Department also worked closely with authorities in Hong Kong, who arrested Tam Kin Yan, accused of heading up a major heroin trafficking ring in New York, Philadelphia, and Detroit. The FBI arrested more than 40 alleged members of this ring.

## Southwest Border Initiative

The Southwest Border Initiative is the Department's law enforcement effort to combat and remove the hierarchy and infrastructure of the major cocaine, heroin, methamphetamine, and marijuana trafficking organizations operating along the southwest border. This initiative brought about numerous prosecutions in 1998, which resulted in the seizure of more than 7,876 kilograms of cocaine, 4,583 kilograms of marijuana, 69 kilograms of methamphetamine, and 5 kilograms of heroin. In one particular case, capping a year-long investigation that netted seizures of nearly 4 tons of cocaine and more than \$15 million in narcotics proceeds, a Federal grand jury in Los Angeles indicted a high-ranking member of the Arellano Felix drug trafficking organization in a conspiracy to import and distribute narcotics from Mexico. As part of the investigation of the Felix drug ring, investigators with the Southwest Border Initiative seized a total of 3,494 kilograms of cocaine.

## EPIC: a Friend to State and Local Law Enforcement

State and local law enforcement is a primary contributor to and user of EPIC. During 1998, EPIC:

- Responded to 35,542 inquiries from state and local law enforcement agencies.
- Trained, through Operation PIPELINE, 4,170 state and local students in 52 courses.
- Conducted post-seizure analysis of 3,794 state and local seizure incidents.
- Supported 2,341 state and local cases, with information disseminated via 687 teletypes.
- Provided Operation JETWAY information weekly to over 250 Federal, state, and local task forces.
- Processed over 500 statistical requests and 943 publications requests from state and local law enforcement agencies.

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The Immigration and Naturalization Service (INS) apprehended more than 1.5 million illegal entrants along the southwest border in 1998, 10.8 percent more than in 1997. The INS' continued presence along the southwest border also resulted in the seizure of much greater amounts of marijuana entering the United States. In 1998, 860,818 pounds of marijuana were seized by Border Patrol Agents compared to 456,908 in 1993— an increase of 88 percent.

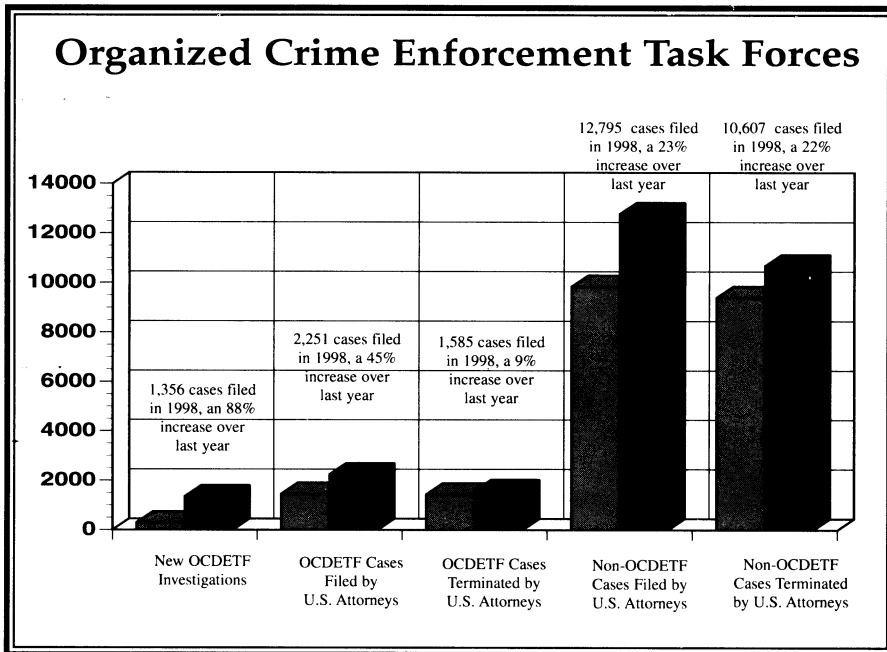
The Department's Mexican Methamphetamine Program, coordinated by DEA's Special Operations Division, continued to be funded as one element of the Southwest Border Initiative. In 1998, the Mexican Methamphetamine Program continued to enhance Federal, state, and local law enforcement participation; develop greater intelligence; identify new trafficking and production organizations; and monitor shipments of methamphetamine and precursor chemicals. DEA's SOD significantly improved program results in 1998 through increased program coordination and liaison and establishment of a methamphetamine section within the Division.

The Office of Intergovernmental Affairs worked with the U.S. Attorneys and state and local prosecutors along the U.S./Mexico border to create a comprehensive plan for prosecuting drug-related cases generated there.

## **Organized Crime Drug Enforcement Task Forces**

The Organized Crime Drug Enforcement Task Forces (OCDETF) program emphasizes a coordinated, interagency task force approach to combating drugs. As depicted in the table below, OCDETF saw substantial increases both in number of new investigations and cases filed. During 1998, 30 percent of all Assistant U.S. Attorneys dedicated to criminal cases across the Nation were involved in drug prosecutions. Taken together, the number of OCDETF and non-OCDETF drug cases that the U.S. Attorneys filed in 1998 represented 32 percent of all criminal cases filed.

The Arellano Felix case cited above was an important OCDETF case. Another notable OCDETF investigation from 1998 was Operation CALI-MAN, an interagency investigation targeting high-level Colombian narcotics traffickers and money launderers, all of whom maintain a Miami-based consortium of Colombian nationals responsible for the collection, transfer, and redistribution of narcotics proceeds on their behalf. Agencies participating in this investigation are DEA; Internal Revenue Service (IRS), Criminal Investigation Division; U.S. Secret Service; U.S. Postal Service, Inspection Division; INS; North Miami Beach Police Department; Metro Dade Department of Public Safety; Aventura Police Department; Indian Creek Police Department; and Homestead Police Department. Interagency cooperation at all levels of law enforcement led to the arrest of reputed Cali cartel leader Jose Castrillon-Henao, who will



face trial for allegedly smuggling tons of cocaine into the United States.

Another main target of Operation CALI-MAN was Carlos Alfredo COCK Cardona, found to be associated with an organization that imported and distributed approximately 5,000 kilograms of cocaine from Colombia to the United States every 6 to 8 weeks. On October 28, 1997, COCK Cardona, was arrested. He pled guilty to money laundering charges and was sentenced in the Southern District of Florida to 24 years in Federal prison.

To date, Operation CALI-MAN has dismantled numerous organizations responsible for laundering hundreds of millions of dollars for Colombian drug trafficking organizations. Through the use of selective undercover currency pickups, Operation CALI-MAN has been able to provide information resulting in 100 electronic intercepts being conducted by various offices throughout DEA. Information obtained from the electronic surveillance has enabled DEA offices to identify and raid locations of distributors working for these organizations, resulting in significant cocaine and currency seizures in many major U.S. urban areas, in Colombia and Panama, and in South and Central America. Operation CALI-MAN has resulted in 125 arrests and seizure of \$32 million, with laundering of less than \$5 million.

Another OCDETF highlight includes the arrest of 23 persons on Federal and local narcotics charges, following the unsealing of a 70-count Federal indictment on March 5, 1998. The indictment charged racketeering, narcotics conspiracy, and murder in running a drug distribution organization known as the "L Street Crew" in

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Washington, DC, which distributed thousands of kilograms of marijuana and multiple kilograms of crack cocaine and PCP. The indictment charged the defendants with four murders and two shootings that were committed by hit men.

## **Anti-Methamphetamine Efforts**

The Department's National Methamphetamine Strategy recognizes methamphetamine's emergence as a national threat and a top priority of Federal law enforcement. DEA reports, for example, that in San Diego, 40 percent of all arrestees tested positive for the presence of this drug. Many of the Department's cooperative counter-drug initiatives include a strong anti-methamphetamine component, such as the Southwest Border Initiative, OCDETF operations, and the various programs coordinated by DEA's SOD.

The Department's enforcement efforts, in partnership with state and local agencies, target the highest level and most violent methamphetamine traffickers. Its strategy focuses on Mexican drug trafficking organizations, as well as independent domestic methamphetamine operations and rogue chemical companies responsible for the smuggling, production, and distribution of methamphetamine in the United States. The supply houses for the precursor chemicals required to manufacture methamphetamine usually obtain the precursors from genuine chemical companies under a guise of legitimacy. Operation Chemex specifically targets perhaps the largest of the Mexican methamphetamine drug trafficking organizations, the Amezcua-Contreras organization.

The amount of methamphetamine seized in transit from Mexico to the United States during the first 6 months of 1998 mirrors the record amounts seized in 1996. In addition to large-scale manufacture and distribution of methamphetamine by Mexican organizations, thousands of small, independent organizations operate mini-laboratories. While they account for only a small percentage of methamphetamine seized, these smaller labs make up the vast majority of clandestine laboratories seized; in 1998, the Department seized 1,493 of them. Clandestine laboratories, inherently dangerous because of the explosive and volatile nature of the chemicals involved, require professional services to remove the chemicals and clean up the hazardous waste left behind. DEA spent more than \$6 million on 1,790 cleanup activities in 1998.

DEA provides resource assistance to state and local police through specialized training in handling these dangerous laboratories and the provision of safety equipment needed to enter them. The DEA Clandestine Laboratory Safety School is available for state and local officers. Upon successful completion, officers are equipped to raid, process, and dismantle clandestine laboratories. Students also get the latest intelligence trends, information on chemical diversion, and investigations training. During 1998, 16 state and local certification schools trained a total of 660 students.

Five million dollars in Community Oriented Policing Services (COPS) funding in 1998 allowed DEA to deliver even more training to state and local officers and minimize the environmental costs associated with proper disposal. With this funding, DEA dispatched contractors to 550 cleanup activities at a cost of approximately \$1.4 million.

The COPS Methamphetamine Initiative, launched in July 1998, is providing six cities with grants up to \$750,000 to develop community policing strategies to halt the production and use of this increasingly popular drug. The program provides opportunities for local law enforcement agencies to partner with state and Federal environmental agencies, fire departments, and other local government agencies to develop comprehensive responses to the spread of "crank."

The Methamphetamine Interagency Task Force held its inaugural meeting in May. Its primary mission is to design, implement, and evaluate prevention and treatment strategies used by the Federal Government with respect to methamphetamine and other stimulants.

### **Goal 1.3: Reduce Espionage and Terrorism (Sponsored by Foreign or Domestic Groups in the United States and Abroad when Directed at U.S. Citizens or Institutions).**

The Department remains committed to pursuing the early detection, investigation, and prosecution of terrorist conspiracies, including "cyberterrorism." It has developed a Five-Year

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*On June 5, 1998, Terry Nichols was convicted and sentenced in connection with the bombing of the Alfred P. Murrah building in Oklahoma City that caused 168 deaths. Judge Richard P. Matsch sentenced Terry Nichols to life imprisonment without the possibility of release for conspiring to use a weapon of mass destruction. "What he did was participate with others in a conspiracy that would seek to destroy all of the things that the Constitution protects," said Judge Matsch on sentencing Nichols. "Terry Nichols has proven to be an enemy of the Constitution, and accordingly the sentence I am going to impose will be for the duration of his life."*

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### **FBI Closes Big Investigations in '98**

A number of important long-term FBI terrorism investigations came to successful conclusions:

Ramzi Ahmed Yousef, convicted in the World Trade Center bombing that killed six persons and injured hundreds in New York, was sentenced to 240 years in prison, as was a codefendant.

An intensive FBI investigation led to Federal charges being filed against Eric Robert Rudolph, a fugitive, for the bombing at Centennial Olympic Park during the 1996 Olympic Games.

Mir Aimal Kasi was convicted in state court and sentenced to death for killing two CIA employees in Langley, Virginia.

The United States obtained custody of Mohammed Rashed, charged with the 1982 terrorist bombing of Pan American Flight 830 en route from Tokyo to Honolulu. He is currently awaiting trial on murder charges.

Theodore Kaczynski, the "Unabomber," pleaded guilty and was sentenced to life in prison without possibility of parole.

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Interagency Counterterrorism and Technology Crime Plan that will serve as a baseline strategy for coordinating national policy and operational capabilities to combat terrorism in the United States and against American interests overseas. The plan reflects the Department's intention to effect a prompt, aggressive, and fully coordinated response to terrorist acts directed against Americans, their interests, or the national information infrastructure, including acts originating from abroad. The Department will continue to aggressively investigate, prosecute, and convict espionage and acts of terrorism by gathering and analyzing counterintelligence information, improving liaison with foreign and domestic counterparts, and coordinating training with international, Federal, state, and local law enforcement organizations.

## **Preventing Terrorist Acts**

During 1998, the Intelligence Analysis Unit (IAU) within the Office of Intelligence Policy and Review (OIPR) prepared daily intelligence summaries for the Attorney General. These summaries provided the most timely information available from the U.S. intelligence community on national security threats. This year, as in the past, the Department's enforcement efforts placed a special emphasis on the continued threat presented by Iraq, Iran, and Libya in the area of nuclear and conventional weapons procurement, chemical and biological weapons endeavors, and efforts to circumvent controls designed to prevent weapons proliferation. OIPR took an active role in coordinating the Department's position on the Chemical Weapons Convention, which is expected to provide law enforcement with additional tools to guard against potential terrorist uses of chemical weapons.

The Department also played a central role in focusing the Counterterrorism Experts Group of the G8 on enhancing international cooperation in the area of terrorist financing. It convened a practitioners meeting of police and security officials to share best practices and to identify practical measures for improved cooperation. The same group also advanced the negotiation within the United Nations of the Russian proposed International Convention on the Suppression of Acts of Nuclear Terrorism. The U.N. General Assembly is likely to adopt the Nuclear Convention this year and to open the treaty for signature in early 1999.

In 1998, OIPR led the Department's efforts to amend the Foreign Intelligence Surveillance Act to enable the FBI to obtain court orders for employing pen register and trap and trace devices against the foreign terrorist and espionage threat.



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## Investigating and Prosecuting Terrorist Acts

Following terrorist bombings in August 1998, the Department rushed hundreds of FBI personnel to U.S. embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania. Special agents, laboratory experts, and other specialists worked in close harmony with the law enforcement personnel of both African nations. Kenya, Tanzania, and Pakistan helped the FBI identify or detain suspects, two of whom were flown from East Africa to New York, with a third person arrested in Texas. A major indictment charged the two men brought from Africa with murder; the man arrested in Texas was charged with conspiracy in the fatal bombings. Usama Bin Laden, alleged head of the worldwide terrorist organization "al Qaeda," and two other men, all fugitives, were charged with murder.

Domestically, the Department, working closely with DOD, successfully investigated and prosecuted one of the most thorough penetrations yet of DOD computers. The Attorney General also announced the creation of the National Infrastructure Protection Center, an interagency, public-private partnership responsible for protecting the integrity and availability of the Nation's critical information infrastructures. The Center, created by Presidential Decision Directive, was placed within the FBI and became fully operational during 1998.

## Improving Response Capability

Most often, local police and firefighters are the first on the scene of incidents of terrorism or other catastrophes. In 1998, the Attorney General notified the Hill of the Department's intent to create within OJP the Office for State and Local Domestic Preparedness Support (OSLDPS) and its national training center, the Center for Domestic Preparedness, at Fort McClellan as part of a government-wide effort to enhance the capabilities of state and local jurisdictions to plan for and respond to acts of terrorism. OJP has provided \$12 million to metropolitan jurisdictions to purchase certain types of emergency response equipment needed by fire services, emergency medical services, hazardous materials response units, and law enforcement agencies to respond to terrorist incidents involving nuclear, chemical, or biological weapons or improvised explosive or incendiary devices. OJP also held 10 training classes for 500 emergency response personnel.

Acting on behalf of the Department, the FBI developed its lead operational response capability to fight domestic terrorism by broadening training and liaison with state and local governments in crisis management and by training with police, fire, and emergency medical/rescue units. Senior Assistant U.S. Attorneys from nearly all U.S. Attorneys' offices attended crisis management training, along with FBI and state and local emergency response officials.

### TWA Investigation Completed

**T**he FBI announced that an intensive 16-month investigation produced no evidence of a criminal act or terrorism in the tragic explosion and crash of TWA Flight 800 into the ocean off New York, killing all 230 persons aboard. Hundreds of FBI Special Agents conducted more than 7,000 interviews both in the United States and abroad. Every lead was pursued and every possible criminal act was carefully studied. About 96 percent of the aircraft was recovered, some 1 million pieces in all, and was subjected to careful inspection by bomb technicians and FBI laboratory personnel. Some 3,000 residue examinations were carried out.

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The FBI's Critical Incident Response Group (CIRG) integrates tactical and investigative resource expertise to address terrorist activities, hostage taking, barricaded subjects, and other critical incidents that require an immediate law enforcement response. In 1998, CIRG played a significant role in the resolution of the Freeman standoff, which ended with no injuries and with convictions of 17 defendants on Federal offenses. CIRG was responsible for formulating the negotiations strategy, the undercover operation targeting the Freeman leadership, and the postarrest nonconfrontational checkpoint containment plan. Its hostage rescue team arrested the Freeman leaders, and its Crisis Negotiations Unit maintained oversight of negotiations that featured the extensive use of third party and family intermediaries. Its SWAT Training Unit personnel coordinated tactical resources, which included rotation of 35 FBI SWAT teams during the duration of the standoff.

On October 16, 1998, the Attorney General publicly announced her intention to establish the National Domestic Preparedness Office (NDPO) within the FBI. This office would be a focal point for preparedness assistance in the areas of contingency planning, training, equipment, research and development, and public education, staffed in part by a variety of Federal agencies, with direct participation by state and local officials.

## **Combating Espionage**

Among the Department's successes in combating espionage, former Defense Department attorney Theresa Squillacote, her husband Kurt Stand, and co-defendant James Clark were arrested in October 1997 and charged in an espionage conspiracy that began in the 1970s. This first major espionage trial for the Department in 10 years netted convictions of both spouses on four counts of espionage. The 2-week trial, which admitted into evidence records once maintained by the East German intelligence service, demonstrated conclusively the Department's ability to meet the burden of proof in open court without disclosing classified information. The FBI investigation of Squillacote and her husband determined that they were recruited by the former East German Intelligence Service and continued their intelligence activities in the United States following the 1990 German unification.

Other espionage cases of note—

- The FBI arrested 10 persons in Florida on charges of spying on Federal agencies and installations on behalf of the Cuban Government. It was the first time in 38 years that arrests had been made in an espionage case involving Cuba.
- Dr. Peter H. Lee, a former Department of Energy scientist, was sentenced on one count of espionage and one count of making

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false statements to the U.S. Government committed on behalf of the Peoples' Republic of China (PRC). This concluded a 7-year investigation by the FBI, which resulted in Lee's interrogation and confession to passing classified information to representatives of the PRC's nuclear weapons development program.

- After a long and complex investigation, the Department arrested David Sheldon Boone for being a KGB agent and for passing on top secret signals intelligence. In an undercover operation in London, conducted with the cooperation of the British Security Service, Boone detailed his prior cooperation with the KGB and agreed to travel to Washington, DC, for a subsequent meeting, where he was arrested.

## **Goal 1.4: Reduce White-Collar Crime, Including Public Corruption and Fraud.**

White-collar crime prosecutions during 1998 included public corruption; health care fraud; computer crime; and telemarketing, financial institution, and other fraud. In all, U.S. Attorneys filed 6,669 cases against 8,518 defendants, representing a 6-percent increase in cases filed over the previous year. The U.S. Attorneys also terminated 6,063 cases against 7,973 defendants. Eighty-nine percent of the defendants whose cases were terminated during the year were convicted, with 56 percent of the convicted defendants sentenced to prison. The 89-percent conviction rate in 1998 represents the highest conviction rate for white-collar crime over the past 6 years.

The Attorney General's Council on White-Collar Crime has made great strides in revitalizing the Department's program to curb crime in this area. For example, it has created web sites that contain information regarding current fraud schemes and a new "Exemplary Practices" project that facilitates nationwide use of successful local programs initiated by an agency or an individual U.S. Attorney's office. An Internet fraud prevention program coordinates Internet fraud prevention activity with several agencies and promotes training initiatives.

### **Public Corruption**

The Department continued to investigate and prosecute public officials and employees who betrayed the public trust through acts of misconduct or abuse of office. These prosecutions included bribery, graft, conflicts of interest, and other violations by Federal, state, and local officials and law enforcement personnel. During 1998, the U.S. Attorneys filed 526 cases charging 813 individuals with public corruption. This represents an 8-percent increase both

### **Campaign Financing Cases**

**D**uring 1998, the Department was involved in establishing an unprecedented number of independent counsel and campaign financing cases. Several fundraisers received prison terms for laundering illegal contributions to candidates. A California fruit company agreed to pay a \$400,000 penalty for making illegal conduit contributions. The Department also helped convict two wealthy Seattle businessmen for funneling massive corporate contributions to candidates, for which the defendants paid fines totaling \$5 million.

The Campaign Finance Task Force this year opened a satellite office in Los Angeles, staffed with both prosecutors and FBI agents focusing on charges of fundraising abuse on the West Coast. The millions of pages of documents amassed by the task force were loaded onto a database that is retrievable both in Washington, DC, and on the West Coast.

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in cases and defendants from the year before. Eighty-five percent of the 716 public corruption defendants whose cases were terminated during the year were convicted, with 52 percent of the convicted defendants sentenced to prison.

The Department's significant public corruption convictions included the conviction of an FBI agent who received bribes, a DEA employee who embezzled \$120,000, and an FBI headquarters official who converted government property to personal use. The Department handled a number of sensitive public corruption cases around the country as the result of recusal, referrals, or requests for assistance.

- During 1998, the Department handled a number of complex conflicts of interest violations by high-level Federal officials, including the President's National Security Advisor, the Postmaster General, and an Assistant Director of the National Science Foundation. Each case resulted in significant civil settlements.
- An FBI investigation led to the indictment of the now former governor of Arizona on charges of making false statements to lending institutions in connection with a commercial real estate venture. He was convicted of six counts of false statements and one count of wire fraud and was sentenced to 30 months in prison.
- In a period of a few weeks, nearly 80 law enforcement officers were arrested in four separate corruption cases in various parts of the Nation. One case involved the arrest of 42 officers from five law enforcement agencies in Cleveland and its suburbs. All were charged with conspiracy to distribute cocaine.

## Health Care Fraud

The Department's attack on health care fraud continued on many levels in 1998. Health care fraud schemes pose a threat to some of the most vulnerable members of society—the elderly and chronically ill. They also squander limited health resources. In 1998, the Department secured \$253 million in judgments and settlements. In addition, the Justice Management Division (JMD) began administering the Health Insurance Portability and Accountability Act of 1996. A new unit created within the Office of Debt Collection Management will partner with the U.S. Department of Health and Human Services (HHS) to track health care fraud collections, in addition to its other oversight and evaluation responsibilities.

Culminating a 3-year Bureau of Justice Assistance (BJA) project, the National Association of Attorneys General (NAAG) in 1998 released the report, "The Health Care Fraud Prosecution Project Demonstration Sites in Minnesota, Wisconsin, and Maryland: The

First Two Years.” The report describes the work completed under its grant to three state attorneys general to establish prototype Health Care Fraud Prosecution Units, identifying investigation and prosecution techniques the state attorneys general used to combat intrastate health care fraud. NAAG also released a more detailed study of the health care fraud efforts of the nation’s state attorneys general, “The States’ Response to Health Care Fraud.”

Other Department successes in countering health care fraud follow:

- On July 16, 1998, the Medicare contractor for Illinois and Michigan entered into an agreement to plead guilty to eight felony counts and pay a \$4 million criminal fine and a \$140 million settlement under the False Claims Act.
- An FBI undercover operation was set up in San Diego to investigate widespread medical fraud against private insurance companies estimated to have caused multimillion-dollar losses. All 23 persons charged in the fraud pleaded guilty, including 17 physicians.
- In New York City, 11 physicians were charged with taking kickbacks in exchange for referring medical patients for medical equipment and other services; in Miami, 7 physicians, 12 nurses, and 20 other persons were indicted for health care fraud offenses.

## High Technology/Computer Crime

In the area of cybercrime, the past year was truly historic. In December 1997, the Attorney General hosted the first-ever meeting of the Justice and Interior ministers of the G8, a meeting devoted in large part to crimes involving new technologies. At that meeting, the ministers adopted 10 principles and a 10-point action plan. As a result of this work, all eight countries now have 24-hour points of contact to assist each other in high-tech investigations.

The U.S. Attorneys are addressing the misuse of intellectual property (IP) using the felony provisions of statutes criminalizing unauthorized reproduction and distribution of copyrighted works, trafficking in counterfeit trademarked goods, and theft of trade secrets. In 1998, U.S. Attorneys filed 97 new IP cases charging 132 defendants with IP violations. In 1998, 121 individuals were convicted, an increase of nearly 30 percent over 1997.

Appendix II, “Criminal Caseload Statistical Reports on Intellectual Property Crimes,” contains summaries of available statistics, segregated by statutory provision and preceded by a brief description of each offense. Also included are summaries of overall totals and totals associated with matters and cases referred by Customs to the U.S. Attorneys. Following those items is a comparison of FYs

## Important Victory in Securities Fraud

The Solicitor General’s Office won an important victory in *United States v. O’Hagan*. The Supreme Court upheld the so-called “misappropriation theory,” under which a person who trades in securities for personal profit, using confidential information appropriated in breach of a fiduciary duty owed to the information source, may be held liable under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 of the Securities and Exchange Commission (SEC). The Court also upheld SEC’s authority to outlaw the use of confidential information about a tender offer to trade in the securities involved in the offer.

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1997 and 1998 figures, a list of districts and their abbreviations, a glossary of terms, and the "Criminal Caseload Statistical Reports." The criminal intellectual property statutes surveyed include the following:

- Title 18, United States Code, Section 2318 (18 U.S.C. §2318) - Trafficking in Counterfeit Labels for Phonorecords, and Copies of Motion Pictures or Other Audiovisual Works;
- Title 18, United States Code, Section 2319 (18 U.S.C. §2319) - Criminal Infringement of a Copyright;
- Title 18, United States Code, Section 2319A (18 U.S.C. §2319A) - Unauthorized Fixation of and Trafficking in Sound Recordings and Music Videos of Live Musical Performances; and
- Title 18, United States Code, Section 2320 (18 U.S.C. §2320) - Trafficking in Counterfeit Goods or Services.

The Department also proposed and Congress passed important legislation designed to eliminate a significant loophole under the copyright law. This loophole allowed individuals to use the Internet to reproduce and distribute voluminous amounts of copyrighted material (in one case, approximately \$1 million worth of software) as long as the individuals passed on the software free of charge. Under the "Net Act," such activity is now criminal. Additionally, the Department brought its first prosecutions under the Economic Espionage Act (enacted at the end of 1996), thus proving it will be an effective new weapon against those stealing America's greatest asset: its intellectual ingenuity.

## **Telemarketing, Financial Institutions, and Other Fraud**

Departmental efforts against financial institution fraud yielded impressive results through the 3rd quarter of 1998, the latest quarter for which data is available, with 470 defendants charged and 401 defendants convicted. Of those convicted, three-fourths were sentenced to prison.

A Federal grand jury in Pennsylvania indicted 38 persons on racketeering and bank fraud charges for allegedly attempting to defraud financial institutions of about \$100 million by using counterfeit checks drawn on educational institutions, sports teams, law firms, pension funds, and labor unions. At year's end, 17 of the defendants had pleaded guilty.

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In *Hudson v. United States*, the Supreme Court, agreeing with the Solicitor General, held that the Double Jeopardy Clause of the Fifth Amendment does not prohibit the government from bringing a criminal prosecution against bank officers for misappropriating bank funds—after monetary penalties and occupational disbarment have been imposed by the Office of the Comptroller of the Currency.

## **Goal 1.5: Coordinate and Integrate Department Law Enforcement Activities Wherever Possible, and Cooperate Fully with Other Federal, State, and Local Agencies That Are Critically Linked to Improved Operation of the Nation's Justice System.**

Criminal conduct extends beyond borders—of cities, of states, and of countries—making cooperation and coordination of law enforcement activities at the Federal, state, and local levels imperative. Similarly, because the United States and foreign prosecutors often confront the problem of needed evidence and suspects “disappearing” overseas, international cooperation is equally important. The Department has therefore continued its strategy of modernizing the legal framework to more easily accommodate international law enforcement. The Department supported U.S. foreign policy and international and domestic law enforcement priorities by promoting the ability of foreign counterparts to investigate offenses effectively, to prosecute them competently, and to adjudicate them fairly.

In May 1998, the Department worked with the Departments of State and Treasury in developing a comprehensive national strategy to fight international crime. The International Crime Control Strategy (ICCS) is an innovative action plan that will provide a coordinated, effective, long-term attack on international crime. The strategy includes eight broad goals, such as combatting smuggling, countering international financial crime, and responding to emerging threats like high-tech and computer related crime. The ICCS, which includes a legislative component, emphasizes the importance of concerted efforts among law enforcement agencies and close cooperation with our international partners in responding to transnational crime problems.

Examples of international crime-fighting successes in 1998 include the following:

- U.S. INTERPOL's “Project Rockers” initiative protected the safety of U.S. citizens by aiding our law enforcement

### **INTERPOL Nabs U.K. Fugitive**

**I**NTERPOL facilitated the speedy arrest of a dangerous U.K. fugitive who had brutally beaten and fatally stabbed his employer. A trail of credit card charges led U.K. investigators to Colorado. There, the Colorado INTERPOL State Liaison Office issued an immediate, area-wide wanted person bulletin. Within a few hours, a Colorado State Patrolman stopped the speeding suspect, recognized him from the bulletin, and detained him. INTERPOL London cited the excellent cooperation of the Colorado State Patrol and INTERPOL Liaison Office as instrumental in getting a life sentence for the suspect.

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intelligence gathering capabilities and by preventing outlaw motorcycle gang members from Canada, Europe, and the Pacific Rim from entering the United States. Under this initiative, INTERPOL obtained gang members' U.S. travel plans and criminal records and shared this information with its law enforcement partners—the Bureau of Alcohol, Tobacco and Firearms (ATF), the INS, and the Department of State. The INS denied them entry, placed them on return flights, and prevented future entry attempts by recording their information in INS databases.

- Transnational exchange of criminal intelligence—made possible through the INS' Visa Waiver Pilot Program and the willingness of U.S. Attorneys in Miami and Los Angeles to prosecute gang members with criminal records who lied to the INS—prevented entry of 35 career criminal outlaw motorcycle gang members, many of them ranking international gang officers.
- In cooperation with the State Department, the Department of Justice negotiated 12 new extradition and mutual legal assistance treaties (MLATs). By the end of 1998, the Department had sent 38 new law enforcement treaties to the Senate for its advice and consent. The Department participated in the negotiation and successful conclusion of multilateral treaties on such topics as the U.N. Convention on Terrorist Bombings, the Organization of Economically Developed Countries, Convention on Bribery of Foreign Officials, and the Organization of American States (OAS) Convention on Unlawful Firearms Trafficking.
- The Department hosted more than 600 international visitors from countries throughout the world who came to the United States to gain an appreciation of our democratic legal system. Visitors often requested meetings relating to issues of money laundering, organized crime, asset forfeiture, narcotics and other dangerous drugs, international judicial assistance and extradition, ethics and public corruption, juvenile justice and delinquency prevention, and civil rights.
- Working with the U.S. Attorney in the Southern District of Texas, the Department surmounted a constitutional challenge to the United States' ability to surrender a person to the Rwandan war crimes tribunal. This case is the first in which a U.S. court has ordered the surrender of a fugitive to one of the war crimes tribunals.
- The Department arranged for the repatriation to the United States of approximately \$12 million in forfeited drug assets from Luxembourg, in connection with the prosecution of Michael Abbell, a former Department employee.



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- The Department worked with the Voice of America (VOA) to bring that agency's weekly International Crime Alert program, previously on radio only, to television. Through VOA's WORLDNET contacts, 1,100 affiliated television stations—broadcasting in more than 50 languages worldwide—are now carrying weekly public service announcements featuring major U.S. fugitives.
  - Fulfilling commitments made at the 1997 United States-Central American Ministerial Conference on Law Enforcement and Public Security, the Department conducted a seminar on asset forfeiture and money laundering in Costa Rica for prosecutors and police officials from eight countries.
  - Continued negotiations for an MLAT to cover tax offenses resulted in Russian agreement to provide assistance, including access to bank records, for all U.S. tax crimes. Other international tax compliance progress includes informal negotiations with France to establish tax crimes as extraditable offenses and with the Royal Canadian Mounted Police to improve mutual cooperation in investigations and prosecutions of tax crimes and money laundering offenses.

### **OSI Undefeated in Denaturalization Litigation Involving Former Nazis**

**T**he Criminal Division's Office of Special Investigations (OSI) was undefeated in denaturalization litigation during 1998, winning four of these uniquely challenging cases, as well as a landmark victory at the Supreme Court. All of the defendants in these civil prosecutions were found to have been complicit in Nazi-sponsored acts of persecution. The Lithuanian Government announced this year that it intends to prosecute former OSI defendant Kazys Gimzauskas on genocide charges on the basis of the documentary evidence found by OSI of his role in helping to send Jewish civilians to their deaths in 1941-42. The Department also played a key role in an historic, multi-agency Federal investigation into the fate of gold and other assets seized by Nazi Germany, Switzerland, and other Nations during and after World War II from Jewish and other civilians.

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## **II. Core Function: Assistance to Tribal, State, and Local Governments**

### **Goal 2.1: Support and Improve the Crime-Fighting and Criminal Justice System Capabilities of Tribal, State, and Local Governments.**

Strengthening the criminal justice capabilities of tribal, state, and local governments is one of the most important ways the Department carries out its leadership role in preventing and controlling crime. In 1998, the Department encouraged states to undertake a wide range of improvement efforts with the help of research and evaluation initiatives, aggressive enforcement and prevention strategies, and generous grant programs. The Department plans to expand and improve its own research and statistics gathering so as to provide state, local, and tribal governments the latest research and evaluation information available on crime and crime control.

### **Research and Evaluation**

Starting with the passage of the 1994 Crime Act, OJP has used money from program funds to support research and evaluation aimed at reducing crime, enhancing public safety, and improving the administration of justice. For example, each of the OJP Crime Act Program Offices allocates a percentage of its available funds—up to 14 percent—annually to fund new program evaluation. For each program area, the National Institute of Justice (NIJ) is developing a multiyear research and national evaluation strategy. OJP has worked to include such “built-in” evaluations for all its funding programs, and the Congress has approved such set-asides for research and evaluation to find out what works and to guide future spending and program planning. Congress has also approved training and technical assistance set-asides for these programs.

To help communities resolve public safety issues in a comprehensive and strategic manner, the Office of the Associate Attorney General (OASG) is coordinating an ambitious initiative that uses a problem-solving, information-driven approach to reduce and prevent crime. The Strategic Approaches to Community Safety Initiative

## **Crime Mapping Helps to Identify Crime Trends**

**S**everal Department components, along with the Office of the Vice President, are developing crime-mapping models to assist state and local jurisdictions in their efforts to rapidly and precisely identify crime activity, trends, and enforcement activity, and to promote the use of crime mapping and data-driven management in support of community policing. The Geographic Information Systems (GIS) staff produces custom maps to be used in courtroom presentations. The maps display where a crime took place, how a crime was committed, and who allegedly participated in the criminal activity. The GIS staff has produced numerous maps to support a wide range of cases, including the Montana Freeman case and the LeMaster Steel Erectors case.

(SACSI) is currently focused on five pilot communities. Working closely with the U.S. Attorneys in Memphis, Indianapolis, Winston-Salem, New Haven, and Portland, Oregon, and with support from a dozen justice components, SACSI stems from evidence showing that community safety problem-solving is best addressed by collecting and analyzing detailed information to determine the precise nature and scope of local crime problems, then designing interventions to meet them.

In this vein, the geographic information systems (GIS) staff is participating in a cooperative project with local police departments in the Washington/Baltimore area to develop the largest, most powerful regional crime analysis system of its kind. This system, called the Regional Crime Analysis Geographic Information System, places valuable crime analysis, mapping, and reporting tools in the hands of police officers, crime analysts, and managers. The system will permit rapid cross-border data sharing and analysis among participating police departments.

In the area of gun violence, the Department has a working group tasked with identifying promising reduction strategies for local policymakers. The group, chaired by the Office of Policy Development (OPD), includes representatives from 10 Department organizations. It has examined more than 400 gun violence prevention programs across the country, identifying approximately 60 as "promising" or as having a demonstrated, measurable effect on violent crime. A Gun Injury Prevention subgroup of "5 Goals 4 Kids" includes the Treasury Department, ATF, HHS, Centers for Disease Control, Police Executive Research Forum, National Crime Prevention Council, and the Coalition for Juvenile Justice.

A joint effort by BJS and the National Center for Education Statistics produced "Indicators of School Crime and Safety, 1998"—the first in a series of annual reports presenting the latest available data on school crime and student safety collected by a variety of Federal departments and agencies.

## **Enforcement and Prevention Strategies to Counter Youth Violence**

More than 3,000 local jurisdictions received local law enforcement block grants totaling \$440 million in 1998 to help them reduce crime and improve public safety. The funds can be used to hire police officers, improve security in and around schools, purchase law enforcement equipment and technology, enhance the adjudication of violent offenders, and for other public safety efforts.

Promising community-based programs involving police officers and youth organizations are helping young people use their non-school hours productively and are keeping them out of trouble, according to the NIJ report, "Kids, Cops & Communities." The report highlights successful approaches to preventing juvenile delin-

quency and crime in Bristol, Connecticut; Arlington, Texas; and Spokane, Washington.

A joint effort among OJJDP, BJA, the National Crime Prevention Council, and The Advertising Council, Inc., produced a new public service education campaign designed to dispel stereotypes about teens and encourage youth involvement in crime prevention. The new public education campaign, "Investing in Youth for a Safe Future," features print, television, and radio public service announcements (PSAs) that challenge young people to prove adults wrong by participating in such activities as neighborhood watches, neighborhood beautification, and mentoring. These PSAs also challenge adults to recognize teens for their positive actions. The Department contacted major media outlets to encourage them to air the new PSAs.

- With school violence dominating the headlines last year, the COPS Office launched several initiatives to prevent crime and disorder in and around schools. One of these, the School-Based Partnership Program, encourages cooperative relationships between law enforcement and educators to prevent violence, help children feel safe in schools, and reduce the time teachers must spend on discipline issues. Additionally, working with the U.S. Conference of Mayors, COPS supported the development of "Preventing School Violence: Best Practices of Mayors in Collaboration with the Police, Schools, and Communities," which was presented to President Clinton and the Attorney General at the White House Conference on School Safety.

A new block grant program administered by OJJDP, the Juvenile Accountability Incentive Block Grants Program, promotes greater accountability in the juvenile justice system. In 1998, more than \$232 million was awarded to all 50 states, the District of Columbia, and five territories for such efforts as construction of juvenile detention or correctional facilities, hiring of prosecutors and other personnel, gun and drug courts, and accountability-based programs.

## Drug Testing and Intervention

NIJ's Breaking the Cycle program is testing the theory that reduced drug use in a defendant population will result in decline in criminal behavior, improvement in the population's social functioning, and more effective use of criminal justice resources, particularly detention capacity. Jacksonville, Florida, and the Pierce County Alliance of Tacoma, Washington, each received \$3 million in 1998 to replicate the program pioneered in Birmingham, Alabama. Each site is developing a systemwide intervention strategy to identify, supervise, and treat all drug-using defendants involved in the criminal justice system.

## Justice Helps Develop "Early Warning" Guide For Schools

**A**fter the injuries and tragic loss of life at several schools in 1998, President Clinton directed the Departments of Education and Justice to develop an early warning guide to help "adults reach out to troubled children quickly and effectively." In response, they created and distributed the *Early Warning, Timely Response: A Guide to Safe Schools* to every school in the Nation for the 1998 fall term. The guide is part of an overall effort to make sure that every school in the Nation has a comprehensive violence prevention plan in place. OJJDP is continuing to explore school violence prevention efforts by working with the Department of Education to implement a range of school violence prevention programs, including a National Center on Conflict Resolution Education, a School Safety Training Center, and a research consortium on school violence intervention.

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## **Violent Offender Incarceration and Truth-in-Sentencing Incentive Grant Program**

In 1998, in support of the President's initiative for deterring crime and substance abuse, the Department awarded more than \$424 million to all 50 states, the District of Columbia, and the territories to help incarcerate violent offenders for longer periods. Through funds from the Violent Offender Incarceration/Truth-in-Sentencing (VOI/TIS) Grant Program, states can build or expand prisons or jails to house violent offenders and can hold violent offenders accountable through Truth-in-Sentencing. A key component of the VOI/TIS program aims to reduce crime through its substance abuse provision that required states, by September 1, 1998, to implement a program of controlled substance abuse testing, intervention, treatment, and sanctions, with specific policies and procedures. All 50 states developed and submitted strategies for implementing such a program. Through this program, states were to ensure a response—either sanction and/or treatment—to every positive test and every case where a need is identified. Responses may include event documentation, enhanced case management, increased supervision, or imposition of other graduated sanction and treatment interventions.

On January 12, 1998, the President asked the Attorney General to submit legislation to Congress that would grant states the flexibility to use their prison construction funds to provide a full range of drug testing, treatment, and sanctions for offenders in prison. On March 24, the Attorney General submitted to Congress legislation addressing this issue. Congress passed it, along with the FY 1999 appropriation bill.

## **Indian Country**

In contrast to national trends, serious and violent crime rates in Indian Country have increased significantly. Gang violence and juvenile violence, in particular, have increased dramatically in recent years. An interdepartmental Executive Committee for Indian Country Law Enforcement Improvement, set up to analyze law enforcement problems and improve public safety and criminal justice in Indian Country, made several recommendations in 1998 following a Department-led series of tribal consultations on Indian Country law enforcement. The executive committee's recommendations, set forth in a January 20, 1998, letter to the President from the Attorney General and the Secretary of the Interior, included reorganizing law enforcement within Indian Country and providing it with adequate resources by phasing in sizable increases to the current \$130 million budget over the next 4 years.

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During 1998, the COPS Office provided over \$15 million to 81 tribes in 23 states. The COPS Office Tribal Team led specialized community policing training for remote Alaska Native Villages, advised on a training video produced for the California Peace Officers Standards and Training (POST) on law enforcement under Public Law 280, and assisted the Department's Community Relations Service (CRS) in mediating disputes between tribal and non-tribal law enforcement agencies in Minnesota.

## Forensic Assistance

The Department's FBI laboratory has developed cutting-edge technology in the fight against crime, providing invaluable services to state and local law enforcement agencies throughout the nation. One of its major achievements concerns breakthroughs in law enforcement use of DNA.

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*The National Congress of American Indians, representing 210 tribes, passed a resolution on November 24, 1997, that "congratulates President William Jefferson Clinton for recognizing that the Federal Government has failed to provide adequate support for law enforcement in Indian Country, [and urges] President Clinton to make improving law enforcement in Indian Country a high priority in his second term, specifically by including in his FY 1999 budget a substantial increase in funding for law enforcement initiatives in Indian Country."*

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In 1998, the FBI laboratory was able to use DNA profiles to identify individuals as the source of a stain—the first laboratory in the United States, either public or private, that offers this conclusion on its reports. This conclusion can now be reached as a result of an increase in the number of sites examined in the DNA molecule, as well as an increase in population frequency data collected throughout the world. Both were instrumental in securing the endorsement of this procedure by the National Research Council. This advancement represents a dramatic step forward for the forensic DNA community, as DNA examiners—if presented with sufficient DNA typing information—can now directly link an individual to an evidentiary stain. The first report featuring this conclusion issued from an investigation involving a serial rapist convicted of state charges in Wisconsin.

## Safer Trails in Indian Country

In an effort to better coordinate the resources of the various law enforcement agencies in certain areas of Indian Country, Safe Trails Task Forces (STTFs) are in operation in five Indian Country cities: Gallup, New Mexico; Carson City, Nevada; Flagstaff, Arizona; Glasgow, Montana; and Monticello, Utah. An STTF at Tucson, Arizona, is under review for High Intensity Drug Trafficking Area funding. STTFs have been targeting drug trafficking and violent gang activity in Indian Country.

## **FBI Lab Accredited by Crime Laboratory Directors Board**

**T**he FBI laboratory in 1998 obtained accreditation by the American Society of Crime Laboratory Directors' Laboratory Accreditation Board (ASCLD/LAB). With this important achievement, the FBI laboratory is now one of more than 180 crime laboratories worldwide to be accredited by the ASCLD/LAB in the following disciplines: controlled substances, DNA, serology, firearms/toolmarks, latent prints, questioned documents, toxicology and trace evidence.

The FBI laboratory also has implemented mitochondrial DNA typing, which expanded the capability of typing forensic samples with very little DNA, such as hairs, degraded bones, and teeth. The FBI laboratory is the first forensic laboratory to utilize this technology in criminal case work.

In 1998, BJA awarded more than \$194,000 to each state to develop or improve their DNA analysis capabilities and computerized identification systems. The State Identification Systems (SIS) program, authorized by the Antiterrorism and Effective Death Penalty Act of 1996, is administered by BJA with funding from the FBI. The SIS program enhances a state's ability to become fully integrated with the databases of the FBI's Combined DNA Index System (CODIS), NCIC, and the Integrated Automated Fingerprint Identification System (IAFIS).

Another key laboratory program is the Computer Analysis Response Team (CART), which extracts relevant data from cases dealing with health care fraud, child pornography, terrorism, drugs, financial institution fraud, and public corruption. During 1998, CART conducted over 2,400 computer forensic examinations. The majority of these examinations were associated with the Violent Crime Major Offenders and the White Collar Crime Programs. In addition, CART headquarters examiners provided support for 86 cases involving "Innocent Images," as well as for 49 child pornography cases.

DRUGFIRE, an automated computer technology capable of making otherwise unidentified links between firearms-related evidence (cartridge cases, fired bullets, and firearms), was developed to assist state and local law enforcement agencies in the fight against violent crime. Nationwide, DRUGFIRE has linked more than 2,600 criminal shooting cases during its first 6 years of operation. The linking of evidence from crime scenes provides police with investigative leads that otherwise would have gone undetected. In 1998, 37 DRUGFIRE systems were installed in state and local forensic laboratories, more than 140 firearms examiners and technicians were trained, and more than 1,000 "hits" were made using the DRUGFIRE system.

The National Institute of Standards and Technology (NIST) directs the efforts of ATF and the FBI in achieving interoperability between their ballistic imaging systems. Limited interoperability testing occurred in 1998; test-fired cartridge cases were successfully imaged, searched, and correlated between the two ballistic imaging systems.

## **Information Systems**

### **National Crime Information Center.**

The FBI is expanding the National Crime Information Center to NCIC 2000. NCIC checks its computerized files for quick information on wanted persons, stolen goods, and other information vital to

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state and local police. All software development for the NCIC 2000 project—including the Fingerprint Matching System, mobile imaging unit, and the NCIC 2000 workstation—were completed as of July 1998, and the FBI began operational testing with interested states.

The FBI expanded the NCIC Violent Gang and Terrorist Organizations File (VGTOF) to promote sharing of information between states and local systems. Forty states have completed programming for entry capabilities into the VGTOF. At the end of September 1998, 4,466 gang members and 1,740 groups had been entered into this file. Further, owing to the outstanding support provided by the FBI during 1998, the NCIC's Protection Order File has increased from 8 participating states with 10,000 records to 19 states with 108,000 records.

#### **Management Challenge: NCIC 2000**

Law enforcement officials nationwide need rapid access and response to criminal history information to identify suspects and conduct investigations. The FBI is improving and automating its National Crime Information Center to solve this material issue by adding enhancements such as fingerprint matching, mugshots, and pictures of stolen property—all relatable and retrievable by authorized law enforcement officials at Federal, state, and local levels. During the past year, the FBI and its contractors completed development and factory testing of all elements of the improved system. The full system will be operational by the end of August 1999.

#### **Integrated Automated Fingerprint Identification System.**

During 1998, three of the six builds for the FBI's IAFIS were completed. Accomplishments included the electronic storage and retrieval of fingerprint images to allow comparisons to be made. IAFIS is on schedule and on budget and is expected to be operational in July 1999.

In 1998, the FBI processed nearly 7 million criminal fingerprints and more than 6 million civil fingerprints for state and local law enforcement. This was accomplished through streamlined work processes and new technological capabilities inherent in the Image Storage and Retrieval Element (ISRE). ISRE made it possible to use electronic images for fingerprint comparisons, eliminating the need to manually pull and file paper fingerprint cards from the master criminal file. By September 1998, the FBI's 1.4 million



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fingerprint backlog had been eliminated, with criminal turnaround time going from a high of 106 days at the beginning of the year to 8 days in September 1998. The civil turnaround time was cut in half to 13 days. With the backlog gone, turnaround time both for criminal and civil fingerprint cards was 8 days in the early fall of 1998.

**Management Challenge: Automated Fingerprinting System**

The FBI has been working on this material issue since 1989 and is close to having it completed. IAFIS, the FBI's initiative to upgrade its fingerprint identification processes and related services, will be a rapid response, paperless system that receives and processes electronic images, criminal histories, and related identification data for the entire criminal justice community. It is so essential to law enforcement nationwide that the project was designated as a Presidential Priority System. During 1998, the FBI completed four of its major milestones, and the system will be up and running by the end of September 1999.

**Goal 2.2: Strengthen and Improve Community Police Services.**

In 1998, the COPS Office awarded nearly \$1.2 billion in grants to put more than 17,500 officers on the streets, bringing the ranks of community policing officers funded to 88,112. Nearly half of those officers and deputies are already working in the community. The Department is ahead of schedule and under budget in its commitment to fulfilling the President's goal to add 100,000 community policing officers to our Nation's streets.

The COPS Office's efforts have focused more recently on enhancing community-based policing solutions in our Nation's schools and on providing technology capabilities for local police departments. The COPS Office has also worked to ensure that officers hired under its grant programs are properly trained and retained beyond the term of the initial Federal grant, so that quality officers remain on the streets.

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## Goal 2.3: Support Innovative, Community-Based Strategies Aimed at Reducing Crime, Delinquency, and Violence in our Communities.

The Department continued last year to promote stronger linkages between local communities and their criminal justice systems through an enhanced commitment to community justice initiatives at the local level. Community justice expands the problem-solving ethic of community policing to other criminal justice institutions, such as prosecution, courts, and corrections. Strategies to tackle violent and drug-related crime by gangs and juveniles comprise a major part of the Department's community-based approach to crime and justice—an approach that includes Weed and Seed programs and mobile police stations to reduce crime and revitalize targeted neighborhoods, drug courts to help nonviolent drug abusers stop the cycle of drug use and crime, and conflict resolution techniques to ease community ethnic and racial tension. The Department plans to continue emphasizing community-based approaches to crime prevention, involving citizens in innovative community programs that make a difference.

### Community-Based Approaches to Crime and Justice

With a focus on problem-solving and strong linkages to the community, community justice is an approach the Department has embraced. In 1998, the Department convened the second Community Justice Conference, with more than 700 people attending. Participants represented the judiciary, law enforcement, community residents, probation, corrections, faith-based communities, private foundations, and community nonprofit groups from around the country.

Other important community-based programs include the following:

- In 1998, Drug-Free Communities Support Program grants, administered by OJJDP, funded coalitions made up of young people, parents, media, law enforcement, school officials, religious organizations, and other community representatives. The coalitions disseminated information about effective programs and encouraged citizen participation in substance abuse reduction efforts.
- The Weed and Seed program is a community-based, multidisciplinary approach to combating crime. It is an example of the difference that Federal funding can make when it is channeled

### Two OJP-Funded Programs Exemplify Community Justice

Two OJP-funded programs that exemplify the principles of community justice were recognized under the 1998 Innovations in American Government program, a joint effort of the Ford Foundation, the John F. Kennedy School of Government at Harvard University, and the Council for Excellence in Government: (1) the Center for Court Innovation provides targeted technical assistance to jurisdictions across the country interested in planning and implementing community justice programs, and (2) the Vermont Reporative Probation program allows ordinary citizens to make sentencing decisions about adult criminal offenders; meet with offenders and victims; and resolve their disputes by providing offenders with the opportunity to acknowledge their wrongdoing, apologize to their victims, and make amends to their community.

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to targeted neighborhoods and is coordinated with state and local resources. In 1998, the Executive Office for Weed and Seed (EOWS) awarded a total of \$42.5 million to Weed and Seed sites throughout the country and expanded the program to 60 new sites, bringing the total number of sites to 176.

- As part of a new Department effort in 1998, Indianapolis became the first of six cities to receive a new state-of-the-art mobile police outreach station to help reduce crime and revitalize neighborhoods. The Mobile Community Outreach Police Station (MCOPS) provides police officers the opportunity to have immediate on-site contact with community residents and allows for quick dispatch of officers in response to service calls. It also allows for special law enforcement deployment operations and makes it easier for officers to participate in community meetings and forums.

## **Drug Courts**

Drug courts are another effective strategy for reducing drug-related crime. Through the coercive power of the criminal justice system, drug courts combine supervision with sanctions, drug testing, treatment, and an array of other services to encourage nonviolent, drug-abusing offenders to stop the cycle of drug use and crime. OJP's Drug Courts Program Office awarded more than 150 jurisdictions grants totaling \$27 million to plan, implement, enhance, and track the progress of drug courts. The Drug Court Clearinghouse at American University found that recidivism rates continue to be significantly reduced for drug court graduates. In addition, drug courts save money by reducing the use of jail space and probation services, as well as the number of drug-addicted babies born to addict mothers.

## **Conflict and Alternative Dispute Resolution Services**

The Department continues to promote the use of alternative dispute resolution (ADR) techniques to resolve disputes in our Nation's schools, police departments, and communities. A frequent user of ADR techniques is the Community Relations Service. Each year, CRS mediates court-referred mediation cases from state and Federal judges that can be handled more effectively through ADR. CRS also assists local law enforcement and event organizers in planning for marches and rallies, helping to coordinate planning and ensure safety for all involved. CRS mitigated community conflict with law enforcement through community meetings, training, and recommen-

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dations to police departments about practices that will change community perceptions.

To address community conflict arising from tribal gambling operations and environmental issues, CRS, in conjunction with the Bureau of Indian Affairs and National American Indian organizations, conducted training for tribes and Native American groups. The training focused on conflict resolution and mediation, to increase parties' abilities to resolve conflicts before they escalate into more serious violence.

Other community-based resolution activities in 1998 include the following:

- In a 2-week period in Denver, Colorado, Skinheads and White Supremacists were identified as the perpetrators of hate crimes in which a police officer and a West African immigrant were killed and a black woman attacked. CRS worked with community leaders, police officials, and local government officials to reduce community tension.
- From June–August 1998, in Jasper, Texas, the Department provided conflict resolution and prevention assistance following the brutal death of James Byrd, Jr. CRS helped local officials and law enforcement in this rural community respond to intense media attention and to large demonstrations by the Ku Klux Klan, the New Black Panther Party, and a splinter group of the Nation of Islam. CRS helped local officials develop contingency plans for the multiple events, devise a community response to the incident, and provide training to law enforcement and school officials to help heal this community.

## **Goal 2.4: Uphold the Rights of and Improve Services to America's Crime Victims.**

One of the key principles of community justice is to make the justice system more responsive to the community, stressing the need to recompense victims of crime. In 1998, the Department implemented programs supported through the Crime Victims Fund, as well as other initiatives designed to ensure the safety of and provide assistance to all victims and witnesses.

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## **Crime Victims Fund Programs**

The Crime Victims Fund is made up of fines paid by Federal criminal offenders as part of their sentences. BOP's Inmate Financial Responsibility Program contributed to the fund, collecting nearly \$6 million in 1998 in court-ordered obligations from inmates. The Antitrust Division paid \$267 million to the fund in fines imposed mainly for illegal international cartel behavior. Funding goes to victim assistance and support groups or directly to victims to compensate their crime-related losses. The Office of Victims of Crime (OVC) awarded a total of \$363 million in 1998 to aid crime victims.

Victim service professionals from around the world received intense training in July 1998 at the fourth annual National Victim Service Academy, held at four universities across the Nation. Sponsored by OVC, the Academy provides important updates on victimology, victims' rights and services, and new developments in the field of victim assistance. Participants received "New Directions from the Field: Victims' Rights and Services for the 21st Century," a comprehensive report on victims' rights and services.

## **Child Victimization and Prevention Programs**

As part of the Attorney General's effort to protect America's children, the Department supported amendments to the Child Support Recovery Act (CSRA) to create felony provisions for parents who willfully fail to pay child support obligations for a child living in another state. On June 24, 1998, the President signed into law a bill amending several key sections of the CSRA. The amendment created two first-offense felony provisions under which a delinquent child support obligor is now subject to a 2-year maximum prison term and a fine for: (1) traveling in interstate or foreign commerce with the intent to evade a child support obligation if the obligation has remained unpaid for longer than 1 year or is greater than \$5,000; or (2) willfully failing to pay a support obligation for a child residing in another state if the obligation has remained unpaid for longer than 2 years or is greater than \$10,000.

The Department also continued to develop effective case referral and screening procedures in coordination with state and local child support agencies. The U.S. Attorneys have steadily increased the number of prosecutions against parents who willfully fail to pay, from 82 cases in 1995 to 249 cases in 1998.

## **Goal 2.5: Reduce the Incidence of Violence Against Women.**

OJP's Violence Against Women Grant Office (VAWGO) provides funds to help communities improve their response to violence

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against women—domestic violence, stalking, and sexual assaults. In 1998, VAWGO awarded more than three times the money and more than twice the number of grants awarded last year under the Rural Domestic Violence and Child Victimization Enforcement Grant Program. A total of \$19.4 million went to 62 jurisdictions to help women and children in rural areas affected by domestic violence. Another 90 jurisdictions received \$53.8 million through VAWGO's Grants to Encourage Arrest Policies Program to help investigate and prosecute domestic violence as a serious crime.

The COPS Office awarded more than \$10 million in grants to 44 agencies in 28 states to help law enforcement officials combat domestic violence under its Community Policing to Combat Domestic Violence Program. The grants fund training, research, threat assessment, problem-solving, and other efforts that dramatically reduce the number of incidents of domestic violence.

Other 1998 efforts to combat violence against women include the following:

- For the first time, VAWGO awarded \$11.5 million in Civil Legal Assistance grants for law school legal clinics, victims and legal services organizations, battered women's shelters, and bar associations in every state to strengthen civil legal assistance for domestic violence victims.
- The Violence Against Women Office (VAWO) coordinated the Department's response to the President's March 1998 directive to review and amend laws addressing the trafficking of women and girls, to research programs for victims of trafficking, and to determine the best way to enlist the aid of victims in prosecuting trafficking crimes.
- The Department conducted a series of eight video teleconferences to address the emerging issues presented by Violence Against Women Act (VAWA) cases. The video teleconferences were used to discuss enforcement strategies, case law, victim safety and management, and the U.S. Attorneys' participation in community domestic violence efforts.
- The Department, in collaboration with the FBI and local law enforcement officials, has developed preliminary training materials on coping with drug-facilitated rape. These materials have been made available to approximately 9,000 law enforcement officers who have joined the FBI's "LEO" (Law Enforcement Online) network/intranet. Training also has been provided to law enforcement officials and to rape crisis personnel.

### **Department Awards Grants to STOP Violence Against Indian Women**

**T**he Department is working to improve the justice system's response to domestic violence, stalking, and sexual assault against Indian women. Fifty-seven Indian tribal governments in 20 states will have better services for adult Indian women victims of domestic violence and more prosecutions of domestic violence cases as a result of \$4.9 million in 1998 STOP Violence Against Indian Women grant funds. Twenty-four new tribal grantees in 1998 bring the total number to 112 tribal governments that have received STOP Indian funds since the first grant awards were made in 1995. These tribal grantees serve a total of 233 Indian communities.

### **III. Core Function: Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests**

As the Nation's litigator, the Department is the largest "law office" in the world. Working together, Department components ensure that the Federal Government "speaks with one voice" with respect to the law. In 1998, the Department worked to address several of the Attorney General's top priorities, including enforcing the Nation's environmental, tax, civil rights, and antitrust laws; putting a stop to the proliferation of hate crimes; protecting the public fisc; defending challenges to the Federal Government's regulations and initiatives; and focusing on litigation with international implications.

#### **Goal 3.1: Protect the Civil Rights of All Americans.**

The civil rights laws of the United States prohibit discrimination on the basis of race, color, religion, sex, national origin, disability, age, familial status, and citizenship status in employment, education, public accommodations, housing, lending, programs receiving Federal financial assistance, and in other areas. The Civil Rights Division (CRT) serves as the Federal Government's chief guardian of these rights.

Worker exploitation is another area where the Department has increased its involvement, having observed an increase in these cases. The Attorney General in April 1998 approved the creation of an interagency Worker Exploitation Task Force. This task force is co-chaired by the Acting Assistant Attorney General for Civil Rights and the Solicitor of Labor. The task force is investigating a number of potential worker exploitation cases, has a number of cases under indictment, and has coordinated a wide-ranging training program on worker exploitation for investigators from a number of agencies.

#### **New Office to Focus on ADR**

The success of ADR at the Federal, state, and local levels led the Attorney General in January 1998 to establish the Office of Dispute Resolution (ODR) as an independent component within the Department. During the past year, ODR has provided services to civil litigators throughout the Department on all matters involving dispute resolution, including identifying ADR providers and appropriate cases and providing training and funding for ADR activities. ODR oversees a presidentially established task force to promote ADR throughout the Executive Branch. In 1998, a new position created within ODR—the Director of Community Dispute Resolution—will unify and focus the Department's many efforts to bring ADR techniques into schools, police departments, and communities. The Office of the Associate Attorney General has actively promoted the enhanced use of ADR, both within the Department and throughout the Federal Government, and is working with law school deans and officials to integrate ADR and problem-solving into law school curricula.

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## Hate Crimes

On May 15, 1998, the Attorney General announced the Department's Hate Crimes Initiative, a key component of which was the formation of community-based hate crimes working groups in U.S. Attorney's offices across the country. CRS helped to ensure that all major segments of the minority community would be included in the working groups with Federal, state, and local law enforcement representatives. More U.S. Attorneys are seeking CRS expertise in their community outreach programs, and CRS partnered with U.S. Attorneys in hate crimes training across the country.

Church fires and the desecration of houses of worship resulting from racial and ethnic biases have not ceased. Department components continued their participation with the National Church Arson Task Force, serving as a resource to human relations commissions in the South.

Other 1998 hate crimes investigations and activities included the following:

- The Department, with a consortium of Federal, state, and local law enforcement trainers and educators, developed a four-tier training curriculum on hate crimes for state and local law enforcement. It was disseminated in three regional training seminars.
- The Department investigated the murder of James Byrd, Jr., an African American, in Jasper County, Texas, as a possible Federal civil rights violation. Evidence developed by FBI Special Agents and the FBI laboratory is expected to be introduced at the state trial of three white men who have been charged with murder.

## Pattern or Practice Civil Rights Violations

### Rights for Persons with Disabilities.

The Department continued its comprehensive program under the Americans with Disabilities Act (ADA) to open up the mainstream of American life to people with disabilities. Through mediation, negotiation, and litigation, the Department achieved important results. In particular, the Department obtained Supreme Court rulings in favor of ADA protection for people with asymptomatic HIV. For example, In *Bragdon v. Abbott*, the Supreme Court held that the ADA protects HIV positive persons against discrimination in services offered by a place of public accommodation—in that case, the services of a dentist. The Court reasoned that having even asymptomatic HIV infection can significantly restrict major life activities



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and thus qualifies as a “disability” under the ADA. The Court further held that application of the ADA’s exception for situations in which the individual “poses a direct threat to the health or safety of others” must be based on medical or other objective evidence.

### **Fair Housing and Voting Rights.**

In 1998, fair housing and fair lending enforcement continued to be a high priority in the Department. Sixty-four cases were filed seeking to enforce the provisions of the Fair Housing Act, including 25 pattern or practice cases and 31 cases referred to the Department by the Department of Housing and Urban Development (HUD) following investigation of individual complaints by that agency. The Fair Housing Testing Program continues to be a powerful investigative tool for detecting housing discrimination. During 1998 alone, 10 such cases were filed. Settlements in testing cases in 1998 topped \$750,000, bringing the total monetary relief obtained in cases resulting from this program to more than \$7 million.

- In a race discrimination case against a large landlord in Mobile, Alabama, the Department obtained almost \$800,000 in monetary relief.
- In a case alleging that an Illinois municipality discriminated against Hispanics in tearing down housing in connection with its urban renewal efforts, the Department’s suit and a related case brought by private plaintiffs were settled, resulting in a restructured renewal process and monetary relief of close to \$1.4 million.
- The Department gained agreement from Bleckley County, Georgia, to fairly include African Americans in its recruitment of poll officers, and from Worth County, Georgia, to discontinue the use of a whites-only service club to staff the polling place for a majority black precinct.
- A settlement order was entered that prevents the repetition of an incident in a New York City community school board election in which poll workers improperly influenced voters to vote for a white write-in candidate in opposition to minority candidates listed on the ballot.

### **Institutions-Related Rights.**

In 1998, the Department continued efforts to secure basic constitutional rights for persons in institutions. An FBI investigation at the Corcoran State Prison in California led to Federal charges against eight correctional guards for violating the civil rights of inmates. The investigation was coordinated with the Civil Rights Division.

### **Executive Clemency Petitions Reviewed**

**T**he Office of the Pardon Attorney continued its mission of assisting the President in the exercise of his power under Article II, Section 2, clause 1 of the Constitution (the pardon clause) by receiving and reviewing all petitions for executive clemency (including commutation of sentence, remission of fine, and pardon after completion of sentence), directing the appropriate investigations, and preparing a report to the President in every case. During 1998, the office received 608 new cases and reduced the number of pending cases from 748 on October 1, 1997, to 535 on October 1, 1998.

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Additionally, the Department hosted the U.N. Special Rapporteur on a Violence Against Women's mission to the United States to study violence against incarcerated and detained women, with a focus on sexual misconduct. The rapporteur visited Federal prisons and INS detention centers, along with state facilities.

### **Police Misconduct.**

During 1998, the Civil Rights Division used the Department's authority to protect citizens from pattern or practice police misconduct that violates Federal rights. For instance—

- The Department monitored compliance with its first two consent decrees to remedy systemic misconduct in municipal police departments in Pittsburgh, Pennsylvania, and Steubenville, Ohio.
- The Department notified the City of Columbus, Ohio, that it intends to file suit to remedy systemic police misconduct there, and entered in discussions to resolve the matter.
- The FBI and the New York City Police Department investigated allegations that police officers had brutalized a Haitian immigrant during an arrest. As a result, five officers were indicted in 1998 on felony charges of deprivation of rights under the color of law. The investigation was coordinated with the Civil Rights Division.

### **Clinic Access.**

Pursuant to its authority under the Freedom of Access to Clinic Entrances Act (FACE), the Department continued to protect the rights of patients and health care providers against threats of force and physical obstruction of reproductive health facilities. Department components continued to work closely at the state and Federal levels to prosecute FACE violations. The Department filed three new civil cases under FACE and was successful in obtaining relief in five ongoing FACE cases. Relief included the following:

- A permanent injunction against 35 defendants for blockading a clinic in a suburb of Philadelphia, Pennsylvania.
- A preliminary injunction entered against 30 defendants for a series of blockades at a reproductive health facility in Englewood, New Jersey.
- In a case involving the blockade of a New York reproductive health clinic, the first assessment of civil penalties following a jury verdict in favor of the United States in a civil FACE case.

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- A temporary restraining order to prohibit a defendant from approaching the home of a reproductive health doctor whom the defendant had threatened.
  - Two civil contempt rulings based on violations of an injunction establishing buffer zones outside a Connecticut reproductive health care clinic.

### **Employment Discrimination.**

In 1998, the Department continued to investigate and pursue cases alleging individual and patterns or practices of employment discrimination. For example—

- In *Oncala v. Sundowner Offshore Services, Inc.*, the Court held that sexual harassment by a person of the same sex is actionable under Title VII, agreeing with the Department's argument that Title VII prohibits harassment based on the victim's sex and that the sex of the alleged harasser is irrelevant.
- In *Burlington Industries, Inc. v. Ellerth and Faragher v. City of Boca Raton*, the Court ruled that an employer may be liable for sexual harassment by a supervisor who creates a hostile working environment, even when no tangible adverse employment action (such as firing or failing to promote) is taken against the employee.
- The Office of Special Counsel for Immigration-Related Unfair Employment Practices (OSC) enforces the antidiscrimination provisions of the Immigration and Nationality Act by protecting authorized workers from discrimination because they "look or sound foreign." During 1998, OSC investigated 447 charges of employment discrimination and opened 23 independent investigations, obtaining \$31,000 in back pay for discrimination victims and assessing \$40,000 in civil penalties.

### **Goal 3.2: Safeguard America's Environment and Natural Resources.**

In 1998, Department attorneys and investigators continued efforts to vigorously pursue environmental law violators and thereby enhance the health of all Americans. It safeguarded the Nation's environment through environmental enforcement, international cooperation, natural resources protection, and the promotion of partnerships and environmental justice. The Department also worked cooperatively to protect tribal sovereignty, lands, and natural resources.

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## Expansion of Partnerships with Federal, State, and Tribal Governments

### Civil Enforcement.

The partnership between the Department's Environment and Natural Resources Division (ENRD) and the U.S. Attorneys strengthened the investigation and prosecution of environmental crimes during 1998. Another example of partnership includes the U.S. Environmental Protection Agency (EPA) in the Mississippi River Basin Initiative, a comprehensive Federal effort to keep illegal pollution out of the river and restore it and surrounding communities to their historic grandeur. These efforts effected a recent settlement with Shell Oil Company to resolve alleged violations of the Clean Air Act, the Federal hazardous waste laws, and other Federal statutes at Shell's Wood River Refinery in Roxana, Illinois. The settlement requires Shell and its affiliates to pay a \$1.5 million civil penalty and to spend another \$10 million on projects to protect the Mississippi and surrounding communities.

Other civil enforcement successes include the following:

- The Department recently reached an historic \$1 billion settlement with manufacturers of heavy diesel engines. The agreement requires seven manufacturers—which constitute 95 percent of the industry—to spend at least \$850 million to prevent future pollution. This injunctive relief will prevent an estimated 75 million tons of nitrogen oxide pollution.
- In June 1998, the Department settled charges against American Honda Motor Company for \$267 million and Ford Motor Company for \$7.8 million for selling vehicles with illegal devices that defeat emission controls.
- In *United States v. Bestfoods*, the Supreme Court ruled that a parent corporation may be held derivatively liable under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) for the polluting activities of its subsidiary, if the corporate veil is misused to accomplish fraud or other wrongful purposes on the shareholder's behalf. The Department obtained orders requiring responsible parties to spend nearly \$230 million to clean up contaminated sites and to reimburse the "Superfund" more than \$300 million for Federal cleanup costs.

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### **Criminal Enforcement.**

During 1998, the U.S. Attorneys brought criminal environmental charges against nearly 500 defendants, most of whom were convicted.

- The Department obtained the largest criminal fine ever for a Clean Air Act violation when Louisiana-Pacific Corporation pled guilty to 18 felonies at its Montrose, Colorado, paper mill. Penalties in the case totaled \$37 million, of which \$5.5 million represents the largest single criminal fine obtained under the Clean Air Act.
- The Department obtained the largest criminal fines ever in a vessel pollution case when Royal Caribbean Cruise, Ltd., was sentenced to \$9 million in fines for a fleetwide conspiracy to dump oil into the ocean and lie to the Coast Guard to cover up the crimes.

### **Natural Resource Protection.**

The Department continued its crackdown on international wildlife smuggling by spearheading Operation Chameleon. In September 1998, the Department announced the arrest of three individuals who allegedly smuggled more than 300 animals worth nearly \$.5 million between Asia and North America, including plowshare tortoises, Komodo dragons, and other extremely rare species. The Department also successfully defended the President's American Heritage Rivers Initiative, a voluntary program that allows river communities across the Nation to implement community-driven plans to protect the rivers and their resources.

### **Promoting Partnership with Tribes and States.**

The Department secured a favorable appeals court ruling upholding tribal rights to harvest shellfish on public and private tidelands in Washington. Also, the Department worked with the states of Alabama, Florida, and Georgia to negotiate two historic water compacts that forge a new partnership in managing the water resources of the Apalachicola Chattahoochee-Flint and Alabama-Coosa-Tallapoosa River Basins. This achievement underscored the Department's approach of using ADR where possible in negotiations.

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### **Goal 3.3: Promote Competition in the U.S. Economy through Enforcement of, Improvements to, and Education about Antitrust Laws and Principles.**

The Department is responsible for enforcing the antitrust laws of the United States in order to ensure the competitiveness of markets for the benefit of American businesses and consumers. Under the Sherman and Clayton Acts, the Department enforces criminal antitrust statutes against price-fixing and bid-rigging, enforces laws against anticompetitive mergers, and brings civil actions against anticompetitive conduct.

#### **Prosecution of Antitrust Conspiracies, Review of Merger Transactions, Expansion of International Cooperation**

##### **Uncovering International Price-Fixing Cartels: Record Criminal Fines.**

In 1998, the Antitrust Division obtained \$267 million in fines, exceeding the previous year's record of \$205 million. More than 90 percent of the fines resulted from criminal cases involving international cartels. These criminal fines, paid directly to the U.S. Treasury for the Crime Victims Fund, included the following:

- A fine of \$110 million, the largest antitrust fine in history, paid by UCAR International, Inc., for participating in an international cartel to fix the price and allocate market shares worldwide for graphite electrodes (used in electric arc furnaces to melt scrap steel).
- A fine of \$29 million, paid by Showa Denko Carbon, a U.S. subsidiary of a Japanese firm, for participating in the graphite electrodes price-fixing cartel. The conspiracy had cost steel makers higher prices for graphite electrodes used in the manufacturing process.
- A total of \$65 million, paid collectively by companies from the Netherlands, Belgium, and the United States, for rigging bids, forcing oil and gas companies and the U.S. Navy to pay inflated prices.

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## **Record Level of Merger Enforcement to Protect Competition.**

Under the Clayton Act and the Hart-Scott-Rodino Act, the Department challenges proposed mergers that are likely to substantially lessen competition, frequently negotiating tailored remedies that allow the procompetitive aspects of the transactions to proceed. Mergers that bring economies of scale and efficiencies that benefit customers are approved by the Antitrust Division.

In the midst of a record-breaking merger wave, the Department in 1998 challenged 51 mergers either formally or informally, including the largest merger to have been successfully challenged in American history. It also obtained the largest divestiture in any merger case. This number of merger challenges exceeded the previous record of 31 merger challenges in 1997. Highlights include the following:

- To preserve competition in the defense industry, the Department filed suit to block Lockheed-Martin's proposed \$11.6 billion acquisition of Northrop Grumman after the Department concluded that the proposed merger would have caused the U.S. military to suffer a substantial loss of competition and innovation for a number of critical systems and components. This action, brought by the Department with DOD cooperation and support, represented the largest acquisition ever to be successfully challenged.
- To protect competition in direct broadcast satellite services, the Department filed suit to block Primestar's acquisition of the direct broadcast satellite assets of News Corporation and MCI. The parties abandoned the transaction.
- In the largest divestiture of a company in merger history, the Department allowed WorldCom, Inc.'s, \$44 billion purchase of MCI Communications Corporation to proceed only after MCI agreed to sell its Internet business for an estimated \$1.75 billion. Without the divestiture, the combined WorldCom/MCI company would have controlled a substantial portion of the Nation's Internet backbone.

## **Civil Nonmerger Enforcement: Protecting American Consumers.**

The Department's civil nonmerger enforcement program, which combats anticompetitive but noncriminal conduct, protects consumers against private arrangements and unilateral conduct that unreasonably restrain the competitive process and markets. In particular, the Antitrust Division investigates private agreements designed to thwart innovation in important industries. During 1998, the Department filed several significant civil antitrust cases:

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- The Department filed a lawsuit charging Microsoft with engaging in anticompetitive and exclusionary practices designed to maintain its monopoly in personal computer operating systems and to extend that monopoly to Internet browsing software.
  - In a major case that helped shape doctrine in the use of intellectual property, the Department filed a lawsuit against the General Electric Company, alleging that restrictions in the licensing contracts GE negotiated for use of certain maintenance software restricted competition in medical equipment services markets. GE settled the case, agreeing to remove the restrictions.

### **Advancing Antitrust Doctrine and Efforts to Promote Antitrust Enforcement.**

Clarifying and articulating antitrust doctrine to reflect contemporary understanding of the globalization of the U.S. economy as well as deal with new competitive scenarios is an important aspect of the Department's work. To the extent permitted by confidentiality requirements, the Department has expanded its cooperation and coordination with international, Federal, and state agencies to develop antitrust policies and to obtain information essential to its enforcement actions. Below are examples of these efforts.

- The Attorney General and the Assistant Attorney General for Antitrust established the International Competition Policy Advisory Committee. The committee, composed of a distinguished panel of business, academic, economic, and legal experts, will advise the Department on international antitrust issues, including anticartel enforcement, managing merger reviews that cover many jurisdictions and dealing with anti-competitive practices that restrict international trade.
- The United States and the European Commission (EC) signed a positive comity agreement, or a referral agreement, by which the Department and the EC will refer certain nonmerger antitrust matters to each other, while preserving their respective sovereign rights.



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## **Goal 3.4: Promote the Fair, Correct, and Uniform Enforcement of the Federal Tax Laws and the Collection of Tax Debts.**

In 1998, Department attorneys placed special emphasis on promoting compliance with U.S. and foreign tax laws through appropriate litigation in the Nation's trial and appellate courts. In carrying out their roles, Tax Division attorneys are guided by the principles of fair and uniform treatment for all categories of taxpayers throughout all stages of case review, litigation, and appeal. This applies to the collection of tax debts.

### **Prosecution of Federal Tax Violators**

The Tax Division's 1998 accomplishments include the successful prosecution of criminal tax cases that range from large corporations to individuals who attempt to defraud the United States.

For example—

- Seven defendants operating a rubbish hauling monopoly in southern Nevada generated fictitious business expenses of approximately \$2 million, which were taken as deductions on corporate tax returns. The phony expenses also were reported in financial statements given to the local governmental authorities who regulated the business. The defendants pled guilty to a dual object conspiracy to defraud the United States and to commit mail fraud.
- A college instructor was convicted on a 57-count indictment of conspiring to defraud the United States, including a count of failing to file a tax return related to his sale of college course credits to foreign students. These course credits enabled students to illegally remain in the United States and gain academic credit toward degrees they did not earn.
- In *United States v. Brodin, et al.*, six Idaho "constitutionalists" were convicted of conspiracy to defraud the IRS and of extortion for filing false liens against Federal and state judges and IRS employees.
- A guilty plea was obtained from Gene K. H. Lum, a prominent political fundraiser. Mr. Lum violated Federal tax laws by falsely claiming more than \$7.1 million in tax deductions on income tax returns he prepared for himself and his wife.

## Claims Settled in Holocaust Survivors Program

The function of the Foreign Claims Settlement Commission is to determine the validity and amount of claims of U.S. nationals (that is, American citizens) against foreign governments for uncompensated wrongs. In March 1998, the Commission settled claims filed in its Holocaust Survivors Claims Program by U.S. nationals who suffered "loss of liberty or damage to body or health" from being in concentration camps. The Commission's program has brought recognition to the suffering endured by these Americans, and has vindicated their rights under international law to receive reparations. Proceeds from the settlement of certified claims will be placed in the U.S. Treasury, to be disbursed to the claimants.

- In *United States v. Daniel Enright, et al.*, the largest motor fuel excise tax evasion scheme ever prosecuted, Enright and three codefendants were convicted of conspiring to defraud the United States and the State of New Jersey of motor fuel excise taxes totaling approximately \$140 million. The IRS estimates revenue losses from motor fuel excise tax evasion at over \$1 billion annually.

## Fair and Uniform Enforcement of Tax Laws

Tax Division attorneys are guided by the principles of fair and uniform treatment for all categories of taxpayers throughout all stages of case review, litigation, and appeals. This applies to the collection of tax debts. During 1998, the Tax Division successfully defended against more than \$274 million in tax refund claims and obtained, by settlement or collection, more than \$72 million in recoveries.

## Goal 3.5: Represent the United States in All Civil Matters for Which the Department Has Jurisdiction.

The Department's Civil Division attorneys represented the United States in more than 19,000 cases in 1998. This caseload included challenges to new statutes and policies of the U.S. Government, as well as monetary cases with billions of dollars in dispute. The U.S. Attorneys also represent and defend government interests in lawsuits filed against the United States, or in defensive civil litigation. This litigation includes tort suits brought by those who allege suffering as a result of government action; the adjudication of social security disability claims; alleged contract violations; habeas corpus cases; and race, sex, and age discrimination actions. In 1998, the U.S. Attorneys responded to 52,517 cases filed against the United States.

## Protecting the Public Fisc

The Department was successful in protecting the public fisc, defeating more than \$4 billion in unworthy claims and securing \$791 million in judgments and settlements stemming from the government's claims involving fraud, bankruptcy, and loan defaults.

The Department's litigation resulted in large indirect savings to the U.S. Treasury: In *Unum v. United States*, an insurance case affirmed by the court of appeals in 1998, Tax Division litigators pro-

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tected the U.S. Treasury from a claimed refund of approximately \$80 million. Based on the claimed deduction of \$652 million, however, the total effect of the case on other tax years is estimated to be between \$350 and \$400 million, including interest.

## Civil Enforcement

In 1998, the Department obtained four favorable settlements in massive litigation in which plaintiff financial institutions alleged that the Federal Government caused the breach of certain contracts with them when Congress enacted the Financial Institutions Reform and Recovery Act (FIRREA), the Federal law designed to address the savings and loan crisis. In *Winstar*, *Statesman*, *Dollar Bank*, and *Union Federal* cases, the Department successfully used ADR to hold Federal Government payouts to \$103 million, a mere fraction of the \$1.2 billion in damages asserted by the plaintiffs.

In 1998, the Civil Division settled with Southeast Banking Corporation, securing \$221 million in interest payments for the Federal Deposit Insurance Corporation. Other noteworthy successes included Mobil Oil's payment of \$45 million to resolve claims that it underpaid oil royalties due to the Federal Government and to Indian tribes, and a \$28 million payment from CSX Commercial Services to resolve allegations of false claims to the Department of Education for payment on defaulted student loans.

An important tool used by the U.S. Attorneys' in recovering funds wrongfully paid by the United States is the Affirmative Civil Enforcement (ACE) Program. ACE cases cover fraud of all types, including health care fraud, defense or other procurement fraud, financial institution fraud, and government program or grant fraud. ACE attorneys work with investigative agencies and criminal prosecutors to ensure the fullest recoveries for the Federal Government. During 1998, U.S. Attorneys filed 2,620 ACE cases, which resulted in recovery of more than \$748 million.

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## **IV. Core Function: Immigration**

In 1998, the Department successfully bolstered its immigration enforcement activities while assuring continued opportunity and access for lawful immigrants. Controlling our borders depends on the coordinated efforts of several Department components, including the INS, the Executive Office for Immigration Review (EOIR), the Civil Division, and the U.S. Attorneys' offices. Through the work of these agencies, the Department strengthened its enforcement activities, improved data availability and accuracy through automated technologies, improved customer services, expedited the removal of illegal aliens, and expanded community outreach initiatives.

### **Goal 4.1: Enhance the Integrity and Integration of Data and Data Systems Operated by the INS in Order to Establish Fully-Integrated Data Systems Supporting the Enforcement and Service Functions of the INS; Enhance the Sharing of Relevant Data with Other Federal Agencies; and Support INS Management and Decisionmaking Processes.**

During 1998, the INS continued to develop and deploy its enforcement case management and biometric identification system, ENFORCE-IDENT, providing technical capability to all asylum offices to help prevent identity fraud in the asylum claims process. The INS deployed ENFORCE-IDENT to 194 locations, nearly doubling the 1998 target of 100 locations and exceeding the target of ensuring processing capability at all key southwest border sites.

The INS continued to deploy upgrades of office automation platforms to support all INS offices. With installations at 285 sites in 1998, INS exceeded its 1998 target of 223 sites, bringing the total sites covered to 760. Additionally, both permanent and temporary versions of more than 1.2 million Alien Files have been consolidated and streamlined to eliminate duplicative material. This number significantly exceeds the INS' goal of 300,000 for 1998.

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### **Management Challenge: Management of Automation**

The INS has had a material issue with managing its massive automation effort since 1997, characterized by a lack of management control and consistent business processes. This deficiency has hurt the management of information technology, which is key to INS' ability to improve its mission performance and administration. The INS has developed a specific plan to solve these problems. Plan milestones cover project tracking, manager training, insertion of tracking in contracts, project planning, and budget execution management. These milestones will be implemented by the end of September 2000.

## **Goal 4.2: Deliver Services to the Public in a Timely, Consistent, Fair, and High Quality Manner.**

Over the past year, the INS focused on reengineering its naturalization process. These changes laid the groundwork for INS to enhance the integrity of the naturalization application process and deliver better services to its customers. Its significant accomplishments are summarized below:

- The INS began implementing phase 4 of the Naturalization Quality Assurance Practices and Procedures on September 1, 1998. These controls—a series of systematic checks on all aspects of naturalization processing, from receipt of applications to swearing in of new applicants—are designed to prevent the naturalization of ineligible applicants and ensure the availability and accuracy of all information prior to granting citizenship.
- The INS has transitioned to full direct mail processing at its four service centers for new naturalization applications. This approach saves money and provides more time for staff in district offices to interview and test applicants.
- The INS opened 126 Application Support Centers (ASCs) for in-house fingerprinting and implemented a mobile fingerprint operation using 45 vehicles to cover 82 points of service. Applicants fingerprinted at the ASC gave INS customer service a rating of “excellent or good” 99 percent of the time.

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- The INS decreased the number of unprocessed applications during the last 4 months of the year, processing 260,000 naturalization applications—58,000 more than it received. In addition, each district office developed and implemented a plan for reducing its own backlog.
  - The INS developed *A Guide to Naturalization*, to serve as a single source of comprehensive naturalization information. The INS expects this guide to improve customer service, allow applicants and applications to be better prepared, reduce counter and telephone center volume, and improve early applicant eligibility screening.

**Management Challenge: Certificates of Naturalization**

The Department's Office of the Inspector General found that the INS was not sufficiently controlling its Certificates of Naturalization—the documents that prove citizenship in the United States. These certificates are so valuable on the street as to constitute a major material issue. The INS developed new procedures for use in the field during the year and is working on an automated system to inventory the forms and provide other checks and balances for all aspects of the process: ordering, storing, requesting, and distributing these valuable documents. This issue should be closed by the end of June 1999.

**Management Challenge: Internal Controls in Naturalization Program**

One of INS' material issues is a lack of controls and quality assurance in its naturalization program. In recent years, the number of applications for naturalization quadrupled, and INS responded with a major national effort to complete action on the requests in a reasonable time. But the combination of volume and streamlined procedures weakened controls and made it more likely that people were mistakenly given citizenship. Because this issue went to the heart of its service mission, INS attacked it vigorously. By the end of this year, INS had hired a contractor to help review all case files from the period in question, reengineered the entire naturalization process, and improved the ongoing process and quality assurance to reduce program risk. The reengineered process was scheduled to be implemented by the end of the fiscal year; all case file reviews were completed by the end of the calendar year.

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### **Goal 4.3: Secure the Land Border, Ports-of-Entry, and Coasts of the United States Against Illegal Migration through Effective Use of Technology and Personnel Resources Focused on Enhancing the Deterrence to Entry and Apprehending and Removing Those Who Attempt to Enter Illegally.**

Immigration cases accounted for 21 percent of all criminal cases filed by the U.S. Attorneys during 1998, up from 18 percent in 1997 and only 6 percent in 1992. The five U.S. Attorneys' offices along the southwest border filed 57 percent of all immigration cases during 1998.

The Southwest Border Strategy continued to affect illegal alien traffic at the border, forcing the traffic to distant areas that are more difficult for the aliens to reach. The difficult terrain gives the INS an advantage in detecting and apprehending illegal entrants. Overall apprehensions along the southwest border totaled more than 1.5 million in 1998, 10.8 percent more than in 1997.

The INS' heightened presence along the southwest border also resulted in the seizure of much greater amounts of marijuana entering the United States. In 1998, 860,818 lbs. of marijuana were seized by Border Patrol Agents—an increase of 88 percent over 5 years ago.

Overseas offices assist in the prevention of illegal entry by identifying malafides before they arrive in the United States. Also, the detection of fraudulent documents by INS employees, airline personnel, and foreign immigration officers overseas is an important deterrent to illegal entry. To this end, INS overseas offices trained more than 14,000 individuals in techniques for the detection of document fraud, far exceeding the 1998 goal of 9,304.

Finally, the INS in 1998 launched a comprehensive Border Safety Initiative designed to make the border safer for migrants, officers, and border residents. The initiative includes three elements: prevention, search and rescue, and identification. Prevention efforts inform and warn potential crossers of the realities and dangers of particular routes. Search-and rescue operations target hazardous areas where migrants occasionally become lost, abandoned, and distressed due to the difficult terrain, climate, and the willingness of smugglers to lead them into and abandon them in dangerous territory. Identification operations help local officials identify those who have died while attempting to cross the border.

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## Efforts Aimed at Alien Smugglers and Drug Carriers, Criminal Aliens, and Fraudulent Documents

During 1998, the Department coordinated the first series of wiretaps used in alien smuggling investigations conducted by the INS. The underlying offenses that made this feasible were included in the recent list of predicate offenses for the use of electronic surveillance.

### Goal 4.4: Facilitate Lawful Travel and Commerce Across the Borders of the United States.

The INS nearly doubled its FY 1998 goal to reduce waiting times at airport ports-of-entry by providing primary inspection for 97 percent of commercial flights within the congressionally mandated 45-minute limit and clearing 61 percent of commercial flights in 30 minutes or less.

The INS and Customs implemented a new model of management coordination based on the San Ysidro Port-of-Entry to better facilitate management of U.S. ports-of-entry. Baseline data is being gathered to set measurable objectives for each of the ports and to improve the entire inspections process.

#### **Management Challenge: Monitoring Alien Overstays**

INS has a material issue with keeping track of foreign visitors who enter the United States and overstay their approved time. This is a significant percentage of the illegal alien population in the United States. INS' systems do not provide information on the overstay population and have never specifically targeted this population for enforcement. INS is working on this important issue, which involves not only its own procedures and data, but also cooperation with transportation carriers and the Department of State. INS had anticipated solving the information and policy problems by the end of October 1998.



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**Goal 4.5: Maximize Deterrence to Unlawful Migration and Enforce Immigration Laws within the Interior of the U.S. through Effective and Coordinated Use of Resources to Reduce the Incentives of Unauthorized Employment and Assistance; Remove Deportable/Inadmissible Aliens Expeditiously; Address Interior Smuggling and Benefit and Document Fraud; and Increase Intergovernmental Cooperation and the Integration of Activities among Law Enforcement Entities at All Levels of Government.**

The expedited removal provisions of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 permit the prompt removal of persons who arrive at ports-of-entry without proper documents or who seek to enter the United States by fraudulent means. In 1998, the Department, through the work of INS, continued to expeditiously remove deportable aliens through an improved removal process and use of its expedited removal program. It also stepped up worksite enforcement activity, targeting businesses that knowingly hire unauthorized workers and freeing up jobs for authorized workers. The Department strengthened its overseas enforcement activities by working with foreign countries to uncover smuggling and other criminal activities affecting illegal immigration.

### **Increasing the Number of Removals**

The Department expeditiously removed an increased number of deportable aliens from the United States without protracted litigation, achieving 170,574 final order removals in 1998 and exceeding the year-end goal by roughly a third. Also in 1998, the INS removed from the United States 48 percent more deportable/inadmissible aliens than in 1997. The INS' expedited removals program comprised 49 percent of 1998 final order removals.

Sustained focus on criminal removals yielded 55,776 of these removals in 1998. The Institutional Removal Program (IRP), implemented in 1998, encompasses many institutional activities and

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should result in INS' accurately assessing and removing greater numbers of deportable criminal alien inmates in the future.

Under the auspices of the DOJ Prisoner Exchange Program, the Bureau of Prisons worked with INS' Office of Enforcement Operations and the U.S. Marshals Service to return 208 foreign inmates from BOP facilities to 12 different countries and 47 American citizens from foreign prisons to the United States. Transferred inmates will complete their sentences in their native countries. The transfer of qualified applicants to their home countries relieves prison overcrowding in Federal and state prisons and allows for more prudent spending of incarceration dollars. The Department also has worked to secure removal orders on prisoners who are lawful permanent residents of the United States and thus barred by treaty from transfer to Mexico.

**Management Challenge: Identification and Removal of Criminal Aliens**

The INS has been criticized for an ineffective program to identify and remove criminal aliens, which focuses on the Institutional Hearing Program (IHP). This is a material issue because expedited removal of criminal aliens is a key element of the INS' mission. During 1998, the INS completed an analysis of the process it uses to carry out this task, including staffing needs and automation tracking needs. The INS must establish controls to identify criminal aliens and deport them while they are still in jail, which includes putting the automated tracking system called ENFORCE-IHP into its field offices. The INS plans to complete this Just Works-winning redesign by the end of September 1999.

**Increasing the Percentage of INS Worksite Enforcement Activities and Identifying Jobs for Legally Authorized Workers**

Under U.S. law, businesses may not hire any individual who is not authorized to work in the United States. The INS is responsible for conducting worksite enforcement activities to investigate, fine, or present for prosecution those employers who violate the law. In 1998, the INS presented for prosecution 127 criminal cases against serious employment violators.

In addition to targeting employers who knowingly hire unauthorized workers, the INS last year concentrated its efforts on disrupting and dismantling the criminal infrastructure that encour-

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ages and profits from illegal migration. The INS focused on smugglers, counterfeit document producers, transporters, and employers who provided aliens the means to enter illegally and find employment in industries within the United States, with consequent losses of employment opportunity for authorized workers. In 1998, the INS presented 325 fraud cases and 1,554 smuggling principals for prosecution, and accomplished 3,213 task-force-related apprehensions.

Administrative Law Judges (ALJs) in the Office of the Chief Administrative Hearing Officer closed 83 employer sanctions cases, 21 unfair immigration-related employment practices cases, and 4 civil penalty document fraud cases. More than 63 percent of the sanctions cases were resolved through settlements, while more than 32 percent were decided on the merits. ALJs set fines amounting to \$197,575 during the year and issued 21 subpoenas by request of the Civil Rights Division's Office of Special Counsel.

To reduce the potential for fraud, the INS issued a proposed rule to simplify the employment verification process for employers. This rule will reduce the number of acceptable documents for the Employment Eligibility Verification Form from 25 to 13. In addition, the INS launched three new pilot programs for employers, including two in cooperation with the Social Security Administration, to test the feasibility of new approaches to electronic employment verification. In addition to criminal cases, the INS identified a total of 44,474 jobs for authorized workers, 15 percent more than in 1997.

## **Disrupting and Dismantling Overseas Smuggling Operations**

Throughout 1998, INS worked with the U.S. State Department and officials in several countries to uncover and break an international alien smuggling and money-laundering cartel. This smuggling investigation was the largest in U.S. immigration history and succeeded in completely dismantling the entire organization and its smuggling pipeline.

## **Goal 4.6: Expedite the Adjudication of Immigration Cases while Ensuring Due Process and Fair Treatment for All Parties.**

The Department succeeded in getting provisions of the Illegal Immigration Reform and Immigrant Responsibility Act upheld through dismissal of a longstanding 45,000-member class action.

This dismissal upheld a provision that limited the court's jurisdiction and is crucial to ending disputes regarding the amnesty offered by the 1986 Immigration Reform and Control Act.

## **Expedited Hearing of Cases by Immigration Judges**

Immigration Courts received a total of 266,000 cases during the year, including 62,451 asylum cases and 13,878 criminal alien cases. Immigration Judges completed 14,281 criminal alien cases—94 percent prior to the alien's release from incarceration, a key Department goal. Immigration Judges also completed 75,623 asylum cases, including 27,975 expedited cases under EOIR's priority case processing initiative. Of the expedited cases, 90 percent were completed within the 180-day time limit required by asylum reform regulations and statute. In addition, the Board of Immigration Appeals published a number of precedent-setting decisions related to asylum issues. Several of these decisions addressed the critical issue of credibility, including one that set forth in detail the circumstances under which an Immigration Judge's credibility

### **Management Challenge: Asylum Program**

This material issue has been corrected. New requests for asylum have dropped from 130,000 in 1993, when the backlogs started to grow, to 35,000 in 1998. INS has a plan to detain and deport denied asylum seekers, has added staff to adjudicate cases, and has improved its management system for identifying asylum cases.

### **Management Challenge: Management of Immigration Bonds**

Aliens who are released post a bond to guarantee their appearance at legal proceedings. However, the aliens often do not appear and the bonds are "breached." For some years, the INS has had a material issue with keeping track of the bonds, knowing when they had been breached, retrieving the alien, and collecting the bond that was owed. To address this problem, the INS is working on BEMIS, the Bond Management Information System, and developing improved procedures to keep track of these bonds and enforce them. The issue is expected to be corrected by January 2000.

### **IHP a Model of Efficiency**

**T**he Institutional Hearing Program (IHP), a 1998 "JustWorks" Award winner for innovation, expedites alien removal hearings by identifying and processing deportable criminal aliens for removal while they are serving their sentences in the prison system. EOIR and the INS used videoconference technology to connect selected Immigration Courts with remote INS facilities to reduce travel time and expenses and enable the courts to manage their caseloads more efficiently. The IHP program has saved the taxpayer hundreds of thousands of dollars in detention costs and has eliminated backlogs of hundreds of unprocessed cases.

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determination should be given deference. The decisions also provided important guidance to Immigration Judges and INS asylum officers for assessing the reliability of testimony and evidence presented in asylum cases.

### **Goal 4.7: Improve the Development and Implementation of Immigration-Related Policies and Practices by Incorporating Input from State and Local Communities and Groups, Including Law Enforcement Agencies.**

In 1998, the INS convened the Krome Service Processing Center (SPC) Liaison Project that involved monthly meetings between the Miami District Office, local attorneys, and community advocacy groups. The INS implemented several recommended initiatives, including a detainee handbook in English, Spanish, and Creole, designed to inform detainees of facility rules, services, and procedures. It also implemented a system that allows attorneys to schedule appointments with detainees 1 day in advance and reduces wait times for attorneys to 20 minutes. The INS has established a law library on detention center grounds for attorneys and detainees, and has created a separate communications system to give detainees access to pro bono attorneys and incoming messages.

The INS is also developing partnerships with Federal and state officials to improve its responsiveness and to allow local law enforcement agencies to perform detention and transportation functions. The INS is also working closely with U.S. Attorneys to aggressively prosecute those criminal aliens who return to the United States after formal removal.

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## V. Core Function: Detention and Incarceration

Three Department components—BOP, USMS, and INS—have responsibility for confining persons convicted of Federal crimes and sentenced to prison, as well as those charged with Federal offenses who are detained while awaiting trial or sentencing, a hearing on their immigration status, or deportation. In 1998, BOP's total inmate population grew by more than 10,000—the largest 1-year increase in the history of the agency—and the average daily USMS prisoner population was approximately 14 percent higher than in 1997.

### **Goal 5.1: Provide for the Safe, Secure, and Humane Confinement of Persons Who Are Detained While Awaiting Trial or Sentencing, a Hearing on Their Immigration Status, or Deportation.**

During 1998, the populations of Federal inmates and detained aliens mushroomed. To help provide for USMS detention needs and those of other Federal law enforcement agencies, BOP operated 11 detention centers and 19 other facilities with designated jail bed-space for these prisoners. BOP also assisted the INS in housing some of its criminal alien detainees.

At the end of 1998, the USMS maintained custody of approximately 31,000 prisoners, who were housed in approximately 1,000 state, local, and Federal detention facilities throughout the country. To more effectively manage its prisoner population, the USMS operated videoconferencing systems in eight locations nationwide. This enabled the USMS to reduce security risks by decreasing the number of prisoners transported to court for interviews and hearings. The USMS also signed a \$1 million reimbursable agreement with the Administrative Office of the U.S. Courts to provide home confinement/electronic monitoring, halfway house placement, and substance abuse testing as alternatives to detention. The USMS worked diligently with state and local governments to ensure that sufficient detention space was available to house violent and repeat offenders. In 1998, the USMS acquired more than 1,500 additional guaranteed detention beds through the Cooperative Agreement Program.

### **Keeping Drugs out of Our Prisons**

**T**hrough a \$1.6 million grant from the Office of National Drug Control Policy, the Bureau of Prisons purchased and installed 28 ion spectrometry drug detection systems at various Federal prisons to test visitors for trace amounts of drugs. Those who test positive are not permitted to visit inmates. During a 90-day pilot at two institutions, approximately 4,000 visitors were tested, and about 200 tested positive. An additional 450 potential visitors departed the institutions upon learning that the device was in use—without being tested.

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The INS used additional funding to increase bedspace capacity throughout 1998 for a year-end use rate of 16,096 beds, up from 13,491 the year before. Criminal aliens occupied about 62 percent of available detention space. To manage a detention population requiring longer stays and more coordination for removal, the INS used the Justice Prisoner Alien Transportation System (JPATS) to transport more than 52,200 aliens—an increase of 26 percent over the year before.

The INS also achieved improvements in the overall quality of its detention facilities in 1998. To protect the rights of aliens detained while awaiting trial, sentencing, immigration hearing, or deportation, standards that define safe, secure, and humane detention conditions were promulgated to all INS and contract detention facilities. In addition, the INS is taking steps towards accreditation for its detention facilities through participation in the American Correctional Association Accreditation Program.

During 1998, BOP housed approximately 1,000 Mariel Cuban detainees in its facilities, providing substance abuse treatment and release programming for INS detainees with release notices. An additional 900 non-Mariel INS detainees requiring secure confinement were also housed in BOP facilities. Finally, BOP accepted an additional 30 nonreturnable criminal aliens who had caused significant disruptive behavior in INS facilities.

#### **Management Challenge: Detention Facilities**

Space to detain the Federal jail population has been a material issue for years. The Department has struggled with providing enough detention space to house the expanding jail population near Federal courts where their cases are held. The Department has a Federal Detention Plan, which is regularly updated, and the Bureau of Prisons and U.S. Marshals Service use construction of new detention space, cooperative agreements, intergovernmental transfers with state and local governments, and private jail contracts to provide housing for the jail population. This is an extremely difficult issue that will require persistent effort as long as the jail population keeps growing.

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## **Goal 5.2: Ensure that Sufficient Prison Capacity Exists so that Violent and Other Serious Criminal Offenders are Imprisoned to the Fullest Extent of the Law.**

### **Prison Bedspace Capacity**

Through its ongoing construction and expansion program, the Bureau added 3,029 beds at facilities it operates, for a total rated capacity of 86,051. However, the growth of the inmate population outstripped the increase in bedspace, and BOP's crowding rate increased for the first time in several years, from 22 percent in FY 1997 to 26 percent in FY 1998. The number of offenders in community corrections centers increased to 6,765 at the end of 1998, an 8-percent rise from 1997. Nineteen facilities were under some phase of development at fiscal year's end; these will provide an additional 21,163 beds by the year 2003.

BOP used intergovernmental agreements to house a significant number of sentenced illegal aliens. Of the 3,600 beds under such an arrangement, 2,600 were at institutions operated by private companies. BOP also had contracts for more than 3,300 secure beds for Federal inmates, including 750 beds for INS detainees.

#### **Management Challenge: Prison Overcrowding**

Prison overcrowding has been a material issue for years and likely will continue to be. In 1985, the Bureau of Prisons reported that its facilities were substantially overcrowded, which is a danger to inmates, staff, and the surrounding communities. Over the years, with funding support for new and expanded facilities and alternatives to incarceration, the overcrowding rate dropped steadily. However, in 1998, prisons became 4 percent more overcrowded, up from 22 percent to 26 percent over the capacity standards of the American Correctional Association. While the Department has increased its prison capacity steadily, it has not increased it as much as planned, and the inmate population continues to grow faster than our projections and our capacity to



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## **National Capital Revitalization and Self-Government Improvement Act of 1997**

During 1998, BOP began its efforts to comply with the National Capital Revitalization and Self-Government Improvement Act of 1997, a part of which mandates that all sentenced felony offenders (approximately 7,000 inmates) be transferred from facilities operated by the District of Columbia Department of Corrections (DC DOC) to correctional facilities operated or contracted by BOP. BOP also initiated the process of procuring 2,200 private sector beds to meet the mandates of the Act.

During 1998, BOP accepted all 173 female inmates, 40 minimum-security male inmates, 200 low-security male inmates, and 30 special management cases from DC DOC. BOP agreed to confine 200 high-security inmates until contract beds in Virginia Department of Corrections facilities become available. With the approximately 450 DC offenders that it previously agreed to accept at the request of DC DOC, BOP now has more than 1,000 DC offenders in its custody.

The Department coordinated the transition from the DC Parole Board to the U.S. Parole Commission (USPC) of all DC offenders eligible for parole or reconsideration as of August 5, 1998. It also managed the scheduling of eligible prisoners at Lorton facilities, private prisons, and BOP in a coordinated effort to provide fair and prompt hearings for DC prisoners. To help reduce violent crime by DC parolees, USPC devised an improved point score system to replace the system used by the DC Parole Board. This system went into effect on August 5, 1998, when the USPC took over the parole release function for DC offenders. The USPC believes that the improved scoring system will identify and thwart those offenders with a high probability of serious recidivism.

### **Goal 5.3: Maintain and Operate the Federal Prison System in a Safe, Secure, Humane, and Efficient Manner.**

Despite a big jump in the prisoner population in 1998, there were no escapes from secure BOP institutions (low, medium, high, and administrative security categories) during the year, no serious disturbances at any of BOP's 92 institutions, and no staff deaths or serious injuries suffered in the line of duty.

On recommendation of the Attorney General's Advisory Committee, the Attorney General formed a working group in 1998 to examine the adequacy of juvenile detention facilities for youthful offenders convicted in the Federal system. The group met several

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times to discuss educational opportunities and rehabilitation efforts for juveniles in Federal facilities, as well as issues such as cultural sensitivity to the placement of juveniles in detention facilities. At the working group's recommendation, BOP adopted a goal of housing 50 percent of all newly sentenced Federal juveniles within 250 miles of home by the end of 1998. BOP exceeded this goal, placing about 75 percent within this radius.

## **Goal 5.4: Provide Productive Work, Education, Medical, and Other Programs to Meet Inmate Needs and Facilitate their Successful Reintegration into Society, Consistent with Community Expectations and Standards.**

### **Inmate Services**

During 1998, Federal Prison Industries (FPI) employed approximately 20,000 inmates, representing about 25 percent of the sentenced Federal inmate population. On a typical day, 35 percent of the inmate population was involved in education programs such as literacy, occupational and vocational training, English-as-a-Second-Language, parenting, health promotion/disease prevention, release readiness, and adult continuing education. In 1998, 6,190 Federal inmates passed the General Education Development (GED) test, an increase of almost 25 percent from the previous year. The Post Release Employment Project (PREP), a 12-year comprehensive study on the long-term impact of prison industries and vocational training, updated in 1998, found that FPI training programs improve institutional behavior, lower recidivism rates, and increase job related success for prisoners after their release.

BOP provides essential medical, dental, and mental health care to all inmates in Federal prisons. In 1998, three BOP institutions received initial accreditation from the Joint Commission on Accreditation of Healthcare Organizations, bringing total accredited facilities to 90.

Also during 1998, BOP provided residential drug abuse treatment to 10,006 inmates. An interim report from an ongoing evaluation of BOP residential drug abuse treatment showed that individuals who completed residential treatment were less likely to be arrested for a new offense. Drug treatment program graduates were also less likely to test positive for drug use during the first 6 months after release. A total of 6,951 inmates participated in community-based drug treatment programs during the year, representing a 31-percent increase over the 1997 figure of 5,315.

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The USMS continued its efforts to contain prisoner medical costs by expanding its managed care medical network in the New York City area. This move generated a cost savings of \$3.4 million through pre-authorization of outside medical trips and medical claim review by USMS headquarters. As a result of USMS network expansion efforts, the agency successfully negotiated an interagency agreement with the Department of Veterans Affairs (VA) to implement medical specialty clinics for outpatient care inside the BOP's Metropolitan Correctional Center in New York City and the Metropolitan Detention Center in Brooklyn, New York. Not only were the VA specialty clinics less expensive than community health care (cutting medical and security costs by as much as 74 percent), they also enhanced prisoner security significantly by reducing the number of outside medical trips.

The USMS also saved approximately \$3.3 million in prisoner medical costs by reviewing medical claims referred from the other 92 USMS district offices throughout the nation. Therefore, total savings in prisoner medical costs was \$6.7 million in 1998.

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## **VI. Core Function: Protection of the Federal Judiciary and Improvement of the Justice System**

The Department of Justice has significant responsibility for ensuring the effective, efficient, and secure operation of the Federal justice system. It fulfills this important role by protecting the Federal judiciary, promoting the participation of victims and witnesses in the Federal criminal justice system, and protecting and preserving the integrity of the bankruptcy system.

### **Goal 6.1: Protect the Federal Judiciary and Ensure the Safe and Secure Operation of the Federal Court System.**

Protecting the Federal judiciary is the primary mission of the USMS, which ensures that all Federal court proceedings take place free from intimidation or fear of violence. In 1998, the USMS continued to provide high levels of security in the Federal judiciary environment, giving priority attention to identifying and investigating threats and preventing and eliminating assaults on judicial personnel, witnesses, and victims. The USMS also made thousands of fugitive arrests this past year.

### **Protecting Participants in Federal Court Proceedings**

During 1998, Deputy U.S. Marshals provided protective services to 178 members of the judiciary, security services to 152 judicial conferences, and personnel and additional security measures for 184 trials. It also evaluated 688 threats against the judiciary. Along with protecting the judiciary, the USMS is charged with arresting wanted fugitives. Deputy U.S. Marshals arrested more than 15,187 state and local fugitives during special task force operations conducted throughout the United States and Puerto Rico, closing 6 of the "15 Most Wanted" fugitive cases.

### **U.S. Marshals Make Fugitive Arrests**

**I**n 1998, the USMS made 16,430 Class I fugitive arrests and 5,832 Class II felony arrests. Deputy U.S. Marshals arrested more than 15,187 state and local fugitives during special task force operations conducted throughout the United States and Puerto Rico. Six of the "15 Most Wanted" fugitive cases were closed by arrest.

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The USMS must also protect inmates from potential harm. In several high-profile cases, USMS provided heightened security, as in the case of a former CIA employee who was accused of espionage activities in *U.S. v. Groat, Eastern District of Virginia*. Similarly, the USMS made extensive commitments of both manpower and technical resources in the domestic terrorism trials of *U.S. v. Kaczynski*, *U.S. v. Nichols*, and *U.S. v. Fortier*, and in the international terrorism trials of *U.S. v. Salameh, et al.*, *U.S. v. Yousef*, and *U.S. v. El Hage, et. al.* The USMS Training Academy also trained 330 court security officers to bolster the security of the Federal courts.

## **Goal 6.2: Promote the Participation of Victims and Witnesses in the Federal Criminal Justice System.**

BOP has initiated pilot victim awareness projects at Comprehensive Sanctions Centers in Baltimore, Maryland, and Florida. These programs use a variety of techniques, including panels of crime victims, to help offenders understand the enormous impact that crime has on individual victims and the community at large.

The U.S. Parole Commission has developed a new victim coordinator position for DC victims of crime. Victims may attend parole hearings and provide input, if desired, or may visit with the victim coordinator prior to the hearing and make a statement relative to the offender. USPC is developing a program by which the victim may watch a DC parole hearing by videoconference.

USPC completed the second year of an OVC grant to provide improved services to victims and witnesses involved in crimes committed by alleged parole violators. In these cases, the victims are personally contacted on several occasions in preparation for the hearing, and subpoenas are provided by mail rather than served by U.S. Marshals, to make the procedure more "victim friendly." Victims are notified of the results of the hearing and can be added to the BOP's Victim/Witness Program, if requested.

## **Goal 6.3: Protect and Preserve the Integrity of the Bankruptcy System, Maximize the Dollar Return to Creditors, and Monitor the Cost of Bankruptcy Administration.**

The duties of the Department's U.S. Trustee Program include monitoring professionals employed in bankruptcy cases to ensure that they fully disclose conflicts of interest and that they represent

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the bankruptcy estate in a cost-effective manner. This year, the Department prevailed in several high-profile cases in which major law firms were required to return or reduce their fees because they failed to inform the bankruptcy court of actual or potential conflicts in legal representation, as required under the Bankruptcy Code.

- In December 1997, a New York law firm entered a settlement with the Department in which the firm agreed to disgorge \$1.8 million in legal fees it received from representing a Chapter 11 debtor. The firm admitted its failure to inform the bankruptcy judge that it had represented both the debtor and the debtor's primary secured creditor.
- In March 1998, the bankruptcy court for the Southern District of New York, upholding the Department's objections, denied more than \$2.4 million in attorneys' fees and costs requested by a New York law firm because of conflicts of interest in its representation of a Chapter 11 trustee. Further, the court sanctioned the Chapter 11 trustee \$50,000 for failing to disclose certain of the law firm's potential conflicts of interest.

Curbing fraud by bankruptcy debtors is another important priority of the Department's U.S. Trustee Program. Left unchecked, debtor fraud not only diverts monies rightfully owed to creditors, but also undermines public confidence in the integrity of the bankruptcy system. U.S. Trustees regularly work with bankruptcy fraud task forces, comprised of representatives from Federal, state, and local law enforcement agencies, to identify and refer cases of suspected bankruptcy fraud for prosecution by U.S. Attorneys.

In one case, a joint effort by the U.S. Trustees, the FBI, the U.S. Attorney's Office, IRS, and DOD led to the convictions of two Florida brothers for government contract and bankruptcy fraud. The brothers falsified documents to induce DOD to make payments on a government contract awarded to their company; they subsequently placed that company in bankruptcy and converted its estate assets to their own use. They were ordered to pay approximately \$5 million in restitution and were sentenced to 48 months in prison and 29 months in prison, respectively, followed by a 3-year probation.

The Department's U.S. Trustee Program also pursues wrongdoers who unlawfully use the bankruptcy system to prey upon financially distressed families through operations like bankruptcy foreclosure scams. A Los Angeles man was sentenced in August 1998 to 71 months in prison—apparently a record for bankruptcy fraud—and ordered to pay more than \$72,000 in restitution for masterminding a scam in which he contacted homeowners facing foreclosure and solicited a fee to “help” them keep their homes. Over several years, he filed more than 200 involuntary bankruptcy petitions against the homeowners. The filings temporarily halted foreclosure, but many homeowners ultimately lost their homes.

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Abuse by creditors is another source of harm to the bankruptcy system. The Department's investigations showed widespread abuses by a number of nationwide retailers, which were improperly collecting payments from bankruptcy debtors who had already discharged their debts. The Department played a key role in obtaining settlements from Federated Department Stores, Inc., General Electric Capital Corporation, May Department Stores Company, and Circuit City Stores Inc., resulting in 1998 fines and penalties of nearly \$50 million, full restitution plus interest for affected consumers, and injunctive relief designed to protect consumers in the future.

**Management Challenge: Bankruptcy Enforcement**

Enforcement of bankruptcy laws and protection of bankrupt assets does not involve a large amount of Federal funds, but it does involve the protection of private personal and corporate assets. Protecting this program from waste, fraud, and abuse has been a material issue for several years. The Department has consistently improved the work of bankruptcy trustees over the past several years. During 1998, new policies, procedures, and standards and improved oversight were major improvements that will become part of regular operations for Chapter 7, 12, and 13 trustees by the end of March 2000.

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## **VII. Core Function: Management**

The achievement of the Department's performance goals in 1998 and beyond requires dedication to improving management processes and having a solid infrastructure. Efforts continued Department-wide in 1998 to upgrade technology, improve service to customers, and discover new and better ways of doing business. Components continued to pursue program oversight and integrity initiatives, while the installation of new accounting systems promises continued improvements in financial management and debt collection. Important steps were taken in 1998 to improve the Department's planning and monitoring of information technology (IT) investments. Justice components also worked to improve efficiencies in their mission-critical processes and to make more resources available on the Internet and through other automated, electronic means.

### **Goal 7.1: Strengthen Oversight and Integrity Programs, Ensure Consistent Accountability, and Emphasize Core Mission Responsibilities.**

The Department's first priority in pursuing its performance goals is to ensure the integrity of Department programs and operations. To that end, the Office of the Inspector General (OIG) investigates allegations and conducts an aggressive program of audits and inspections. In 1998, priority attention went to justice operations with the highest potential for serious misconduct, including immigration activities, Violent Offender Incarceration/Truth in Sentencing grant uses, and debt collection. The Office of Professional Responsibility (OPR) helped to ensure that Department employees maintained the highest ethical standards in performing their law enforcement responsibilities.

### **Oversight and Integrity**

#### **OIG Process and Grant Reviews.**

The OIG works with Department managers to ensure the integrity, effectiveness, and efficiency of Department programs and personnel. In 1998, the OIG identified systemic problems in controlling the borders of the United States and also concluded that the



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INS and the State Department must clarify which agency is responsible for determining whether an applicant for asylum in the United States is a terrorist. In addition, the OIG recommended that INS and the Department of State delineate their respective roles in the visa process.

The Department conducted 17 VOI/TIS grant reviews to ensure funds were used in accordance with the Violent Crime Control and Law Enforcement Act of 1994. Site reviews were conducted to verify that state grant recipients used Federal funds to build or expand correctional facilities and jails to increase secure confinement space for violent offenders. OJP is acting on OIG recommendations for improved program operation.

### **The Naturalization Process.**

Protecting the integrity of the naturalization process is a Department priority and is of significance to all Americans. A 30-month investigation by the Department's OIG Investigations Division resulted in the indictment of 20 individuals on charges of conspiracy to defraud the Federal Government and unlawful procurement of citizenship. This investigation uncovered a series of nationwide schemes by private testing services that held subcontracts to administer the INS citizenship testing program. In exchange for fees ranging from \$150 to \$300, these testing services issued fraudulent passing grades to alien applicants seeking U.S. citizenship. As many as 13,000 aliens collectively paid over \$3 million to the conspirators. INS has since discontinued its practice of subcontracting the citizenship testing program.

#### **Management Challenge: Abuse of Administratively Uncontrollable Overtime**

The INS had a material issue with possible overuse of administratively uncontrollable overtime (AUO). In response, it completed a comprehensive review of the subject, trained its managers to improve administration of AUO, and completed other corrective actions.

### **Debt Collection Management Program.**

A comprehensive Departmentwide debt management review was completed to assess implementation of the Debt Collection Improvement Act of 1996 (DCIA) and explore opportunities to enhance debt collection programs. The report on the review provides (1) an inventory of the Department's debt, (2) detailed information on debt management and accounting practices, and (3) a Departmentwide plan to fully implement the DCIA and correct related deficiencies identified during the review.

**Executive Office of U.S. Attorneys  
Evaluation Program.**

Through its Evaluation Program, the Department is able to meet its responsibility for conducting reviews of U.S. Attorneys' offices and on-site reviews of internal management controls. On-site evaluations were conducted in 30 U.S. Attorneys' offices during 1998.

**OPR Integrity Program.**

During 1998, the Department continued to pursue an active integrity program for its employees, particularly Department attorneys. OPR, which is responsible for investigating allegations of misconduct against Department attorneys, conducted expedited investigations of judicial findings of attorney misconduct, cooperated with state bar licensing authorities on attorney misconduct matters, and issued public summaries of the results of OPR investigations in appropriate cases.

**Integrity Act Performance**

Since 1982, the Department has reported 53 material program issues and fixed 35 of them, with 18 left in various stages of correction. Over the same period, we have had 38 material financial system issues, fixed or consolidated 37 of them, and have 1 left to be corrected.

<b>Internal Control</b>			
	<b>Reported</b>	<b>Corrected</b>	<b>Pending</b>
Pre-1996	42	34	8
1996	1	0	1
1997	9	1	8
1998	1	0	1
<b>Total</b>	<b>53</b>	<b>35</b>	<b>18</b>
<b>Financial Management Systems</b>			
Pre-1996	35	35	0
1996	0	0	0
1997	3	2	1
1998	0	0	0
<b>Total</b>	<b>38</b>	<b>37</b>	<b>1</b>

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## **Goal 7.2: Meet or Exceed the Expectations of Customers.**

In 1998, the Department continued its progress toward improving the way that government works in people's lives. One big way is to increase the public's access to government documents, as in Freedom of Information Act (FOIA) requests. In 1998, the Department cut its backlog of FOIA requests in half, with most components completely eliminating their backlogs. The Department implemented several other customer service initiatives, modeling successes for more widespread uses.

### **Freedom of Information and Privacy Act**

Building on past Department successes, the Office of the Associate Attorney General has continued to implement the Attorney General's vision of openness in government by working with all Department components to reduce their FOIA request backlogs, which have declined significantly. Departmentwide, the backlog of FOIA requests declined from 34,028 in FY 1997 to 17,717 by the end of FY 1998.

The Executive Office of Immigration Review is one of many Department components to have completely eliminated its FOIA backlog, maintaining a zero backlog while receiving and processing a record 3,400 FOIA/Privacy Act requests in 1998. EOIR received the Friends of the FOIA Award from the Associate Attorney General in recognition of outstanding efforts to provide timely and substantive access to the requester community. In 1998, BOP also made significant progress in providing the public with faster, easier access to numerous policies and in reducing costs associated with responding to individual FOIA requests.

### **Customer Service Standards**

EOIR received the Volunteer and Community Service Award, in part for its active support of pro bono legal activities. Attorneys participated in pro bono clinics, performed pretrial work, and appeared in court representing clients in a variety of civil cases. Further, EOIR contracted with three nongovernmental organizations (NGOs), which pilot-tested "Know Your Rights" presentations for detained aliens—those respondents least likely to seek representation in proceedings before Immigration Judges. The NGOs prepared and presented videos and pamphlets to the test groups. EOIR is working with the NGOs in reviewing the pilot results and in planning future activities.

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INS implemented two aspects of its Customer Management Information System (CMIS), with beneficial results. The first is a triage counter that enhances INS' ability to handle brief service requests quickly and identifies customers who require more specialized and time-consuming services. The second is a customer sequencing system that assures customers of an orderly wait and enables them to track their progress. In addition to a customer service sequencing tool, CMIS could be used as a management information system to manage and improve waiting room operations.

### **Goal 7.3: Achieve Excellence in Management Practices.**

The Department continued in 1998 to upgrade technology, improve customer service, and discover new and better approaches to conducting the business of government. Reinvention laboratories developed by the Justice Performance Review (JPR) gave employees the opportunity to field test new management practices. The Department bestowed JustWorks Awards on the most promising and creative approaches devised by employee teams.

#### **Reinvention Labs**

JPR developed and provides oversight to a reinvention laboratory program designed to field test more effective and cost-efficient methods of providing services and products. In 1998, the Department continued to implement labs aimed at improving government service in several key areas. Among the labs making substantial progress in 1998 were the following:

#### **Secure Electronic Network for Travelers' Rapid Inspection (SENTRI) Lab.**

Without compromising security, the SENTRI lab facilitates international travel and promotes business on both sides of the southern border. With prescreened, low-risk, frequent crossers automatically inspected by state-of-the-art technology, government inspectors are able to concentrate their efforts on border crossers who pose a greater risk. The members of the INS-led SENTRI reinvention laboratory include representatives from INS, DEA, FBI, the U.S. Department of Transportation, and Customs. For its outstanding accomplishments, SENTRI earned a place in the Smithsonian Institution's permanent collection on technology and won finalist honors in 1998 in the Innovations in American Government Competition sponsored by the Ford Foundation and Harvard University.

#### **JustWorks Awards Innovation through Teamwork**

**T**he JustWorks Program, established in October 1995, annually identifies and rewards employee teams whose innovative approaches to their work demonstrate successful creativity and a commitment to building a better Department. The JustWorks Program stresses the importance of teamwork in government service. In 1998, JustWorks Award winners included OJP for its Phone-Activated Paperless Request System (PAPRS), which provides access to grant funds through use of a touch-tone telephone, saving about 80,000 staff hours and 28,000 pieces of paper annually. Another 1998 winner was the FBI's Houston Division for reinvigorating its forfeiture program. Adapting its approach to a changing forfeiture environment, the Houston Division seized more than \$10 million in assets, up from a low of \$600,000 in 1995.

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### **Electronic Document Exchange (EDE) Lab.**

The EDE lab was established in 1997 to review existing and proposed technology and policy issues involving the electronic exchange of documents in government litigation. The successful pilot electronic filing project in the New Mexico U.S. District Court prompted the Administrative Office of the United States Courts to organize nine electronic filing prototypes. In January 1998, the lab furthered Department leadership on EDE issues by hosting a Symposium on Electronic Exchange of Legal Documents for 160 representatives from 20 agencies and the courts.

### **USMS Accreditation Lab.**

In 1998, the USMS became the first Federal law enforcement agency to seek accreditation from the Commission on Accreditation for Law Enforcement Agencies (CALEA). The goal of this JPR laboratory is to enhance the efficiency and effectiveness of the USMS by improving operational and administrative policies and procedures in accordance with 350 national standards. The USMS is on schedule to achieve accreditation in FY 2000.

## **Financial Management**

### **Enhanced Financial Management Systems.**

The Department continues to make progress toward upgrading, consolidating, and integrating its financial management systems. New financial management systems installed by several Department components improved their accounting functions and financial information reporting capabilities. Some examples follow:

- JMD initiated a series of enhancements to its Financial Management Information System (FMIS) that streamline accounting functions and enhance reporting of financial information. FMIS is used by Department Offices, Boards, and Divisions and by BOP.
- The INS began implementation of a Financial Management Systems Software (FMSS) schedule system in October 1997 through a cross-servicing agreement with the Departments of Commerce and Treasury. The INS implemented the system under a multiphased schedule, alongside corrective actions to resolve longstanding accounting weaknesses disclosed during audits.
- The USMS, in October 1997, assumed complete responsibility for financial operations and reporting for appropriations to fund its activities. Concurrently, the USMS initiated

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implementation of an FMSS schedule system through a cross-servicing agreement with the Department of Commerce.

- DEA implemented an FMSS schedule system in October 1997 through a cross-servicing agreement with the Department of Interior, U.S. Geological Survey. The system replaced an antiquated system developed in the 1970s.

### **Management Challenge: Financial Management**

Over the years, the Department has experienced a number of material issues related to financial management. Last year, in recognition of the new Federal standards for financial systems, many of these issues were consolidated into one at the Department level. In most cases, long-term solutions were the same: replacement of accounting and financial systems with new, more modern and automated systems. The Department's Offices, Boards, and Divisions, along with the FBI, have resolved most of their issues in this area. Major corrections are still needed in the USMS and INS, both of which plan to replace their accounting systems by the end of FY 1999. In the case of INS, another material issue related to its financial control environment and structure will be corrected as well, because the reorganization it requires will accompany installation of the new system. DEA has a material issue with its diversion control fee account, because it does not have the controls to ensure that the account is spent according to the law and regulations governing it. DEA has trained its managers at headquarters and in many of its field offices on the correct use of this fund; they will complete training and publish final regulations on the fund by the end of September 2000.

### **Component Audits.**

Due to the Department's decentralized structure and the many automated financial systems in use by its various components, the OIG performed separate financial statement audits for nine components. These nine audits were combined for the Department's consolidated audit (see Chapter VIII for the Department's 1998 annual financial statement). The OIG promotes fiscal effectiveness in the Department through its work under the Chief Financial Officers Act and the Government Management Reform Act (GMRA) in overseeing the preparation of audited financial statements of various Department accounts.

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In support of the Administration's goal to achieve an unqualified opinion on the FY 1999 financial statements, the Department, in 1998, developed a corrective action plan designed to enable it to meet this goal. The Attorney General and the acting Chief Financial Officer met with senior management of the Bureaus to encourage their participation, and to request each Bureau head to make the necessary resource adjustments needed to achieve an unqualified opinion for FY 1999 consolidated financial statements. The Department submitted an action plan to OMB to resolve material financial and management deficiencies identified in the Department's FY 1997 audited financial statements.

### **Debt Collection.**

The Department of Justice plays a major role in the collection of debts owed the United States. In addition to litigating and collecting civil debts owed to other Federal agencies, the Department enforces collection of fines and restitution imposed by the U.S. courts in criminal cases.

Civil debt collections are the result of litigation by the U.S. Attorneys on behalf of Federal agencies for the collection of defaulted loans, overpayments, and administratively assessed penalties. During 1998, the U.S. Attorneys handled more than 24,000 civil debt collection referrals and reported \$1.2 billion in cash and other recoveries. A rapidly increasing part of the U.S. Attorneys' debt collection activities involves enforcement of unpaid criminal monetary penalties, including restitution owed to Federal agencies and third-party victims of crime. In 1998, the U.S. Attorneys collected \$317 million in criminal fines. Additionally, more than \$126 million was collected as restitution for both Federal agencies and third-party crime victims. The Department continued to assist with local efforts in teaching prosecutors, probation officers, and court personnel about new restitution laws and procedures.

In 1998, the Department collected nearly \$1.2 billion dollars in cash receipts in the recovery of both criminal and civil debts—the 5th consecutive year that the Department has exceeded a billion dollars in cash collections. These figures represent only part of the debt collection program. Through the efforts of Department litigators and support staff, additional payments are sent directly by defendants to the U.S. courts, and other recoveries are obtained through the seizure of property or offsets of benefits.

The Private Counsel Program, administered by JMD with local oversight by the U.S. Attorneys, has proven to be an effective means of supplementing the Department's civil litigation and collection resources. Twelve judicial districts now participate in the program. In addition to recompeting contracts for private counsel in districts in which the program currently operates, JMD began efforts in 1998 to expand the program. Criteria were established to identify judicial districts for expansion in 1999.

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The Department is committed to the implementation of a new, improved computer system to fully automate debt collection litigation and enforcement activities Departmentwide. JMD awarded a contract in May 1998 for the purpose of operating the Nationwide Central Intake Facility and providing access to a system capable of supporting the Department's debt collection programs. The selected system is widely used by debt collection firms in the private sector.

### **Assets Forfeiture Management.**

Installed in more than 700 headquarters and field office locations in 10 agencies nationwide, the Department's Consolidated Assets Tracking System (CATS) 1500 has enabled users to share access to information and operational support in all of the asset forfeiture program's business functions. CATS has replaced several legacy asset forfeiture systems through a design that addressed the agencies' requirements and the conversion of all data on active assets beginning in 1994 and completed in 1998. CATS provides a consistent view of each asset, increases visibility of information, facilitates proactive management, and enhances communication across agencies.

### **Performance Information**

During 1998, the Department met the second of three major statutory requirements of the Government Performance and Results Act (GPRA) by submitting its FY 1999 Annual Summary Performance Plan in conjunction with its FY 1999 budget request. To provide additional detail, components also submitted annual performance plans with their budget requests. To ensure linkage between component plans and the Department's plans, this year's guidance in the spring call for budget submissions directed components to use the Department's Strategic Plan (FY 1997-2002) as an outline of the Attorney General's priorities to ensure that annual performance plans and budgets are driven by and consistent with the long-term strategic goals contained in the Strategic Plan.

Another 1998 effort linking component budgets to the Department's strategic goals was the Department Managerial Cost Accounting Standards Working Group, which developed mapping standards to consistently classify appropriations according to the Strategic Plan core function structure.

A Worklife 2000 contract was established to provide expert support to Department managers in assessing operational needs, determining the suitability of flexible work arrangements for diverse occupations and regional sites, developing criteria for entry into and continued use of flexible work programs, and conducting demonstration projects to evaluate impact of flexible work arrangements. A brochure on the Department's Worklife Program was developed and distributed to Department employees nationwide.



Employees can call the Department's "Worklife Information Line" to obtain worklife documents on demand via fax and U.S. mail.

## Goal 7.4: Make Effective Use of Information Technology.

### **New Chief Science and Technology Advisor Position Established**

**I**n recognition of the vast and rapidly changing domains of science and technology and their relationship to civil and criminal legal matters affecting the government, the Office of the Associate Attorney General has worked with interested Justice components to create a new position in the Department—the Chief Science and Technology Advisor (CSTA)—who will serve as an advisor to the Department's leadership officials on all matters of science and technology. The CSTA will provide Department leadership with a senior level technology advisor for the first time in the Department's history.

During the past fiscal year, several Department components expanded their Internet presence and established web sites (see Appendix III, "Index of Justice Component Web Sites"). Often, the sites provide links to electronic FOIA request forms and allow users access to the Department's best practices and innovations in customer service, law enforcement, and technology. An entire resource library of justice-related materials, full text publications, and various program and job applications are available through the Department's web sites. One can even ask questions of Department personnel.

### **Architecture and Infrastructure**

The Department has made significant progress in improving information sharing across local, state, and Federal governments and across the entire criminal justice community. The Department's IT architecture will provide an integrated policy and technical framework for IT and enable the Department to deploy information systems around the world at lower cost and in shorter time frames. A joint effort with the ongoing participation of more than 15 component organizations, the 1998 architecture initiative resulted in the publication of a technical reference model that will guide the acquisition and use of major technology investments by all component organizations. This progress is a significant factor in strengthening information security and developing interoperable systems.

All components are investing in new and upgraded infrastructure to take advantage of the vastly improved technologies for carrying out the Department's mission. The Justice Consolidated Network (JCN) will correct a situation in which Department components had independently acquired and used telecommunications networks to meet their respective mission requirements. The Justice Consolidated Office Network (JCON) will provide a new infrastructure for office automation and related computing requirements in JMD, the litigating Divisions, and the senior management offices. The DEA's firebird infrastructure project will provide the platform for automating the investigative report process, sharing case information, and performing analysis and administrative activities. The INS is completing a major technology infrastructure project to provide its employees with automated tools to improve organizational efficiency and effectiveness.

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In 1998, the FBI completed planning activities associated with the Information Sharing Initiative (ISI) and secured the funding required to begin the first phase. ISI is a 5-year program to upgrade the FBI's technical infrastructure and applications to support full electronic case files, tools to support analysis of large volumes of data collected during investigations, and mechanisms to support secure electronic exchange of information. This initiative will provide the support needed to realize the goals identified in the FBI's strategic operational plans.

## Computer Security

An effective IT security program is the first line of defense against internal vulnerabilities and external threats to information. Security awareness and prevention activities have been a major focus over the past year. The Department completed the first phase of an ongoing program of network penetration testing to assess external and internal threats so that vulnerabilities may be closed quickly. Also in 1998, the Department initiated a Digital Signature Working Group with component representatives to identify and test new digital signature and encryption technologies. This technology is critical to expanding electronic transmission of sensitive and classified law enforcement and litigation materials.

### **Management Challenge: Computer Security**

As we have come to rely more on computers for our work, the importance of computer security has grown as a material issue. This issue has become more important with the growth of networks and the existence of cyberterrorist threats. Constant vigilance is required to keep pace with the enormous rate of change in the field. All Department components have improved the security of their systems, assessing their weaknesses, developing contingency plans, and implementing better security policies and procedures. We expect all outstanding issues to be corrected by December 2000. The U.S. Marshals Service has a special issue for its new MNET, with related actions to be completed by the end of March 1999.

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## Year 2000

It is of major importance that all the Department's mission-critical systems operate correctly on January 1, 2000, so as not to interrupt program operations. The governmentwide goal for Year 2000 (Y2K) compliance is March 1999. In 1998, each component designated a senior program executive with overall responsibility for Y2K compliance. In addition, the Department established an independent verification and validation program to ensure compliance of mission-critical systems. At the time this report was printed, 86 percent of the Department's mission-critical information systems were compliant and implemented.

All of the INS' mission-control software applications have been corrected for Y2K and were in production effective January 4, 1999.

### **Management Challenge: Year 2000 Computing**

The Department of Justice, like many others, is concerned about the "Y2K Bug." The Department started work on this material issue in 1996 because so many of its operations depend on systems that could be affected by it. The responsibility for the analysis and correction of the issues lies with the Department's components that operate the respective systems, under departmental leadership and coordination. Almost 60 percent of its mission-critical systems complied with Y2K requirements at the end of FY 1998, and 34 percent more were being renovated on schedule. Just over 7 percent were behind schedule, but 95 percent should be completely renovated by the end of March 1999 and all by the end of October 1999, well before the end of the century. All this will cost an estimated \$92.9 million.

## **Goal 7.5: Ensure a Motivated and Diverse Workforce that is Well-Trained and Empowered To Do Its Job.**

Using multiple outreach techniques, the Department actively promotes the hiring and advancement of minorities, women, and people with disabilities. During 1998, various Department components participated in and sponsored job fairs, special events, and recruitment booths at annual minority conferences, both locally and nationally. In an effort to develop long-term relationships with

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minority organizations and the communities they represent, Department officials networked with a variety of organizations for minorities, women, and people with disabilities. The Attorney General continued to publicly express her personal commitment to the Department's diversity goals by sending a clear message to managers for their support. Departmentwide recruitment efforts, such as the Attorney General's Honor Program and the Summer Law Intern Program, targeted colleges and student associations having high enrollments of African Americans, Asian Pacifics, Hispanics, Native American Indians, and students with disabilities.

In 1998, as the following examples show, Department components affirmed their commitment to the Department's diversity goals:

- The Executive Office of U.S. Attorneys (EOUSA) developed the video "Making Diversity Work," which focused on open communication in the U.S. Attorneys' offices and EOUSA from the viewpoint of enhancing diversity.
- EOUSA purchased and distributed more than 200 telecommunication devices for the deaf to each staffed U.S. Attorney's office. This acquisition will facilitate the Attorney General's 9-1-1 Compliance Review Program and allow each U.S. Attorney's office to communicate with citizens who are hearing-impaired or deaf.
- OAPM launched a pilot first-year interview and presentation program in the spring of 1998 to promote the Department and its volunteer summer legal intern positions. This program is designed to take advantage of the strong interest in volunteer summer positions among first-year law students, to introduce employment opportunities at the Department to law students who are just beginning to formulate their career plans, and to provide an opportunity for Department components to consider candidates from law schools outside of the metropolitan DC area.
- The U.S. Trustee Program continued its efforts to increase diversity among the private bankruptcy trustees it appoints and supervises. Out of 101 new Chapter 7 and 13 trustees appointed this year, more than half were women and/or minorities.

### **New Training Site for Prosecutors and Support Staff**

**D**uring 1998, work was completed on the National Advocacy Center (NAC), a training and conference center located on the campus of the University of South Carolina in Columbia, South Carolina. NAC is operated jointly by the Executive Office of U.S. Attorneys and the National District Attorneys Association. As the principal training site for Federal, state, and local prosecutors and support staff, NAC will train approximately 15,000 people annually. This integrated educational environment will foster greater partnership and cooperation among Federal, state, and local prosecutors throughout the Nation.

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# **VIII. U. S. Department of Justice 1998 Annual Financial Statement**

U.S. DEPARTMENT OF JUSTICE

# Audit Report

U. S. Department of Justice  
Annual Financial Statement  
Fiscal Year 1998

99-05

February 1999

Prepared by Office of the Inspector General, Audit Division

U. S. DEPARTMENT OF JUSTICE  
ANNUAL FINANCIAL STATEMENT  
FISCAL YEAR 1998

OFFICE OF THE INSPECTOR GENERAL  
COMMENTARY AND SUMMARY

The U.S. Department of Justice, under the direction of the Attorney General, is charged with protecting society against criminals and subversion; upholding the civil rights of all Americans; ensuring healthy competition of business in our free enterprise system; safeguarding the consumer; enforcing environmental, drug, immigration, and naturalization laws; and representing the American people in all legal matters involving the U.S. Government. The Department also plays a significant role in protecting citizens through its efforts for effective law enforcement, crime prevention, crime detection, and prosecution and rehabilitation of offenders. In FY 1998, the Department had over 121,300 employees and funding of over \$20 billion.

This audit report contains the Annual Financial Statement of the Department of Justice for the fiscal year ended September 30, 1998. The audit was performed by PricewaterhouseCoopers LLP and resulted in a disclaimer of opinion on the FY 1998 consolidated balance sheet and the related consolidated statements of net costs and changes in net position, and the related combined statements of budgetary resources, financing, and custodial activity. Because of the following deficiencies, the auditors were unable to obtain sufficient evidence about certain account balances and disclosures:

- The Immigration and Naturalization Service (INS) has not established effective internal controls to ensure that accounting records and relevant documentation are maintained to support certain balances and related disclosures contained in INS' financial statements. The INS also lacks effective internal controls to ensure that transactions are accurately and completely recorded. The INS' reported total assets of \$2.2 billion and total costs of \$3.7 billion constitute 8.7 percent of the Department's combined total assets at September 30, 1998, and 18.1 percent of combined total costs for the year then ended.
- Management of the Offices, Boards and Divisions (OBDs) was not able to demonstrate that advances made to state and local law enforcement agencies as part of the Community Oriented Policing Services Program were properly reported. OBDs' advances account balance represents \$432.3 million (38.1%) of the Department's combined advances account balance.
- Because of weaknesses in the Assets Forfeiture Fund and Seized Asset Deposit Fund's (AFF/SADF) financial accounting and disclosure of seized and forfeited property, the auditors could not determine whether forfeited property and related deferred revenue of \$127.8 million and the related seized and forfeited activity disclosed in the notes were

fairly stated. These amounts represent substantially all of the Department's seized and forfeited property account balances.

- Because of weaknesses in the processing and recording of accounts payable and related unexpended appropriations at the U.S. Marshals Service (USMS) and the OBDs and accounts payable and unliquidated obligations at the AFF/SADF, the auditors could not determine whether accounts payable balances of \$1.4 billion (48.5%) and related costs, unexpended appropriations of \$3.2 billion (26.0%), and unliquidated obligations were fairly stated.
- The Federal Prison System (FPS) was not able to provide support for \$100 million of transferred financing sources reflected in the statements of changes in net position and financing within the timeline established by the Department for preparing component financial statements. As a result, the FPS' auditors were not able to determine the effect of this transfer on these statements. The FPS' auditors reported that these amounts appeared to have been created during the resolution of previous audit findings with respect to unrecorded real property and related depreciation.
- Amounts reported in components' balance sheets as of September 30, 1997, enter into the determination of FY 1998 net costs, changes in net position, budgetary resources, and the reconciliation of net costs to budgetary resources. It was not practicable for auditors of the INS, Drug Enforcement Administration (DEA), Office of Justice Programs (OJP), USMS, AFF/SADF, and the OBDs to extend audit procedures during the audit of the components' FY 1998 financial statements to satisfy themselves as to opening balances. As a result, auditors were unable to apply sufficient audit procedures to determine whether amounts reported in the components' FY 1998 statements of net costs, changes in net position, budgetary resources, and financing were fairly stated.

The following table depicts the audit results for the Department consolidated audit as well as for the nine individual component audits for FY 1998. The Department has made progress towards an unqualified opinion, although improvements are still needed in certain areas.



### Comparison of Fiscal Year 1998 Audit Results

Reporting Entity	Balance Sheet	Statement of Net Costs	Statement of Changes in Net Position	Statement of Budgetary Resources	Statement of Financing
Consolidated Department	D	D	D	D	D
Assets Forfeiture Fund and Seized Asset Deposit Fund	D	D	D	D	D
Drug Enforcement Administration	U	D	D	D	D
Federal Bureau of Investigation	U	U	U	U	U
Federal Prison System	Q	Q	Q	Q	Q
Immigration and Naturalization Service	D	D	D	D	D
Offices, Boards and Divisions	D	D	D	D	D
Office of Justice Programs	U	D	D	D	D
U.S. Marshals Service	D	D	D	D	D
Working Capital Fund	U	U	U	U	U

D – Disclaimer of Opinion  
 Q – Qualified Opinion  
 U – Unqualified Opinion

For FY 1997, the Department received a disclaimer of opinion on the consolidated statement of financial position and the consolidated statement of operations and changes in net position (Office of the Inspector General Report No. 98-07A). The Working Capital Fund (WCF) received an unqualified opinion; the FPS and Federal Bureau of Investigation (FBI) both received a qualified opinion; and all other components received a disclaimer of opinion on their FY 1997 financial statements.

The Department also received a disclaimer of opinion on the FY 1996 consolidated statement of financial position; the auditors were not engaged to and did not audit the FY 1996 consolidated statement of operations and changes in net position (Office of the Inspector General Report No. 97-24B). The WCF, OJP, and AFF/SADF each received an unqualified opinion; the FBI received a qualified opinion; and all other components received a disclaimer of opinion on their respective FY 1996 statement of financial position.

The Department noted as part of its overview to the financial statements that significant progress has been made in ensuring that all mission critical systems are Year 2000 compliant and that the Department is at minimal risk as the Year 2000 approaches. In our judgment, the Department's stated expectations for Year 2000 compliance are contingent on the completion of a great deal of work that has yet to be completed. The Office of the Inspector General (OIG), Computer Security and Information Technology Audit Office has conducted several audits to date to assess the Department's Year 2000 progress. Although progress is being made, the OIG is unable to provide any assurance as to whether all mission critical systems will be compliant or that the Department is at minimal risk.



UNITED STATES DEPARTMENT OF JUSTICE  
ANNUAL FINANCIAL STATEMENT  
FISCAL YEAR 1998

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**U.S. Department of Justice**  
**Management's Overview**

## **A. Introduction**

The Department of Justice was established in June 1870 (28 U.S.C. 501, 503), with the Attorney General as its head. Prior to 1870 the Attorney General was a member of the President's Cabinet, but not the head of a department, the office having been created in September 1789.

As the Nation's chief law enforcement officer, the Attorney General enforces Federal laws and contributes to the fair and efficient administration of the Federal justice system. In carrying out this mission, the Attorney General directs the activities of the more than 121,300 attorneys, law enforcement professionals, and other employees of the Department. The responsibilities of the Department are wide-ranging and include:

- Detecting, apprehending, prosecuting, and incarcerating criminal offenders.
- Upholding the civil rights of all Americans.
- Enforcing laws to protect the environment.
- Ensuring healthy competition of business in our free enterprise system.
- Safeguarding the consumer from fraudulent activity.
- Carrying out the immigration laws of the United States.
- Representing the American people in all legal matters involving the United States Government.

Under the direction of the Attorney General, these responsibilities are discharged by the following principal components of the Department:

**Offices**

Attorney General  
Deputy Attorney General  
Associate Attorney General  
Office of the Solicitor General  
Office of Legal Counsel  
Office of Legislative Affairs  
Office of Professional Responsibility  
Office of Policy Development  
Office of Public Affairs  
Office of Pardon Attorney  
Office of the Inspector General  
Community Relations Service  
Executive Office for U.S. Attorneys  
Office of Dispute Resolution  
INTERPOL - U.S. National Central Bureau  
Office of Intelligence Policy and Review  
Executive Office for Immigration Review  
Executive Office for U.S. Trustees  
Community Oriented Policing Services  
Office of Intergovernmental Affairs  
Office of Information and Privacy  
National Drug Intelligence Center

**Boards**

U.S. Parole Commission  
Foreign Claims Settlement Commission

**Divisions**

Antitrust Division  
Civil Division  
Civil Rights Division  
Criminal Division  
Environment and Natural Resources  
Division  
Tax Division  
Justice Management Division

**Bureaus**

Federal Bureau of Investigation  
Federal Prison System  
Drug Enforcement Administration  
Immigration and Naturalization Service  
Office of Justice Programs  
U.S. Marshals Service



## **B. Departmental Reporting Entity**

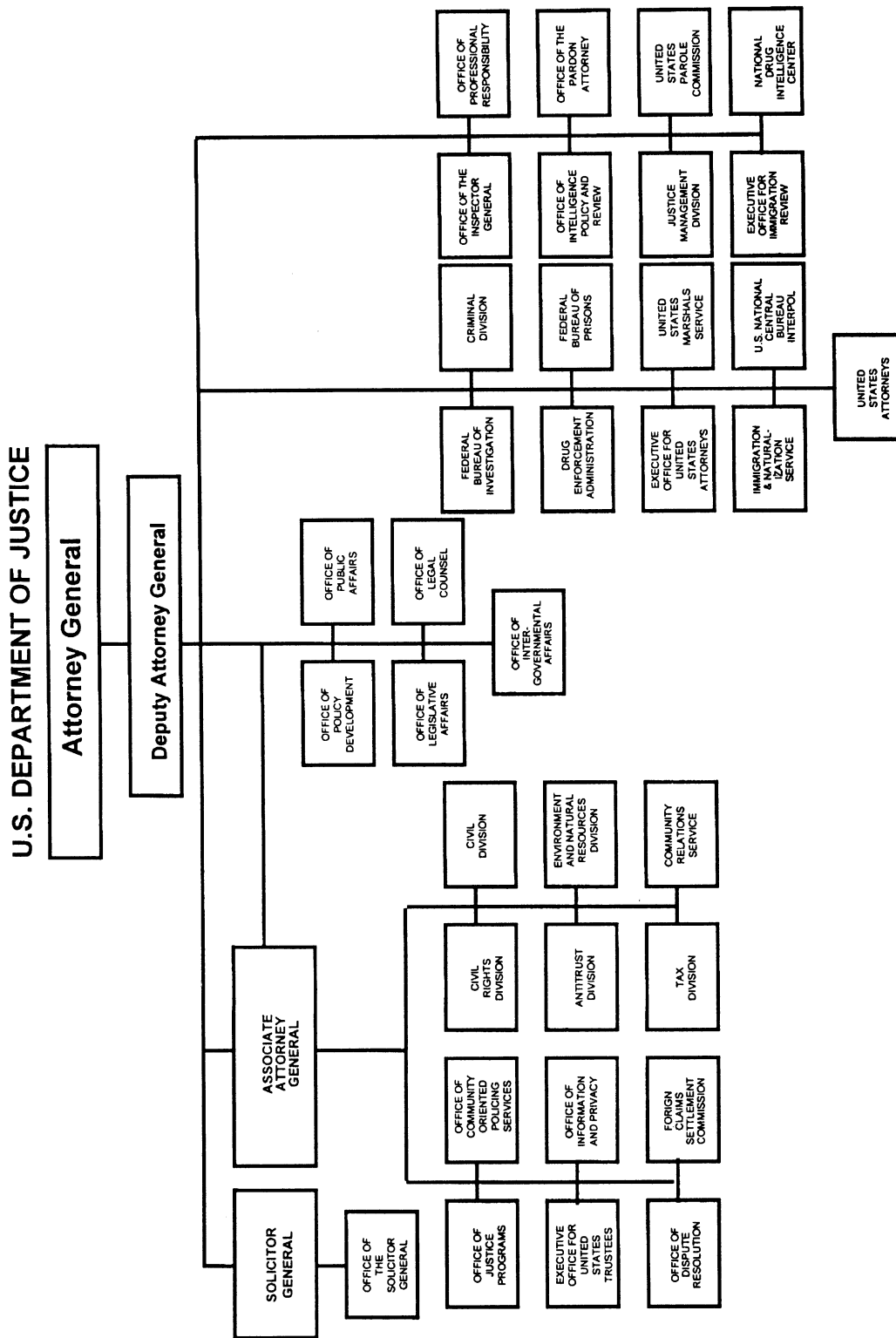
Under Title IV of the Government Management Reform Act (GMRA) of 1994, the head of each executive agency, including the Department, shall prepare and submit to the Director of the Office of Management and Budget (OMB), audited financial statements for the preceding fiscal year, covering all accounts and associated activities of each office, bureau, and activity of the agency. The audited financial statements shall reflect: 1) the overall financial position of the agency, including assets and liabilities thereof; and 2) the results of operations for the agency.

Under the direction of the Assistant Attorney General for Administration (AAGA), the Justice Management Division (JMD) is responsible for preparing the Department's consolidated financial statements. The Office of the Inspector General (OIG) is responsible for the audits of the statements. The AAGA submits the audited financial statements to the Director of the OMB.

The Department's FY 1998 financial statements consist of Department-wide consolidated financial statements supported by separate audited financial statements for each of the following Department reporting entities:

- Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- Working Capital Fund (WCF)
- Offices, Boards and Divisions (OBDs)
- U.S. Marshals Service (USMS)
- Office of Justice Programs (OJP)
- Drug Enforcement Administration (DEA)
- Federal Bureau of Investigation (FBI)
- Immigration and Naturalization Service (INS)
- Federal Prison System (FPS) (collectively the Bureau of Prisons, the Commissary Trust Fund and the Federal Prison Industries)

The Chief Financial Officers for the OJP, DEA, FBI, INS, FPS, and USMS and the Justice Management Division (for AFF/SADF, WCF, and OBDs,) have defined the reporting entity and prepared and submitted the entity's audited financial statements to the AAGA.



## **C. Missions and Programs**

The following segments provide an overview of the mission and programs for each of the Department's bureaus and components. The bureaus and components are described in the same order as presented in the financial statements: Assets Forfeiture Fund and Seized Asset Deposit Fund; Working Capital Fund; Offices, Boards and Divisions; U.S. Marshals Service; Office of Justice Programs; Drug Enforcement Administration; Federal Bureau of Investigation; Immigration and Naturalization Service; and the Federal Prison System.

- 1. *Assets Forfeiture Fund and Seized Asset Deposit Fund*** - The Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF) is a nationwide law enforcement program administered by the Department. The AFF/SADF is comprised of the following participating Department entities: the Drug Enforcement Administration, the Federal Bureau of Investigation, the Immigration and Naturalization Service, the U.S. Marshals Service, the U.S. Attorneys, and the Asset Forfeiture and Money Laundering Section, Criminal Division. The U.S. Postal Inspection Service, the U.S. Park Police, and the Food and Drug Administration's Office of Criminal Investigations are the non-Department participants in the program.

Asset forfeiture continues to be an extremely effective and powerful tool in the Department's fight against organized crime, drug trafficking, and money laundering. While forfeiture is as old as our nation, its current scope was widened with the passage of the Comprehensive Crime Control Act of 1984. The ability of the Government to remove the proceeds of crime from individuals and destroy the economic infrastructure of criminal organizations is an essential law enforcement tool. The AFF/SADF is a nationwide law enforcement program that involves Federal employees and contract personnel. Thousands of investigators, litigators, property managers, and support staff are involved in the seizure and forfeiture process. In addition, thousands of state and local law enforcement officials work cooperatively with their Federal counterparts in the investigation and prosecution of criminal cases, including the effort to strip criminals of their ill-gotten gains.

**Mission Statement - The mission of the Seized Asset Management Program is to maximize the effectiveness of forfeiture as a deterrent to crime.**

The Department's program is aimed at attacking and dismantling criminal organizations at all levels. Wealth is power, and illicit organizations, large and small, are fueled by their tainted money and property. By seizing the assets of illicit organizations, the Government can sharply curtail or eliminate their

operations. Forfeiture procedures occur through civil and criminal judicial cases, and through administrative means.

2. **Working Capital Fund** - The basic principle supporting the establishment of a Working Capital Fund (WCF) is to consolidate, under one financing arrangement, many common services to obtain economies of scale and efficiency of operations while avoiding a duplication of effort. This principle was embraced by Congress for the Department on January 2, 1975, through the enactment of the Fund (28 U.S.C. § 527). The WCF provides certain administrative services where a determination has been made that these services can be provided more advantageously on a centralized basis. The WCF provides the Department with the flexibility to effectively obtain and use resources in response to the service demands of customers both within and outside the Department.

**Mission Statement - The mission of the Working Capital Fund is to provide, on a centralized basis, consistently high quality products and services to its customers at the lowest possible cost.**

The WCF is a revolving fund authorized to finance the provision of goods and services through a process that charges customers for the goods and services delivered. The WCF is operated on a not-for-profit basis. The WCF generates its cash through collections from customers, rather than appropriations from Congress. Customer billings are based on rates which are intended to fully recover the actual expenses associated with the services provided.

The WCF has a well established organizational structure. All services are provided by employees of the Justice Management Division (JMD). With the exception of those employees located at the Dallas, Texas, data processing facility, all employees are located in the Washington, D.C. metropolitan area. The services provided, however, are available to all of the Department's locations worldwide. The thirteen major services provided by the WCF include:

- Telecommunications Services
- Data Processing Services
- Financial Management Systems
- Human Resource Systems
- Asset Forfeiture Management
- Justice Building Services
- Space Management
- Library Acquisition Services
- Personnel Services
- Drug-Free Workplace
- Debt Collection Management
- Property Management
- Mail, Audio-Visual, and Publications Services (MAPS)

3. **Offices, Boards, and Divisions** - For the purposes of these financial statements, Department components comprising the Offices, Boards, and Divisions reporting entity include the following:

**Department Leadership** includes the Office of the Attorney General, the Office of the Deputy Attorney General, and the Office of the Associate Attorney General. These offices advise the President on Constitutional matters and legal issues involving the execution of the laws of the United States; formulate and implement policies and programs that advance the administration of justice in the United States; and coordinate criminal justice matters with Federal, state, and local law enforcement and criminal agencies.

**Executive Support** consists of the Offices of Policy Development, Public Affairs, Legislative Affairs, and Inter-Governmental Affairs. These offices serve as the liaison between the Department and Congress, coordinating Department and Administration policy initiatives in the areas of civil and criminal justice and ensuring that the public and the news media are kept informed about the activities and policies of the Department in the fields of law enforcement and legal affairs.

**Office of the Solicitor General** represents the interest of the Federal Government in cases before the Supreme Court; decides which cases the Government should ask the Supreme Court to review; and decides what position the Government should take in the cases before the court.

**Office of the Inspector General** promotes efficient and effective management within the Department of Justice and detects and deters wrongdoing in its programs and operations by the use and coordination of investigative, inspection, and audit resources.

**Office of Legal Counsel** assists in the Attorney General's role as legal adviser to the Executive Branch; drafts legal opinions of the Attorney General rendered in response to requests from the President and heads of the executive departments; and provides written opinions and informal advice in response to requests from the various executive and military departments of the Government as well as offices within the Department and from Presidential staff and advisors.

**Intelligence Policy and Professional Responsibility** consists of the Offices of Intelligence Policy and Review and Professional Responsibility. These offices are responsible for assisting the Attorney General and other senior Department and Executive Branch officials in ensuring that the national security-related activities of the United States are consistent with relevant law and overseeing the

investigation of allegations of criminal and ethical misconduct by the Department's attorneys, criminal investigators, or other law enforcement personnel.

**Office of Information and Privacy** manages and coordinates the discharge of the Department responsibilities under the Freedom of Information Act (FOIA) and the Privacy Act of 1974 through the coordination of compliance of FOIA by all Federal agencies and compliance with the Privacy Act within the Department.

**Office of Dispute Resolution** promotes the broader use of alternative dispute resolution in appropriate cases to improve access to justice to all citizens and to lead to more effective resolution of disputes involving the government.

**Justice Management Division** provides advice to senior Department officials and develops Departmental policies in the areas of management and administration; ensures compliance by the Department components with departmental and other Federal policies and regulations; and provides a full range of management and administrative support services.

**United States Attorneys** serve as the Nation's principal litigators in each of the nation's 94 judicial districts. Under general executive assistance provided by the Executive Office for U.S. Attorneys, the responsibilities of the U.S. Attorneys include: the prosecution of criminal cases brought by the Federal government; the prosecution and defense of civil cases in which the United States is a party; and the collection of debts owed the Federal government which are administratively uncollectible.

**Antitrust Division** promotes and maintains competition in the United States economy. The Division enforces the antitrust laws and seeks to prevent antitrust violations by providing information concerning the antitrust laws and the Division's enforcement policies to the public and business community. The Division appears before Federal regulatory agencies to advocate in favor of more competition and less regulation, advises other Executive Branch departments and agencies, and provides recommendations to Congress on legislation affecting competition.

**Civil Division** represents the interests of the United States fairly and consistently in civil litigation and selected criminal cases. The Division confronts significant policy issues, which often rise to constitutional dimensions, in defending and enforcing various Federal programs and actions.

**Civil Rights Division** enforces the constitutional and Federal rights of persons who have been subjected to discrimination on the basis of race, color, gender, age, disability, religion, familial status, and national origin. The Division also provides for payments to individuals of Japanese ancestry who were evacuated, relocated or interned in the United States during World War II.

**Criminal Division** serves the public interest through the development and enforcement of criminal statutes in a vigorous, fair and effective manner and exercises general supervision over the enforcement of all Federal criminal laws, with the exception of those statutes specifically assigned to the Antitrust, Civil Rights, Environment and Natural Resources, or Tax divisions.

**Environment and Natural Resources Division**, through litigation in the Federal and state courts, safeguards and enhances the American environment; acquires and manages public lands and natural resources; and protects and manages Indian rights and property.

**Tax Division** represents the United States and its officers in all civil and criminal litigation arising under the internal revenue laws, other than proceedings in the U.S. Tax Court.

**INTERPOL - United States National Central Bureau** facilitates international law enforcement cooperation as the United States representative with the International Criminal Police Organization (INTERPOL) on behalf of the Attorney General.

**Executive Office for Immigration Review (EOIR)** ensures fairness, competence, and efficiency in decisions relating to the status of individual aliens in the United States. EOIR interprets immigration laws and conducts administrative hearings and appellate reviews on a wide variety of immigration issues.

**Office of the Pardon Attorney** assists the President in the exercise of his Constitutional pardoning power by providing him with the best information available on which to base a fair and just decision in particular cases.

**United States Parole Commission** makes parole release decisions for eligible Federal prisoners, determines the conditions of parole supervision, and revokes paroles for violation of the condition of release.

**United States Trustees** supervise the administration of bankruptcy cases and private trustees in the Federal Bankruptcy Courts. Under the general executive assistance of the Executive Office for U.S. Trustees, the activities of the U.S.

Trustees assure that bankruptcy cases are administered with dispatch and that all parties comply with their legal obligations; assure that the cost of administering bankruptcy cases is appropriately monitored, assets are not dissipated, and distributions to creditors are maximized; and assure that private trustees adhere to fiduciary standards and observe consistent national procedures and policies to assure that violations of applicable criminal laws are referred to law enforcement and regulatory agencies.

**Community Relations Service** provides services to communities and individuals in the prevention and resolution of disputes, disagreements, or difficulties relating to actions, policies, and practices perceived to be discriminatory on the basis of race, color, or national origin, that impair the rights of citizens under the Constitution or laws of the United States.

**Foreign Claims Settlement Commission** adjudicates claims against foreign governments for losses sustained by United States nationals pursuant to programs authorized by statute or under international agreements.

**Office of Community Oriented Policing Services (COPS)** is dedicated, through partnerships with communities, policing and other organizations, to improving the quality of life in neighborhoods throughout the Nation through the COPS grants program, whereby State and local governments are provided grants to place more uniformed officers on the street. COPS activities include increasing America's cops on the beat and promoting and demonstrating the effectiveness of community policing by reducing the levels of disorder, violence, and crime in the Nation's neighborhoods.

**National Drug Intelligence Center (NDIC)** coordinates and consolidates strategic organizational drug intelligence from national security and law enforcement agencies to produce requested assessments and analysis regarding the structure, membership, finances, communication, transportation, logistics, and other activities of drug trafficking organizations.

4. **United States Marshals Service** - The U.S. Marshals Service (USMS) mission is to protect the Federal courts and ensure the effective operation of the Federal judicial system. The USMS protects Federal judges and other participants in the judicial process; provides for the security of the Federal court; executes warrants and court orders, including certain arrest warrants; seizes, maintains, and disposes of assets; carries out the directions issued by the Attorney General; provides for secure confinement, transportation, and protection of prisoners; ensures long term safety of government witnesses; collects fees and makes payment in support of prisoners in non-Federal facilities.



**Mission Statement - The mission of the U.S. Marshals Service is the protection of the Federal judiciary; protection of witnesses; execution of court orders; management of seized assets; and custody and transportation of unsentenced prisoners.**

The USMS is organized into four business operations which support its mission: Judicial Security; Prisoner Services; Investigative Services; and Business Services (which includes the management of seized and forfeited assets).

5. **Office of Justice Programs** - The Office of Justice Programs (OJP) was established by the Justice Assistance Act of 1984 and re-authorized in 1988. The OJP is responsible for collecting statistical data and conducting analysis; identifying emerging criminal justice issues; developing and testing promising approaches to address these issues; evaluating program results; and disseminating these findings and other information to state and local governments.

All of the bureaus and offices of OJP award grants and contracts or enter into interagency and cooperative agreements to implement programs, carry out research, and collect data to carry out their mandates. Grants are awarded in two forms: *formula* and *discretionary*. Formula (also referred to as block) grants are awarded to the states which, in turn, sub-award the funds to state and/or local agencies. The bureaus and offices within the OJP assign formula grants on the basis of population or other legislatively-mandated criteria. All of the OJP bureaus and offices administer discretionary grant programs. Discretionary grants are awarded directly to state and local agencies and private organizations. Each bureau outlines its planned discretionary grant activities in a published annual Program Plan.

**Mission Statement - The mission of the Office of Justice Programs is to provide leadership in developing the nation's capacity to prevent and control crime, administer justice, and assist crime victims.**

The Office is headed by an Assistant Attorney General who, by statute and delegation of authority from the Attorney General, establishes, guides, promotes, and coordinates policy; focuses efforts on the priorities established by the President and the Attorney General; and promotes coordination among the nine major bureaus and offices within the OJP. These bureaus and offices are:

- Bureau of Justice Assistance
- Bureau of Justice Statistics
- National Institute of Justice

- Office of Juvenile Justice and Delinquency Prevention
- Office for Victims of Crime
- Executive Office for Weed and Seed
- Violence Against Women Grants Office
- Corrections Program Office
- Drug Courts Program Office

Program bureaus and offices award formula grants to state agencies, which, in turn, sub-grant funds to units of state and local government. The Bureau of Justice Assistance, the Office of Juvenile Justice and Delinquency Prevention, the Office for Victims of Crime, the Corrections Program Office, and the Violence Against Women Grants Office assign formula grants on the basis of population or other legislatively-mandated criteria. Formula grant programs, drug control and system improvement, juvenile justice, victims compensation, and victims assistance are administered by state agencies designated by each state's Governor. Discretionary grant funds are announced in the *Federal Register* and applications are made directly to the sponsoring OJP bureau or office.

6. ***Drug Enforcement Administration*** - the Drug Enforcement Administration (DEA) has a long and proud history. Today's DEA is built on the successful tradition of several agencies which preceded it, which were ultimately united as DEA in 1973 by Executive Order. The 1973 Executive Order abolished the Bureau of Narcotics and Dangerous Drugs, the Office of Drug Abuse Law Enforcement, and the Office of National Narcotics Intelligence making DEA the only United States government agency whose sole mission is to combat drug trafficking. By FY 1998, DEA operated 20 Domestic Divisions, and 74 Foreign Offices in 53 different countries throughout the world. At the end of FY 1998, DEA employed a total of 8,387 individuals, 4,309 of which were Special Agents.

**Mission Statement - The mission of the Drug Enforcement Administration is to enforce the controlled substance laws and regulations of the United States and to bring to the criminal and civil justice system of the United States or any other competent jurisdiction, those organizations, and principal members of organizations, involved in the growing, manufacture, or distribution of controlled substances appearing in or destined for illicit traffic in the United States; and to recommend and support nonenforcement programs aimed at reducing the availability of illicit controlled substances on the domestic and international markets.**

DEA is the lead agency responsible for the development of overall Federal drug enforcement strategy, programs, planning, and evaluation. The DEA's primary responsibilities include:

- Investigation and preparation for prosecution of major violators of controlled substances laws operating at interstate and international levels.
- Management of a national drug intelligence system in cooperation with Federal, state, local, and foreign officials to collect, analyze, and disseminate strategic and operational drug intelligence information.
- Seizure and forfeiture of assets derived from, traceable to, or intended to be used for illicit drug trafficking.
- Enforcement of the provisions of the Controlled Substances Act as they pertain to the manufacture, distribution, and dispensing of legally produced controlled substances.
- Coordination and cooperation with Federal, state, and local law enforcement officials on mutual drug enforcement efforts and enhancement of such efforts through exploitation of potential interstate and international investigations beyond local or limited Federal jurisdictions and resources.
- Responsibility, under the policy guidance of the Secretary of State and U.S. Ambassadors, for all programs associated with drug law enforcement counterparts in foreign countries.
- Liaison with the United Nations, INTERPOL, and other organizations on matters relating to international drug control programs.

7. ***Federal Bureau of Investigation*** - The Federal Bureau of Investigation (FBI) is the principal investigative arm of the Department. Title 28, United States Code, authorized the Attorney General to "appoint officials to detect crimes against the United States," and other Federal statutes give the FBI the authority and responsibility to investigate specific crimes. At present, the FBI has investigative jurisdiction over violations of more than 200 categories of Federal crimes. Top priority has been assigned to the five areas that affect society the most: counterterrorism, drugs/organized crime, foreign counterintelligence, violent crimes, and white-collar crimes. The FBI is also authorized to provide

other law enforcement agencies with cooperative services, such as fingerprint identification, laboratory examinations, police training, Uniform Crime Reports, and the National Crime Information Center.

**Mission Statement - The mission of the Federal Bureau of Investigation is to uphold the law through the investigation of violations of Federal criminal law; to protect the United States from foreign intelligence and terrorist activities; to provide leadership and law enforcement assistance to Federal, state, local, and international agencies; and to perform these responsibilities in a manner that is responsive to the needs of the public and is faithful to the Constitution of the United States.**

The goals of the FBI are to:

- Investigate violations of the laws of the United States within FBI jurisdiction and collect evidence in domestic and international cases in which the United States is or may be a party of interest.
- Collect, analyze, and exploit information to identify and neutralize the activities of foreign powers and their agents, and domestic entities, that adversely affect the United States' national security through counterintelligence, counterterrorism, and security countermeasures investigations.
- Provide forensic, identification, information, and training services external to the FBI.
- Provide effective and efficient supporting services necessary to the accomplishment of the FBI mission.
- Provide effective national and organizational leadership as well as effective direction, control, and administration of resources.

8. ***Immigration and Naturalization Service*** - The Immigration and Naturalization Service (INS) was established by the Immigration and Nationality Act, as amended, which charges the Attorney General with the administration and enforcement of its provisions and other laws relating to the immigration and naturalization of non-citizens. The Attorney General has delegated authority to the Commissioner of the INS to carry out national policy which provides for selective immigration and for controlled entry and stay of non-immigrants in order to promote the reunification of families, entry of immigrants possessing needed skills, temporary admission of specific classes of non-citizens and refugees from persecution.

**Mission Statement - The mission of the Immigration and Naturalization Service is to determine the admissibility of persons seeking entry and to adjust the status of and provide other benefits to legally entitled non-citizens within the country with proper regard for equity and due process. This includes assistance to those who seek permanent resident status and those who wish to become citizens through naturalization.**

The INS ensures appropriate documentation of aliens at entry, denies entry to those who are not legally admissible whether they attempt to enter through ports-of-entry or surreptitiously across the border, and determines the status of those aliens in the country. The INS is also responsible for deterring illegal entry and stay, including enforcement of criminal provisions against those who act or conspire to promote such entry and stay. Further, it is the responsibility of the INS to detect, apprehend, and remove those noncitizens whose entry was illegal, whether undocumented or fraudulent, and those found to have violated the conditions of their stay.

9. ***Federal Prison System*** - The Federal Prison System (FPS) encompasses the appropriated activities of the Federal Bureau of Prisons (BOP) and its functional entities, the Federal Prison Industries, Incorporated (FPI), also known by the trade name UNICOR, and the Commissary Trust Fund (Trust Fund).

The BOP is comprised of 93 institutions, six regional offices, three training centers, and a central office or headquarters in Washington, D.C. The Executive Office of the Director provides overall direction for agency operations with nine central office divisions, each led by a member of the Bureau's Executive Staff, who provide operational and policy direction. The central office manages the security and correctional operations of the BOP, the medical and psychiatric programs, and the food and nutritional programs. Additionally, the central office oversees the Bureau's budget development, contracting, property management, and financial management. Additional operational support and direction are provided for community corrections and detention programs, legal counsel, public affairs, and human resources management. Program oversight is performed through a rigorous program review process which measures program effectiveness and adequacy of internal controls.

**Mission Statement - The Federal Bureau of Prisons protects society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, cost efficient, humane, and appropriately secure, and which provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.**

FPI is a wholly-owned government corporation created by Congress in 1934. No appropriated funds are provided to the FPI for its operations. The FPI conducts its operations in a self-sustaining manner which minimizes competition with private industry and labor while providing inmates with occupational knowledge and skills. The FPI's operations currently focus in five areas: textiles, electronics, furniture, metals, and graphics services.

**Mission Statement - The mission of the Federal Prison Industries is to employ and train the requisite number of inmates in Federal correctional facilities necessary to ensure the safe and secure operation of such institutions, by producing market-priced, quality products and services to other Federal agencies, while operating in a self-sustaining manner that minimizes adverse impact on industry, business, and labor.**

The Trust Fund was created in the early 1930's to provide a means for inmates to purchase products and services which are not provided by Federal funds, for example, personal grooming products, stamps, telephone, and laundry services. The Trust Fund is a self-sustaining revolving account which is funded through sales of goods and services to inmates.

#### **D. Performance Goals and Results**

The Government Performance and Results Act of 1993 (GPRA) was enacted to improve the public's confidence in the capability of the Federal Government through improvements in program effectiveness and accountability. GPRA is intended to improve performance of Federal programs by focusing on results rather than activities. GPRA requires agencies to identify long term strategic and annual performance goals that are measurable and outcome oriented. GPRA also requires annual reporting to the Congress and the public on actual accomplishments in meeting these goals.

To comply with GPRA, the Department prepared the Strategic Plan for 1997 - 2002, which sets forth the broad strategic direction for the Department over the

next five years. In this Plan, the Attorney General established the following goals/core functions:

- Investigation and Prosecution of Criminal Offenses.
- Assistance to State and Local Governments.
- Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests.
- Immigration.
- Detention and Incarceration.
- Protection of the Federal Judiciary and Improvement of the Justice System.
- Management.

The Department also issued the first Annual Summary Performance Plan for FY 1999 and revised its internal processes to ensure that future performance planning and budgeting are driven by and consistent with the Attorney General's long term strategic goals. The FY 1999 performance plan and budget has been linked to the strategic goals. This direct linkage between the Department's strategic goals and the annual plans and budgets ensures a coordinated and clear focus on mission and results. In the coming years, the Department will continue to examine changes to the budget account structure in order to more readily accommodate the planning and requirements of GPRA.

## **E. Year 2000 Issues**

**Department's State of Readiness.** The strategy for addressing the Year 2000 within the Department is multi-faceted and consists of accountability, the involvement of the Chief Information Officer (CIO), a Year 2000 working group (WG), awareness and training, and the consolidation of departmental guidance. While the Department provides leadership, coordination and oversight responsibilities, responsibility for accountability rests with departmental components. The Attorney General has directed that component senior officials be personally involved in addressing the Year 2000 issue. Accordingly, each component has a designated senior official (DSO) for Year 2000 who has direct access to their component head.

The Department's CIO, the Assistant Attorney General for Administration, chairs meetings of the DSOs for Year 2000. In addition, the CIO uses an independent verification and validation (IV&V) contractor to help evaluate component organization's Year 2000 progress, including the thoroughness of test plans, test execution, Year 2000 compliance and contingency planning. In addition, he and his staff meet with Department components to ensure that each component has a sound Year 2000 program by reviewing program status, identifying concerns and providing guidance for improvement. Major mission critical systems, non-information technology items and data exchanges continue to be key issues.

The Department consolidated into a comprehensive package OMB reporting requirements, contingency plan guidelines, test plan guidelines, previously-issued material and documentation requirements for an independent verification and validation effort. This information, with a description of the roles and responsibilities of the Year 2000 Program Manager and of the Departmental components, provides a succinct overview for senior management of the Department's Year 2000 Program.

In February 1997, the Attorney General established a Department-wide goal for all mission critical systems, including non-computer systems, to become Year 2000 compliant by January 1999.

As of December 1998, the Department has made significant progress in achieving this objective. Of the Department's 225 mission critical systems, 130 (58%) are compliant, 76 are undergoing repairs, 18 are in the process of replacement and 1 system will be retired. Of the 76 systems undergoing repair, 80% have been renovated. Some examples of progress within the components are; the Office of Justice Programs implemented all 26 of its mission critical systems; the Immigration and Naturalization Service renovated and validated all of its mission critical systems; 7 of 9 Antitrust Division systems have been implemented; the Justice Data Center renovated and tested its mission critical hardware and software, and the Drug Enforcement Administration continues to make progress in renovating the DEA Telecommunications Systems (DATS).

The Department anticipates 95% of its mission critical systems will be Year 2000 compliant by March 1999.

**Costs to Address Year 2000 Issues.** The Department has estimated the components will incur costs totaling \$92.8 million to address Year 2000 compliance issues. Of this amount, \$70 million is for mission critical



information technology systems and is primarily (72%) from three bureaus: FBI totaling \$26 million, DEA totaling \$8.7 million, and INS totaling \$15.6 million.

**Contingency Plans.** Continuity plans are an important part of the Year 2000 Program. The Department has concentrated on system-level contingency plans as opposed to continuity of business plans. Department component's are required to have contingency plans for each mission critical system. To date, Department components have submitted 82% of the required plans. As an example, the Bureau of Prisons has always had contingency plans in place, and is reviewing the plans factoring internal and external Year 2000 issues into the framework. The Justice Data Center developed a high-level continuity plan for its core business activities. The Drug Enforcement Administration identified its core business processes, listed threats, assigned business priorities, formulated risk mitigation strategies and developed triggers. The Department recognizes the requirement for a Department-wide Year 2000 continuity plan and is including this requirement in its Critical Infrastructure Protection Plan.

The Department is at minimal risk as it approaches Year 2000. This conclusion is based on the strong Year 2000 program in place, the significant progress made and planned efforts. A major aspect of this program is the mitigation of potential failures by renovating current systems even though they are scheduled to be replaced well ahead of Year 2000. For example, the Federal Bureau of Investigation's (FBI) National Crime Information System (NCIC) is being replaced with NCIC 2000 which has projected July 1999 to be operational. Nonetheless, NCIC has been renovated and tested for Year 2000 compliance. Similarly, FBI's Identification Automation System (IDAS) has been renovated and tested for Year 2000 compliance even though its replacement, the Integrated Automated Fingerprint Identification System (IAFIS), is on schedule to be operational in July 1999. The compliant version of NCIC and IDAS have been implemented. In the case of INTERPOL, the Department is renovating its current system at the expense of delaying the replacement effort.

Potentially, INS could incur losses in productivity and miscalculate dates in scheduling due to Year 2000 problems. However, this is unlikely since, as noted above, all of INS' mission critical systems have already been renovated and validated. In addition, these systems will be subject to an IV&V review.

**F. Limitations of the Financial Statements**

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

While the statements have been prepared from the books and records of the entity in accordance with 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. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.



**REPORT OF INDEPENDENT ACCOUNTANTS**

United States Attorney General and  
The Office of the Inspector General  
United States Department of Justice

We were engaged to audit the accompanying consolidated balance sheet of the U.S. Department of Justice (the Department) as of September 30, 1998, and the related consolidated statements of net cost and changes in net position, and the related combined statements of budgetary resources, financing, and custodial activity, for the year then ended. These statements are the responsibility of the Department's management. We were not engaged to audit the financial statements of certain components of the Department, including the Working Capital Fund (WCF), the Office of Justice Programs (OJP), the Drug Enforcement Administration (DEA), the Federal Bureau of Investigation (FBI), the Immigration and Naturalization Service (INS), and the Federal Prison System (FPS). These components represent \$18.5 billion (73.6%) of the Department's combined total assets and \$15.9 billion (77.0%) of its combined total costs. Other auditors were engaged to audit these financial statements and their reports have been furnished to us, and our report on the Department's balance sheet and related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity, insofar as it relates to these components, is based solely on the reports of the other auditors.

As described in Note 1 to the Department's financial statements, management prepared these financial statements in accordance with the Office of Management and Budget (OMB) Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Because of limitations on the scope of our work, we disclaimed opinions on the financial statements of the U.S. Marshals Service (USM); the Offices, Boards and Divisions (OBDs); and the Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF). Other auditors disclaimed opinions on the financial statements of the INS; on the statements of net cost, changes in net position, budgetary resources, and financing of the DEA and the OJP; and qualified their opinion on the financial statements of the FPS. The following six paragraphs describe limitations on the scope of our work and the work of other auditors that are significant to the Department's financial statements.

The INS has not established effective internal control to ensure the maintenance of appropriate accounting records and relevant documentation supporting certain balances and related disclosures contained in the INS' financial statements, and to ensure that transactions were accurately and completely recorded, as of and for the year ended September 30, 1998. Consequently, INS' auditors were not able to apply other auditing procedures to satisfy themselves as to the extent to which INS' financial statements are affected by this matter. The

INS' reported total assets of \$2.2 billion and total costs of \$3.7 billion constitutes 8.7% of the Department's combined total assets at September 30, 1998, and 18.1% of combined total costs for the year then ended.

Management of the OBDs was not able to demonstrate that advances made to state and local law enforcement agencies as part of the Community Oriented Policing Services Program were properly reported. We were not able to apply alternative audit procedures to determine if the OBDs' advances account balance, which represents \$432.3 million (38.1%) of the Department's combined advances account balance, was fairly stated.

We identified weaknesses in the AFF's financial accounting and disclosure of seized and forfeited property. We were not able to conclude whether forfeited property and related deferred revenue of \$127.8 million at September 30, 1998, and the related seized and forfeited activity disclosed in Note 8, were fairly stated. These amounts represent substantially all of the Department's seized and forfeited property account balances in the financial statements and notes.

We identified weaknesses in the processing and recording of accounts payable and related unexpended appropriations at the USM and the OBDs; and accounts payable and unliquidated obligations at the AFF. The affected components' accounts payable balances constitute \$1.4 billion (48.5%) of the Department's combined accounts payable balance and \$3.2 billion (26.0%) of its unexpended appropriations. Consequently, we were unable to conclude whether accounts payable and related costs, unexpended appropriations and unliquidated obligations, were fairly stated.

The auditors of the FPS were not able to satisfy themselves regarding \$100 million of transferred financing sources reflected in the statements of changes in net position and financing because these amounts could not be supported within the timeline established by the Department for preparing component level financial statements. As a result, the FPS' auditors were not able to determine the effect of this transfer on these statements.

Amounts reported in components' balance sheets as of September 30, 1997, enter into the determination of fiscal year 1998 net costs, changes in net position, budgetary resources, and the reconciliation of net costs to budgetary resources. It was not practicable for auditors of the INS, the DEA, the OJP, the USM, the AFF, and the OBDs to extend audit procedures during the audit of the components' fiscal year 1998 financial statements to satisfy themselves as to opening balances. As a result, auditors were unable to apply sufficient audit procedures to determine whether amounts reported in the components' fiscal year 1998 statements of net costs, changes in net position, budgetary resources, and financing were fairly stated.

Since we and the other auditors were unable to obtain sufficient evidence about the balances and disclosures discussed in the preceding six paragraphs, we are unable to express, and we do not express, an opinion on the Department's balance sheet or on its statements of net cost, changes in net position, budgetary resources, financing, and custodial activity.



Report of Independent Accountants  
Page 3

The consolidating and combining information is presented for purposes of additional analysis of the Department's financial statements rather than to present the components' financial position as of September 30, 1998, or their net costs, changes in net position, budgetary resources, and financing for the fiscal year then ended. For the reasons described in the preceding paragraph, we are unable to, and do not, express an opinion on whether the consolidating and combining information is fairly stated.

Effective for the fiscal year ended September 30, 1998, as further discussed in Note 1, the Department adopted OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, and Statements of Federal Financial Accounting Standards incorporated by reference within OMB Bulletin No. 97-01.

The information in the "Management's Overview" section is not a required part of the principal financial statements, but is supplementary information required by OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*. This information has not been subjected to auditing procedures; accordingly, we express no opinion on this information.

In accordance with *Government Auditing Standards*, we have also issued separate reports dated February 15, 1999 on our consideration of the Department's internal controls and on the Department's compliance with laws and regulations.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

February 15, 1999  
Arlington, Virginia

**REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROLS**

United States Attorney General and  
 The Office of the Inspector General  
 United States Department of Justice

We were engaged to audit the consolidated balance sheet of the U.S. Department of Justice (the Department) as of September 30, 1998, and the related consolidated statements of net cost and changes in net position, and the related combined statements of budgetary resources, financing, and custodial activity, for the year then ended, and have issued our report thereon dated February 15, 1999. In that report, we disclaimed an opinion on the Department's financial statements because certain amounts reported could not be substantiated. The control weaknesses that resulted in the need to disclaim our opinion on the Department's financial statements are elaborated upon in this report.

We were not engaged to audit the financial statements of certain components of the Department, including the Working Capital Fund, the Office of Justice Programs, the Drug Enforcement Administration, the Federal Bureau of Investigation, the Immigration and Naturalization Service, and the Federal Prison System. These components represent \$18.5 billion (73.6%) of the Department's combined total assets and \$15.9 billion (77.0%) of its combined total costs. Other auditors were engaged to audit these financial statements and their reports have been furnished to us, and our report on the Department's internal controls, insofar as it relates to these components, is based solely on the reports of the other auditors. The table below summarizes the 31 reportable conditions auditors identified at the components and the audit opinions on the nine components' balance sheets.

**Table 1: The Nine Department of Justice Component Audits**

Department Component	Reportable Conditions	Material Weaknesses	Balance Sheet Audit Opinion
Drug Enforcement Administration (DEA)	3	1	Unqualified
Federal Bureau of Investigation (FBI)	3	0	Unqualified
Office of Justice Programs (OJP)	2	1	Unqualified
Working Capital Fund (WCF)	1	0	Unqualified
Federal Prison System (FPS)	1	0	Qualified
Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF)	1	2	Disclaimed
Immigration and Naturalization Service (INS)	4	5	Disclaimed
Offices, Boards and Divisions (OBDs)	2	2	Disclaimed
United States Marshals Service (USM)	1	2	Disclaimed
<b>Total</b>	<b>18</b>	<b>13</b>	

Management of the Department is responsible for establishing and maintaining accounting systems and internal control. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that: (1) transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and to maintain accountability over assets; (2) funds, property, and other assets are safeguarded from loss from unauthorized use or disposition; (3) transactions, including those related to obligations and costs, are executed in compliance with laws and regulations that could have a direct and material effect on the financial statements and other relevant laws and regulations; and (4) data that support reported performance measures are properly recorded and accounted for to permit preparation of reliable and complete performance information. Because of inherent limitations in any internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning our engagement to audit the Department's financial statements, we obtained an understanding of the design of significant internal controls and whether they had been placed in operation, tested certain controls and assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. Our purpose was not to provide an opinion on the Department's internal controls; accordingly, we do not express such an opinion.

With respect to internal control relevant to data that support reported performance measures, we obtained an understanding of relevant internal control policies and procedures designed to achieve the above noted control objectives, and assessed risk related to management's assertions that the data is complete and relates to events that have occurred. Our procedures were not designed to provide assurance on internal control over reported performance measures; accordingly, we do not provide an opinion on such controls.

We noted, and the reports of other auditors identified, certain matters in the Department's internal control that are considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants and Office of Management and Budget (OMB) Bulletin No. 98-08 *Audit Requirements for Federal Financial Statements*. Reportable conditions involve matters coming to the auditors' attention relating to significant deficiencies in the design or operation of the internal control that, in their judgment, could adversely affect the Department's ability to meet the internal control objectives described above.

Certain reportable conditions were also considered to be material weaknesses. A material weakness in internal control is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited or material to a performance measure or aggregation of related performance measures



may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Overview of Material Weaknesses and Reportable Conditions**

The table below summarizes the material weaknesses and reportable conditions identified by component auditors that we believe affect the Department's financial statements:

**Table 2: Department-wide Material Weaknesses and Reportable Conditions**

Material Weakness (M) Or Reportable Condition (R)	O B D	U S M	A F F	F B I	D E A	O J P	I N S	F P S	W C F
<b>Material Weakness for the Department:</b>  Many of the Department components did not have policies or procedures in place or were not following them to ensure that financial transactions were recorded in accordance with Federal accounting standards.	M	M	M	R	R	M	M		
<b>Reportable Condition for the Department:</b>  Improvements are needed to strengthen controls over fund balance with Treasury.					M	R	M		R
<b>Reportable Condition for the Department:</b>  Improvements are needed in general controls at the Department's data centers and weaknesses exist in component financial management systems.	R	M		R	R	R	M		
<b>Reportable Condition for the Department:</b>  The components' fiscal year-end closing procedures must be improved to ensure financial information is consistently presented at the Department level and completed timely to allow the Department's consolidated financial statements to be completed and audited in accordance with the Government Management Reform Act.	R	R	R	R			R	R	

Consideration of internal control would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. The remainder of this report discusses these reportable conditions in greater detail. All four conditions were identified in previous fiscal years' reports. Because of the frequency with which these conditions were found within the components, we recommend Department-wide corrective actions.

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**Many of the Department components did not have policies or procedures in place or were not following them to ensure that financial transactions were recorded in accordance with Federal accounting standards.**

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Financial reporting by the Federal government provides information for formulating policy and evaluating performance. Consistent financial reporting provides greater assurance that transactions are recorded and reported accurately, both for internal and external users of this information. The Federal Accounting Standards Advisory Board (FASAB) was established to recommend accounting standards for the Federal government after consideration of the financial and budgetary needs of oversight groups, executive agencies, and others.

Many of the Department's components do not have policies and procedures in place or were not following them to ensure that transactions are recorded in accordance with the FASAB's standards. We noted that seven component audit reports identified weaknesses in financial processing and reporting. These conditions are summarized below:

- ***Accounts payable and related expenses were not recorded properly.*** The auditors of the INS, the USM, the OBDs, and the AFF, reported that accounts payable and related expenses are recorded at the time orders for goods or services are placed, not when they are received. We noted that the Office of Community Oriented Policing Services (COPS) did not adequately test the accrual calculations for grants provided under the Violent Crime Control and Law Enforcement Act. In some instances, other auditors and we were not provided sufficient documentation supporting the accounts payable and related expenses. The auditors of the DEA reported that a search for unrecorded liabilities identified an additional \$4.5 million that should have been recorded in fiscal year 1998.
- ***Undelivered orders were not periodically reviewed to ensure obligations were valid.*** Amounts recorded as undelivered orders (unliquidated obligations) represent obligations of funds for goods or services that have not yet been received. We noted the OBDs, the USM, and the AFF did not periodically review the status of undelivered orders; and in some instances, we identified obligations that should have been de-obligated or should have been classified as delivered (accounts payable).
- ***Revenue may be recognized prematurely, deferred revenue may be misstated or sufficient documentation was not provided to determine if amounts are valid.*** We identified approximately \$36 million in unearned revenue the OBDs had reported as earned. An adjustment for this amount was posted in the OBDs component financial statements. We were unable to determine if the USM recognized revenues properly because sufficient documentation to support the performance of services was not provided by the end of our fieldwork. We also noted that approximately half of the USM's receivables we tested were unbilled; consequently, alternative audit procedures could not

be performed. Auditors of the INS were not able to obtain sufficient evidence to support the reliability of controls surrounding the Performance Analysis System, which accumulates data necessary to calculate deferred revenue. In addition, deferred revenue is not posted to the general ledger. Federal accounting standards require revenue recognition when goods or services have been delivered. Deferred revenue is recorded when funds are received and should be reduced as services are performed.

- **Components' accounting for property and equipment, leases, leasehold improvements, and construction in process were not in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant and Equipment.** Auditors of the DEA and the INS identified weaknesses in components' accounting for and control of property, plant and equipment (including leases, leaseholds and construction). Auditors reported that a system or consistently applied policy for capturing property costs was not in place to ensure all costs were accounted for and recorded properly. Auditors also reported that purchases of multi-unit equipment were not consistently recorded as one piece of property.
- **Components should improve accounting policies and procedures, controls over transaction processing and documentation, and performance measurement.** Auditors of the OJP identified several conditions that affect its ability to process accounting transactions in accordance with Federal accounting standards; including: (a) general ledger and account analysis were not consistently performed, (b) a lack of accrual-based proprietary accounting principles for transactions processed in the Crime Victims Fund, and (c) improper cut-off procedures in advances, reimbursement revenue, accounts payable, and accrued payroll account balances. Auditors of the INS reported that corrective actions have improved the processing of financial transactions; however, significant unsupported or misposted obligations and disbursements continue to exist. The INS' auditors also reported that management (a) did not identify key performance measures timely and (b) qualified their conclusion regarding the reliability of performance measures due to management's inability to fully assess and evaluate controls.
- **Components must improve the financial reporting of forfeited/seized property and evidence in accordance with SFFAS No. 3, Accounting for Inventory and Related Property.** We noted that seizing and custodial agencies did not properly complete physical inventories of seized and forfeited property according to guidelines developed by the AFF's management. As a result, forfeited/seized property physical inventories could not be relied upon to determine if the AFF's seized and forfeited property balances and note disclosures were fairly stated. Auditors of the FBI and the DEA reported that financial reporting of evidence and non-valued property (seized drugs) in accordance with SFFAS No. 3 needs to be strengthened.

- *The INS did not properly account for contingent liabilities in accordance with SFAS No. 5, Accounting for Liabilities of the Federal Government.* Auditors of the INS identified that the INS under-reported accruals for environmental liabilities and over-reported accruals for other contingent liabilities.

The errors discussed above misstate amounts reported in financial statements prepared pursuant to the Government Management Reform Act (GMRA) and budgetary reports submitted to the OMB and the Department of the Treasury. Errors in reported revenues and expenses will also impact the reliability of performance measures that use revenues or costs in evaluating the efficiency of the Department's operations.

**Recommendation**

In the two previous fiscal years, some of the Department's components began implementation of new financial management systems, or modified existing systems to improve transaction processing. Improvements or modifications to financial management systems alone will not resolve the problems discussed above unless policies and procedures are revised to ensure that transactions are processed in accordance with Federal accounting standards. We recommend the Assistant Attorney General for Administration:

1. As first reported in Office of the Inspector General's Report No. 97-24B, issue a directive to the components emphasizing the proper procedures and accounting principles that should be followed when recording financial transactions in accordance with Federal accounting standards to ensure that components prepare financial statements consistent with the Department's consolidated financial reporting requirements.

**Management Response:** Concur. The Justice Management Division (JMD) will ensure that components produce financial statements consistent with the Department's consolidated financial statements, and the JMD will be responsible for resolving accounting and reporting issues.

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**Improvements are needed to strengthen controls over fund balance with Treasury.**

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A fundamental accounting control is the reconciliation of the general ledger, from which financial statements are prepared, to subsidiary systems or records. Reconciliations are necessary to ensure that transactions are completely and accurately recorded and that reported balances are correct. A critical reconciliation for all Federal agencies is the reconciliation of the agencies' general ledger balances in fund balance with Treasury (cash) to the U.S. Department of the Treasury's accounting records. Auditors of four Department components reported that fund balance with Treasury was not adequately reconciled. These conditions are summarized below:

- ***INS did not adequately reconcile fund balance with Treasury and did not timely investigate or resolve significant reconciling items.*** INS reported a net difference of \$76 million at September 30, 1998 in its reconciliation of fund balance with Treasury. The auditors of the INS noted that some of the difference relates to general timing delays, unrecorded transactions, and other unidentified differences that the INS cannot support.
- ***The DEA should review and clear reconciling items expeditiously.*** Auditors reported that the DEA's Treasury clearing account balances increased by \$29 million during the fiscal year. Approximately 70% of the balance represent transactions that were processed through the Department of Treasury's On-Line Payment and Collection (OPAC) system. Documentation required to process an OPAC charge against the DEA's funds was not timely received; as a result, the DEA was unable to classify and properly record the transaction timely.
- ***Discrepancies were noted and fund balance with Treasury reconciliations were not adequately performed by the OJP.*** The OJP's auditors identified discrepancies between Treasury records and the OJP's general ledger that were primarily caused by problems with vendor number changes and other conditions identified in the OJP's accounting system. In addition, the auditors identified that reconciliations were not mathematically correct.
- ***The WCF has not been able to identify reconciling differences at the transaction level for an undisbursed appropriation account.*** The WCF auditors identified a difference of \$44 million between the Debt Management System and the Treasury. The WCF's financial statements reflect the balance reported by Treasury, not the balance reported in its own general ledger. Auditors reported that approximately 50% of the difference was subsequently identified at the transaction level.

**Recommendation**

2. As first reported in the Office of the Inspector General's Report No. 97-24B, we recommend the Assistant Attorney General for Administration ensure the INS, the DEA, the OJP, and the WCF perform timely reconciliations necessary to safeguard fund balance with Treasury and completely and accurately record transactions. Where possible, reconciling items should be identified to specific transactions and correcting adjustments posted timely. Additional attention should be paid to suspense and clearing accounts to ensure transactions posted to these accounts are timely identified and recorded in the proper general ledger account.

**Management Response:** Concur. The components will implement corrective action plans that include milestone dates for critical procedures. The Department will closely monitor each component's progress towards completion of corrective actions.

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**Improvements are needed in general controls at the Department's data centers and weaknesses exist in component financial management systems.**

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We performed a limited general control review of the Department's data processing centers that support Department information systems (exclusive of the FBI) and a limited security penetration review of external access controls. The auditors of the FBI performed similar reviews of the FBI's data center. Finally, other auditors and we reviewed controls over components' financial management systems.

With respect to our data center review, we updated our understanding of the systems environment and performed selected testing on areas where weaknesses in system security; system design, development and modification; segregation of duties; systems software; and service interruption were identified during our reviews of fiscal years 1996 and 1997. Improvements have been made, however, we continue to identify weaknesses that should be addressed. These issues are summarized below:

- **Change control.** Procedures related to changes in system software and software products are not documented or consistently followed.
- **Business continuity plan.** The Department does not have a comprehensive Business Continuity Plan to recover primary systems environment, critical data processing applications or key business processes in the event of a disaster.
- **Policies and procedures.** The Department's written security policies and procedures are outdated and do not comprehensively define the roles and responsibilities of the entity's managers and the security administration function.
- **External access controls.** Our penetration testing identified areas in the Department's information systems security strategy and implementation that require improvement to reduce the risk of unauthorized access, destruction, and manipulation of sensitive information.

With respect to certain components' application systems and the FBI data processing center, other auditors and we identified deficiencies as summarized below:

- **The INS' financial management systems are not integrated and have significant control weaknesses that affect the accuracy and reliability of financial information and limit the ability of management to make effective financial management decisions.** Auditors of the INS identified the following weaknesses that require management's attention: (a) direct access to mainframe financial systems is not controlled; (b) segregation of duties in programming, configuration management, and operations are not enforced;



(c) commingling network architecture between contractor and the INS-owned operating environments; and (d) security operations, risk assessments, computer security awareness, disaster recovery, and contingency plans lacked adequate monitoring. The auditors also identified weak physical security in shared facilities, unauditible data and source codes.

- ***Weaknesses in the general and application controls of the USM's Standardized Tracking Accounting and Reporting System (STARS) do not provide assurance that program and data files are protected from unauthorized access or modification and financial systems reporting capabilities are limited.*** We performed a general controls and application security review of STARS and reviewed whether prior year weaknesses in the Financial Management System (FMS) were corrected (STARS is used by headquarters and FMS is used by district offices). We noted the following: (a) there was no interagency agreement between the USM and the Department of Commerce's Office of Computer Services; (b) there were no written policies or procedures for granting user access/privileges to the UNIX system, or the STARS application that resides on the UNIX system; (c) an experienced database administrator was not designated to monitor the performance of the database or perform necessary maintenance; (d) the configuration of the system that runs the STARS application was inadequate to ensure that only authorized users can access the application programs and data files; (e) STARS was not adequately tested in a test or parallel-processing environment before implementation; (f) the USM did not have a formal change management process to assure operation continuity and orderly evolution of the application; (g) inadequate segregation of duties in the FMS; and (h) financial management and reporting capabilities are limited.
- ***The DEA should strengthen its general controls over information systems.*** Auditors reported that the DEA lacks: (a) an Incident Response Training Program for certain information systems; (b) a disaster recovery plan that includes alternate back-up sites and a plan that ensures information systems back-up tapes are stored off-site; and (c) access controls that ensure transferred or terminated employees are promptly removed from user access files. In the event of a disaster, the DEA may not be able to recover lost data or promptly resume normal operations.
- ***Security controls need to be strengthened over the OBDs' Financial Management Information System (FMIS).*** We noted that inadequate segregation of duties provides weak security administration in FMIS. Application programmers have update access to security tables and can also create access to their "own" module. As a result, application programming and security administration are not properly segregated. We also noted inadequate security policies and procedures to guide security administration, re-certification of user IDs, or the timely disabling of inactive or obsolete user IDs.
- ***The auditors of the OJP identified deficiencies in management controls over information resources.*** The auditors identified weak controls in procedures over access controls and noted that a software change management process was not implemented. Procedures for managing changes made to the network configuration and

telecommunications systems have not been developed. Finally, the auditors identified the following weaknesses: (a) an entity-wide security control review had not been performed for the last three years; (b) the lack of a documented annual financial system management plan; (c) an untested contingency plan; and (d) incomplete procedures that address entity-wide information resource security.

- ***The auditors of the FBI identified conditions that taken collectively compromise the agency's ability to ensure reliable financial reporting and compliance with laws and regulations.*** Weaknesses were identified in the FBI's information systems general control environment, including: (a) enhancements are needed in the entity-wide security program; (b) logical access controls that need improvement to ensure greater security over data resources; (c) a systems programming unit that lacks a formal change control process; and (d) the lack of a comprehensive, tested business continuity plan.

The control weaknesses identified by the auditors increase the risk that software programs and data processed on these systems are not adequately protected from unauthorized access. The Department of Justice Order 2640.2C "*Telecommunications and Automated Information Systems Security*" provides general guidelines for the implementation of security policies throughout the Department of Justice. The OMB Circular A-130, Appendix III, *Automated Information Security Programs*, requires Agencies to establish controls to assure adequate security for all information processed, transmitted, or stored in Federal automated information systems. The Department's order requires each system to have an access control policy and a security plan for all computer systems.

#### **Recommendations**

As first reported in the Office of the Inspector General's Report No. 97-24B, we recommend that the Assistant Attorney General for Administration ensure that management of the components implement programs that provide adequate security for general support systems and major applications, including the following:

3. For general support systems and specific agency applications (a) assign responsibility for security, (b) develop or modify system security plans, (c) review security controls, and (d) ensure management officials test and confirm the effectiveness of security plans.
4. Enhance or modify existing controls to ensure personnel security, technical, operation, and management controls are used to prevent and detect improper activities by authorized individuals. These controls include: (a) individual accountability controls that hold individuals responsible for their actions by identifying and authenticating users, (b) controls that restrict users' access to those functions necessary to perform their job, and (c) segregation of duties that divide the steps in critical processes among different individuals so that no one person is able to subvert a critical control.

5. Because of the sensitivity of the information at the Department's and the FBI's data centers and the Department's external access controls, auditors issued separate limited distribution reports to the Office of the Inspector General that describe the conditions they identified. We recommend the Assistant Attorney General for Administration implement the recommendations provided in each of those reports.

**Management Response:** Concur with recommendations No. 3, 4, and 5. The Department is committed to the implementation of corrective actions that will provide adequate security controls and protect sensitive information. The data centers and the components identified above will work with the Chief Information Officer to develop and implement corrective actions in response to the recommendations above.

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**The components' fiscal year-end closing procedures must be improved to ensure financial information is consistently presented at the Department level and completed timely to allow the Department's consolidated financial statements to be completed and audited in accordance with the Government Management Reform Act.**

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The Government Management Reform Act (GMRA) requires federal agencies to submit audited Department-wide financial statements to the OMB by March 1, 1999. To meet this deadline, the Assistant Attorney General for Administration and the Inspector General issued a joint memorandum to all nine of the components outlining when critical procedures had to be completed to ensure the Department would be able to prepare, review, and have audited, its consolidated financial statements.

In addition to the timeline, the Department's Justice Management Division (JMD) held financial statement working group meetings that provided informative discussions on financial statement preparation. Topics discussed included:

- The Department's consolidated financial reporting requirements.
- Form and content requirements for agency financial statements.
- Federal accounting standards, including four new standards effective in fiscal year 1998.
- Audit procedures that are typically applied, including, the timing, nature, and extent of audit procedures.

The working group was established, in part, in response to our prior fiscal year's Report on Internal Controls recommending the Department implement a strategic plan for financial reporting that would address: (a) resource needs; (b) timelines; (c) quality control; and (d) involvement of component financial and program managers. We believe the working group was a positive step to improve the financial reporting of the Department and encourage its continuance. However, other auditors and we continue to identify weaknesses at the component level that may affect the Department's ability to produce timely and consistent auditable financial statements. Auditors of the FPS, the INS, the FBI, the OBDs, the AFF and the USM identified the following conditions:

- ***Auditors observed that resource requirements might be insufficient to perform financial statement preparation in accordance with Federal accounting and reporting standards.*** Auditors observed that resources may not be adequate to ensure financial statement preparation is performed timely and accurately. Auditors noted that, in some cases, there was not a trained group of personnel dedicated solely to financial statement preparation. In addition, individuals involved in financial statement preparation often performed functions normally assigned to other individuals (for example, obtaining documentation to support account balances). Additional responsibilities placed on key personnel involved

with financial statement preparation increases the risk financial statements will not be completed accurately or timely.

- ***Information needed for the financial statement audit was often not received, or was not received timely, from program offices.*** Auditors reported that in some cases, documentation supporting the underlying accounting data was provided late or not provided at all. The components' finance offices often do not maintain the documentation needed to support the audit; accordingly, requests are made to program and field offices requesting this information. This information was often not provided, or was not provided timely in a format that could be used. As a result, the finance offices either requested the information again or prepared the requested information themselves. In many cases, the individuals assigned to resolve problems are the same individuals who prepare the statements. This does not allow the individual to perform a quality control review before the financial statements are submitted for audit. Thus, financial statements and notes contained errors or inadequate disclosures.
- ***Several components did not conform to Department financial reporting requirements when they prepared their component financial statements; consequently, sufficient evidence concerning the consistency and adequacy of the overall presentation and disclosure in the Department's financial statements could not be obtained before the deadlines established by the Department.*** The JMD provided financial reporting templates to all nine Department components describing the Department's consolidated financial statement reporting requirements. However, we noted that several components did not prepare financial statements according to these requirements. The JMD contacted the components in an attempt to resolve these inconsistencies and reclassified the components' reported amounts in the Department's combining statements and disclosures. Our reports on the Department's financial statements, internal controls, and compliance with laws and regulations are based solely on the audit reports of the components' auditors. Accordingly, we did not perform any procedures on the reclassifications made by the JMD to the Department's combining statements.

Spending additional time auditing and revising component financial statements after deadlines established by the Department would likely cause the Department to miss the GMRA's March 1, 1999 deadline. As a result, the Department's consolidated and combined financial statements contained amounts that were not consistently reported among the components.

#### **Recommendations**

As first reported in the Office of the Inspector General Report No. 98-07A, we continue to recommend that the Assistant Attorney for Administration begin work as soon as possible on the following recommendations to improve the components' and the Department's financial reporting processes:

6. Implement a strategic plan for financial reporting at the components that identifies, in detail, the procedures required to acquire documentation and prepare financial statements according to established timetables and the individuals who will perform these critical functions. The plan should address each critical phase (i.e., documentation requests, statement preparation, quality control reviews, etc.) and define the requirements to ensure components will enable the JMD to "consolidate" their information into a consistent, Department-wide financial statement presentation. We also recommend performing an interim financial close to ensure year-end closing procedures will be effective, including the preparation of Department pro-forma financial statements and note disclosures.
7. Ensure that program and field offices participate in the audit process. Component financial statements represent the operations and program activities of the entire agency, not just the finance offices. We encourage meeting soon after the fiscal year 1998 audit is completed (i.e., April) to discuss planning for the fiscal year 1999 audit and recommend that financial, program and operational managers attend to discuss audit plans, timelines and information needed.

**Management Response:** Concur with recommendations 6 and 7. Management will again develop a financial closing plan that details the responsibilities of each office and division. The plan will also identify critical dates that must be met, or if the dates cannot be met, contingent plans for directing resources to audit areas where positive results can be achieved. The Department will coordinate with the Office of the Inspector General to establish timetables that will meet the Department's reporting responsibilities, while at the same time, considering the appropriate resources that should be devoted to this process at the Department and component levels.

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS:**

As required by *Government Auditing Standards* and the Office of Management and Budget (OMB) Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, we have reviewed the status of the Department's corrective actions with respect to the findings and recommendations from our fiscal years 1996 and 1997 reports on the Department's internal controls. The analysis below provides our assessment of the progress the Department has made in correcting the reportable conditions identified in these reports. We also provide the Office of the Inspector General Report number and the fiscal year covered by the report where the condition was first identified, our recommendation for improvement and the status of the condition as of September 30, 1998:

Report	Reportable Condition	Status
97-24B (1996)	<p><u>Material Weakness:</u> Adequate controls do not exist to safeguard property and equipment and improved accounting is needed. For fiscal year 1997, this was reported as a reportable condition as improvements were made.</p> <p><u>Recommendation:</u> Correct existing errors in account balances and study cost benefits of facilitating a Department-wide property management system or procedures.</p>	In Process (c)
97-24B (1996)	<p><u>Material Weakness:</u> For fiscal year 1998, the accrual-based accounting concepts weaknesses was modified to report the inconsistent treatment of financial transactions in accordance with Federal Accounting Standards.</p> <p><u>Recommendation:</u> Emphasize the proper processing and recording of financial transactions in accordance with Federal accounting standards.</p>	In Process (a)
97-24B (1996)	<p><u>Material Weakness:</u> The Department must perform key reconciliations. For fiscal year 1997, this was reworded to emphasize reconciliation of fund balance with Treasury.</p> <p><u>Recommendation:</u> Perform reconciliations and resolve all differences on a timely basis.</p>	In Process (b)
97-24B (1996)	<p><u>Material Weakness:</u> Improved security is required at Departmental data centers and for component applications.</p> <p><u>Recommendation:</u> Implement corrective actions identified in data center reports and correct control deficiencies at the component level.</p>	In Process (b)

Report	Reportable Condition	Status
98-07A (1997)	<p><u>Material Weakness:</u> Financial accounting controls were not adequate to compile and report seized/forfeited property.</p> <p><u>Recommendation:</u> Improve financial accounting and reporting of seized/forfeited property and property held as evidence.</p>	In Process (c)
98-07A (1997)	<p><u>Reportable Condition:</u> Improved financial year-end closing procedures are needed to meet financial reporting deadlines of GMRA.</p> <p><u>Recommendations:</u> Implement a strategic plan that identifies the timelines and resources needed to prepare auditable consolidated financial statements.</p>	In Process
<p>a) The material weakness has been revised to state that accounting policies and procedures were not adequate to ensure financial transactions are performed in accordance with Federal accounting standards. This condition remains a material weakness.</p> <p>b) The condition has been downgraded to a reportable condition.</p> <p>c) For those conditions that remain for some of the components, they have been combined into the material weakness on compliance with Federal accounting standards.</p>		

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Component auditors identified a number of other matters that they did not consider to be reportable conditions. A summarization of these matters will be communicated to components' management in separate management letters.

This report is intended solely for the information of the Attorney General, the Office of the Inspector General, the OMB, and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

February 15, 1999  
Arlington, Virginia



**REPORT OF INDEPENDENT ACCOUNTANTS  
ON COMPLIANCE WITH LAWS AND REGULATIONS**

United States Attorney General and  
The Office of the Inspector General  
United States Department of Justice

We were engaged to audit the consolidated balance sheet of the U.S. Department of Justice (the Department) as of September 30, 1998, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources, financing, and custodial activity, for the year then ended, and have issued our report thereon dated February 15, 1999. In that report, we disclaimed an opinion on the Department's financial statements because certain amounts reported could not be substantiated. We were not engaged to audit the financial statements of certain components of the Department, including the Working Capital Fund (WCF), the Office of Justice Programs (OJP), the Drug Enforcement Administration (DEA), the Federal Bureau of Investigation (FBI), the Immigration and Naturalization Service (INS), and the Federal Prison System (FPS). These components represent \$18.5 billion (73.6%) of the Department's combined total assets and \$15.9 billion (77.0%) of its combined total costs. Other auditors were engaged to audit these financial statements and their reports have been furnished to us, and our report on the Department's compliance with laws and regulations, insofar as it relates to these components, is based solely on the reports of the other auditors.

Compliance with laws and regulations applicable to the Department is the responsibility of management. As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, other auditors and we performed tests of the reporting components' compliance with certain provisions of applicable laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in Office of Management and Budget (OMB) Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. However, the objective of these tests was not to provide an opinion on the Department's overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

The results of other auditors' tests of components' compliance with laws and regulations, exclusive of FFMIA, disclosed instances of noncompliance with the following laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 98-08, as described below:

- *Prompt Pay Act* – Auditors of the DEA identified that interest of \$89,000 was not paid on approximately 2,200 vendor invoices. The auditors of the INS reported that one INS region was not paying interest on overdue Intergovernmental Service Agreements related to detained aliens.
- *Appropriation Law* – The INS auditors reported that one region established “contingency obligations” to cover unforeseen costs associated with other obligations. The auditors reported that there were no definite commitments that created a legal liability of the Government.
- *Illegal Immigration Reform and Immigration Responsibility Act* – INS’ auditors reported that system limitations prevent the INS from properly allocating individual deposits between two deposit accounts.

Under FFMIA, auditors are required to report whether financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards and the United States Standard General Ledger at the transaction level. To meet this requirement, other auditors and we performed tests of the components’ compliance using the implementation guidance for the FFMIA included in OMB Bulletin No. 98-08. Other auditors’ and our tests of components’ compliance with the FFMIA identified the following conditions:

- Auditors of the OJP, the FBI, the FPS, the Offices, Boards and Divisions (OBDs), the U.S. Marshals Service (USM) and the Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF) identified departures from certain requirements of Federal accounting standards, including those published by the Federal Accounting Standards Advisory Board.
- Auditors of the OJP, the FBI, the DEA, the INS, and the USM identified that component financial management systems do not meet Federal financial management system requirements; including: (1) the applicable provisions of OMB Circulars A-127, *Financial Management Systems*, and A-130, *Management of Federal Information Resources*, (2) certain requirements of the Joint Financial Management Improvement Program, and (3) applicable accounting standards of the U.S. Standard General Ledger.

All significant facts pertaining to the matters referred to above and recommended remedial actions are included in component auditors’ Reports on Internal Control. Other auditors and we believe these conditions are significant departures from Federal accounting standards and the Federal financial management systems requirements. The Department should assign a high priority to the corrective actions consistent with the requirements of OMB Circular A-50 Revised, on audit follow-up.



Report on Compliance with Laws and Regulations  
Page 3

This report is intended solely for the information of the Attorney General, the Office of the Inspector General, the OMB, and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "PriceWaterhouseCoopers LLP".

February 15, 1999  
Arlington, Virginia

**U.S. Department of Justice**

**Principal Financial Statements  
and Related Notes**

**DEPARTMENT OF JUSTICE**  
**Consolidated Balance Sheet**  
**as of September 30, 1998**

**Dollars in Thousands**

**1998**

**Assets**

**Entity Assets**

Intragovernmental

Fund Balance with U.S. Treasury (Note 2)	\$ 16,306,665
Investments (Note 4)	653,494
Advances and Prepayments	138,917
Accounts Receivable, Net (Note 5)	435,870
Interest Receivable	1,980
Other Assets (Note 6)	384

Governmental

Advances and Prepayments	996,881
Accounts Receivable, Net (Note 5)	94,400
Cash and Other Monetary Assets (Note 3)	24,529
Inventory and Related Property, Net (Note 7)	106,577
General Property, Plant and Equipment, Net (Note 10)	4,929,081
Forfeited Property, Net (Note 8)	127,816
Other Assets (Note 6)	702

**Total Entity Assets**

**\$ 23,817,296**

**Non-Entity Assets**

Intragovernmental

Fund Balance with U.S. Treasury (Note 2)	\$ 384,422
Investments (Note 4)	656,523
Accounts Receivable, Net (Note 5)	2
Advances and Prepayments	639

Governmental

Accounts Receivable, Net (Note 5)	6,490
Cash and Other Monetary Assets (Note 3)	82,097

**Total Non-entity Assets**

**\$ 1,130,173**

**Total Assets**

**\$ 24,947,469**

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE  
Consolidated Balance Sheet  
as of September 30, 1998**

Dollars in Thousands

1998

**LIABILITIES**

**Liabilities Covered by Budgetary Resources**

Intragovernmental Liabilities	
Accounts Payable	\$ 16,508
Debt (Note 11)	20,000
Other Intragovernmental Liabilities (Note 12)	146,143
Governmental Liabilities	
Accounts Payable	2,660,047
Accrued Payroll and Benefits	413,761
Deferred Revenue	661,840
Deposit/Suspense Fund	697,340
Cash, Securities, and US Treasury Bonds Held	180,521
Liability for Cash Held as Evidence	78,509
Unexpended Prior Year Surplus	5,916
Contingent Liabilities (Note 9)	75,000
Other Governmental Liabilities (Note 12)	29,234
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>\$ 4,984,819</b>

**Liabilities Not Covered by Budgetary Resources**

Intragovernmental Liabilities	
Fine and Interest Payable to US Treasury	\$ 6,258
Undisbursed Civil and Criminal Debt Collections	160,419
Other Intragovernmental Liabilities (Note 12)	116,185
Governmental Liabilities	
Actuarial Liabilities	602,739
Lease Liabilities (Note 13)	94,944
Accrued Leave	493,828
Contingent Liabilities (Note 9)	106,877
Liability for Cash Held as Evidence	369
Other Governmental Liabilities (Note 12)	27,992
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 1,609,611</b>
<b>Total Liabilities</b>	<b>\$ 6,594,430</b>

**NET POSITION**

Unexpended Appropriations (Note 17)	\$ 12,290,180
Cumulative Results of Operations	6,062,859
<b>Total Net Position</b>	<b>\$ 18,353,039</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 24,947,469</b>

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Consolidated Statement of Net Cost**  
**for fiscal year ended September 30, 1998**

**Dollars in Thousands**

**1998**

	<b>Combined Total</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>Program Costs</b>			
<b>Investigation and Prosecution of Criminal Offenses</b>			
Production			
Intragovernmental	\$ 1,152,301	\$ (327,979)	\$ 824,322
With the Public	4,147,922	-	4,147,922
Total	\$ 5,300,223	\$ (327,979)	\$ 4,972,244
Less Earned Revenues	(738,436)	327,979	(410,457)
Net Program Costs	\$ 4,561,787	\$ -	\$ 4,561,787
<b>Assistance to Tribal, State, and Local Governments</b>			
Production			
Intragovernmental	\$ 3,040,057	\$ (25,956)	\$ 3,014,101
With the Public	1,304,135	-	1,304,135
Total	\$ 4,344,192	\$ (25,956)	\$ 4,318,236
Less Earned Revenues	(124,776)	25,956	(98,820)
Net Program Costs	\$ 4,219,416	\$ -	\$ 4,219,416
<b>Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests</b>			
Production			
Intragovernmental	\$ 481,040	\$ (80,535)	\$ 400,505
With the Public	890,037	-	890,037
Total	\$ 1,371,077	\$ (80,535)	\$ 1,290,542
Less Earned Revenues	(177,682)	80,535	(97,147)
Net Program Costs	\$ 1,193,395	\$ -	\$ 1,193,395
<b>Immigration</b>			
Production			
Intragovernmental	\$ 34,506	\$ (4,893)	\$ 29,613
With the Public	2,991,881	-	2,991,881
Total	\$ 3,026,387	\$ (4,893)	\$ 3,021,494
Less Earned Revenues	(770,884)	4,893	(765,991)
Net Program Costs	\$ 2,255,503	\$ -	\$ 2,255,503

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Consolidated Statement of Net Cost**  
**for fiscal year ended September 30, 1998**

**Dollars in Thousands**

**1998**

	<b>Combined Total</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>Program Costs</b>			
<b>Detention and Incarceration</b>			
Production			
Intragovernmental	\$ 42,779	\$ (96,898)	\$ (54,119)
With the Public	5,368,031	-	5,368,031
Total	\$ 5,410,810	\$ (96,898)	\$ 5,313,912
Less Earned Revenues	(821,775)	96,898	(724,877)
Net Program Costs	\$ 4,589,035	\$ -	\$ 4,589,035
<b>Protection of the Federal Judiciary and Improvement of the Justice System</b>			
Production			
Intragovernmental	\$ 38,558	\$ (10,933)	\$ 27,625
With the Public	387,175	-	387,175
Total	\$ 425,733	\$ (10,933)	\$ 414,800
Less Earned Revenues	(141,320)	10,933	(130,387)
Net Program Costs	\$ 284,413	\$ -	\$ 284,413
<b>Management</b>			
Production			
Intragovernmental	\$ 498,843	\$ (607,256)	\$ (108,413)
With the Public	271,000	-	271,000
Total	\$ 769,843	\$ (607,256)	\$ 162,587
Less Earned Revenues	(694,519)	607,256	(87,263)
Net Program Costs	\$ 75,324	\$ -	\$ 75,324
Deferred Maintenance (Note 1)			
<b>Net Cost of Operations (Note 21)</b>	<b>\$ 17,178,873</b>	<b>\$ -</b>	<b>\$ 17,178,873</b>

The accompanying notes are an integral part of these financial statements



**DEPARTMENT OF JUSTICE**  
**Consolidated Statement of Changes in Net Position**  
**for fiscal year ended September 30, 1998**

<b>Dollars in Thousands</b>	<b>1998</b>
<b>Net Cost of Operations (Note 21)</b>	<b>\$ (17,178,873)</b>
Financing Sources (other than exchange revenues):	
Appropriations Used	16,434,346
Other nonexchange revenue	790,137
Imputed Financing (Note 15)	545,250
Transfers-in	280,158
Transfers-out	(131,654)
Rescissions	(100,000)
Other Financing Source	(4,133)
Allocation of Prior Year Surplus	(33,055)
<b>Net Results of Operations</b>	<b>\$ 602,176</b>
Prior Period Adjustments (Note 16)	293,405
<b>Net Change in Cumulative Results of Operations</b>	<b>\$ 895,581</b>
Increase (Decrease) in Unexpended Appropriations	1,636,099
<b>Change in Net Position</b>	<b>\$ 2,531,680</b>
Net Position-Beginning of Period (Note 16)	15,821,359
<b>Net Position - End of Period</b>	<b>\$ 18,353,039</b>

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Combined Statement of Budgetary Resources**  
for fiscal year ended September 30, 1998

<b>Dollars in Thousands</b>	<b>1998</b>
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**Budgetary Resources:**

Budget Authority	
Appropriations	\$ 17,274,994
Net Transfers, Current Year Authority	1,651,943
Unobligated Balances - Beginning of Period	3,660,669
Net Transfers, Prior Year Balance, Actual	28,916
Spending Authority from Offsetting Collections	3,547,833
Adjustments	(247,349)
<b>Total Budgetary Resources</b>	<b><u><u>\$ 25,917,006</u></u></b>

**Status of Budgetary Resources:**

Obligations incurred	\$ 22,270,747
Unobligated Balances - Available	3,253,838
Unobligated Balances - Not Available	392,421
<b>Total Status of Budgetary Resources</b>	<b><u><u>\$ 25,917,006</u></u></b>

**Outlays:**

Obligations Incurred	\$ 22,270,747
Less: Spending Authority from Offsetting Collections and Adjustments	(3,775,067)
Obligated Balance, Net - Beginning of Period	10,381,610
Less: Obligated Balance, Net - End of Period	(12,377,886)
<b>Total Outlays</b>	<b><u><u>\$ 16,499,404</u></u></b>

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Combined Statement of Financing**  
**for fiscal year ended September 30, 1998**

**Dollars in Thousands**

**1998**

**Obligations and Nonbudgetary Resources**

Obligations incurred	\$ 22,270,747
Less: Spending Authority from Offsetting Collections and Adjustments	(3,775,067)
Financing Imputed for Cost Subsidies	538,599
Revenue Not in the Entity's Budget	(4,119)
Transfers-in (out)	(99,666)
Property Transfers in, Net	33,947
Other Resources Used to Finance Operations	471,390

**Total Obligations as Adjusted, and Nonbudgetary Resources**

**\$ 19,435,831**

**Resources That do not Fund Net Cost of Operations**

Change in Amount of Goods, Services, and Benefits Ordered but not yet Received or Provided	\$ (2,055,185)
Change in Unfilled Customer Orders	53,747
Costs Capitalized on the Balance Sheet	(433,219)
Financing Sources That Fund Costs of Prior Periods	(230,332)
Other	(57,942)

**Total Resources That do not Fund Net Cost of Operations**

**\$ (2,722,931)**

**Costs That do not Require Resources**

Depreciation, Amortization and Bad Debt	\$ 264,338
Other	14,646

**Total Costs That do not Require Resources**

**\$ 278,984**

**Financing Sources Yet to Be Provided**

**\$ 177,970**

**Net Cost of Operations (Note 21)**

**\$ 17,169,854**

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Combined Statement of Custodial Activity**  
**for fiscal year ended September 30, 1998**

<b>Dollars in Thousands</b>	<b>1998</b>
<b>Revenue Activity</b>	
<b>Sources of Cash Collections:</b>	
Civil and Criminal Debt Collections	\$1,148,775
<b>Disposition of Collections:</b>	
Transferred to Others:	
Federal Agencies	(963,203)
Public	(178,698)
Decrease in Amounts to be Transferred	18,893
Refunds	(1,240)
Retained by the WCF pursuant to Section 108 of P.L. 103-121	<u>(24,527)</u>
<b>Net Custodial Revenue Activity (Note 22)</b>	<u><u>\$0</u></u>

The accompanying notes are an integral part of these financial statements

**U.S. Department of Justice**  
**Notes to the Principal Financial Statements**

**Note 1. Summary of Significant Accounting Policies**

A. Description of the Reporting Entity

The responsibilities of the Department are wide-ranging. The responsibilities include: detecting, apprehending, prosecuting, and incarcerating criminal offenders; operating Federal prison factories; upholding the civil rights of all Americans; enforcing laws to protect the environment; ensuring healthy competition of business in our free enterprise system; safeguarding the consumer from fraudulent activity; carrying out the immigration laws of the United States; and representing the American people in all legal matters involving the United States Government. Under the direction of the Attorney General, these responsibilities are discharged by the components of the Department.

For purposes of these financial statements, the following components comprise the Department's reporting entity: Assets Forfeiture Fund and Seized Asset Deposit Fund; Working Capital Fund; Offices, Boards and Divisions; United States Marshals Service; Office of Justice Programs; Drug Enforcement Administration; Federal Bureau of Investigation; Immigration and Naturalization Service; and the Federal Prison System.

- **Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)** are aimed at attacking and dismantling criminal organizations at all levels by seizing the assets of illicit organizations. Through this procedure, the Government can sharply curtail or eliminate these illicit operations. Forfeiture procedures occur through civil and criminal judicial cases, and through administrative means.
- **Working Capital Fund (WCF)** consolidates, under one financing arrangement, many common services of the Department's components to obtain economies of scale and efficiency of operations while avoiding a duplication of effort. The WCF provides certain administrative services where a determination has been made that these services can be provided more advantageously on a centralized basis.

**Notes to the Principal Financial Statements**  
**Annual Financial Statement FY 1998**

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- **Offices, Boards and Divisions** (OBDs) comprising several enforcement, litigating and policy-making components have a variety of missions and programs. Included among these components are the following:

**Offices**

Attorney General  
Deputy Attorney General  
Associate Attorney General  
Office of the Solicitor General  
Office of Legal Counsel  
Office of Legislative Affairs  
Office of Professional Responsibility  
Office of Policy Development  
Office of Public Affairs  
Office of Pardon Attorney  
Office of the Inspector General  
Community Relations Service  
Executive Office for U.S. Attorneys  
Office of Dispute Resolution  
INTERPOL - U.S. National Central Bureau  
Office of Intelligence Policy and Review  
Executive Office for Immigration Review  
Executive Office for U.S. Trustees  
Office of Intergovernmental Affairs  
Office of Information and Policy  
Office of Community Oriented Policing Services  
National Drug Intelligence Center (NDIC)

**Boards**

U.S. Parole Commission  
Foreign Claims Settlement Commission

**Divisions**

Antitrust Division  
Civil Division  
Civil Rights Division  
Criminal Division  
Environment and Natural Resources Division  
Tax Division  
Justice Management Division

- **United States Marshals Service** (USMS) protects the Federal judiciary and witnesses; executes warrants and court orders; manages seized assets; and maintains custody and provides transportation of unsentenced prisoners. Included under the USMS is the Support of U.S. Prisoners Program.

- **Office of Justice Programs (OJP)** is responsible for collecting statistical data and conducting analyses; identifying emerging criminal justice issues; developing and testing promising approaches to address these issues; evaluating program results; managing \$2.2 billion in discretionary grant program funds; and disseminating these findings and other information to State and Local governments. The five bureaus of the OJP are the Bureau of Justice Assistance, Bureau of Justice Statistics, National Institute of Justice, Office of Juvenile Justice and Delinquency Prevention, and the Office for Victims of Crime.
- **Drug Enforcement Administration (DEA)** is responsible for the development of overall Federal drug enforcement strategy, programs, planning, and evaluation and enforces the controlled substance laws of the United States.
- **Federal Bureau of Investigation (FBI)** is the principal investigative arm of the Department. The FBI is also authorized to provide other law enforcement agencies with cooperative services, such as fingerprint identification, laboratory examinations, police training, Uniform Crime Reports, and the National Crime Information Center.
- **Immigration and Naturalization Service (INS)** is responsible for carrying out national policy which provides for selective immigration and for controlled entry and stay of non-immigrants in order to promote the reunification of families, entry of immigrants possessing needed skills, temporary admission of specific classes of non-citizens, and refuge from persecution. INS is also responsible for preventing unlawful entry and employment of individuals ineligible for admission.
- **Federal Prison System (FPS)** includes three entities which comprise the FPS: the Bureau of Prisons (BOP), the Federal Prison Industries (FPI), and the Commissary Trust Fund (CTF). The BOP protects society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, and appropriately secure, and which provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens. The FPI provides employment and training opportunities to inmates confined in Federal correctional facilities and provides market-priced, quality products and services to other Federal agencies. The CTF provides a means for inmates to purchase products and services which are not provided by Federal funds, e.g., personal grooming products, stamps, telephone, and laundry services.

B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the U.S. Department of Justice (the Department), as required by the Government Management Reform Act of 1994, Public Law 103-356, 108, Stat. 3515. These financial statements have been prepared from the books and records of the Department in accordance with applicable portions of the form and content for entity financial statements specified by the Office of Management and Budget (OMB) Bulletin No. 97-01, Form and Content of Agency Financial Statements, dated October 16, 1996, as amended November 20, 1998. These financial statements are different from the financial reports, also prepared for the Department pursuant to OMB directives which are used to monitor and control the use of the Department's budgetary resources. The accompanying financial statements include the accounts of all funds under the Department's control.

C. Basis of Accounting

The financial statements have been prepared on an accrual basis of accounting. Transactions are recorded on an accrual and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

The Statements of Federal Financial Accounting Standards that were in effect as of September 30, 1998, were followed in the preparation of these financial statements. For those transactions that are not specifically addressed by these standards, the following hierarchy constitutes another comprehensive basis of accounting and was used to prepare these financial statements:

1. Individual standards agreed to by the Director of the OMB, the Comptroller General, and the Secretary of the Treasury, and published by OMB and the General Accounting Office.
2. Interpretations related to the Statements of Federal Financial Accounting Standards issued by OMB in accordance with the procedures outlined in OMB Circular A-134, "Financial Accounting Principles and Standards."
3. Requirements contained in applicable portions of OMB's Form and Content Bulletin No. 97-01.



***Notes to the Principal Financial Statements***  
***Annual Financial Statement FY 1998***

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4. Accounting principles published by authoritative standard setting bodies and other authoritative sources in the absence of other guidance and if the use of such accounting standards improves the meaningfulness of these financial statements.

D. Revenues and Other Financing Sources

The Department receives the majority of funding needed to support its programs through appropriations. The Department receives both annual and multi-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Appropriations are recognized as revenue at the time the related program or administrative expenses are incurred. Additional amounts are obtained through exchange and non-exchange revenues.

Exchange revenues are recognized when earned, for example, goods have been delivered or services rendered. Non-exchange revenues are resources that the Government demands or receives by donation, for example, taxes and duties.

E. Funds with the U.S. Department of the Treasury and Cash

The Department does not, for the most part, maintain cash in commercial bank accounts. Certain receipts, however, are processed by commercial banks for deposit to individual accounts maintained at the U.S. Department of the Treasury (U.S. Treasury). Cash receipts and disbursements are processed by the U.S. Treasury as directed by authorized Department certifying officers. Funds with the U.S. Treasury represent primarily appropriated, revolving, and trust funds available to pay current liabilities and finance future authorized purchases.

The Department's cash and other monetary assets consist of undeposited collections, imprest funds, cash used in undercover operations, cash held as evidence, and CTF checks and drafts in transit.

F. Investments in U.S. Government Securities

Investments are Federal debt securities issued by the Bureau of Public Debt and purchased exclusively through Treasury's Financial Management Service. When securities are purchased, the investment is recorded at par value (the value at maturity). Premiums and/or discounts are amortized through the end of the reporting period. The Department's intent is to hold investments to maturity, unless securities are needed to sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

***Notes to the Principal Financial Statements***  
***Annual Financial Statement FY 1998***

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G. Property, Plant and Equipment

The Department owns some of the buildings in which it operates. Other buildings are provided by the General Services Administration (GSA), which charges rent equivalent to the commercial rental rates for similar properties. Depreciation on buildings and equipment provided by the GSA is not recognized by the Department. Leasehold improvements are depreciated over the term of the remaining portion of the lease.

Except for FPS, Department acquisitions of personal property \$25,000 and over are capitalized and depreciated, based on historical cost, using the straight-line method over the estimated useful lives of the assets. Equipment with an acquisition cost of less than \$25,000 is expensed when purchased. FPS capitalizes personal property acquisitions over \$5,000. Aircrafts are capitalized when the initial cost of acquiring those assets is \$100,000 or more. Real property, except for land, is capitalized when the cost of acquiring and /or improving the asset is \$100,000 or more and the asset has a useful life of two or more years. Land is capitalized regardless of the acquisition cost.

Deferred maintenance cost is deemed to be immaterial for consolidated purposes and is not recognized on the statement of net cost.

H. Advances and Prepayments

Advances and prepayments classified as assets on the balance sheet include the excess funds disbursed to grantees over the total of expenditures made by those grantees to third parties based upon year end data. This amount also includes the current balance of travel advances issued to Federal employees in advance of official travel. Amounts issued are limited to meals and incidental expenses expected to be incurred by the employees during official travel. Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenditures/expenses when the related goods and services are received.

I. Liabilities

Liabilities represent the monies or other resources that are likely to be paid by the Department as the result of a transaction or event that has already occurred. However, no liability can be paid by the Department absent proper budget authority. Liabilities that are not funded by the current year appropriation are classified as unfunded liabilities and

***Notes to the Principal Financial Statements***  
***Annual Financial Statement FY 1998***

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there is no certainty that corresponding future appropriations will be enacted. Liabilities cannot be liquidated without legislation that provides resources to do so.

Information on the current and non-current portions of the liabilities have not been disclosed because this information was not available for all reporting entities at the time the statements were prepared.

J. Non Entity Assets and Liabilities

The Debt Collection Management Activity, within the WCF, monitors a clearing account, U.S. Treasury Fund Symbol 15F3885, which represents restricted undisbursed civil and criminal debt collections that are administered by but not available to the WCF. INS also receives cash receipts that have not been deposited to the U.S. Treasury by year end. These balances are classified as a non-entity asset on the balance sheet and the corresponding intragovernmental liability is classified as not covered by budgetary resources. AFF/SADF receives cash held in trust until a determination has been made as to its disposition. This balance is classified as a non-entity asset on the balance sheet with the corresponding deposit fund liability.

K. Loans and Interest Payable to the U.S. Treasury

Loans payable to the U.S. Treasury include a loan to the FPI. During 1988, Congress granted the FPI borrowing authority pursuant to Public Law 100-690. Under this authority, during fiscal year 1989, the FPI borrowed \$20 million from the U.S. Treasury with a lump-sum maturity or optional renegotiation date of September 30, 1998.

L. Contingencies and Commitments

The Department is a party in various administrative proceedings, legal actions, and claims brought by or against it. In the opinion of management and legal counsel, the ultimate resolution of the majority of these proceedings, actions, and claims will not materially affect the financial position or results of operations of the Department. The majority of leased space occupied by the Department is leased by the General Services Administration (GSA). The Department may terminate leases with GSA, however, it is anticipated that the leases will continue in future years. A breakdown of future capital and operating lease payments is provided in Note 13.

M. Annual, Sick and Other Leave

Annual and compensatory leave is expended with an offsetting liability as it is earned and the liability is reduced as leave is taken. Each year, the balance in the accrued annual

***Notes to the Principal Financial Statements***  
***Annual Financial Statement FY 1998***

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leave liability account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual and compensatory leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expended as taken.

**N. Interest on Late Payments**

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

**O. Retirement Plan**

With few exceptions, employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS) and employees hired after that date are covered by the Federal Employees Retirement System (FERS).

For employees covered by the CSRS, the Department contributes 8.5 percent of the employees' gross pay for normal retirement or 9 percent for hazardous duty retirement. For employees covered by the FERS, the Department contributes approximately 13 percent of employees' gross pay. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, a TSP is automatically established, and the Department is required to contribute an additional 1 percent of gross pay to this plan and match employee contributions up to 4 percent. No matching contributions are made to the TSPs established by the CSRS employees. The Department does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any which may be applicable to their employees. Such reporting is the responsibility of the Office of Personnel Management (OPM).

The Statement of Federal Financial Accounting Standards Number Five (SFFAS No. 5), "Accounting for Liabilities of the Federal Government," requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 15 — Imputed Financing.

**P. Accrued Unfunded Workers' Compensation Liability**

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death

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is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Department employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the Department. The future workers' compensation liability has two components: (1) unpaid billings, and (2) an amount of estimated unbilled claims. The unbilled claims are estimated by applying actuarial procedures. The DOL calculated the liability of the Federal Government for future compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation costs. The liability was determined using the paid-losses extrapolation method calculated over the next 37-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments were discounted to present value. The resulting Federal government liability was then distributed by agency. The Future Compensation Benefits Liability is recorded for reporting purposes only. This liability constitutes an extended future estimate of cost which will not be obligated against budgetary resources until the fiscal year in which the cost is actually billed to the Department.

Q. Deferred Revenue

Deferred revenue for the INS represents monies received to process applications for immigration, citizenship benefits, and naturalizations for which the application process was not complete at fiscal year end and the unexpired portion of decals issued.

Fees received by the DEA from registrants in the Diversion Control Program are for licenses that are renewed annually or triannually. The unearned portion of these fees is reported as deferred revenue and included in other governmental liabilities covered by budgetary resources on the accompanying balance sheet.

AFF/SADF records deferred revenue for forfeited property held for sale or placement into official use.

R. Accounts Receivable

Net accounts receivable includes reimbursement and refund receivables due from Federal agencies and others, less the allowance for doubtful accounts. The WCF allowance for doubtful accounts represents estimated uncollectible amounts billed or billable to Federal agencies and others for services rendered by the WCF during FYs 1992 through 1998. The INS allowance for doubtful accounts for public receivables is determined by applying varying percentages to all accounts less than 365 days old and reserving 100 percent of all accounts greater than 365 days old. INS established an intragovernmental allowance for doubtful accounts for all accounts over 365 days old. The AFF/SADF,

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OBDs, USMS, OJP, DEA, FBI, and FPS did not establish an allowance for doubtful accounts for any intragovernmental accounts receivable because these accounts are considered fully collectible.

**S. Seized and Forfeited Property**

Property is seized in consequence of a violation of public law. Seized property can include monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the custodial agency. Most noncash property is held by the U.S. Marshals Service from the point of seizure until its disposition.

Forfeited property is property for which the title has passed to the U.S. Government. This property is recorded at the estimated fair market value at the time of forfeiture. The value of the property is reduced by the estimated liens of record.

**T. Principles of Consolidation**

The consolidated financial statements of the Department include the accounts of the AFF/SADF, WCF, OBDs, USMS, OJP, DEA, FBI, INS and FPS. All significant intra-agency transactions and balances have been eliminated in consolidation. The statement of budgetary resources and the statement of financing are combining statements for FY 1998, as such, intra-entity transactions have not been eliminated.

**U. Reclassification of Components' Balances**

Certain balances were reclassified from the components' financial statements for consolidation purposes. These changes were immaterial.

**V. Reporting of Comparative Data**

OMB 97-01, as amended, does not require the reporting of comparative data in FY 1998.

**W. 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 will invariably differ from those estimates.

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**Note 2. Fund Balance with the U.S. Treasury (000)**

The Fund Balance with the U.S. Treasury amount reported in the financial statements represents the unexpended cash balance on the Department's books for all Department Treasury Symbols at September 30, 1998:

		<u>Entity</u>	<u>Non-Entity</u>	<u>Total</u>
1. Trust Funds	\$	4,073,450	\$180,187	\$4,253,637
2. Revolving Funds		716,704	161,280	877,984
3. Appropriated Funds		10,572,769	3,425	10,576,194
4. Other Fund Types		<u>943,742</u>	<u>39,530</u>	<u>983,272</u>
<b>Total</b>	<b>\$</b>	<b><u>16,306,665</u></b>	<b><u>\$384,422</u></b>	<b><u>\$16,691,087</u></b>

**Note 3: Cash, Foreign Currency and Other Monetary Assets: (000)**

		<u>Entity</u>	<u>Non-Entity</u>	<u>Total</u>
1. Cash	\$	14,201	\$1,079	\$15,280
2. Foreign Currency		83	0	83
3. Deposits in Transit		10,245	1	10,246
4. Other Monetary Assets		<u>0</u>	<u>81,017</u>	<u>81,017</u>
<b>Total</b>	<b>\$</b>	<b><u>24,529</u></b>	<b><u>\$ 82,097</u></b>	<b><u>\$106,626</u></b>

**Note 4. Investments - Federal Securities, Net (000)**

Investments are short term nonmarketable Federal debt securities issued by the Bureau of Public Debt and purchased exclusively through the U.S. Treasury's Financial Management Service. When securities are purchased, the investment is recorded at par value (the value at maturity). Premiums and/or discounts are amortized through the end of the reporting period. The following schedule shows the investment balance at September 30, 1998:

	<u>Acquisition Cost</u>	<u>Unamortized Premium or Discount</u>	<u>Investments Net</u>	<u>Market Value Disclosure</u>
Intragovernmental Securities:				
Non-Marketable				
Par value	\$1,314,842	\$ (4,825)	\$1,310,017	\$1,310,734
<b>Total</b>	<b><u>\$1,314,842</u></b>	<b><u>\$ (4,825)</u></b>	<b><u>\$1,310,017</u></b>	<b><u>\$1,310,734</u></b>

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**Note 5. Accounts Receivable, Net (000)**

Accounts Receivable, Net for all Department Treasury Symbols at September 30, 1998:

<b>Gross Receivable</b>	<b>Entity</b>	<b>Non-Entity</b>	<b>Elimination</b>	<b>Total</b>
Intragovernmental	\$ 690,414	\$ 2	\$ (253,590)	\$ 436,826
Governmental	120,462	16,482		136,944
Less: Allowance for Uncollectible Accounts	<u>(27,016)</u>	<u>(9,992)</u>	<u></u>	<u>(37,008)</u>
Net Receivables	<u>\$ 783,860</u>	<u>\$ 6,492</u>	<u>\$ (253,590)</u>	<u>\$ 536,762</u>

**Note 6. Other Assets (000)**

Intragovernment	Entity
1. Prototype Product Cost (FPS)	\$ 9
2. Assets in Transit (FPS)	78
3. Other Assets (FPS)	64
4. Other Deferred Prepaid Expenses	<u>233</u>
<b>Total</b>	<b>\$ <u>384</u></b>

Government	
1. Bailment Property (FPS)	\$ <u>702</u>
<b>Total Other Assets</b>	<b>\$ <u>1,086</u></b>

**Note 7. Inventory and Related Property (000)**

All WCF inventories are held for sale and are intended to be sold in the normal operations of the WCF. Inventory is primarily composed of new and rehabilitated office furniture. The value of new stock is determined on the basis of acquisition cost and the value of rehabilitated stock is determined on the basis of rehabilitation and transportation costs. WCF inventory on hand at year end is reported at the lower of original costs (using the first-in, first-out method) or current market value. Recorded values of inventories are adjusted for the results of physical inventories conducted at the close of the fiscal year for WCF.



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FPS inventories consist of FPI and CTF inventories. The FPS inventories are stated at the lower of cost or market value using the moving average cost method, based on first-in, first-out for valuing raw material inventories. Recorded values of inventories are adjusted for the results of physical inventories conducted periodically for the FPS. Expenses are recorded by the FPS when inventories are sold. Inventory can be classified into either raw materials, work-in-process, or finished goods. Commissary inventories are stated at the latest acquisition cost which is adjusted using the Consumer Price Index for the year to approximate the value of the average cost of the Commissary inventory. The FPI inventories are categorized into five product categories: metals, plastics and electronics, graphics, services and optics. FPI records, as an inventory allowance (contra-asset) account, anticipated inventory losses for contracts where the current estimated cost to manufacture the item exceeds the total sales price, as well as estimated losses for inventories which may not be utilized in the future.

Raw Materials and Factory Supplies		<u>Total 1998</u>
Inventory Held for Current Sale	\$	48,118
Excess, Obsolete and Unserviceable Inventory		<u>2,572</u>
Total Raw Materials and Factory Supplies		50,690
 Work-In-Process		
Inventory Held for Current Sale	\$	<u>25,295</u>
 Finish Goods		
Inventory Held for Current Sale	\$	28,863
Inventory Held in Reserve for Future Sale		340
Excess, Obsolete and Unserviceable Inventory		<u>65</u>
Total Finish Goods	\$	29,268
 Less Inventory Allowance		
Excess Inventory Allowance	\$	(3,031)
Operating Materials/Supplies Held for use		<u>4,355</u>
 Total Inventory	\$	<u><u>106,577</u></u>

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**Note 8. Seized and Forfeited Property (000)**

**Analysis of Changes in Forfeited Property**

Forfeited property consists of monetary instruments, real property and tangible personal property acquired through forfeiture proceedings. Forfeited property represents assets for which the U.S. Government has title, and is held for disposition by the custodial agency. Adjustments have been made to convert the forfeited property from unadjusted carrying value (market value at the time of seizure) to an estimate of the fair value (market value at the time of forfeiture), which is the amount recorded in the financial statements. The net value of this property has been reduced by all known liens of record. The following table represents the analysis of change of forfeited property for fiscal year 1998 (dollar value in thousands):

<b>Forfeited Property Category</b>		<b>Beginning Balance (Restated)</b>	<b>Forfeited During FY 1998</b>	<b>Disposed During FY 1998</b>	<b>Ending Balance</b>	<b>Liens and Claims Net</b>	<b>Ending Balance of Liens</b>
Financial & Other Monetary Instruments	Number	351	564	631	284	5	279
	Value	\$34,346	\$51,817	\$55,357	\$30,806	\$135	\$30,671
Real Property	Number	428	491	592	327	9	318
	Value	\$62,105	\$64,724	\$81,424	\$45,405	\$736	\$44,669
Personal Property	Number	6,063	26,618	26,994	5,687	429	5,258
	Value	\$55,885	\$97,115	\$102,348	\$50,652	\$1,066	\$49,586
Other	Number	334	237	427	144	2	142
	Value	\$5,316	\$11,573	\$13,980	\$2,909	\$19	\$2,890
<b>Total</b>	<b>Number</b>	<b>7,176</b>	<b>27,910</b>	<b>28,644</b>	<b>6,442</b>	<b>445</b>	<b>5,997</b>
	<b>Value</b>	<b>\$157,652</b>	<b>\$225,229</b>	<b>\$253,109</b>	<b>\$129,772</b>	<b>\$1,956</b>	<b>\$127,816</b>

\* The number of items presented represents quantities calculated using many different units of measure.

Methods of disposition include sale (\$118,744), return to crime victims (\$48,280) and other (\$83,335) (including but not limited to, (a) liquidation of financial instruments; (b) property used; and (c) property released to a claimant in lieu of cash settlement). There is a variance between the analysis of change and methods of disposition of forfeited property numbers reported above.

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**Analysis of Changes in Seized Property and Evidence**

A seizure is the act of taking possession of goods in consequence of a violation of public law. Seized property consists of monetary instruments, real property and tangible personal property in the actual or constructive possession of the seizing and the custodial agencies. Such property is not legally owned by the Department until judicially or administratively forfeited. Seized evidence includes cash, financial instruments, non-monetary valuables and illegal drugs.

Seized property and equipment (net of cash) are held for disposition by the custodial agency. This property is recorded at the estimated fair value at the time of seizure. The fair market value of this property has been reduced by estimated liens and claims of innocent third parties. However, the estimate does not reflect all possible liens and claims. Such information becomes available as the individual cases proceed from seizure to forfeiture. The following table represents the analysis of change of seized property for fiscal year 1998 (dollar value in thousands):

Seized Property Category		Beginning Balance (Restated)	Seized During FY 1998	Disposed During FY 1998	Ending Balance	Liens and Claims Net of Liens	Ending Balance
Financial & Other Monetary Instruments	Number	1,226	884	818	1,292	67	1,225
	Value	\$628,722	\$114,383	\$510,413	\$232,692	\$12,523	\$220,169
Real Property	Number	836	260	564	532	176	356
	Value	\$137,707	\$38,852	\$81,879	\$94,680	\$33,238	\$61,442
Personal Property	Number	9,100	32,213	30,031	11,282	3,267	8,015
	Value	\$125,671	\$147,139	\$133,485	\$139,325	\$33,936	\$105,389
Other	Number	428	276	306	398	28	370
	Value	\$14,781	\$10,855	\$12,960	\$12,676	\$4,791	\$7,885
<b>Total</b>	Number	11,590	33,633	31,719	13,504	3,538	9,966
	Value	\$906,881	\$311,229	\$738,737	\$479,373	\$84,488	\$394,885

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<b>Seized Property Non-Monetary</b>		<b>Beginning Balance</b>	<b>Seized During FY 1998</b>	<b>Disposed During FY 1998</b>	<b>Ending Balance</b>
Evidence	Value	\$13,911	\$11,954	\$5,466	\$20,399
Property of Prisoners	Value		\$1		\$1
Abandoned Property	Value		\$16	\$9	\$7
<b>Total</b>	<b>Value</b>	<b>\$13,911</b>	<b>\$11,971</b>	<b>\$5,475</b>	<b>\$20,407</b>

Information on seizures and dispositions of monetary evidence was not presented by all of the component entities and is therefore, not reflected in the table above.

Methods of disposition include converted financial instrument (\$442,827), forfeiture (\$224,782), return to crime victims (\$51,928), and other (\$21,768) (including but not limited to, (a) liquidation of financial instruments; (b) property placed into use; (c) property in which USMS received "substitute res" (the monetary value of the property is substituted in place of the property) for the property; and (d) property released to a claimant in lieu of cash settlement). There is a variance between the analysis of change and methods of disposition of seized property numbers reported above.

Seized narcotics are held for evidence by seizing agencies, and are eventually destroyed. Seized narcotics do not impact the financial position of the Department, have no value, and are separately reported below:

**Seized Narcotics held for Evidence**

<b>Drug Evidence (weight in kilograms)</b>	<b>Beginning Balance</b>	<b>Seized During FY 1998</b>	<b>Disposed During FY 1998</b>	<b>Ending Balance</b>
Marijuana	36,590	247,821	200,069	84,342
Cocaine	210,977	35,979	44,731	202,225
Heroin	2,212	423	727	1,908
Other Narcotics	16,665	5,040	5,609	16,096
<b>Total</b>	<b>266,444</b>	<b>289,263</b>	<b>251,136</b>	<b>304,571</b>

## **Note 9. Contingencies and Commitments**

INS is party to various administrative proceedings, legal actions, and claims brought by or against INS Management, the Office of General Counsel, the Procurement Office, the Human Resource Office and the Equal Employment Opportunity Office. INS Management has determined that it is probable that some of these proceedings and actions will result in the incurrence of liabilities, and the amounts are reasonably estimable. These proceedings and actions include suits alleging unlawful detention, false arrest, inadequate confinement conditions, and sexual harassment. Also, there are a number of cases filed by present and former INS employees alleging Equal Employment Opportunity abuse, and Fair Labor Standards Act (FLSA) overtime pay violations for criminal investigators. The estimated potential liability for these cases is \$68.2 million and was recorded in the financial statements as of September 30, 1998.

The FBI recorded a total of \$3.1 million in contingent liabilities, however, a breakdown of items was not available at the time the Department's statements were prepared.

FPS recorded a total of \$110 million in contingent liabilities. For FPS, BOP has undertaken new construction projects to accommodate the growing Federal inmate population and reduce the overcrowding in its current institutions. Also BOP, on behalf of FPI, is planning to invest \$14.4 million during the next three years for the construction of buildings and improvements. FPI is planning to invest \$45 million for the purchase of machinery and equipment and for the continued implementation of a new computer system. BOP is a party in legal proceedings related to contract termination and other legal matters. Possible total liability estimated for these legal matters range from \$110 million to \$170 million.

DEA recorded a total of \$.5 million in contingent liabilities. The DEA is involved in various administrative proceedings, legal actions, and claims brought by a variety of claimants. DEA legal counsel evaluates the probability that the DEA will ultimately be held responsible for any or all of the amounts claimed. An unfunded liability is established when material claim payments are determined to be probable. Settlements less than \$2,500 are paid from the DEA appropriations, and amounts greater than \$2,500 may be paid on behalf of the DEA by the U.S. Treasury Judgement Fund. Payments made by the Judgement Fund and reported to the DEA are recorded as an imputed expense and an offsetting imputed revenue source.

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**Note 10: General Property, Plant and Equipment, Net (000)**

Items are generally depreciated using the straight line method. The Property, Plant and Equipment (PPE) balance as of September 30, 1998 was:

<u>PPE Type</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Service Life</u>
Equipment	\$ 580,272	\$ 297,093	\$ 283,179	5 yrs
Aircraft	115,220	43,568	71,652	20 yrs
Capital Leases	107,831	18,680	89,151	5 yrs
Software	15,041	8,436	6,605	5 yrs
Land	129,560	0	129,560	N/A
Buildings	3,894,683	856,641	3,038,042	40-50 yrs
Structure & Facilities	423,378	111,137	312,241	40-50 yrs
Leasehold Improvements	139,532	42,686	96,846	2-5 yrs
Construction in Progress	772,936	0	772,936	N/A
Vehicles	163,530	36,956	126,574	5-8 yrs
Other Personal Property	<u>2,672</u>	<u>377</u>	2,295	10-20 yrs
<b>Total</b>	<b>\$ <u>6,344,655</u></b>	<b>\$ <u>1,415,574</u></b>	<b>\$ <u>4,929,081</u></b>	

**Note 11. Debt**

During 1988, Congress granted the FPI borrowing authority pursuant to Public Law 100-690. Under this authority, during fiscal year 1989, FPI borrowed \$20 million from the U.S. Treasury with a lump-sum maturity or optional renegotiation date of September 30, 1998. The funds received under this loan were restricted, by the FPI's Board of Directors, for use in the construction of factories and the purchase of equipment. The loan accrues interest, payable March 31 and September 30 of each year, at 9.125 percent (the rate equivalent to the yield of U.S. Treasury obligations of comparable maturities which existed on the date of the loan). Accrued interest payable under the loan is either fully or partially offset to the extent the FPI maintains non-interest bearing cash deposits with the U.S. Treasury. In this regard, there is no accrual of interest unless the FPI's cash balance, on deposit with the U.S. Treasury, falls below \$20 million. When this occurs, interest is calculated on the difference between the loan amount (\$20 million) and the FPI's cash balance.

The loan agreement provides for certain restrictive covenants and a prepayment penalty for debt retirements prior to 1998. Additionally, the agreement limits authorized borrowings in an aggregate amount not to exceed 25 percent of the FPI's net equity. There was no net interest expense for the year ended September 30, 1998.

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**Note 12. Other Liabilities (000)**

**Other Liabilities Covered by Budgetary Resources:**

**Intragovernmental Liabilities**

Disbursements in Transit/Clearing	\$(13,665)
Advances from Others	115,901
Canceled Funding	7
Deposit Fund Liability	1,327
Liability for Other Cash	2,140
Unexpended Customer Cash Advances	39,807
Accrued FECA Liability	<u>626</u>
<b>Total</b>	<b><u>\$ 146,143</u></b>

**With the Public**

Actuarial FECA Liability	\$ 3,335
Liability for Inmate Telephone System Credits	1,280
Accrued Annual/Comp Leave	16,117
Environmental and Disposal Liabilities	8,129
Advances to Others	<u>373</u>
<b>Total</b>	<b><u>\$ 29,234</u></b>

**Other Liabilities not Covered by Budgetary Resources**

**Intragovernmental**

Accrued FECA Liability	\$115,216
Non-entity Liability	<u>969</u>
<b>Total</b>	<b><u>\$116,185</u></b>

**With the Public**

Environmental and Disposal Liabilities	\$ 8,600
Accrued FECA Liability	<u>19,392</u>
<b>Total</b>	<b><u>\$ 27,992</u></b>

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**Note 13. Leases**

**FBI** reported capital leases for lease-to-own copiers of \$1.3 million. The lease terms range from three to five years with interest ranging from 1 to 12 percent.

**FPS** reported a 20-year capital lease for a Federal Detention Center in Oklahoma City. In FY 1996, this lease was accounted for as an operating lease and was changed in FY 1997 to a capital lease. The lease arrangement calls for semi-annual payments of \$4.5 million. BOP paid a total of \$9 million in FY 1998.

**USMS** reported two capital leases. The lease on a hangar has an estimated cost of \$20.25 million over 20 years, with an estimated interest rate of 7 percent. The lease on a training center has an estimated cost of \$6 million over 16 years with an estimated interest rate of 6.5 percent.

**Capital Leases (000)**

	<b>Total</b>
Summary of Assets Under Capital Lease:	
Land & Buildings	\$ 105,433
Machinery & Equipment	2,398
Accumulated Amortization	18,680
	<u>\$ 89,151</u>

Unfunded Lease Liability - Future Payments Due:

<b>Fiscal Year</b>	<b>Building</b>	<b>Equipment</b>	<b>Total</b>
Year 1 (1999)	10,577	814	11,391
Year 2 (2000)	10,577	761	11,338
Year 3 (2001)	10,577	711	11,288
Year 4 (2002)	10,577	381	10,958
Year 5 (2003)	10,577	13	10,590
After year 5	<u>110,580</u>	<u>          </u>	<u>110,580</u>
Total	\$163,465	\$2,680	\$166,145
Less imputed			
Interest	<u>70,740</u>	<u>461</u>	<u>71,201</u>
<b>Net Unfunded Capital Lease Payments</b>	<b><u>\$92,725</u></b>	<b><u>\$ 2,219</u></b>	<b><u>\$94,944</u></b>



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**Operating Leases (000)**

Future Operating Lease Payments Due:

<u>Fiscal Year</u>	<u>Buildings</u>
Year 1 (1999)	\$12,743
Year 2 (2000)	11,419
Year 3 (2001)	11,048
Year 4 (2002)	11,035
Year 5 (2003)	9,570
After Year 5	<u>15,649</u>
<b>Total Future Lease Payments</b>	<b><u>\$71,464</u></b>

The majority of space occupied by the Department is leased from the General Services Administration (GSA). The space is assigned to the Department by the GSA based on the Department's square footage requirements. The rent charged to the Department is intended to approximate commercial rates. These leases may be terminated without incurring termination charges, however, it is anticipated that the Department will continue to lease space from the GSA in future years.

The FBI leases are for copying machines. Operating leases have been established between three and five years and total payments per lease is below the \$25,000 capitalization threshold.

FPS has various operating lease agreements for certain of its facilities, including its central office in Washington, DC. Under these agreements, total rent expense amounted to approximately \$1.15 million. In addition, many of the FPS operating leases that expire over an extended period of time include an option to purchase the equipment at the current fair market value, or to renew the lease for additional periods.

DEA leases totaled \$97.2 million for FY 1998. Of this amount, approximately \$95.4 million was for office space, parking facilities, and warehouses, \$1.12 million was for airplane hangars, and the remainder for office equipment and vehicles. As of September 30, 1998, DEA leased 16 airplane hangars from individuals. These leases are annual leases without early termination charges. Some of the leases give DEA the first option to continue to lease. Vehicles are leased from vendors for 12 months or less.

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The WCF has no material non-cancelable operating leases. However, the Department allocates a portion of the GSA rent charges to the WCF according to the amount of space used by WCF operations. The FY 1998 WCF rent charge was approximately \$7.9 million.

**Note 14. Future Funding Requirements (000)**

Future funding requirements are funding needs that will be met by future appropriations. For the Department, future funding requirements include accrued leave, actuarial liabilities and contingent liabilities. Unfunded expenses include future benefit costs: actuarial liabilities, accrued annual leave, accrued compensatory leave and contingent liabilities for the year presented.

The total unfunded liability amount of \$1,609,611 on the Balance Sheet does not equal the total financing sources yet to be provided on the Statement of Financing of \$177,970. Total financing sources yet to be provided on the Statement of Financing include only current unfunded expenses, while the unfunded liabilities included on the Balance Sheet represent both current and prior year unfunded expense amounts.

**Note 15. Imputed Financing**

The Statement of Federal Financial Accounting Standards Number Five (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. For FERS and CSRS employees, OPM calculated that 11.5 percent and 24.2 percent respectively of each employee's salary would be sufficient to fund these projected pension benefits. The cost to be paid by other agencies is the total calculated future costs, less employee and employer contributions. In addition, other retirement benefits which include the Federal Employees Health Benefits Program (FEHB) and the Federal Employees Group Life Insurance Program (FEGLI) that are paid by other Federal entities must also be disclosed. For FY 1998, approximately **\$545.2** million was reported for Imputed Financing, including \$16 million for payments made from the U.S. Treasury Judgment Fund.

**Note 16. Prior Period Adjustments**

For USMS, prior period adjustments recorded in FY 1998 totaled **\$225.6** million. The prior period adjustments are the result of corrections of prior year accounts receivable, accounts payable, advances, and property allowances.

**Notes to the Principal Financial Statements**  
**Annual Financial Statement FY 1998**

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INS reported prior period adjustments in FY 1998 that totaled \$56.9 million resulting from corrections to capitalized property balances and fund balance reconciliation .

FPS reported a prior period adjustment in FY 1998 of \$56.9 million resulting from adjustments to real property values and depreciation.

AFF/SADF reported a prior period adjustment in FY 1998 of (\$28.8) million resulting from adjustments to accounts payable.

OBDs reported a prior period adjustment of (\$8.8) million resulting from a reduction in prior year intragovernmental unbilled accounts receivable.

DEA and FBI reported prior period adjustments of (\$3.6) and (\$4.4) million respectively resulting from a reclassification of prior year expenditures and accounts receivable.

WCF reported a prior period adjustment of (\$.4) million which represents the unrecorded FY 1997 difference between the FECA benefits paid by the FECA Special Benefits Fund and the WCF's actual cash payments to the fund.

A difference of \$55.8 million exists between FY 1997 ending Net Position and FY 1998 beginning Net Position. This difference represents an adjustment to the FY 1997 intragovernmental elimination entry.

**Note 17. Unexpended Appropriations (000)**

	<b>Trust Funds</b>	<b>Appropriated Funds</b>	<b>Total</b>
Unobligated:			
Available	\$ 52,712	\$ 2,534,230	\$ 2,586,942
Unavailable	1	234,969	234,970
Undelivered Orders	<u>106,223</u>	<u>9,362,045</u>	<u>9,468,268</u>
<b>Total</b>	<b>\$ <u>158,936</u></b>	<b>\$ <u>12,131,244</u></b>	<b>\$ <u>12,290,180</u></b>

*Notes to the Principal Financial Statements*  
*Annual Financial Statement FY 1998*

**Note 18. Consolidated Total Cost and Earned Revenue by Budget Function Code (000)**

**Total Cost by Budget Functional Code**

<b>Budget Functional Code</b>		<b>Gross Costs</b>	<b>Intra-DOJ Costs</b>	<b>Net Costs</b>
National Defense	54	\$ 12,400		\$ 12,400
International Affairs	151	(979)		(979)
	152	15,009		15,009
	153	653		653
Total International Affairs		<u>\$ 14,683</u>	<u></u>	<u>\$ 14,683</u>
Medicare	571	\$ 23,168		\$ 23,168
Administration of Justice	751	9,933,379	913,978	9,019,401
	752	3,361,088	183,673	3,177,415
	753	3,635,928	30,853	3,605,075
	754	3,635,315	25,946	3,609,369
Total Administration of Justice		<u>\$ 20,565,710</u>	<u>\$ 1,154,450</u>	<u>\$ 19,411,260</u>
General Government	808	\$ 32,304		\$ 32,304
<b>Total Cost</b>		<u><b>\$20,648,265</b></u>	<u><b>\$1,154,450</b></u>	<u><b>\$19,493,815</b></u>

**Total Earned Revenue by Budget Functional Code**

<b>Budget Functional Code</b>		<b>Gross Revenues</b>	<b>Intra-DOJ Revenues</b>	<b>Net Revenues</b>
Administration of Justice	751	\$ 2,201,590	\$ 913,978	\$ 1,287,612
	752	503,412	183,673	319,739
	753	732,546	30,853	701,693
	754	31,844	25,946	5,898
<b>Total Earned Revenue</b>		<u><b>\$ 3,469,392</b></u>	<u><b>\$1,154,450</b></u>	<u><b>\$ 2,314,942</b></u>
<b>NET COST OF OPERATIONS</b>		<u><b>\$17,178,873</b></u>	<u><b>\$ -</b></u>	<u><b>\$17,178,873</b></u>

*Notes to the Principal Financial Statements*  
*Annual Financial Statement FY 1998*

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**Note 19. Required Supplementary Stewardship Information (000)**

The OJP Violent Offender Incarceration Program provides grants to the states to build or expand correctional facilities for violent offenders, for certain juvenile offenders, and for nonviolent offenders and criminal aliens to free prison space for violent offenders. The facilities built with these funds constitute an investment in nonfederal physical property.

**Outlays Under the Violent Offender Incarceration Program  
for the Year Ended September 30, 1998:**

Cooperative Agreement Program Administered by the U.S. Marshals Service	\$ 25,000
Discretionary Grants to Indian Tribes	1,367
Formula Grants to States	<u>204,537</u>
<b>Total Outlays</b>	<b><u>\$230,904</u></b>

**Note 20. Exchange Revenue**

The exchange revenue for **AFF/SADF** is for support from other government agencies for the U.S. Attorneys and the Consolidated Asset Tracking System.

**FPS** receives exchange revenues for daily care and maintenance of State and local offenders, for meals provided to Bureau staff at institutions, for rental of residences by Bureau staff, and for utilities used by Federal Prison Industries. Other exchange revenues are generated by the sale of merchandise and telephone services to inmates, and the sale of manufactured goods and services to other federal agencies. The pricing policy for goods and services provided is based on a formula that incorporates cost plus a predetermined gross margin ratio. Merchandise sold and services provided are marketed at fair market value.

The largest source of exchange revenue for **DEA** is related to the Controlled Substances Act. This Act requires physicians, pharmacists, and chemical companies to be licensed by the DEA to manufacture and distribute certain controlled substances. The DEA charges a licensing fee for this service. Other revenue sources for DEA include State and Local Task Force Participation, Joint Intragovernmental Agency Investigations, and the Assets Forfeiture Fund. The pricing policy of the exchange revenue is full cost for the controlled substances, and direct cost for all other revenues.

The **OBDs**, **OJP** and **USMS** receive exchange revenue from services rendered for legal activities provided to other Department of Justice Bureaus and other government agencies. The pricing policy for the exchange revenue is direct cost.

*Notes to the Principal Financial Statements*  
*Annual Financial Statement FY 1998*

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The majority of exchange revenues for **WCF** include the Space Management and Data Processing Services. The remaining revenue was from Telecommunication Services and other WCF activities. The pricing policy for the exchange revenue is full cost.

**INS** exchange revenues from the fee accounts are earned through the performance of various services, such as inspecting commercial aircraft and sea vessel passengers and the processing of various applications. **FBI** receives exchange revenue from the sale of FBI assets, principally vehicles.

**Note 21. Variance in Statement of Net Cost and Statement of Financing**

The Statements of Budgetary Resources and Financing for the FPS exclude the FPI because the FPI does not receive budgetary appropriations. As a result, differences exist between certain line items that appear on the Statement of Budgetary Resources and Financing and the corresponding line items on the Balance Sheet, Statement of Net Costs, and Statement of Changes in Net Position. The line items affected are the Net Cost of Operations, Accounts Receivable, Accounts Payable, Earned Revenues, and Imputed Financing. The Office of Management and Budget (OMB) is aware of and has approved this presentation.

**Note 22. Net Custodial Revenue Activity**

Debt Collection Management (DCM) is responsible for implementing the provisions of the Federal Debt Recovery Act of 1986, which authorizes the Attorney General to contract with private counsel to help the U.S. Attorneys collect delinquent Federal civil debts. Since FY 1994, the Attorney General has been authorized to credit to the WCF up to 3 percent of the Department's total civil cash collections to be used for paying the costs of "processing and tracking" such litigation. DCM is responsible for the operation of the Nationwide Central Intake Facility, the private counsel pilot project, and other projects funded by the 3 percent of the Department's civil debt collections.



**U.S. Department of Justice**  
**Consolidating and Combining Financial Statements**



**DEPARTMENT OF JUSTICE**  
**Consolidating Balance Sheet**  
**as of September 30, 1998**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	FPS	Elimination	Consolidated
<b>Assets</b>											
<b>Entity Assets</b>											
Intragovernmental											
Fund Balance with U.S. Treasury (Note 2)	\$ 59,994	\$ 574,982	\$ 4,009,341	\$ 331,690	\$ 6,163,698	\$ 414,952	\$ 1,019,674	\$ 1,613,536	\$ 2,118,798	\$ -	\$ 16,306,665
Investments (Note 4)	453,498	-	106,473	-	-	-	-	-	93,523	-	653,494
Advances and Prepayments	-	-	1,318	-	96,104	34,429	149	-	6,917	-	138,917
Accounts Receivable, Net (Note 5)	6,246	68,551	261,352	46,107	-	69,768	147,107	13,447	76,882	(253,590)	435,870
Interest Receivable	-	-	1,120	-	-	-	-	-	860	-	1,980
Other Assets (Note 6)	-	-	-	-	-	-	-	-	384	-	384
Governmental											
Advances and Prepayments	\$2	\$15	\$431,007	\$23	\$517,543	\$12,241	\$31,905	\$216	\$3,929	-	\$996,881
Accounts Receivable, Net (Note 5)	-	-	81	-	-	39	14,125	61,567	18,588	-	94,400
Cash and Other Monetary Assets (Note 3)	-	-	56	31	-	10,312	11,734	1,562	834	-	24,529
Inventory and Related Property, Net (Note 7)	-	442	-	-	-	-	4,355	-	101,780	-	106,577
General Property, Plant and Equipment, Net (Note 10)	-	13,284	2,540	113,215	1,802	135,825	368,566	315,182	3,978,667	-	4,929,081
Forfeited Property, Net (Note 8)	127,816	-	-	-	-	-	-	-	-	-	127,816
Other Assets (Note 6)	-	-	-	-	-	-	-	-	702	-	702
<b>Total Entity Assets</b>	<b>\$ 647,556</b>	<b>\$ 657,274</b>	<b>\$ 4,813,288</b>	<b>\$ 491,066</b>	<b>\$ 6,779,147</b>	<b>\$ 677,566</b>	<b>\$ 1,597,615</b>	<b>\$ 2,005,510</b>	<b>\$ 6,401,864</b>	<b>\$ (253,590)</b>	<b>\$ 23,817,296</b>
<b>Non-Entity Assets</b>											
Intragovernmental											
Fund Balance with U.S. Treasury (Note 2)	\$ 861	\$ 160,419	-	\$ 10,028	\$ 3,425	-	\$ 2,559	\$ 180,187	\$ 26,943	\$ -	\$ 384,422
Investments (Note 4)	656,523	-	-	-	-	-	-	-	-	-	656,523
Accounts Receivable, Net (Note 5)	-	-	-	-	-	-	-	-	2	-	2
Advances and Prepayments	-	-	-	-	639	-	-	-	-	-	639
Governmental											
Accounts Receivable, Net (Note 5)	-	-	-	-	-	153	-	\$ 6,252	\$ 85	\$ -	\$ 6,490
Cash and Other Monetary Assets (Note 3)	38,380	-	-	-	-	1,102	42,269	339	7	-	82,097
<b>Total Non-Entity Assets</b>	<b>\$ 695,764</b>	<b>\$ 160,419</b>	<b>\$ -</b>	<b>\$ 10,028</b>	<b>\$ 4,064</b>	<b>\$ 1,255</b>	<b>\$ 44,828</b>	<b>\$ 186,778</b>	<b>\$ 27,037</b>	<b>\$ -</b>	<b>\$ 1,130,173</b>
<b>Total Assets</b>	<b>\$ 1,343,320</b>	<b>\$ 817,693</b>	<b>\$ 4,813,288</b>	<b>\$ 501,094</b>	<b>\$ 6,783,211</b>	<b>\$ 678,821</b>	<b>\$ 1,642,443</b>	<b>\$ 2,192,288</b>	<b>\$ 6,428,901</b>	<b>\$ (253,590)</b>	<b>\$ 24,947,469</b>

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Consolidating Balance Sheet**  
**as of September 30, 1998**

	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	FPS	Elimination	Consolidated
<b>LIABILITIES</b>											
<b>Liabilities Covered by Budgetary Resources</b>											
Intragovernmental Liabilities											
Accounts Payable	\$ 8,812	\$ 53,732	\$ 76,910	\$ 3,224	\$ 24,793	\$ 11,679	\$ 22,022	\$ 26,419	\$ 42,507	\$ (253,590)	\$ 16,508
Debt (Note 11)	-	-	(25,931)	-	66,026	2,959	62,656	-	20,000	-	20,000
Other Intragovernmental Liabilities (Note 12)	-	-	-	-	-	-	-	-	40,433	-	146,143
Governmental Liabilities											
Accounts Payable	106,383	51,418	1,080,758	144,488	734,086	63,593	100,117	133,044	246,160	-	2,660,047
Accrued Payroll and Benefits	-	2,244	72,888	18,148	1,842	35,331	98,506	98,368	86,434	-	413,761
Deferred Revenue	127,816	-	-	-	56,446	-	-	477,578	-	-	661,840
Deposit/Suspense Fund	657,383	-	-	10,028	-	1,811	1,234	-	26,884	-	697,340
Cash, Securities, and US Treasury Bonds Held	-	-	-	-	-	-	-	180,521	-	-	180,521
Liability for Cash Held as Evidence	38,380	-	-	-	-	-	40,129	-	-	-	78,509
Unexpended Prior Year Surplus	5,916	-	-	-	-	-	-	-	75,000	-	5,916
Contingent Liabilities (Note 9)	-	-	-	-	-	-	-	-	-	-	75,000
Other Governmental Liabilities (Note 12)	-	-	-	-	-	373	-	8,129	20,732	-	29,234
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>\$ 944,690</b>	<b>\$ 107,394</b>	<b>\$ 1,204,625</b>	<b>\$ 175,888</b>	<b>\$ 826,747</b>	<b>\$ 172,192</b>	<b>\$ 324,664</b>	<b>\$ 924,059</b>	<b>\$ 558,150</b>	<b>\$ (253,590)</b>	<b>\$ 4,984,819</b>
<b>Liabilities Not Covered by Budgetary Resources</b>											
Intragovernmental Liabilities											
Fine and Interest Payable to US Treasury	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,258	\$ -	\$ -	\$ 6,258
Undisbursed Civil and Criminal Debt Collections	-	160,419	-	-	-	-	-	-	-	-	160,419
Other Intragovernmental Liabilities (Note 12)	-	511	5,508	-	-	969	19,630	41,530	48,037	-	116,185
Governmental Liabilities											
Actuarial Liabilities	-	1,941	20,569	36,933	182	81,176	82,350	185,468	194,120	-	602,739
Lease Liabilities (Note 13)	-	-	-	11,199	-	739	1,480	-	81,526	-	94,944
Accrued Leave	-	3,457	99,398	28,263	2,676	45,679	142,133	84,305	87,917	-	493,828
Contingent Liabilities (Note 9)	-	-	-	-	-	511	3,187	68,179	35,000	-	106,877
Liability for Cash Held as Evidence	-	-	-	-	-	369	-	-	-	-	369
Other Governmental Liabilities (Note 12)	-	-	-	-	-	19,392	-	8,600	-	-	27,992
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ -</b>	<b>\$ 166,328</b>	<b>\$ 125,475</b>	<b>\$ 76,395</b>	<b>\$ 2,858</b>	<b>\$ 148,835</b>	<b>\$ 248,780</b>	<b>\$ 394,340</b>	<b>\$ 446,600</b>	<b>\$ -</b>	<b>\$ 1,609,611</b>
<b>Total Liabilities</b>	<b>\$ 944,690</b>	<b>\$ 273,722</b>	<b>\$ 1,330,100</b>	<b>\$ 252,283</b>	<b>\$ 829,605</b>	<b>\$ 321,027</b>	<b>\$ 573,444</b>	<b>\$ 1,318,399</b>	<b>\$ 1,004,750</b>	<b>\$ (253,590)</b>	<b>\$ 6,594,430</b>
<b>NET POSITION</b>											
Unexpended Appropriations (Note 17)	-	-	2,988,211	211,991	5,018,341	338,212	944,859	1,145,972	1,642,594	-	12,290,180
Cumulative Results of Operations	398,630	543,971	494,977	36,820	935,265	19,582	124,140	(272,083)	3,781,557	-	6,062,859
<b>Total Net Position</b>	<b>\$ 398,630</b>	<b>\$ 543,971</b>	<b>\$ 3,483,188</b>	<b>\$ 248,811</b>	<b>\$ 5,953,606</b>	<b>\$ 357,794</b>	<b>\$ 1,068,999</b>	<b>\$ 873,889</b>	<b>\$ 5,424,151</b>	<b>\$ -</b>	<b>\$ 18,353,039</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,343,320</b>	<b>\$ 817,693</b>	<b>\$ 4,813,288</b>	<b>\$ 501,094</b>	<b>\$ 6,783,211</b>	<b>\$ 678,821</b>	<b>\$ 1,642,443</b>	<b>\$ 2,192,288</b>	<b>\$ 6,428,901</b>	<b>\$ (253,590)</b>	<b>\$ 24,947,469</b>

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Consolidating Statement of Net Cost**  
**for fiscal year ended September 30, 1998**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	FPS	Eliminations	Consolidated
<b>Program Costs</b>											
<b>Investigation and Prosecution of Criminal Offenses</b>											
Production											
Intragovernmental	\$ 45,608	\$ -	\$ 221,175	\$ -	\$ -	\$ 249,798	\$ 635,720	\$ -	\$ -	\$ (327,979)	\$ 824,322
With the Public	40,770	-	486,202	86,579	-	1,005,734	2,528,637	-	-	-	4,147,922
Total	86,378	-	707,377	86,579	-	1,255,532	3,164,357	-	-	(327,979)	4,972,244
Less Earned Revenues	(5,560)	-	(104,843)	(8,351)	-	(227,160)	(392,522)	-	-	327,979	(410,457)
Net Program Costs	\$ 80,818	\$ -	\$ 602,534	\$ 78,228	\$ -	\$ 1,028,372	\$ 2,771,835	\$ -	\$ -	\$ -	\$ 4,561,787
<b>Assistance to Tribal, State, and Local Governments</b>											
Production											
Intragovernmental	\$ 84,667	\$ -	\$ 7,735	\$ -	\$ 2,826,080	\$ 59,879	\$ 61,696	\$ -	\$ -	\$ (25,956)	\$ 3,014,101
With the Public	75,688	-	835,512	-	-	147,533	245,402	-	-	-	1,304,135
Total	160,355	-	843,247	-	2,826,080	207,412	307,098	-	-	(25,956)	4,318,236
Less Earned Revenues	-	-	(663)	-	(31,824)	(70)	(92,219)	-	-	25,956	(98,820)
Net Program Costs	\$ 160,355	\$ -	\$ 842,584	\$ -	\$ 2,794,256	\$ 207,342	\$ 214,879	\$ -	\$ -	\$ -	\$ 4,219,416
<b>Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests</b>											
Production											
Intragovernmental	\$ -	\$ -	\$ 470,195	\$ -	\$ -	\$ -	\$ 10,845	\$ -	\$ -	\$ (80,535)	\$ 400,505
With the Public	-	-	845,274	1,625	-	-	43,138	-	-	-	890,037
Total	-	-	1,315,469	1,625	-	-	53,983	-	-	(80,535)	1,290,542
Less Earned Revenues	-	-	(176,225)	(1,457)	-	-	-	-	-	80,535	(97,147)
Net Program Costs	\$ -	\$ -	\$ 1,139,244	\$ 168	\$ -	\$ -	\$ 53,983	\$ -	\$ -	\$ -	\$ 1,193,395
<b>Immigration</b>											
Production											
Intragovernmental	\$ -	\$ -	\$ 34,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,893)	\$ 29,613
With the Public	-	-	96,078	-	-	-	-	2,895,803	-	-	2,991,881
Total	-	-	130,584	-	-	-	-	2,895,803	-	(4,893)	3,021,494
Less Earned Revenues	-	-	(1,201)	-	-	-	-	(769,683)	-	4,893	(765,991)
Net Program Costs	\$ -	\$ -	\$ 129,383	\$ -	\$ -	\$ -	\$ -	\$ 2,126,120	\$ -	\$ -	\$ 2,255,503

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Consolidating Statement of Net Cost**  
**for fiscal year ended September 30, 1998**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	FPS	Eliminations	Consolidated
<b>Detention and Incarceration</b>											
Production											
Intragovernmental	\$ -	\$ -	\$ 8,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,192	\$ (96,898)	\$ (54,119)
With the Public	-	-	3,168	841,938	-	-	-	847,122	3,675,803	-	5,368,031
Total	-	-	11,755	841,938	-	-	-	847,122	3,709,995	(96,898)	5,313,912
Less Earned Revenues	-	-	(7,267)	(51,593)	-	-	-	(59,506)	(703,409)	96,898	(724,877)
Net Program Costs	\$ -	\$ -	\$ 4,488	\$ 790,345	\$ -	\$ -	\$ -	\$ 787,616	\$ 3,006,586	\$ -	\$ 4,589,035
<b>Protection of the Federal Judiciary and Improvement of the Justice System</b>											
Production											
Intragovernmental	\$ -	\$ -	\$ 36,374	\$ -	\$ -	\$ -	\$ 2,184	\$ -	\$ -	\$ (10,933)	\$ 27,625
With the Public	-	-	70,412	308,078	-	-	8,685	-	-	-	387,175
Total	-	-	106,786	308,078	-	-	10,869	-	-	(10,933)	414,800
Less Earned Revenues	-	-	(123,272)	(18,048)	-	-	-	-	-	10,933	(130,387)
Net Program Costs	\$ -	\$ -	\$ (16,486)	\$ 290,030	\$ -	\$ -	\$ 10,869	\$ -	\$ -	\$ -	\$ 284,413
<b>Management</b>											
Production											
Intragovernmental	\$ -	\$ 469,062	\$ 29,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (607,256)	\$ (108,413)
With the Public	-	152,956	118,044	-	-	-	-	-	-	-	271,000
Total	-	622,018	147,825	-	-	-	-	-	-	(607,256)	162,587
Less Earned Revenues	-	(615,914)	(78,605)	-	-	-	-	-	-	607,256	(87,263)
Net Program Costs	\$ -	\$ 6,104	\$ 69,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,324
Deferred Maintenance (Note 1)											
<b>Net Cost of Operations (Note 21)</b>	<b>\$ 241,173</b>	<b>\$ 6,104</b>	<b>\$ 2,770,967</b>	<b>\$ 1,158,771</b>	<b>\$ 2,794,256</b>	<b>\$ 1,235,714</b>	<b>\$ 3,051,566</b>	<b>\$ 2,913,736</b>	<b>\$ 3,006,586</b>	<b>\$ -</b>	<b>\$ 17,178,873</b>

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Consolidating Statement of Changes in Net Position**  
**for fiscal year ended September 30, 1998**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	FPS	Consolidating
<b>Net Cost of Operations (Note 21)</b>	\$ (241,173)	\$ (6,104)	\$ (2,770,967)	\$ (1,158,771)	\$ (2,794,256)	\$ (1,235,714)	\$ (3,051,566)	\$ (2,913,736)	\$ (3,006,586)	\$ (17,178,873)
Financing Sources (other than exchange revenues):										
Appropriations Used	471,012	-	3,272,250	1,119,795	2,501,145	1,113,308	2,960,077	2,319,416	3,148,355	16,434,346
Other nonexchange revenue	-	-	6,454	-	312,671	-	-	-	-	790,137
Imputed Financing (Note 15)	-	3,196	70,046	24,239	2,447	43,585	173,007	106,911	121,819	545,250
Transfers-in	696	276,025	194	807	-	2,436	-	-	-	280,158
Transfers-out	(22,117)	(1,064)	-	-	-	-	-	(8,000)	(100,473)	(131,654)
Rescissions	-	(100,000)	-	-	-	-	-	-	-	(100,000)
Other Financing Source	-	-	-	-	-	-	-	-	-	(4,133)
Allocation of Prior Year Surplus	(33,055)	-	-	-	-	-	-	-	(4,133)	(33,055)
<b>Net Results of Operations</b>	\$ 175,363	\$ 172,053	\$ 577,977	\$ (13,930)	\$ 22,007	\$ (76,385)	\$ 81,518	\$ (495,409)	\$ 158,982	\$ 602,176
Prior Period Adjustments (Note 16)	(28,790)	(377)	(8,856)	225,562	-	(3,610)	(4,364)	56,908	56,932	293,405
<b>Net Change in Cumulative Results of Operations</b>	\$ 146,573	\$ 171,676	\$ 569,121	\$ 211,632	\$ 22,007	\$ (79,995)	\$ 77,154	\$ (438,501)	\$ 215,914	\$ 895,581
Increase (Decrease) in Unexpended Appropriations	-	-	336,964	(55,612)	978,309	41,721	(26,081)	273,717	87,081	1,636,099
<b>Change in Net Position</b>	\$ 146,573	\$ 171,676	\$ 906,085	\$ 156,020	\$ 1,000,316	\$ (38,274)	\$ 51,073	\$ (164,784)	\$ 302,995	\$ 2,531,680
Net Position-Beginning of Period (Note 16)	252,057	372,295	2,577,103	92,791	4,953,290	396,068	1,017,926	1,038,673	5,121,156	15,821,359
<b>Net Position - End of Period</b>	\$ 398,630	\$ 543,971	\$ 3,483,188	\$ 248,811	\$ 5,953,606	\$ 357,794	\$ 1,068,999	\$ 873,889	\$ 5,424,151	\$ 18,353,039

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Combining Statement of Budgetary Resources**  
**for fiscal year ended September 30, 1998**

	AFF/SAF	WCF	OBD	USMS	OJP	DEA	FBI	INS	FPS	Combined
<b>Budgetary Resources:</b>										
Budget Authority										
Appropriations	\$ 471,012	\$ -	\$ 2,060,341	\$ 1,070,563	\$ 3,739,358	\$ 1,212,984	\$ 2,371,612	\$ 2,345,314	\$ 3,403,810	\$ 17,274,994
Net Transfers, Current Year Authority	89	-	1,607,097	-	-	-	-	-	44,757	1,651,943
Unobligated Balances - Beginning of Period	219,276	214,917	902,573	63,427	710,458	107,254	331,128	57,601	1,055,035	3,660,669
Net Transfers, Prior Year Balance, Actual	-	274,961	-	(6,160)	(10,665)	(13,480)	(38,124)	-	(177,616)	28,916
Spending Authority from Offsetting Collections	5,560	613,562	583,249	111,854	31,824	180,958	460,246	1,362,840	197,740	3,547,833
Adjustments	(40,323)	(362,109)	(505)	15,313	51,467	21,816	-	22,326	44,666	(247,349)
<b>Total Budgetary Resources</b>	<b>\$ 654,614</b>	<b>\$ 741,331</b>	<b>\$ 5,152,755</b>	<b>\$ 1,254,997</b>	<b>\$ 4,522,442</b>	<b>\$ 1,509,532</b>	<b>\$ 3,724,862</b>	<b>\$ 3,788,081</b>	<b>\$ 4,568,392</b>	<b>\$ 25,917,006</b>
<b>Status of Budgetary Resources:</b>										
Obligations incurred	\$ 373,474	\$ 633,292	\$ 4,394,000	\$ 1,212,340	\$ 3,690,905	\$ 1,455,305	\$ 3,418,851	\$ 3,713,719	\$ 3,378,861	\$ 22,270,747
Unobligated Balances - Available	261,890	102,187	597,542	34,414	830,584	33,697	284,173	63,499	1,045,852	3,253,838
Unobligated Balances - Not Available	19,250	5,852	161,213	8,243	953	20,530	21,838	10,863	143,679	392,421
<b>Total Status of Budgetary Resources</b>	<b>\$ 654,614</b>	<b>\$ 741,331</b>	<b>\$ 5,152,755</b>	<b>\$ 1,254,997</b>	<b>\$ 4,522,442</b>	<b>\$ 1,509,532</b>	<b>\$ 3,724,862</b>	<b>\$ 3,788,081</b>	<b>\$ 4,568,392</b>	<b>\$ 25,917,006</b>
<b>Outlays:</b>										
Obligations Incurred	\$ 373,474	\$ 633,292	\$ 4,394,000	\$ 1,212,340	\$ 3,690,905	\$ 1,455,305	\$ 3,418,851	\$ 3,713,719	\$ 3,378,861	\$ 22,270,747
Less: Spending Authority from Offsetting Collections and Adjustments	(25,132)	(626,425)	(583,249)	(127,386)	(83,291)	(263,750)	(460,247)	(1,362,840)	(242,747)	(3,775,067)
Obligated Balance, Net - Beginning of Period	219,357	187,246	3,035,032	289,719	3,873,208	263,992	747,605	1,029,148	736,303	10,381,610
Less: Obligated Balance, Net - End of Period	(179,173)	(191,982)	(3,604,492)	(289,063)	(4,849,191)	(314,384)	(636,934)	(1,270,478)	(842,189)	(12,377,886)
<b>Total Outlays</b>	<b>\$ 388,526</b>	<b>\$ 2,131</b>	<b>\$ 3,241,291</b>	<b>\$ 1,085,610</b>	<b>\$ 2,631,631</b>	<b>\$ 1,141,163</b>	<b>\$ 2,869,275</b>	<b>\$ 2,109,549</b>	<b>\$ 3,030,228</b>	<b>\$ 16,499,404</b>

The accompanying notes are an integral part of these financial statements

**DEPARTMENT OF JUSTICE**  
**Combining Statement of Financing**  
**for fiscal year ended September 30, 1998**

Dollars in Thousands	AFF/SADF	WCF	OBD	USMS	OJP	DEA	FBI	INS	FPS	Combined
<b>Obligations and Nonbudgetary Resources</b>										
Obligations incurred	\$ 373,474	\$ 633,292	\$ 4,394,000	\$ 1,212,340	\$ 3,690,905	\$ 1,455,305	\$ 3,418,851	\$ 3,713,719	\$ 3,378,861	\$ 22,270,747
Less: Spending Authority from Offsetting Collections and Adjustments	(25,132)	(626,425)	(583,249)	(127,386)	(83,291)	(263,750)	(460,247)	(1,362,840)	(242,747)	(3,775,067)
Financing Imputed for Cost Subsidies	-	3,196	70,046	24,239	2,447	43,585	173,007	106,912	115,167	538,599
Revenue Not in the Entity's Budget	-	(2)	(8,362)	-	-	-	156	3,681	408	(4,119)
Transfers-in (out)	-	-	-	807	-	-	-	-	(100,473)	(99,666)
Property Transfers in, Net	-	-	-	-	-	4,225	-	-	29,722	33,947
Other Resources Used to Finance Operations	-	-	-	-	-	(44,122)	-	477,580	37,932	471,390
<b>Total Obligations as adjusted, and Nonbudgetary Resources</b>	<b>\$ 348,342</b>	<b>\$ 10,061</b>	<b>\$ 3,872,435</b>	<b>\$ 1,110,000</b>	<b>\$ 3,610,061</b>	<b>\$ 1,195,243</b>	<b>\$ 3,131,767</b>	<b>\$ 2,939,052</b>	<b>\$ 3,218,870</b>	<b>\$ 19,435,831</b>
<b>Resources That do not Fund Net Cost of Operations</b>										
Change in Amount of Goods, Services, and Benefits Ordered but not yet Received or Provided	\$ (107,169)	\$ (543)	\$ (1,065,562)	\$ 34,842	\$ (763,139)	\$ (36,916)	\$ 25,063	\$ (42,462)	\$ (99,299)	\$ (2,055,186)
Change in Unfilled Customer Orders	-	-	27,966	-	-	-	25,781	-	-	53,747
Costs Capitalized on the Balance Sheet	-	(4,610)	38	(17,080)	(405)	74,736	(16,638)	(123,005)	(346,255)	(433,219)
Financing Sources That Fund Costs of Prior Periods	-	(1,608)	(69,886)	-	(176)	7,929	(149,186)	-	(17,405)	(230,332)
Other	-	-	-	(583)	(51,467)	(59,015)	-	-	53,123	(57,942)
<b>Total Resources That do not Fund Net Cost of Operations</b>	<b>\$ (107,169)</b>	<b>\$ (6,761)</b>	<b>\$ (1,107,444)</b>	<b>\$ 17,179</b>	<b>\$ (815,187)</b>	<b>\$ (13,266)</b>	<b>\$ (114,980)</b>	<b>\$ (165,467)</b>	<b>\$ (409,836)</b>	<b>\$ (2,722,931)</b>
<b>Costs That do not Require Resources</b>										
Depreciation, Amortization and Bad Debt	-	\$ 2,602	\$ 693	\$ 9,251	\$ (261)	\$ 13,222	\$ 23,911	\$ 67,411	\$ 147,509	\$ 264,338
Other	-	202	-	7,513	(357)	-	4,407	-	2,881	14,646
<b>Total Costs That do not Require Resources</b>	<b>\$ -</b>	<b>\$ 2,804</b>	<b>\$ 693</b>	<b>\$ 16,764</b>	<b>\$ (618)</b>	<b>\$ 13,222</b>	<b>\$ 28,318</b>	<b>\$ 67,411</b>	<b>\$ 150,390</b>	<b>\$ 278,984</b>
<b>Financing Sources Yet to Be Provided</b>	\$ -	\$ -	\$ 5,283	\$ 14,828	\$ -	\$ 40,515	\$ 6,461	\$ 72,740	\$ 38,143	\$ 177,970
<b>Net Cost of Operations (Note 21)</b>	<b>\$ 241,173</b>	<b>\$ 6,104</b>	<b>\$ 2,770,967</b>	<b>\$ 1,158,771</b>	<b>\$ 2,794,256</b>	<b>\$ 1,235,714</b>	<b>\$ 3,051,566</b>	<b>\$ 2,913,736</b>	<b>\$ 2,997,567</b>	<b>\$ 17,169,854</b>

The accompanying notes are an integral part of these financial statements

OFFICE OF THE INSPECTOR GENERAL, AUDIT DIVISION  
ANALYSIS AND SUMMARY OF ACTIONS NECESSARY  
TO CLOSE THE REPORT

Department management was provided a draft of the Report of Independent Accountants on Internal Controls for their review and concurrence on the findings and recommendations. Their comments were incorporated into the body of the independent accountants' report following the recommendations. Since management concurred with all of the recommendations, this report is being issued resolved; however, additional corrective actions need to be completed in order for the OIG to close the recommendations and the report. The following describes those actions necessary for closure.

**Internal Control Recommendation Number:**

- 1. Resolved.** This recommendation can be closed when the Assistant Attorney General for Administration issues a directive to the components that describes the proper procedures and accounting principles that should be followed when recording financial transactions in accordance with Federal accounting standards. Specifically, the correspondence should re-emphasize: proper recording of accruals, revenue recognition principles, proper recording of property including seized/forfeited property, and improved controls in transaction processing, documentation, and performance measurement. Please provide us with periodic updates on your efforts toward completion of corrective actions.
- 2. Closed.** We will follow up on this recommendation through our monitoring of the status of Recommendation Number 5 in our prior year's report (OIG Report Number 98-07A).
- 3. Closed.** We will follow up on general control weaknesses and security issues by monitoring the status of the recommendations noted in the audit reports of the Department data centers and the individual components.
- 4. Closed.** We will follow up on general control weaknesses and security issues by monitoring the status of the recommendations noted in the audit reports of the Department data centers and the individual components.
- 5. Closed.** We will follow up on general control weaknesses and security issues by monitoring the status of the recommendations noted in the audit reports of the Department data centers and the individual components.



**6. Resolved.** This recommendation can be closed when the Assistant Attorney General for Administration provides us with a copy of the strategic plan for financial reporting. This plan should detail financial statement preparation guidelines, identify individuals who will perform critical functions, establish deadlines for each critical phase, and provide documentation requirements and consolidation instructions for each component to ensure the consolidated statements can be prepared on a consistent basis. Please also inform us of when an interim financial closing will be performed and the results thereof. An interim closing will help ensure year-end closing procedures will be effective, including the preparation of Department pro-forma financial statements and note disclosures.

**7. Resolved.** This recommendation can be closed when the Assistant Attorney General for Administration provides us with updates on planning undertaken to coordinate the Fiscal Year 1999 financial statement preparation and audit process. Careful consideration should be given to including all operational managers potentially affected by the audit, as well as financial and budget managers more directly affected by the financial statement preparation and audit process.

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# Appendix A

ACE	Affirmative Civil Enforcement Program
AVCI	Anti-Violent Crime Initiative
ADA	Americans with Disabilities Act
ADR	Alternative Dispute Resolution
ALJ	Administrative Law Judge
ASC	Application Support Center
ASCLD/LAB	American Society of Crime Laboratory Directors' Laboratory Accreditation Board
ATF	Federal Bureau of Alcohol, Tobacco and Firearms
AUO	Administratively Uncontrollable Overtime
BJA	Bureau of Justice Assistance
BJS	Bureau of Justice Statistics
BOP	Bureau of Prisons
CALEA	Commission on Accreditation for Law Enforcement Agencies
CART	Computer Analysis Response Team
CATS	Consolidated Assets Tracking System
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
CIA	Central Intelligence Agency
CIRG	Critical Incident Response Group
CMIS	Customer Management Information System
CODIS	Combined DNA Index System
COPS	Community Oriented Policing Services
CRS	Community Relations Service
CRT	Civil Rights Division
CSRA	Child Support Recovery Act
CSTA	Chief Science and Technology Advisor
DEA	Drug Enforcement Administration
DC DOC	District of Columbia Department of Corrections
DCIA	Debt Collection Improvement Act of 1996
EC	European Commission
EDE	Electronic Document Exchange
DOD	U.S. Department of Defense
ENRD	Environment and Natural Resources Division

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EOIR	Executive Office of Immigration Review
EOUSA	Executive Office of U.S. Attorneys
EOWS	Executive Office for Weed and Seed
EPA	Environmental Protection Agency
EPIC	El Paso Intelligence Center
FACE	Freedom of Access to Clinic Entrances Act
FBI	Federal Bureau of Investigation
FIRREA	Financial Institutions Reform and Recovery Act
FMFIA	Federal Managers Financial Integrity Act
FMIS	Financial Management Information System
FMSS	Financial Management Systems Software
FOIA	Freedom of Information Act
FPI	Federal Prison Industries
FY	Fiscal Year
GIS	Geographic Information Systems
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
HHS	U.S. Department of Health and Human Services
HUD	Department of Housing and Urban Development
IAFIS	Integrated Automated Fingerprint Identification System
IAU	Intelligence Analysis Unit
ICAC	Internet Crimes Against Children
ICCS	International Crime Control Strategy
IHP	Institutional Hearing Program
INS	Immigration and Naturalization Service
INTERPOL	International Police Organizations
IP	Intellectual Property
IRS	Internal Revenue Service
ISI	Information Sharing Initiative
ISRE	Image Storage and Retrieval Element
IT	Information Technology
JCN	Justice Consolidated Network
JCON	Justice Consolidated Office Network
JMD	Justice Management Division
JPATS	Justice Prisoner and Alien Transportation System
JPR	Justice Performance Review
LCN	La Cosa Nostra
LEO	Law Enforcement Online
MCOPS	Mobile Community Outreach Police Station
MET	Mobile Enforcement Team

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MLATs	Mutual Legal Assistance Treaties
NAAG	National Association of Attorneys General
NAC	National Advocacy Center
NCIC	National Crime Information Center
NCMEC	National Center for Missing and Exploited Children
NDIC	National Drug Intelligence Center
NDPO	National Domestic Preparedness Office
NGO	Nongovernmental Organizations
NIJ	National Institute of Justice
NIST	National Institute of Standards and Technology
OAS	Organization of American States
OCDETF	Organized Crime and Drug Enforcement Task Force
ODR	Office of Dispute Resolution
OIA	Office of Intergovernmental Affairs
OIG	Office of the Inspector General
OIPR	Office of Intelligence Policy and Review
OJJDP	Office of Juvenile Justice and Delinquency Prevention
OJP	Office of Justice Programs
OPD	Office of Policy Development
OPR	Office of Professional Responsibility
OSC	Office of Special Counsel for Immigration-Related Unfair Employment Practices
OSI	Office of Special Investigations
OSLDPS	Office for State and Local Domestic Preparedness Support
OVC	Office for Victims of Crime
PAPRS	Phone-Activated Paperless Request System
POST	Peace Officers Standards and Training
PRC	People's Republic of China
PREP	Preliminary Review and Evaluation Panel
PSA	Public Service Announcement
RICO	Racketeering Influenced and Corrupt Organizations
SACSI	Strategic Approaches to Community Safety Initiative
SENTRI	Secure Electronic Network for Travelers' Rapid Inspection
SIS	State Identification Systems
SOD	Special Operations Division
SPC	Service Processing Center
STTF	Safe Trails Task Force
USMS-	U.S. Marshals Service
USNCB	United States National Central Bureau (INTERPOL)
USPC	U.S. Parole Commission

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VA	Veterans Administration
VAWA	Violence Against Women Act
VAWGO	Violence Against Women Grants Office
VAWO	Violence Against Women Office
VGTOF	Violent Gang and Terrorist Organizations File
VOA	Voice of America
VOI/TIS	Violent Offender Incarceration/Truth in Sentencing

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# Appendix B

## Criminal Caseload Statistical Reports

### Intellectual Property Cases United States Attorneys Office Fiscal Year 1998

The information in this section is provided pursuant to the statutory mandate in Title 18, United States Code, Section 2320(e) and Title 28, United States Code, Section 522.

Below are statistics regarding Department of Justice prosecutions of intellectual property crimes. This information was provided by the Executive Office for United States Attorneys (EOUSA), which is charged with maintaining criminal caseload statistical information as reported by the U.S. Attorneys. These statistics contain the number of criminal intellectual property matters referred to the U.S. Attorneys, as well as cases filed and terminated during 1998. The EOUSA does not maintain statistics on the quantity or value of property seized or information on whether forfeited property has been destroyed. These statistics represent only the activities of the U.S. Attorneys and do not include Federal criminal referrals that were immediately declined for prosecution.

The pages that follow contain summaries of the available statistics, segregated by statutory provision, and preceded by a brief description of each offense. Also included are summaries of the overall totals and totals associated with matters and cases referred by the U.S. Customs Service to the U.S. Attorneys. Following those items are a comparison of FY 1997 and FY 1998 figures, a list of districts and their abbreviations, a glossary of terms and, finally, the "Criminal Caseload Statistical Reports." For further information, please contact the Computer Crime and Intellectual Property Section (Criminal Division).

#### Criminal Intellectual Property Statutes surveyed:

- Title 18, United States Code, Section 2318 (18 U.S.C. §2318) - Trafficking in Counterfeit Labels for Phonorecords, and Copies of Motion Pictures or Other Audiovisual Works;
- Title 18, United States Code, Section 2319 (18 U.S.C. §2319) - Criminal Infringement of a Copyright;
- Title 18, United States Code, Section 2319A (18 U.S.C. §2319A) - Unauthorized Fixation of and Trafficking in Sound Recordings and Music Videos of Live Musical Performances; and
- Title 18, United States Code, Section 2320 (18 U.S.C. §2320) - Trafficking in Counterfeit Goods or Services.

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**Title 18, United States Code, Section 2318 (18 U.S.C. §2318)—Trafficking in Counterfeit Labels for Phonorecords, and Copies of Motion Pictures or Other Audiovisual Works.**

Offense: knowingly trafficking in a counterfeit label affixed or designed to be affixed to a phono record or a copy of a motion picture or other audiovisual work.

**FY1998 - TOTALS (All Districts)\***

Referrals and Cases:

Number of Investigative Matters Opened by U.S. Attorneys:	22
Number of Defendants:	32
Number of Cases filed:	4
Number of Defendants:	4
Number of Cases Resolved/Terminated:	5
Number of Defendants:	13

Disposition of Defendants in Concluded Cases:

Number of Defendants Who Pled Guilty:	10
Number of Defendants Who Were Tried and Found Guilty:	1
Number of Defendants Against Whom Charges Were Dismissed:	2
Number of Defendants Acquitted:	0
Other Terminated Defendants:	0

Prison Sentencing for Convicted Defendants (# represents defendants):

No Imprisonment:	8
1 to 12 Months of Imprisonment:	3
13 to 24 Months:	0
25 to 36 Months:	0
37 to 60 Months:	0
61+ Months:	0

(fines can be assessed in lieu of or in addition to prison sentences)

\*These figures reflect the status of matters and cases as of September 30, 1998. Discrepancies may result from the carry-over of matters and cases initiated during the previous fiscal year(s).

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## Title 18, United States Code, Section 2319 (18 U.S.C. §2319)—Criminal Infringement of a Copyright.

Offense: willful infringement of a copyright for purposes of commercial advantage or private financial gain. This provision was amended recently to include infringement through large-scale, unlawful reproduction or distribution of a protected work, regardless of whether there was a profit motive.

### **FY1998 - TOTALS** (All Districts)\*

#### Referrals and Cases:

Number of Investigative Matters Opened by U.S. Attorneys:	58
Number of Defendants:	93
Number of Cases filed:	17
Number of Defendants:	25
Number of Cases Resolved/Terminated:	5
Number of Defendants:	8

#### Disposition of Defendants in Concluded Cases:

Number of Defendants Who Pled Guilty:	5
Number of Defendants Who Were Tried and Found Guilty:	0
Number of Defendants Against Whom Charges Were Dismissed:	2
Number of Defendants Acquitted:	0
Other Terminal Defendants:	0

#### Prison Sentencing for Convicted Defendants (# represents defendants):

No Imprisonment	5
1 to 12 Months of Imprisonment:	0
13 to 24 Months:	0
25 to 36 Months:	0
37 to 60 Months:	0
61+ Months:	0

(fines can be assessed in lieu of or in addition to prison sentences)

\*These figures reflect the status of matters and cases as of September 30, 1998. Discrepancies may result from the carry-over of matters and cases initiated during the previous fiscal year(s).



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**Title 18, United States Code, Section 2319A (18 U.S.C. §2319A)—Unauthorized Fixation of and Trafficking in Sound Recordings and Music Videos of Live Musical Performances.**

Offense: without the consent of the performer, knowingly and for purposes of commercial advantage or private financial gain, fixing the sounds or sounds and images of a live musical performance, reproducing copies of such a performance from an unauthorized fixation, transmitting the sounds or sounds and images to the public, or distributing, renting, selling, or trafficking (or attempting the preceding) in any copy of an unauthorized fixation.

**FY1998 - TOTALS (All Districts)\***

Referrals and Cases:

Number of Investigative Matters Opened by U.S. Attorneys:	3
Number of Defendants:	3
Number of Cases filed:	4
Number of Defendants:	4
Number of Cases Resolved/Terminated:	5
Number of Defendants:	8

Disposition of Defendants in Concluded Cases:

Number of Defendants Who Pled Guilty:	8
Number of Defendants Who Were Tried and Found Guilty:	0
Number of Defendants Against Whom Charges Were Dismissed:	0
Number of Defendants Acquitted:	0
Other Terminated Defendants:	0

Prison Sentencing for Convicted Defendants (# represents defendants):

No Imprisonment (criminal fines figure unavailable):	2
1 to 12 Months of Imprisonment:	1
13 to 24 Months:	5
25 to 36 Months:	0
37 to 60 Months:	0
61+ Months:	0

(fines can be assessed in lieu of or in addition to prison sentences)

\*These figures reflect the status of matters and cases as of September 30, 1998. Discrepancies may result from the carry-over of matters and cases initiated during the previous fiscal year(s).

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**Title 18, United States Code, Section 2320 (18 U.S.C. §2320)—Trafficking in Counterfeit Goods or Services.**

Offense: intentionally trafficking or attempting to traffic in goods or services and knowingly using a counterfeit mark on or in connection with such goods or services.

**FY1998 - TOTALS (All Districts)\***

Referrals and Cases:

Number of Investigative Matters Opened by U.S. Attorneys:	109
Number of Defendants:	170
Number of Cases filed:	72
Number of Defendants:	99
Number of Cases Resolved/Terminated:	69
Number of Defendants:	99

Disposition of Defendants in Concluded Cases:

Number of Defendants Who Pled Guilty:	80
Number of Defendants Who Were Tried and Found Guilty:	7
Number of Defendants Against Whom Charges Were Dismissed:	24
Number of Defendants Acquitted:	0
Other Terminations:	6

Prison Sentencing for Convicted Defendants (# represents defendants):

No Imprisonment:	59
1 to 12 Months of Imprisonment:	23
13 to 24 Months:	1
25 to 36 Months:	3
37 to 60 Months:	1
61+ Months:	1

(fines can be assessed in lieu of or in addition to prison sentences)

\*These figures reflect the status of matters and cases as of September 30, 1998. Discrepancies may result from the carry-over of matters and cases initiated during the previous fiscal year(s).

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**Fiscal Year 1998—TOTALS**  
**All Districts - All Statutes**  
**18 U.S.C. 2318, 2319, 2319A, and 2320**

Referrals and Cases:

Number of Investigative Matters Opened by U.S. Attorneys:	192
Number of Defendants:	298
Number of Cases filed:	97
Number of Defendants:	132
Number of Cases Resolved/Terminated:	84
Number of Defendants:	128

Disposition of Defendants in Concluded Cases:

Number of Defendants Who Pled Guilty:	104
Number of Defendants Who Were Tried and Found Guilty:	8
Number of Defendants Against Whom Charges Were Dismissed:	28
Number of Defendants Acquitted:	0
Other Terminated Defendants:	6

Prison Sentencing for Convicted Defendants (# represents defendants):

No Imprisonment:	74
1 to 12 Months of Imprisonment:	27
13 to 24 Months:	6
25 to 36 Months:	3
37 to 60 Months:	1
61+ Months:	1

(fines can be assessed in lieu of or in addition to prison sentences)

-

Note: These figures reflect the status of matters and cases as of September 30, 1998. Discrepancies may result from the carry-over of matters and cases initiated during the previous fiscal year(s).

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## Statistics on Matters/Cases Originating with the United States Customs Service

### Fiscal Year 1998

The results summarized on the preceding pages reflect the totals, including U.S. Customs matters, for each of the criminal intellectual property statutory provisions. The following reflect the total of all matters and cases referred by Customs to U.S. Attorneys under all four statutory provisions - 18 U.S.C. 2318, 2319, 2319A, and 2320:

Number of Investigative Matters Referred by U.S. Customs Service:	64
Number of Defendants:	104
Number of Customs Matters Pending Resolution:	75
Number of Defendants:	114
Number of Customs Matters Terminated:	33
Number of Defendants:	61
Number of Cases Originating with U.S. Customs Service:	42
Number of Defendants:	63
Number of Customs Cases Pending Resolution:	61
Number of Defendants:	98
Number of U.S. Customs Service Cases Resolved/Terminated:	37
Number of Defendants:	58

Note: These figures reflect the status of matters and cases as of September 30, 1998. Discrepancies may result from the carry-over of matters and cases initiated during the previous fiscal year(s).

**Fiscal Years 1997 & 1998 - Comparison**  
**All Districts - All Statutes: 18 U.S.C. 2318, 2319, 2319A, and 2320**

	<b>FY97</b>	<b>FY98</b>
Referrals and Cases:		
Number of Investigative Matters Opened by U.S. Attorneys:	211	192
Number of Defendants:	349	298
Number of Cases filed:	100	97
Number of Defendants:	175	132
Number of Cases Resolved/Terminated:	83	84
Number of Defendants:	121	128
Disposition of Defendants in Concluded Cases:		
Number of Defendants Who Pled Guilty:	87	104
Number of Defendants Who Were Tried and Found Guilty:	8	8
Number of Defendants Against Whom Charges Were Dismissed:	22	28
Number of Defendants Acquitted:	2	0
Other Disposition:	3	6
Prison Sentencing for Convicted Defendants (# represents defendants):		
No Imprisonment:	60	74
1 to 12 Months of Imprisonment:	15	27
13 to 24 Months:	8	6
25 to 36 Months:	3	3
37 to 60 Months:	7	1
61+ Months:	2	1

(fines can be assessed in lieu of or in addition to prison sentences)

**Statistics on Matters/Cases Originating with the  
United States Customs Service**

	<b>FY97</b>	<b>FY98</b>
Number of Investigative Matters Referred by U.S. Customs Service:	90	64
Number of Defendants:	155	104
Number of Customs Matters Pending Resolution:	92	75
Number of Defendants:	142	114
Number of Customs Matters Terminated:	30	33
Number of Defendants:	47	61
Number of Cases Originating with U.S. Customs Service:	35	42
Number of Defendants:	70	63
Number of Customs Cases Pending Resolution:	59	61
Number of Defendants:	109	98
Number of U.S. Customs Service Cases Resolved/Terminated:	32	37
Number of Defendants:	50	58

-  
Note: All figures reflect the status of matters and cases as of September 30, 1998. Discrepancies may result from the carry-over of matters and cases initiated during the previous fiscal year(s) or reporting oversight.

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## U.S. Department of Justice Districts

<u>Name</u>	<u>Abbreviation</u>
Alabama, Middle	ALM
Alabama, Northern	ALN
Alabama, Southern	ALS
Alaska	AK
Arizona	AZ
Arkansas, Eastern	ARE
Arkansas, Western	ARW
California, Central	CAC
California, Eastern	CAE
California, Northern	CAN
California, Southern	CAS
Colorado	CO
Connecticut	CT
Delaware	DE
District of Columbia	DC
Florida, Middle	FLM
Florida, Northern	FLN
Florida, Southern	FLS
Georgia, Middle	GAM
Georgia, Northern	GAN
Georgia, Southern	GAS
Guam	GU
Hawaii	HI
Idaho	ID
Illinois, Central	ILC
Illinois, Northern	ILN
Illinois, Southern	ILS
Indiana, Northern	INN
Indiana, Southern	INS
Iowa, Northern	IAN
Iowa, Southern	IAS
Kansas	KS
Kentucky, Eastern	KYE
Kentucky, Western	KYW
Louisiana, Eastern	LAE
Louisiana, Middle	LAM

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<u>Name</u>	<u>Abbreviation</u>
Louisiana, Western	LAW
Maine	ME
Maryland	MD
Massachusetts	MA
Michigan, Eastern	MIE
Michigan, Western	MIW
Minnesota	MN
Mississippi, Northern	MSN
Mississippi, Southern	MSS
Missouri, Eastern	MOE
Missouri, Western	MOW
Montana	MT
Nebraska	NE
Nevada	NV
New Hampshire	NH
New Jersey	NJ
New Mexico	NM
New York, Eastern	NYE
New York, Northern	NYN
New York, Southern	NYS
New York, Western	NYW
North Carolina, Eastern	NCE
North Carolina, Middle	NCM
North Carolina, Western	NCW
North Dakota	ND
Ohio, Northern	OHN
Ohio, Southern	OHS
Oklahoma, Eastern	OKE
Oklahoma, Northern	OKN
Oklahoma, Western	OKW
Oregon	OR
Pennsylvania, Eastern	PAE
Pennsylvania, Middle	PAM
Pennsylvania, Western	PAW
Puerto Rico	PR
Rhode Island	RI
South Carolina	SC
South Dakota	SD
Tennessee, Eastern	TNE
Tennessee, Middle	TNM

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<b><u>Name</u></b>	<b><u>Abbreviation</u></b>
Tennessee, Western	TNW
Texas, Eastern	TXE
Texas, Northern	TXN
Texas, Southern	TXS
Texas, Western	TXW
Utah	UT
Vermont	VT
Virginia, Eastern	VAE
Virginia, Western	VAW
Virgin Islands	VI
Washington, Eastern	WAE
Washington, Western	WAW
West Virginia, Northern	WVN
West Virginia, Southern	WVS
Wisconsin, Eastern	WIE
Wisconsin, Western	WIW
Wyoming	WY



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## Glossary

**Matter** - Referrals from other Federal agencies; investigative matters opened by U.S. Attorneys.

**Case** - Investigative matters which were accepted for prosecution and resulted in indictment.

**Terminated** - Investigative matters which were not accepted for prosecution by U.S. Attorneys; prosecution declined/insufficient evidence to indict defendant(s).

**Matter Def Count** - Number of defendants in referred matters.

**Matter Receive Count** - Number of matters/referrals.

**Matter Def Pend Count** - Number of defendants in referrals pending resolution; resolution can be either the opening of a case (indictment) or a declination (termination).

**Matter Pend Count** - Number of investigative matters pending resolution.

**Matter Def Term Count** - Number of defendants in terminated/declined matters (matters not accepted for prosecution).

**Matter Term Count** - Number of investigative matters declined prosecution.

**Case File Def Count** - Number of indicted defendants.

**Case File Count** - Number of indictments.

**Case Pend Def Count** - Number of defendants in cases pending resolution.

**Case Pend Count** - Number of cases pending resolution.

**Case Term Def Count** - Number of defendants in concluded cases.

**Case Term Count** - Number of cases concluded.

**Guilty Pleas** - Number of defendants who pled guilty.

**Disposed by Trial** - Number of defendants who went to trial.

**Guilty Verdict** - Number of defendants found "Guilty" at trial.

**Acquittal** - Number of defendants found "Not Guilty" at trial.

**Dismissed** - Number of defendants whose case was dismissed at trial.

**Other Term** - Number of defendants whose cases terminated other than with a verdict or dismissal (i.e., change of plea).

**FY 1998 Criminal Caseload Statistics on Title 18 U.S.C. 2318, 2319, 2320**  
**(Agency Code TRCB Only)**  
**Charge Disposition**

Dist	Charge	Guilty Pleas	Disposed By Trial	Guilty Verdict	Acquittal	Dismissed	Other Term	Total Term
ALM	18 : 2320	7						7
ALM	18 : 2320A	2				1		3
	DIST TOTAL	9				1		10
CAC	18 : 2318	4	1	1				5
	DIST TOTAL	4	1	1				5
CAN	18 : 2320	1						1
	DIST TOTAL	1						1
FLM	18 : 2319A	4						4
	DIST TOTAL	4						4
GU	18 : 2320	4				1		5
	DIST TOTAL	4				1		5
LAM	18 : 2318	2						2
LAM	18 : 2320	1					1	2
	DIST TOTAL	3					1	4
LAW	18 : 2320	2	2	2		4		8
	DIST TOTAL	2	2	2		4		8
MN	18 : 2320	1						1
	DIST TOTAL	1						1
MT	18 : 2320					1		1
	DIST TOTAL					1		1
NCW	18 : 2320					2		2
	DIST TOTAL					2		2
NYE	18 : 2320A	1						1
	DIST TOTAL	1						1
NYS	18 : 2320	2						2
	DIST TOTAL	2						2
PAE	18 : 2320	1						1
	DIST TOTAL	1						1

(Agency Code TRCB Only)  
 Charge Disposition

Dist	Charge	Guilty Pleas	Disposed By Trial	Guilty Verdict	Acquittal	Dismissed	Other Term	Total Term
SC	18 : 2320	2						2
	DIST TOTAL	2						2
TXN	18 : 2320	1						1
	DIST TOTAL	1						1
TXW	18 : 2320	1						1
	DIST TOTAL	1						1
VAW	18 : 2320	4				1		5
	DIST TOTAL	4				1		5
WAW	18 : 23193					1		1
WAW	18 : 2320					2	1	3
	DIST TOTAL					3	1	4
	FINAL TOTALS	40	3	3		13	2	58

58 RECORDS TOTALED

**FY 1998 Sentencing Information on Title 18 U.S.C. 2318, 2319, 2320  
(Agency Code TRCB Only)**

Dist	Charge	File Def Count	Term Def Count	Guilty	No Impris	1-12 Mos	13-24 Mos	25-36 Mos	37-60 Mos	61+Mos	Life	Death
ALM	18 : 2320	6	7	7	7							
ALM	18 : 2320A		3	2	2							
	DIST TOTAL	6	10	9	9							
AZ	18 : 2320	1										
	DIST TOTAL	1										
CAC	18 : 2318	1	5	5	5							
CAC	18 : 2320	1	5	5	5							
	DIST TOTAL	2	10	10	10							
CAN	18 : 2319	2	1	1	1							
CAN	18 : 2320	3	1	1	1							
	DIST TOTAL	5	2	2	2							
CAS	18 : 232037	1	1	1	1							
	DIST TOTAL	1	1	1	1							
FLM	18 : 2318	1	4				4					
FLM	18 : 2319A	1		4								
FLM	18 : 2320	1										
FLM	18 : 2320A	2	4	4								
	DIST TOTAL	4	8	8			4					
GAN	18 : 2319	1										
	DIST TOTAL	1										
GAS	18 : 2320	1										
	DIST TOTAL	1										
GU	18 : 2320	18	5	4	3	1						
	DIST TOTAL	18	5	4	3	1						
HI	18 : 2320	1										
	DIST TOTAL	1										
INN	18 : 2320	1										
	DIST TOTAL	1										
LAM	18 : 2318		2	2		2						
LAM	18 : 2320		2	1	1							
	DIST TOTAL	1	4	3	2	2						

**FY 1998 Sentencing Information on Title 18 U.S.C. 2318, 2319, 2320  
(Agency Code TRCB Only)**

Dist	Charge	File Def Count	Term Def Count	Guilty	No Impris	1-12 Mos	13-24 Mos	25-36 Mos	37-60 Mos	61+Mos	Life	Death
LAW	18 : 2320	1	8	4	3	1						
	DIST TOTAL	1	8	4	3	1						
MN	18 : 2320	1	1	1	1							
	DIST TOTAL	1	1	1	1							
MT	18 : 2320	5	1	1								
	DIST TOTAL	5	1	1								
NCW	18 : 2320	7	2									
	DIST TOTAL	7	2									
NYE	18 : 2319A3	1	1	1		1						
	DIST TOTAL	1	1	1		1						
NYS	18 : 2320	3	2	2	1	1						
	DIST TOTAL	3	2	2	1	1						
OHN	18 : 2320	1	2	2	1	1						
	DIST TOTAL	1	2	2	1	1						
PAE	18 : 2320	1	1	1		1						
	DIST TOTAL	1	1	1		1						
SC	18 : 2320	2	2	2		2						
	DIST TOTAL	2	2	2		2						
TXN	18 : 2320		1	1	1							
	DIST TOTAL		1	1	1							
TXW	18 : 2320		1	1	1							
	DIST TOTAL		1	1	1							
VAW	18 : 2320		5	4	3			1				
	DIST TOTAL		5	4	3			1				
WAE	18 : 2320	1	5	4	3			1				
	DIST TOTAL	1	5	4	3			1				
WAW	18 : 23193		1									
	DIST TOTAL		1									
WAW	18 : 2320		3									
	DIST TOTAL		3									
	DIST TOTAL		4									
	FINAL TOTALS	63	58	43	29	9	4	1				

104 RECORDS TOTALED

















**FY 1998 Criminal Caseload Statistics on Title 18 U.S.C. 2318, 2319, 2320  
 (All Agency Codes Except TRCB)  
 Received, Pending, Terminated, Filed Counts**

Dist	Charge	Matter	Matter	Matter	Matter	Matter	Matter	Matter	Matter	Matter	Matter	Case	Case	Case	Case	Case	Case		
		Def Count	Receive Count	Def Pend Count	Pend Count	Def Term Count	Term Count	Def Count	File Count	File Count	Def Count	Pend Count	Pend Count	Def Count	Def Count	Def Count	Def Count	Term Count	Term Count
WAW	18 : 2318	2	1	2	1														
WAW	18 : 2319			1	1														
WAW	18 : 23191																		
WAW	18 : 2320							2	1			1	1						
	DIST TOTAL	2	1	3	2	2	1	2	1			1	1						
WIE	18 : 2319	1	1	1	1														
WIE	18 : 23202																		
	DIST TOTAL	1	1	1	1														
WVS	18 : 2320							1	1			1	1						
	DIST TOTAL							1	1			1	1						
	FINAL TOTALS	192	129	215	131	80	58	76	62	111	62	88	63						

494 RECORDS TOTALED

**FY 1998 Criminal Caseload Statistics on Title 18 U.S.C. 2318, 2319, 2320  
(All Agency Codes Except TRCB)  
Charge Disposition**

Dist	Charge	Guilty Pleas	Disposed By Trial	Guilty Verdict	Acquittal	Dismissed	Other Term	Total Term
ALM	18 : 2318A	1				2		2
ALM	18 : 2319	7	1	1		1		9
ALM	18 : 2320A	8	1	1		3		12
	DIST TOTAL							
ALN	18 : 2320	1						1
	DIST TOTAL							
ARW	18 : 2320	1						1
	DIST TOTAL							
AZ	18 : 2318A	1						1
	DIST TOTAL							
CAN	18 : 2319	3						3
	DIST TOTAL							
CT	18 : 2320	3	3	3				9
	DIST TOTAL							
DE	18 : 2319A	1						1
	DIST TOTAL							
FLS	18 : 2320	2				1		3
	DIST TOTAL							
GAM	18 : 2320	1				1		2
	DIST TOTAL							
ILN	18 : 2319B	1						1
ILN	18 : 2320A	1					1	2
	DIST TOTAL							
KYE	18 : 2320	2						2
	DIST TOTAL							
MD	18 : 2320	2						2
	DIST TOTAL							
MIE	18 : 2320	2						2
	DIST TOTAL							
			1	1				2
			1	1				2

**FY 1998 Criminal Caseload Statistics on Title 18 U.S.C. 2318, 2319, 2320**  
**(All Agency Codes Except TRCB)**  
**Charge Disposition**

Dist	Charge	Guilty Pleas	Disposed By Trial	Guilty Verdict	Acquittal	Dismissed	Other Term	Total Term
MIW	18 : 2320A					1		1
	DIST TOTAL					1		1
MN	18 : 2320					1		1
	DIST TOTAL					1		1
MOE	18 : 2320	1				1		1
	DIST TOTAL	1				1		1
NCM	18 : 2320	10						10
	DIST TOTAL	10						10
NH	18 : 2320	1					1	1
	DIST TOTAL	1					1	1
NJ	18 : 2320	2						2
	DIST TOTAL	2						2
NYE	18: 2318 A	2						2
NYE	18: 2320A	2						2
	DIST TOTAL	4						4
NYS	18 : 2319						1	1
	DIST TOTAL						1	1
OHN	18 : 2318	1						1
	DIST TOTAL	1						1
OHS	18 : 2320	4						4
	DIST TOTAL	4						4
OKE	18 : 2320	1						1
	DIST TOTAL	1						1
OKN	18 : 2320	1						1
	DIST TOTAL	1						1
PAW	18 : 2319 A	2						2
PAW	18 : 2320					6		6
	DIST TOTAL	2				6		8

FY 1998 Criminal Caseload Statistics on Title 18 U.S.C. 2318, 2319, 2320

(All Agency Codes Except TRCB)  
Charge Disposition

Dist	Charge	Guilty Pleas	Disposed By Trial	Guilty Verdict	Acquittal	Dismissed	Other Term	Total Term
TXN	18 : 2319AB1	1						1
TXN	18 : 2320	8				2		10
DIST	TOTAL	9				2		11
TXS	18 : 2320	2					1	3
DIST	TOTAL	2					1	3
VAE	18 : 2320	2						2
DIST	TOTAL	2						2
VAW	18 : 2320	1						1
DIST	TOTAL	1						1
WIE	18 : 23202						1	1
DIST	TOTAL						1	1
FINAL	TOTALS	64	5	5		15	4	88

88 RECORDS TOTALED



**FY 1998 Sentencing Information on Title 18 U.S.C. 2318, 2319, 2320  
(All Agency Codes Except TRCB)**

Dist	Charge	File Def Count	Term Def Count	Guilty	No Impris	1-12 Mos	13-24 Mos	25-36 Mos	37-60 Mos	61+Mos	Life	Death
ALM	18 : 2318A		2									
ALM	18 : 2319		1	1	1							
ALM	18 : 2320A		9	8	8							
	DIST TOTAL		12	9	9							
ALN	18 : 2320		1	1	1							
	DIST TOTAL		1	1	1							
ARW	18 : 2320	2	1	1	1							
	DIST TOTAL	2	1	1	1							
AZ	18 : 2318A		1	1	1							
	DIST TOTAL		1	1	1							
CAC	18 : 2318A	1										
	DIST TOTAL	1										
CAN	18 : 2319	2	3	3	3							
	DIST TOTAL	2	3	3	3							
CT	18 : 2320		3	3	3	3						
	DIST TOTAL		3	3	3	3						
DE	18 : 2319A	1	1	1	1							
	DIST TOTAL	1	1	1	1							
FLS	18 : 2320	4	3	2	2							
	DIST TOTAL	4	3	2	2							
GAM	18 : 2320		1	1	1							
	DIST TOTAL		1	1	1							
HI	18 : 23191	3										
	DIST TOTAL	3										
ILC	18 : 2320	1										
	DIST TOTAL	1										
ILN	18 : 2319B	1	1	1	1							
ILN	18 : 2320A		1									
	DIST TOTAL	1	2	1	1							
KYE	18 : 2320	4	2	2	1	1						
	DIST TOTAL	4	2	2	1	1						



**FY 1998 Sentencing Information on Title 18 U.S.C. 2318, 2319, 2320  
(All Agency Codes Except TRCB)**

Dist	Charge	File Def Count	Term Def Count	Guilty	No Impris	1-12 Mos	13-24 Mos	25-36 Mos	37-60 Mos	61+Mos	Life	Death
NYN	18 : 2319	1										
	DIST TOTAL	1										
NYS	18 : 2318	1										
NYS	18 : 2319	3	1									
NYS	18 : 2320	7										
	DIST TOTAL	11	1									
OHN	18 : 2318	1	1	1		1						
	DIST TOTAL	1	1	1		1						
OHS	18 : 2318	1	4	4	2	2						
OHS	18 : 2320	1	4	4	2	2						
	DIST TOTAL	2	8	8	4	4						
OKE	18 : 2320	1	1	1	1							
	DIST TOTAL	1	1	1	1							
OKN	18 : 2320	1	1	1	1	1						
	DIST TOTAL	1	1	1	1	1						
OKW	18 : 2320	1	1	1								
	DIST TOTAL	1	1	1								
PAW	18 : 2319A	2	2	2	1	1						
PAW	18 : 2319AA	1										
PAW	18 : 2320	3	6									
	DIST TOTAL	6	8									
TNM	18 : 2320	1		2	1	1						
	DIST TOTAL	1		2	1	1						
TXN	18 : 2318	1										
TXN	18 : 2319	8										
TXN	18 : 2319AB1	1	1	1			1					
TXN	18 : 2320	11	10	8	6	2						
	DIST TOTAL	20	11	9	6	2	1					
TXS	18 : 2320	3	3	2	1	1						
	DIST TOTAL	3	3	2	1	1						
VAE	18 : 2320	2	2	2					1			1

**FY 1998 Sentencing Information on Title 18 U.S.C. 2318, 2319, 2320  
(All Agency Codes Except TRCB)**

Dist	Charge	File Def Count	Term Def Count	Guilty	No Impris	1-12 Mos	13-24 Mos	25-36 Mos	37-60 Mos	61+Mos	Life	Death
	DIST TOTAL	2	2	2					1	1		
	VAW 18 : 2320		1	1	1							
	DIST TOTAL		1	1	1							
	WIE 18 : 23202		1									
	DIST TOTAL		1									
	FINAL TOTALS	76	88	69	45	18	2	2	1	1		

139 RECORDS TOTALED

(Agency Code TRCB Only)  
 Received, Pending, Terminated, Filed Counts

Dist	Charge	Matter Def Count		Matter Receive Count		Matter Def Pend Count		Matter Pend Count		Matter Term Count		Case File Count		Case Pend Count		Case Term Count		Case Def Count		Case Term Count	
		Count	Count	Count	Count	Count	Count	Count	Count	Count	Count	Count	Count	Count	Count	Count	Count	Count	Count	Count	Count
AK	18 : 2318	1	1	1	1																
	DIST TOTAL	1	1	1	1																
ALM	18 : 2320	7	7	2	2							6	6	2	2					7	6
	DIST TOTAL	7	7	2	2							6	6	2	2					7	6
AZ	18 : 2319	1	1	1						2	1	1	1	1	1						
	DIST TOTAL	3	1	1						2	1	1	1	1	1						
CAC	18 : 2318	4	2	2	1					2	1	1	1	3	2					5	5
	DIST TOTAL	5	3	4	2					2	1	1	1	11	3					5	5
CAS	18 : 2320	5	3	6	3					1	1	1	1	14	5						
	DIST TOTAL	3	2	1	1					1	1	1	2	2	1						
CAN	18 : 2319	3	2	1	1					1	1	2	1	2	1						
	DIST TOTAL	1	1	1	1					1	1	3	3	11	6					1	1
CAS	18 : 2320A	4	3	10	5					1	1	5	4	14	8					1	1
	DIST TOTAL	1	1	3	3					1	1	1	1	1	1						
CO	18 : 2320	1	1	1	1					2	1	1	1	2	2						
	DIST TOTAL	1	1	1	1					2	1	1	1	2	2						
FLM	18 : 2318	1	1	1						2	1	1	1	1	1						
	DIST TOTAL	6	4	5	3					1	1	1	1	2	1					4	1
FLM	18 : 2319A	1	1	1						2	1	2	3	6	4						
	DIST TOTAL	1	1	1	1					2	1	2	3	6	4						
FLM	18 : 2320	6	4	5	3					1	1	2	2	14	8					1	1
	DIST TOTAL	8	5	5	3					1	1	4	3	6	4					4	1

FY 1998 Criminal Caseload Statistics on Title 18 U.S.C. 2318, 2319, 2320

(Agency Code TRCB Only)

Received, Pending, Terminated, Filed Counts

Dist	Charge	Matter Def Count	Matter Receive Count	Matter Def Pend Count	Matter Pend Count	Matter Def Term Count	Matter Term Count	Case File Def Count	Case File Count	Case Pend Def Count	Case Pend Count	Case Term Def Count	Case Term Count
FLS	18 : 2320									2	1		
	DIST TOTAL									2	1		
GAN	18 : 2319									2	1		
GAN	18 : 2320							1	1	1	1		
	DIST TOTAL							1	1	2	1		
GAS	18 : 2320							1	1	3	2		
	DIST TOTAL							1	1	1	1		
GU	18 : 2320							1	1	1	1		
	DIST TOTAL	16	8	1	1	9	9	18	10	14	8	5	4
HI	18 : 2320							1	1	14	8	5	4
	DIST TOTAL	16	8	1	1	9	9	18	10	14	8	5	4
ILN	18 : 2320							1	1	4	3		
	DIST TOTAL	1	1	1	1	3	1	1	1	4	3		
INN	18 : 2320							1	1	1	1		
	DIST TOTAL	2	2	1	1	3	1	1	1	1	1		
KS	18 : 2320							1	1	1	1		
	DIST TOTAL	2	2	1	1	1	1	1	1	1	1		
KYW	18 : 2320A							1	1	1	1		
	DIST TOTAL	1	1	1	1	1	1	1	1	1	1		
LAE	18 : 2320							1	1	1	1		
	DIST TOTAL	2	1	2	1	1	1	1	1	1	1		
LAM	18 : 2318							1	1				
LAM	18 : 2320							1	1				
	DIST TOTAL	3	1	3	1	1	1	1	1				
LAW	18 : 2320							2	1				
	DIST TOTAL	1	1	1	1	2	1	1	1				
MA	18 : 2320							1	1				
	DIST TOTAL	1	1	1	1	1	1	1	1				
MIE	18 : 2320							1	1				
	DIST TOTAL	1	1	1	1	1	1	1	1				

FY 1998 Criminal Caseload Statistics on Title 18 U.S.C. 2318, 2319, 2320

(All Agency Codes Except TRCB)

Received, Pending, Terminated, Filed Counts

Dist	Charge	Matter Def Count	Matter Receive Count	Matter Def Pend Count	Matter Pend Count	Matter Def Term Count	Matter Term Count	Case File Def Count	Case File Count	Case Pend Def Count	Case Pend Count	Case Term Def Count	Case Term Count
DIST TOTAL													
ILC	18 : 2320	1	1	2	1	1	1	1	1	1	1	1	1
DIST TOTAL		1	1	1	1	1	1	1	1	1	1	1	1
ILN	18 : 2318			1	1								
ILN	18 : 2319			1	1								
ILN	18 : 2319B	6	3	6	3	3	1	1	1			1	1
ILN	18 : 2320	1	1										
ILN	18 : 2320A	2	2	5	3					3	1	1	1
DIST TOTAL		9	6	12	7	3	1	1	1	3	1	1	2
INN	18 : 2319					1	1						
DIST TOTAL		1	1	1	1	1	1						
INS	18 : 2319	4	1	4	1								
INS	18 : 2319B1	5	2	5	2								
DIST TOTAL		9	3	9	3								
KS	18 : 2320			1	1								
DIST TOTAL				1	1								
KYE	18 : 2318					1	1						
KYE	18 : 2320	1	1			1	1	4	3	2	1	2	2
DIST TOTAL		1	1			2	2	4	3	2	1	2	2
KYW	18 : 2318	1	1	1	1								
KYW	18 : 2319					1	1						
KYW	18 : 2319B1									1	1		
KYW	18 : 2320	1	1	2	2	1	1						
DIST TOTAL		2	2	3	3	2	2			1	1		
LAE	18 : 2320									1	1		
DIST TOTAL										2	2		
LAW	18 : 2320	2	1	1				1	1	1	1		
DIST TOTAL		2	1	1				1	1	1	1		
MA	18 : 2319	2	2	2	2								
MA	18 : 2320	2	2			2	2	2	1	2	1	2	1

FY 1998 Criminal Caseload Statistics on Title 18 U.S.C. 2318, 2319, 2320

(All Agency Codes Except TRCB)

Received, Pending, Terminated, Filed Counts

Dist	Charge	Matter Def Count	Matter Receive Count	Matter Def		Matter Pend		Matter Def Term Count	Matter Term Count	Case File		Case Def Count	Case Pend Count	Case Term Count
				Count	Count	Count	Count			Count	Count			
DIST TOTAL	18 : 2320	4	4	2	2	2	2	2	2	1	1	2	1	1
MD						1	1							2
DIST TOTAL	18 : 2319							1	1	1	1	1	1	2
ME	18 : 2320	1	1	1	1									2
DIST TOTAL	18 : 2318	1	1	1	1	3	3	1	1	1	1	1	1	1
MIE	18 : 2318A												2	1
MIE	18 : 2318B3												1	1
MIE	18 : 2319	4	3	3	2	2	2	1	1	1	1	1	1	1
MIE	18 : 2319B1	3	3	2	2	7	7	1	1	1	1	13	17	1
DIST TOTAL	18 : 2320	8	7	10	7	1	1	1	1	1	1	2	2	1
MIV	18 : 2320													1
MIV	18 : 2320A	1	1	1	1	1	1	1	1	1	1	1	1	1
DIST TOTAL	18 : 2320	1	1	1	1	1	1	1	1	1	1	1	1	1
MN														1
DIST TOTAL	18 : 2319													1
MOE	18 : 2320													1
DIST TOTAL	18 : 2318													1
MOW														1
DIST TOTAL	18 : 2318	2	1	2	1	1	1	1	1	1	1	1	1	1
MSS		2	1	2	1	1	1	1	1	1	1	1	1	1
DIST TOTAL	18 : 2318	5	1	5	1	5	5	2	1	1	1	1	1	1
NCE	18 : 2319	1	1	1	1	1	1	1	1	1	1	1	1	1
NCE	18 : 2320	1	1	1	1	1	1	1	1	1	1	1	1	1
DIST TOTAL	18 : 2320	7	3	6	2	2	2	2	1	1	1	1	1	1



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# Appendix C

## INDEX OF JUSTICE COMPONENT WEBSITES

American Indian and Alaska Native Affairs Desk (OJP)	<a href="http://www.ojp.usdoj.gov/aian">http://www.ojp.usdoj.gov/aian</a>
Antitrust Division	<a href="http://www.usdoj.gov/atr/index.html">http://www.usdoj.gov/atr/index.html</a>
Attorney General	<a href="http://www.usdoj.gov/ag/oag.html">http://www.usdoj.gov/ag/oag.html</a>
Bureau of Justice Assistance (OJP)	<a href="http://www.ojp.usdoj.gov/BJA">http://www.ojp.usdoj.gov/BJA</a>
Bureau of Justice Statistics (OJP)	<a href="http://www.ojp.usdoj.gov/bjs">http://www.ojp.usdoj.gov/bjs</a>
Civil Division	<a href="http://www.usdoj.gov/civil/civil.html">http://www.usdoj.gov/civil/civil.html</a>
Civil Rights Division	<a href="http://www.usdoj.gov/crt/crt-home.html">http://www.usdoj.gov/crt/crt-home.html</a>
Community Oriented Policing Services - COPS	<a href="http://www.usdoj.gov/cops/">http://www.usdoj.gov/cops/</a>
Community Relations Service	<a href="http://www.usdoj.gov/crs/crs.htm">http://www.usdoj.gov/crs/crs.htm</a>
Corrections Program Office (OJP)	<a href="http://www.ojp.usdoj.gov/cpo/">http://www.ojp.usdoj.gov/cpo/</a>
Criminal Division	<a href="http://www.usdoj.gov/criminal/criminal%20home.html">http://www.usdoj.gov/criminal/criminal home.html</a>
Drug Courts Program Office (OJP)	<a href="http://www.ojp.usdoj.gov/dcpo/">http://www.ojp.usdoj.gov/dcpo/</a>
Drug Enforcement Administration	<a href="http://www.usdoj.gov/dea/">http://www.usdoj.gov/dea/</a>
Environment and Natural Resources Division	<a href="http://www.usdoj.gov/enrd/enrd-home.html">http://www.usdoj.gov/enrd/enrd-home.html</a>
Executive Office for Immigration Review	<a href="http://www.usdoj.gov/eoir/">http://www.usdoj.gov/eoir/</a>
Executive Office for U.S. Attorneys	<a href="http://www.usdoj.gov/usao/eousa/eousa.html">http://www.usdoj.gov/usao/eousa/eousa.html</a>
Executive Office for U.S. Trustees	<a href="http://www.usdoj.gov/ust/">http://www.usdoj.gov/ust/</a>
Executive Office for Weed and Seed (OJP)	<a href="http://www.ojp.usdoj.gov/eows/">http://www.ojp.usdoj.gov/eows/</a>
Federal Bureau of Investigation	<a href="http://www.fbi.gov/">http://www.fbi.gov/</a>

Foreign Claims Settlement Commission of the United States	<a href="http://www.usdoj.gov/fcsc/">http://www.usdoj.gov/fcsc/</a>
Immigration and Naturalization Service	<a href="http://www.ins.usdoj.gov/">http://www.ins.usdoj.gov/</a>
INTERPOL -- U.S. National Central Bureau	<a href="http://www.usdoj.gov/usncb/">http://www.usdoj.gov/usncb/</a>
Justice Management Division	<a href="http://www.usdoj.gov/jmd/">http://www.usdoj.gov/jmd/</a>
Justice Performance Review	<a href="http://www.usdoj.gov/jpr/">http://www.usdoj.gov/jpr/</a>
National Criminal Justice Reference Service (OJP)	<a href="http://www.ncjrs.org">http://www.ncjrs.org</a>
National Drug Intelligence Center	<a href="http://www.usdoj.gov/ndic/">http://www.usdoj.gov/ndic/</a>
National Institute of Corrections (FBOP)	<a href="http://www.bop.gov/">http://www.bop.gov/</a>
National Institute of Justice (OJP)	<a href="http://www.ojp.usdoj.gov/nij/">http://www.ojp.usdoj.gov/nij/</a>
Office of the Associate Attorney General	<a href="http://www.usdoj.gov/offices/aag.html">http://www.usdoj.gov/offices/aag.html</a>
Office of the Attorney General	<a href="http://www.usdoj.gov/ag/oag.html">http://www.usdoj.gov/ag/oag.html</a>
Office of the Deputy Attorney General	<a href="http://www.usdoj.gov/dag/dag.html">http://www.usdoj.gov/dag/dag.html</a>
Office of Information and Privacy	<a href="http://www.usdoj.gov/oip/oip.html">http://www.usdoj.gov/oip/oip.html</a>
Office of the Inspector General	<a href="http://www.usdoj.gov/oig/ighp01.htm">http://www.usdoj.gov/oig/ighp01.htm</a>
Office of Intelligence Policy and Review	<a href="http://www.usdoj.gov/offices/ipr.html">http://www.usdoj.gov/offices/ipr.html</a>
Office of Justice Programs	<a href="http://www.ojp.usdoj.gov">http://www.ojp.usdoj.gov</a>
Office of Juvenile Justice and Delinquency	<a href="http://www.ncjrs.org/ojjdp/">http://www.ncjrs.org/ojjdp/</a>
Office of Legal Counsel	<a href="http://www.usdoj.gov/olc/olc.htm">http://www.usdoj.gov/olc/olc.htm</a>
Office of Legislative Affairs	<a href="http://www.usdoj.gov/ola/ola.html">http://www.usdoj.gov/ola/ola.html</a>
Office of the Pardon Attorney	<a href="http://www.usdoj.gov/offices/opa.html">http://www.usdoj.gov/offices/opa.html</a>
Office of Policy Development	<a href="http://www.usdoj.gov/offices/opd.html">http://www.usdoj.gov/offices/opd.html</a>
Office of Professional Responsibility	<a href="http://www.usdoj.gov/opr/index.html">http://www.usdoj.gov/opr/index.html</a>

Office of the Solicitor General	<a href="http://www.usdoj.gov/osg/">http://www.usdoj.gov/osg/</a>
Office for State and Local Domestic Preparedness Support (OJP)	<a href="http://www.ojp.usdoj.gov/osldps/">http://www.ojp.usdoj.gov/osldps/</a>
Office of Tribal Justice	<a href="http://www.usdoj.gov/otj/index.html">http://www.usdoj.gov/otj/index.html</a>
Office for Victims of Crime (OJP)	<a href="http://www.ojp.usdoj.gov/ovc">http://www.ojp.usdoj.gov/ovc</a>
Tax Division	<a href="http://www.usdoj.gov/tax/">http://www.usdoj.gov/tax/</a>
U.S. Attorneys	<a href="http://www.usdoj.gov/usao/usao.html">http://www.usdoj.gov/usao/usao.html</a>
U.S. Marshals Service	<a href="http://www.usdoj.gov/marshals/">http://www.usdoj.gov/marshals/</a>
U.S. Parole Commission	<a href="http://www.usdoj.gov/uspc/parole.htm">http://www.usdoj.gov/uspc/parole.htm</a>
U.S. Trustee Program	<a href="http://www.usdoj.gov/ust/">http://www.usdoj.gov/ust/</a>
Violence Against Women Grants Office (OJP)	<a href="http://www.ojp.usdoj.gov/vawgo/">http://www.ojp.usdoj.gov/vawgo/</a>
Violence Against Women Office (OJP)	<a href="http://www.usdoj.gov/vawo/">http://www.usdoj.gov/vawo/</a>