

**GENERAL MANAGEMENT:  
Better Performance Measures  
Are Needed For Treasury  
Enforcement Programs**

OIG-02-013

November 16, 2001



**Office of Inspector General**

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**The Department of the Treasury**

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## Abbreviations

ATF	Bureau of Alcohol, Tobacco and Firearms
Customs	U.S. Customs Service
FTE	Full Time Equivalent
FY	Fiscal Year
GAO	U.S. General Accounting Office
IRS	Internal Revenue Service
Justice	Department of Justice
OIG	Office of Inspector General
OMB	Office of Management and Budget
ONDCP	Office of National Drug Control Policy
Results Act	Government Performance and Results Act of 1993

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*The Department of the Treasury  
Office of Inspector General*

November 16, 2001

Jimmy Gurulé  
Under Secretary for Enforcement

We have completed an audit to determine if the performance measures for the Department of the Treasury (Treasury) and its enforcement Bureaus cover the key aspects of enforcement performance in a clear and consistent manner. Our audit was performed in accordance with the Office of Inspector General's (OIG) Fiscal Year (FY) 2001 Annual Plan.

We reviewed FY 1999 and FY 2000 performance reports for Treasury; U.S. Customs Service (Customs); Bureau of Alcohol, Tobacco and Firearms (ATF); and U.S. Secret Service (Secret Service). However, performance measures for Secret Service protection activities and federal law enforcement training were specifically excluded from our scope. We interviewed Treasury and Bureau officials in Washington, D.C.; Chicago; and Houston. Further, we discussed enforcement performance measure issues with officials from the U.S. General Accounting Office (GAO), Office of National Drug Control Policy (ONDCP), and the Office of Management and Budget (OMB). Finally, we discussed our preliminary findings and recommendations with staff from six interested congressional committees. We performed our audit fieldwork between September 2000 and April 2001. Appendix 1 provides a more detailed description of the audit objectives, scope, and methodology.

## Results in Brief

Overall, we found that Treasury and Bureau performance reports provide a limited picture of actual law enforcement performance.

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In our opinion, current performance measures do not demonstrate the full impact of Treasury's enforcement programs on the protection of the public, economy, and revenue. Treasury has been developing and reporting better measures and has included beneficial supplemental charts and explanations in its performance reports. However, there are major government-wide obstacles to measuring the performance of Federal law enforcement that have yet to be overcome.

In general, the congressional staffs we met with wanted performance measures and reports that were clear and consistent between Treasury and the Department of Justice (Justice) law enforcement Bureaus. They felt that deterrence, prevention, and protection of individual rights need to be included in performance reporting to provide balance and prevent unintended consequences. Also, they want arrest, prosecution, conviction, and seizure workload statistics reported in a clear and consistent manner.

Treasury, working with Justice and ONDCP, needs to develop better and more consistent performance reports and reliable data sources. This should be done in consultation with congressional stakeholders to assure new measures and supplemental information is clear, concise, complete, and useful.

This report contains 4 findings and 10 recommendations concerning the consistency, clarity, and coordination of Treasury's enforcement performance reporting.

The Office of Enforcement generally concurred with our findings and outlined a set of planned corrective actions that, when fully implemented, will satisfy the intent of our recommendations. However, its response to our draft report did not include target dates for the planned corrective actions as required by Treasury Directive 40-01, *Responsibilities of and to the Inspector General*. This information will need to be developed and provided to our office before we can consider the recommendations to have a management decision. The Office of Enforcement's response is provided as Appendix 3.

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## Background

The Government Performance and Results Act of 1993 (Results Act) was enacted to systematically hold Federal agencies accountable for achieving program results. Specifically, Federal managers are required to set strategic goals, measure performance, and report on their progress. In enacting the Results Act, Congress and the Administration realized that the transition to results-oriented management would not be easy. For that reason, the Results Act provided for a phased approach to implementation. The Results Act also emphasizes the importance of consultation with the Congress as strategies are planned, goals are identified, and measures are selected.

The purpose of the Results Act is to:

- Improve the confidence of the American people by holding Federal agencies accountable.
- Improve program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction.
- Help Federal managers improve service delivery by requiring them to plan for meeting program objectives.
- Improve congressional decision-making by providing more objective information on achieving statutory objectives.
- Improve internal management of the Federal government.

Overall, Treasury established 340 performance targets in FY 2000. Of these, 46 measures were either (1) baselined in FY 2000, (2) qualitative and not objectively measurable, or (3) had no data available for FY 2000. Treasury has four mission areas: Economic, Financial, Enforcement, and Management. The net cost of Treasury's business in FY 2000 was \$13.5 billion of which \$3.2 billion (24 percent) was related to the Enforcement Mission. The Enforcement Mission is supported by ATF, Customs, Secret Service, Financial Crimes Enforcement Network, Internal Revenue

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Service (IRS), Federal Law Enforcement Training Center, and Departmental Offices. The purpose of Treasury enforcement is to protect the public, economy, and revenue from money laundering, counterfeiting, financial crime, drug smuggling, violent crime, and terrorism. Enforcement performance is measured against five major goals:

- Combat Money Laundering and Other Financial Crimes
- Protect Our Nation’s Borders and Major International Transportation Terminals from Traffickers and Smugglers of Illicit Drugs
- Reduce Violent Crime and the Threat of Terrorism
- Protect Our Nation’s Leaders and Visiting Dignitaries
- Provide High-Quality Training for Law Enforcement Personnel

## Findings and Recommendations

### **Finding 1      Reporting of Supplemental Information Needs to Be Clear, Complete, and Consistent**

The Treasury and Bureau performance reports provide a limited picture of actual law enforcement performance. In our opinion, current performance measures do not demonstrate the full impact of Treasury enforcement on the protection of the public, economy, and revenue. Treasury enforcement operations have a greater impact and broader scope than what is currently reported. Performance measurement for Federal law enforcement is still an evolving process. To date no one has designed a clear and complete set of outcome-related performance measures for Federal law enforcement. These limitations are substantial and long-standing, and will not be quickly or easily resolved. This is partially due to the following unanswered questions, which present obstacles to measurement:

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- How can there be reliable and meaningful performance measures to reduce crime universes that are unknown or can only be estimated?
  - How can the impact of a single Bureau be measured in programs that involve the participation of multiple Federal, foreign, state, and local agencies?
  - How can performance be measured in areas where external factors have significant impact? (i.e., the economy, culture, foreign corruption, and technology)
  - How can annual performance measures report on long-term undercover operations to disrupt and dismantle major international criminal organizations?
  - How can protection of the public from terrorism, unsafe products, hazardous materials, explosives, and child pornography be measured quantitatively?

Recognizing the obstacles that need to be overcome, it is necessary to provide clear, complete, and consistent supplemental information. This will be necessary to make the Treasury and Bureau performance reports more usable while research into better measures continues. Customs' Strategic Plan provides an example of how this information could be presented. Specifically, Customs provides a chart that lists performance measures reported, planned, and used internally.<sup>1</sup> A similar presentation by the other enforcement Bureaus would allow congressional stakeholders to see how measurement is being implemented and what information is available if needed.

Performance goals are of minimal value for congressional decision makers without a connection to the resources requested. In FY 2000, Treasury reported a net cost for the Enforcement Mission of \$3.2 billion. However, Treasury's current performance report does not indicate the resources or personnel devoted to each of the five enforcement goals. In its FY 2000 performance report,

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<sup>1</sup> *U.S. Customs Service Strategic Plan Fiscal Years 2000-2005*, pages 40 through 42.

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Customs reported that \$1 billion and 8,040 Full Time Equivalent (FTE) positions were devoted to enforcement. But, Customs did not breakout the resources devoted to the three performance goals of drug interdiction, money laundering, and other Customs enforcement activities. An early draft of the FY 2000 Secret Service performance report we reviewed displayed budget dollars, FTEs, and performance measures by protective services, investigations, and support infrastructure. However, this very useful information was not included in its final report. ATF reported \$0.6 billion and 3,702 FTE devoted to reducing violent crime.

As illustrated by the above, there is a misalignment between the current budget activities and budgeting by performance goals. Reporting by goals is more detailed and more informative. At a minimum, we believe the Treasury and Bureau reports should show the resources devoted to the five departmental goals for enforcement. This will allow users of the performance reports to compare the resources devoted to specific goals with the results achieved.

### **Recommendations**

The Under Secretary for Enforcement, in coordination and with assistance from the Assistant Secretary for Management and Chief Financial Officer (CFO), should ensure that:

1. The enforcement Bureaus include a listing of the enforcement performance measures reported, planned, and used internally in a consistent manner as part of their performance reports.

Management Comment. The Office of Enforcement concurred with this recommendation. It will encourage ATF and Secret Service to provide this information in a format similar to that used in Customs strategic plan.

OIG Comment. The actions planned by management satisfy the intent of our recommendation. We will consider this recommendation to have a management decision once an

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appropriate target completion date for these actions is established.

2. The resources used (net costs and FTEs) to accomplish each of the five goals for the enforcement mission are presented in a consistent manner in the Treasury and Bureau performance reports, as applicable.

Management Comment. The Office of Enforcement agrees in principle with this recommendation. However, implementing the recommendation is contingent on the ability of Treasury's budgeting and accounting systems to provide such information. Two years ago, the Department requested that the bureaus provide a statement of net costs by strategic goal, but their accounting systems were unable to provide this information. Treasury is continuing its attempt to provide statements of net costs by strategic goal. The Office of Enforcement and the enforcement bureaus will participate in the Treasury-wide effort in this area. This effort may require new cost accounting methodologies and amendment of Treasury strategic goals to embrace more of the significant work performed by the bureaus. In any event, the enforcement bureaus should not be asked to provide the requested information in isolation before the Treasury-wide effort is complete.

OIG Comment. The planned actions, outlined in general terms above, satisfy the intent of our recommendation. However, their implementation will require close coordination between the Offices of Enforcement and the Assistant Secretary for Management and CFO. We will consider this recommendation to have a management decision once an appropriate target completion date for these actions is established. The Office of Enforcement should work with the Assistant Secretary for Management and CFO in developing this date.

3. Research is continued and coordinated with the enforcement Bureaus and other agencies to develop new quantitative performance measures that show the impact of Treasury enforcement operations on the protection of the public, economy, and revenue. For those goals for which meaningful

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and complete outcome measures have yet to be reported, Treasury and the Bureaus should describe how operations directly impact the protection of the public, economy, and revenue in the narrative portion of the performance reports.

Management Comment. The Office of Enforcement concurred with this recommendation. Efforts are underway within the Office and the enforcement Bureaus to further develop meaningful outcome measures for Treasury enforcement operations. The Office is working closely with the Department of Justice and the Office of National Drug Control Policy to improve drug interdiction and drug investigation performance measures.

OIG Comment. The actions planned by the Office of Enforcement satisfy the intent of our recommendation. We will consider this recommendation to have a management decision once an appropriate target completion date for these actions is established.

## Finding 2

### Treasury's Performance Reporting Needs Further Improvement

A GAO review<sup>2</sup> of Treasury's FY 1999 performance report concluded that the report provides a limited picture of the Department's actual performance. In response, Treasury officials stated that certain measures would continue to be output-oriented until Treasury is better able to determine the cause-and-effect relationships between its various programs and the outcomes they are intended to influence. A schedule of the current and planned performance measures is included in Appendix 2. The Treasury Program Performance Report for FY 2000 presents the results of enforcement in eight major areas:

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<sup>2</sup> *Treasury's FY 1999 Performance Report and FY 2001 Performance Plan* (GAO/GGD/AIMD-00-231R; June 30, 2000).

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- Money Laundering
  - Financial Crime
  - Counterfeiting
  - Drug Interdiction
  - Violent Crime
  - Terrorism
  - Protection
  - Training

Money laundering is a high priority program that Treasury and the Bureaus expend a great deal of effort on. However, the current and planned measures for ATF, Customs, and Secret Service list only two money laundering-related seizure statistics. Since seizures are not performance measures, it is difficult for stakeholders to determine Treasury's progress in this area. Treasury's Financial Crimes Enforcement Network has an effort underway to estimate the money laundering universe. If this effort is successful then seizures as a percentage of the universe could be used as a performance measure.

The performance measures for financial crime have been improving. In the FY 1999 Performance Report, the measures for cases closed were replaced with actual financial crime loss and financial crime loss avoided. New measures planned include percent of financial crime with foreign nexus and the results of an industry response survey.

About \$1.5 billion of the Federal government's FY 2000 drug control budget was spent by Treasury. Yet, current measures for drug interdiction focus primarily on seizures. It is not clear from these measures whether changes in seizures are the result of successful interdiction or a change in the volume or method of smuggling. ONDCP officials informed us that its estimated universe of cocaine smuggled into the U.S. was now sufficiently reliable to use for performance measurement purposes. However, Treasury officials disagreed with the methodology used by ONDCP to calculate the current cocaine estimate. Also, ONDCP plans to publish estimates of other drug universes over the next couple of years. Customs has five new performance measures for the air and marine interdiction program. These measures were published

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in the Customs FY 2000 performance report issued in April 2001. The current Treasury report includes Customs passenger processing performance measures. These passenger processing measures, however, only partially deal with drug interdiction.

The problems and limitations of the performance measures for violent crime were outlined in the GAO report on Treasury's FY 1999 performance report and in a June 2001 OIG report on ATF's investigative case targeting and productivity.<sup>3</sup> ATF's FY 2000 Performance Report states that: "ATF is working to develop a model to fine tune and measure our contribution to the decrease in violent crime."

Of the 6 current and planned performance measures for terrorism, 2 are seizure numbers. Three are qualitative measures that are not objectively measurable. Under the Results Act, OMB can authorize the use of qualitative measures for performance reporting. However, such alternative reporting should sufficiently describe a minimally effective and a successful program in a manner that would allow for an accurate, independent determination of whether the program's performance met the description. Treasury's qualitative measures do not presently meet this requirement. In general, the congressional staff we met with did not find the qualitative measures useful in evaluating performance.

### **Recommendations**

The Under Secretary for Enforcement, in coordination and with assistance from the Assistant Secretary for Management and CFO, should ensure that:

1. Seizures are reported as a percentage of the estimated universe as performance measures for money laundering and drug interdiction. The methodology and validation process for these estimates should be agreed to by participating agencies.

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<sup>3</sup> *PROTECTING THE PUBLIC: Bureau of Alcohol, Tobacco and Firearms' Investigative Case and Time Data Needs Improvement* (OIG-01-077; June 27, 2001).

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Management Comment. The Office of Enforcement concurred, in part, with this recommendation. However, the recommendation cannot be implemented until the Treasury has reasonable assurance that valid estimates of the money laundering and drug trafficking universes can be developed. In this regard, the Financial Crimes Enforcement Network has had an on-going effort underway for several years to estimate the magnitude of money laundering and it has proven to be exceptionally difficult to estimate economic activity in an area where the goal of the activity itself is concealment from the Government. Treasury is participating in ONDCP's effort to develop and validate a drug interdiction measure based on drug seizures as a percentage of the relevant trafficking universe. Presently, only one trafficking estimate, ONDCP's cocaine flow model, has been developed sufficiently to merit review by the Federal drug enforcement community. If the validity of this or similar estimation methodologies can be established, the Office of Enforcement believes that it should be applied to the seizure efforts of law enforcement as a whole and not to individual agency performance. The degree of cooperation presently maintained and required for effective interdiction could be jeopardized if agencies were encouraged to compete for seizures to meet their individual performance measures.

OIG Comment. The actions planned by the Office of Enforcement satisfy the intent of our recommendation. However, once reasonable universes are available, we believe the decision to report measures by Bureau, Department, or government-wide should be discussed with congressional stakeholders. We will consider this recommendation to have a management decision once an appropriate target completion date for these actions is established.

2. Qualitative measures are replaced with quantitative measures in Treasury and Bureau performance reports. Where this is not possible, the qualitative measures should describe a minimally effective and a successful program in sufficient detail for Treasury's stakeholders to determine if the program is succeeding.

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Management Comment. The Office of Enforcement concurred with this recommendation. Where qualitative measures are used, Bureaus are being asked to provide a description that will help stakeholders determine if the program is succeeding. However, the Office of Enforcement will work with the enforcement Bureaus to develop better quantitative measures, wherever possible.

OIG Comment. The actions planned by Treasury satisfy the intent of our recommendation. We will consider this recommendation to have a management decision once an appropriate target completion date for these actions is established.

### **Finding 3**

### **Treasury Should Coordinate Common Measures and Balanced Reporting**

#### Treasury Should Coordinate Development of Common Measures

Treasury, IRS, ATF, Customs, and Secret Service may be reporting several new performance measures in the future. While the development of performance measures and reliable data sources can be an expensive and lengthy process, there is no dedicated funding for these efforts. Therefore, Treasury and the Bureaus must fund these efforts with resources intended for the accomplishment of their missions. If each Bureau conducts these efforts independently, then some expenses could be almost four times what they need to be. Further, if each Bureau reports what are essentially similar measures but in a different manner, stakeholders may be confused and the task of consolidating individual Bureau performance in Treasury's performance report is more difficult.

A highly trained and motivated workforce, that is properly equipped and managed, is essential for Federal law enforcement. The work performed by Treasury agents is complex, hazardous, and highly specialized. Treasury currently plans to have a performance measure for employee satisfaction. In order to evaluate enforcement performance, we believe the Department should

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ensure employee satisfaction surveys are consistent for the enforcement Bureaus.

### Balanced Reporting Needed

Current Treasury and Bureau performance reports do not include a balanced set of measures. There are inherent competing priorities in Federal law enforcement. For example, the enforcement Bureaus need to balance:

- Investigating criminal acts Vs Preventing and deterring crime
- Fighting crime Vs Protecting individual rights
- Arresting violators Vs Conducting “strategic” investigations
- Taking credit for results Vs Cooperating with other agencies

Current Federal law enforcement performance measures generally address the priorities on the left of the above list but Treasury has found it difficult to measure the competing priorities on the right. Congressional staff we met with told us that balanced reporting was important. Performance reports that fail to present a balanced picture of performance may result in negative unintended consequences. For example, if the performance and subsequent funding of Federal law enforcement is based on the investigation of criminal acts, then crime prevention and deterrence efforts could be cut back. The incentives would be to solve crimes rather than to prevent them. This would be in spite of the fact that it is clearly in the public interest to prevent crime from occurring.

Among the principal customers of enforcement are the U.S. and State Attorney’s offices. Cases presented by Treasury agents could be compromised if individuals’ rights were violated, if evidence was mishandled, or statutory authorities were exceeded. In this regard, government prosecutors are a good source that could be surveyed to provide useful feedback on the enforcement Bureaus’ performance in these areas.

ONDCP officials informed us that they are working on a means to measure deterrence for purposes of performance reporting. As ONDCP or other organizations develop valid measures of

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deterrence, Treasury enforcement Bureaus should adopt them in their performance plans where appropriate.

ATF, Customs, and Secret Service all rely on cooperation with state and local law enforcement to accomplish their missions. The Bureaus leverage their limited resources by sharing intelligence, participating in joint task groups, providing technical support, providing advanced training, and sharing equipment with state and local law enforcement. However, this cooperation is not reflected in the current performance measures. State and local law enforcement could be surveyed to provide useful feedback to enforcement Bureaus.

### **Recommendations**

The Under Secretary for Enforcement, in coordination and with assistance from the Assistant Secretary for Management and CFO, should:

1. Coordinate with Justice and, where appropriate, ONDCP to develop a consistent set of performance measures that address the protection of individual rights, crime prevention, crime deterrence, strategic investigative cases, and interagency cooperation.

Management Comment. The Office of Enforcement concurred in part with this recommendation. However, thorough exploration of relevant issues with the enforcement Bureaus, as well as Justice and ONDCP, will be necessary before the Office of Enforcement can commit to developing consistent measures throughout the Federal law enforcement community. The Office of Enforcement and the enforcement bureaus are concerned and sensitive to the protection of individual rights. However, management believes that this area is more appropriate for internal management monitoring rather than as a published performance measure. It should be noted that strategic investigative cases and interagency cooperation appear to be output measures rather than results-oriented outcome measures.

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OIG Comment. The actions planned by Treasury satisfy the intent of our recommendation. Treasury may report some measures in their performance reports and others in internal management reports. However, since all will be listed in the performance reports, stakeholders will be aware of the information available. We will consider this recommendation to have a management decision once an appropriate target completion date for these actions is established.

2. Coordinate with the enforcement Bureaus and Justice to develop a standard survey of the U.S. Attorney's offices. The survey should be used to develop a performance measure on the quality of Treasury cases. For example, the survey should inquire about areas concerning protection of individuals' rights, handling of evidence, and application of statutory authorities. A similar survey should be conducted at selected State Attorney's offices, as appropriate.

Management Comment. The Office of Enforcement concurred in part with this recommendation. Management agrees with the concept of a survey of the U.S. Attorney's Offices, and the enforcement bureaus are doing some surveys to determine the quality of their cases. Treasury will coordinate with Justice to reach agreement on the best methodology for conducting such surveys. It will also explore whether a performance measure should be developed based on survey. However, the Office of Enforcement has some reservations about using this type of data for a performance measure because, at best, the data would be an output rather than an outcome measure. Due to the sensitivity and possible subjectivity of the information, the survey results might be used for internal management assessments rather than as a published performance measure.

OIG Comment. The actions planned by the Office of Enforcement satisfy the intent of our recommendation. Treasury may report some measures in their performance reports and others in internal management reports. However, since all will be listed in the performance reports, stakeholders will be aware of the information available. We will consider this recommendation to have a management decision once an

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appropriate target completion date for these actions is established.

3. Coordinate with ATF, Customs, and Secret Service to develop and implement a consistent enforcement employee satisfaction survey and related performance measure.

Management Comment. The Office of Enforcement concurred in part with the recommendation because of concern about using employee satisfaction surveys to drive a performance measure rather than as an internal management tool. However, Treasury management is currently considering an employee satisfaction performance measure for the entire Department. The Office of Enforcement's efforts should proceed in coordination with the Department's decisions on how to address the issue more broadly.

OIG Comment. The actions planned by the Office of Enforcement satisfy the intent of our recommendation. Treasury may report some measures in their performance reports and others in internal management reports. However, since all will be listed in the performance reports, stakeholders will be aware of the information available. We will consider this recommendation to have a management decision once an appropriate target completion date for these actions is established.

4. Coordinate with ATF, Customs, and Secret Service to develop and implement a standard survey of state and local law enforcement agencies. The survey should provide the basis for a performance measure on the satisfaction with the cooperation, assistance, technical support, and training the Bureaus provide.

Management Comment. The Office of Enforcement concurred in part with this recommendation and will explore, in coordination with the bureaus, the feasibility of developing the recommended standard survey for use as an internal management tool. The recommended measure, however, would be an output oriented measure instead of an outcome measure,

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as cooperation with, technical assistance to, and training of state and local law enforcement agencies are means to achieving desired outcomes.

OIG Comment. The actions planned by the Office of Enforcement satisfy the intent of our recommendation. Treasury may report some measures in their performance reports and others in internal management reports. However, since all will be listed in the performance reports, stakeholders will be aware of the information available. We will consider this recommendation to have a management decision once an appropriate target completion date for these actions is established.

#### **Finding 4      Critical Statistics Need to Be Consistently Reported**

There are certain basic statistics that are common to ATF, Customs, and Secret Service enforcement functions. These include arrests, prosecutions, convictions, and seizures. While these statistics are not performance measures, they are needed by stakeholders to put performance information in perspective and to analyze long-term trends.

Currently, Secret Service includes the number of cases and arrests for financial crime and counterfeit currency in the narrative portion of its performance reports. Customs uses seizures for 13 of its performance measures. ATF does not report arrests, prosecutions, convictions, or seizures in its performance reports. The Treasury performance report includes additional statistics that are not in the Bureau reports that may be useful to stakeholders. These include statistical information on: (1) arrests by Customs, (2) convictions of members of drug smuggling organizations, (3) the national crime rate, (4) violent crimes, (5) crimes committed with firearms, (6) fatal bombing incidents, (7) terrorist incidents, and (8) terrorist incidents prevented.

While arrests and prosecutions are easy to measure, they can result in outcomes at odds with agency goals. For example, tougher strategic investigative cases may be given less emphasis in favor of quick insignificant cases in order to boost a score. Also,

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the pursuit of justice and protection of individual rights may be subverted. Additionally, numbers of convictions are more under the control of the judicial process rather than Treasury Bureaus.

In numerous reports, GAO has held that seizures are not valid measures of performance. Specifically, it is difficult to attribute changes in numbers or quantities of seizures to program effectiveness. If seizures go up, this could be due to better interdiction efforts or an increase in smuggling activity. If seizures go down, this could be because successful interdiction efforts have reduced smuggling or weaker interdiction efforts. Thus, a Bureau could describe both an increase or decrease as being an indicator of program success.

Staff from six congressional committees we met with expressed the belief that arrests, prosecutions, convictions, or seizures should not be used as performance measures. However, they wanted this information included as workload statistics in the performance reports. Further, they wanted this information to be reported consistently for both the Treasury and Justice law enforcement Bureaus. If possible, they would like to see arrests classified by significance. Staff from one committee commented that such workload statistics should be preceded by a statement that they are not to be used for projections or targets.

### **Recommendation**

The Under Secretary for Enforcement, in coordination and with the assistance of the Assistant Secretary for Management and CFO, should ensure that:

1. Workload statistics on the numbers of arrests, prosecutions, convictions, and seizures is consistently presented in Treasury, ATF, Customs, and Secret Service performance reports. In this regard, congressional stakeholders should be consulted as to the best presentation of these workload statistics for their oversight purposes.

Management Comment. The Office of Enforcement concurred with this recommendation. It will confer with the enforcement

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Bureaus, Justice, and congressional stakeholders to determine the feasibility of and best format for presentation of these workload statistics.

OIG Comment. The actions planned by the Office of Enforcement satisfy the intent of our recommendation. We will consider this recommendation to have a management decision once an appropriate target completion date for these actions is established.

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We would like to extend our appreciation to Treasury and Bureau officials for the cooperation and courtesies given to our staff during this audit. If you wish to discuss this report, you may contact me at (202) 927-5400 or George W. Tabb, Regional Inspector General for Audit at (713) 706-4611, ext. 235. Major contributors to this report are listed in Appendix 4.

Marla A. Freedman  
Assistant Inspector General for Audit

The objective of the audit was to determine if the performance measures for Treasury enforcement Bureaus cover the key aspects of performance in a clear and consistent manner. This audit was included in our FY 2001 Annual Plan. We conducted our audit fieldwork between September 2000 and April 2001.

Treasury's Enforcement Mission consists of five major goals:

- Combat Money Laundering and Other Financial Crimes
- Protect Our Nation's Borders and Major International Transportation Terminals from Traffickers and Smugglers of Illicit Drugs
- Reduce Violent Crime and the Threat of Terrorism
- Protect Our Nation's Leaders and Visiting Dignitaries
- Provide High-Quality Training for Law Enforcement Personnel

The Enforcement Mission is supported by ATF, Customs, Secret Service, IRS, Financial Crimes Enforcement Network, Federal Law Enforcement Training Center, and Treasury's Departmental Offices.

We limited the scope of our audit to the first three goals listed above. The scope of the audit also excluded IRS, the Financial Crimes Enforcement Network, and the Federal Law Enforcement Training Center. However, we coordinated our audit work with an audit of enforcement performance measurement at IRS that was conducted concurrently by auditors from the Treasury Inspector General for Tax Administration.

To accomplish our objective, we reviewed the current and planned performance measures of the selected Bureaus related to the three goals and how Treasury reported them. We also reviewed FY 1999 and FY 2000 performance reports for Treasury, ATF, Customs, and Secret Service.

We interviewed Treasury and Bureau headquarters officials and enforcement officials of Customs, ATF, and Secret Service located in the Bureaus' Chicago and Houston field offices. Further, we discussed enforcement performance measure issues with officials from GAO, ONDCP, and OMB.

In formulating our recommendations, we discussed our preliminary audit results with staff of the following six congressional committees or subcommittees: (1) Senate Committee on Appropriations; (2) Senate Committee on Finance; (3) Senate Committee on Governmental Affairs; (4) House Committee on Appropriations; (5) House Subcommittee on Crime of the Judiciary Committee; and (6) House Subcommittee on Government Management, Information and Technology of the Committee on Government Reform.

We conducted our audit in accordance with generally accepted government auditing standards.

## Current and Planned Treasury Law Enforcement Performance Measures<sup>4</sup>

### Dismantle Money Laundering Networks

Customs      Value of Property Seized  
                  Monetary Instrument Seizures

### Reduce Counterfeiting and Other Financial Crime

Secret Service    Actual Financial Crime Loss  
                         Potential Financial Crime Loss Prevention  
                         Counterfeit Passed per \$ Million  
                         Counterfeit Passed to the Public - Domestic  
                         Counterfeit Passed to the Public - Foreign  
                         ***Percent of Counterfeit Passed with Foreign Nexus***  
                         Percent of Cases Accepted for Federal Prosecution  
                         ***Percent of Financial Crime with Foreign Nexus***  
                         ***U.S. Attorneys' Assessments***  
                         ***Industry Response Survey***

Customs      Disruption of Fraudulent Trade Activities and  
                         Organizations (Qualitative)

### Deny the Smuggling of Illicit Drugs

Customs      Narcotics Seized (pounds)  
                         Number of Narcotics Seizures  
                         Seizures from Transit Zone (pounds)  
                         ***Number of Air Drops***  
                         ***Number of Short Landings***  
                         ***Number of no Launches***  
                         ***Response Rate to [Border Coordination Initiative]***  
                         ***Air & Marine Requests***  
                         ***Cross Border Air Smuggling Events***

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<sup>4</sup> Planned Measures are shown in bold Italics

**Support National Drug Control Strategy**

Treasury      ***Level of Anti-drug Related Targets Met***

**Deny Criminals Firearms and Reduce Violent Crime**

ATF              Crime Related Costs Avoided (\$)  
                      Number of Future Crimes Avoided  
                      Number of Traces  
                      Average Trace Response Time  
                      Number of Persons Trained/Developed in the  
                                  Integrated Violence Reduction Strategy

**Safeguard the Public From Arson and Explosive Incidents**

ATF              ***National Response Team Customer Satisfaction  
                                  Rating***

**Fight Terrorist Threats**

Customs        Outbound Licensing Violations  
                      Stolen Vehicles  
                      Disruption of Cybersmuggling Activities and  
                                  Organizations (Qualitative)  
                      Disruption of International Trafficking (Qualitative)

Treasury        Maximize Compliance with Sanction Programs  
                                  (Qualitative)  
                      ***Number of Terrorist Incidents that Occur and the  
                                  Number Thwarted***



UNDER SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

SEP 27 2001

**MEMORANDUM FOR MARLA A. FREEDMAN  
ASSISTANT INSPECTOR GENERAL FOR AUDIT**

**FROM:** Jimmy Gurulé   
Under Secretary (Enforcement)

**SUBJECT:** Audit of Performance Measures for Treasury Enforcement Programs

Thank you for providing me a copy of your draft report on the subject audit for review and comment. I strongly concur with the report's explanation of the difficulties inherent in designing a clear and complete set of outcome-related performance measures for Federal law enforcement. Your report will be helpful in our continuing efforts to improve enforcement performance reporting. The Office of Enforcement's detailed comments are set out below for each of the report's recommendations.

**Recommendation 1-1**

**The enforcement bureaus include a listing of the enforcement performance measures reported, planned, and used internally in a consistent manner as part of their performance reports.**

Comment – Concur. The audit report uses Customs' strategic plan as an example of how this information can be clearly presented in chart form. The Office of Enforcement will encourage ATF and Secret Service to provide this information in a similar format.

**Recommendation 1-2**

**The resources used (net costs and FTEs) to accomplish each of the five goals for the enforcement mission are presented in a consistent manner in the Treasury and bureau performance reports, as applicable.**

Comment – Concur in part. While the Office of Enforcement agrees in principle with this recommendation, implementation is not practical at this time. Implementing the recommendation is contingent on the ability of Treasury's budgeting and accounting systems to provide such information. Two years ago, the Department requested that the bureaus provide a statement of net costs by strategic goal. The bureaus were unable to meet the request because their accounting systems were unable to provide the information. Treasury is continuing its attempt to provide statements of net costs by strategic goal. The Office of Enforcement and the enforcement bureaus will participate in the Treasury-wide effort in this area. This effort may

require new cost accounting methodologies and amendment of Treasury strategic goals to embrace more of the significant work performed by the bureaus. In any event, the enforcement bureaus should not be asked to provide the requested information in isolation before the Treasury-wide effort is completed.

**Recommendation 1-3**

**Research is continued and coordinated with the enforcement bureaus and other agencies to develop new quantitative performance measures that show the impact of Treasury enforcement operations on the protection of the public, economy, and revenue. For those goals for which meaningful and complete outcome measures have yet to be reported, Treasury and the bureaus should describe how operations directly impact the protection of the public, economy, and revenue in the narrative portion of the performance reports.**

Comment – Concur. Efforts are currently underway within the Office of Enforcement and the enforcement bureaus to further develop meaningful outcome measures for Treasury enforcement operations. Treasury enforcement is working closely with the Department of Justice and the Office of National Drug Control Policy (ONDCP) to improve drug interdiction and drug investigation performance measures. Treasury and Justice are in the process of developing an outcome measure for the Organized Crime Drug Enforcement Task Forces that would measure disruption and dismantling of drug trafficking organizations. We are also working closely with ONDCP and the Federal law enforcement community to examine the feasibility of developing a drug interdiction measure based on estimates of drug flow and availability.

The Customs Service has developed quantitative outcome measures for three of its law enforcement strategic goals: border security; narcotics trafficking; and criminal finance. For border security, Customs has developed innovative measures for determining compliance rates and targeting efficiency by using statistical sampling methodology. Customs has begun to examine the use of another outcome measure, the average price paid to smuggle a kilogram across the border, as one of its narcotics trafficking measures. Similarly, for criminal finance, Customs is examining the average fee paid to launder illicit proceeds as a possible outcome measure.

As the audit report recognizes, the Secret Service is using several outcome measures for its strategic goal to reduce counterfeiting and other financial crime. These outcome measures include actual financial crime loss and crime loss avoided. The Bureau of Alcohol, Tobacco and Firearms (ATF) has also made progress in developing outcome measures such as crime related costs avoided and number of future crimes avoided. ATF has laid the groundwork for developing new outcome related performance measures by improving its data collection systems and conducting impact evaluations of its crime prevention and youth crime gun interdiction efforts. ATF has also asked the General Accounting Office (GAO) to chair a meeting of the Federal law enforcement community to work towards crosscutting law enforcement measures. The Office of Enforcement will work with our bureaus and GAO on this effort.

**Recommendation 2-1**

**Seizures are reported as a percentage of the estimated universe as performance measures for money laundering and drug interdiction. The methodology and validation process for these estimates should be agreed to by participating agencies.**

Comment – Concur in part. The Office of Enforcement concurs with this recommendation in principle. However, at present we do not have reasonable assurance that valid estimates of the money laundering and drug trafficking universes can be developed. We are working towards developing estimates that we hope can be shown to be valid. Within the Treasury Department, the Financial Crimes Enforcement Network (FinCEN) led an effort to estimate the magnitude of money laundering. This work called for the use of multiple methods to include direct estimates for money laundering for drug trafficking and bank fraud, indirect estimates for other predicate crimes, trend indicators and economic modeling. This effort had been underway for several years and it had proven to be exceptionally difficult to estimate economic activity in an area where the goal of the activity itself is concealment from government. FinCEN is refocusing its work in this area on identifying and collecting the data that would be needed to eventually produce such an estimate.

As stated in our comment to Recommendation 1-3, we are participating in ONDCP's effort to develop and validate a drug interdiction measure based on drug seizures as a percentage of the relevant trafficking universe. Presently, only one trafficking estimate, ONDCP's cocaine flow model, has been developed sufficiently to merit review by the Federal drug enforcement community. The Office of Enforcement and Customs will continue to meet with ONDCP and the drug enforcement community to discuss this methodology and explore its validity. If the validity of this or similar estimation methodologies can be established, we believe that it should be applied to the seizure efforts of law enforcement as a whole and not to individual agency performance. The degree of cooperation presently maintained and required for effective interdiction could be jeopardized if agencies were encouraged to compete for seizures to meet their individual performance measures.

**Recommendation 2-2**

**Qualitative measures are replaced with quantitative measures in Treasury and bureau performance reports. Where this is not possible, the qualitative measures should describe a minimally effective and a successful program in sufficient detail to determine if the program is succeeding.**

Comment – Concur. Measures that are not objectively measurable are an option under the Government Performance and Results (GPRA), with the approval of OMB, and in some cases may be the most appropriate way to depict performance. Where qualitative measures are used, bureaus are being asked to provide a description that will help stakeholders determine if the program is succeeding. However, the Office of Enforcement will work with the enforcement bureaus to develop better quantitative measures, wherever possible.

**Recommendation 3-1**

**Coordinate with Justice and, where appropriate, ONDCP to develop a consistent set of performance measures that address the protection of individual rights, crime prevention, crime deterrence, strategic investigative cases, and interagency cooperation.**

Comment – Concur in part. The Office of Enforcement agrees with the need to collaborate with Justice and others to explore areas where a consistent approach to measuring certain success factors may be possible. For instance, crime prevention and deterrence, while difficult to quantify in isolation, are strategies common to all enforcement agencies. Thorough exploration of the relevant issues with our enforcement bureaus, as well as Justice and ONDCP, will be necessary before the Office of Enforcement can commit to developing consistent measures throughout the Federal law enforcement community.

The Office of Enforcement and the enforcement bureaus are concerned and sensitive to the protection of individual rights. However, we believe that this area is more appropriate for internal management monitoring rather than as a published performance measure. It should also be noted that strategic investigative cases and interagency cooperation appear to be output measures rather than results-oriented outcome measures

**Recommendation 3-2**

**Coordinate with the enforcement bureaus and Justice to develop a standard survey of the U.S. Attorney's Offices. The survey should be used to develop a performance measure on the quality of Treasury cases. For example, the survey should inquire about areas concerning protection of individuals' rights, handling of evidence, and application of statutory authorities. A similar survey should be conducted at selected State Attorney's offices, as appropriate.**

Comment – Concur in part. The Office of Enforcement agrees with the concept of a survey of the U.S. Attorney's Offices. The enforcement bureaus are doing some surveying of U.S. Attorney's Offices to determine the quality of their cases. For example, the Secret Service implemented such a survey during the course of this audit. The data for this survey is collected during the normal Secret Service office inspection process, which provides for immediate feedback to the office being inspected, allows for the development of a field-wide norm, and is unobtrusive and non-redundant for the U.S. Attorney's Office being interviewed. We will coordinate with our bureaus and Justice to reach agreement on the best methodology for conducting such surveys. We will also explore whether a performance measure should be developed based on the surveys. However, we have some reservations about using this type of data for a performance measure. At best, the data would be an output rather than an outcome measure. Due to the sensitivity and possible subjectivity of the information, the survey results might best be used for internal management assessments rather than as a published performance measure.

**Recommendation 3-3**

**Coordinate with ATF, Customs, and Secret Service to develop and implement a consistent enforcement employee satisfaction survey and related performance measure.**

Comment – Concur in part. The Office of Enforcement has some concerns about using employee satisfaction surveys to drive a performance measure rather than as internal management tools. However, Treasury (Management) is currently considering a performance measure that involves measuring employee satisfaction for the entire Department. Since this would require a uniform set of survey questions that would be given to all Treasury employees, we believe Enforcement’s efforts should proceed in coordination with, and be led by, Management’s decisions on how to address this issue more broadly.

**Recommendation 3-4**

**Coordinate with ATF, Customs, and Secret Service to develop and implement a standard survey of state and local law enforcement agencies. The survey should provide the basis for a performance measure on the satisfaction with the cooperation, assistance, technical support, and training the bureaus provide.**

Comment – Concur in part. The Office of Enforcement will coordinate with the bureaus to explore the feasibility of developing the recommended standard survey for use as an internal management tool. However, the recommended performance measure would not be a results-oriented outcome measure, but rather another output measure. Cooperation with, technical assistance to, and training of state and local law enforcement agencies are means to achieving desired outcomes. The Office of Enforcement believes that the bureau performance measures should concentrate on measuring these outcomes rather than the means.

**Recommendation 4-1**

**Workload statistics on the number of arrests, prosecutions, convictions, and seizures are consistently presented in Treasury, ATF, Customs, and Secret Service performance reports. In this regard, congressional stakeholders should be consulted as to the best presentation of these workload statistics for their oversight purposes.**

Comment – Concur. The Office of Enforcement will confer with the enforcement bureaus, Justice, and congressional stakeholders to determine the feasibility of and best format for presentation of these workload statistics.

Appendix 4  
Major Contributors to this Report

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