UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

JAN 30 2003

MEMORANDUM

To: Thomas P. Skelly
Director, Budget Service
Office of the Deputy Secretary

From: Thomas A. Carter
Deputy Inspector General

Subject: Office of Inspector General's Independent Report on the *U.S. Department of Education's Detailed Accounting of Fiscal Year 2002 Drug Control Funds*, dated January 23, 2003.

Attached is our authentication of management's assertions contained in the *U.S. Department of Education's Detailed Accounting of Fiscal Year 2002 Drug Control Funds*, dated January 23, 2003, as required by 21 U.S.C. § 1704(d).

Our authentication was conducted in accordance with the guidelines stated in the Office of National Drug Control Policy Circular: *Drug Control Accounting*, dated May 30, 2002.

If you have any questions or wish to discuss the contents of this authentication, please contact Teri L. Lewis, Assistant Regional Inspector General for Audit, at (215) 656-6900.

Attachment

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

Office of Inspector General's Independent Report on the *U.S. Department of Education's Detailed Accounting of Fiscal Year 2002 Drug Control Funds*, dated January 23, 2003.

We have reviewed management's assertions contained in the accompanying detailed accounting, titled *U.S. Department of Education's Detailed Accounting of Fiscal Year 2002 Drug Control Funds* and dated January 23, 2003 (the Accounting). The U.S. Department of Education's management is responsible for the Accounting and the assertions contained therein.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

We performed review procedures on the "Table of Prior Year Drug Control Obligations," "Disclosures," and "Assertions" contained in the accompanying Accounting. We did not review the "Program Descriptions" contained in the accompanying Accounting. In general, our review procedures were limited to inquiries and analytical procedures appropriate for our review engagement.

Based on our review, nothing came to our attention that caused us to believe that management's assertions, contained in the accompanying Accounting, are not fairly stated, in all material respects, based upon the Office of National Drug Control Policy Circular: *Drug Control Accounting*, dated May 30, 2002.

Thomas A. Carter
Deputy Inspector General

January 30, 2003

DEPARTMENT OF EDUCATION

DETAILED ACCOUNTING OF
FISCAL YEAR 2002 DRUG CONTROL FUNDS

IN SUPPORT OF THE
NATIONAL DRUG CONTROL STRATEGY

AS REQUIRED BY SECTION 1704(d) OF
TITLE 21 UNITED STATES CODE

JANUARY 23, 2003

DEPARTMENT OF EDUCATION

DETAILED ACCOUNTING OF FISCAL YEAR 2002 DRUG CONTROL FUNDS

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UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE DEPUTY SECRETARY

JAN 23 2003

Mr. John P. Higgins, Jr.
Inspector General
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202-1510

Dear Mr. Higgins:

As required by Section 1704(d) of Title 21 United States Code, enclosed please find a detailed accounting of all fiscal year 2002 Department of Education drug control funds for your authentication, in accordance with the guidelines in Office of National Drug Control Policy (ONDCP) Circular *Drug Control Accounting*, dated May 30, 2002.

Consistent with the instructions in the ONDCP Circular, please provide your authentication to me in writing, and I will transmit it to ONDCP along with the enclosed accounting of funds. As you know, ONDCP requests these documents by February 1, 2003, if possible. Please do not hesitate to contact me if you have any questions about the enclosed information.

Sincerely,

Thomas P. Skelly
Director, Budget Service

TABLE OF PRIOR YEAR DRUG CONTROL OBLIGATIONS

	Fiscal Year 2002 Obligations (in $ millions)
Drug Resources by Function	
Prevention	$657.445
Total	657.445
Drug Resources by Decision Unit	
Office of Elementary and Secondary Education	
Safe and Drug-Free Schools and Communities	
SDFSC State Grants	469.897[1]
SDFSC National Programs:	
Federal Activities	125.048
National Coordinator Program	37.500
Alcohol Abuse Reduction	25.000
Subtotal, SDFSC National Programs	187.548
Total, OESE	657.445

[1] Excludes $0.222 million in fiscal year 2002 obligations that were originally obligated in fiscal year 2001, recovered (deobligated) in fiscal year 2002, and reobligated in fiscal year 2002.

PROGRAM DESCRIPTIONS

The programs funded under the Safe and Drug-Free Schools and Communities (SDFSC) Act comprise the only Department of Education programs included in the national drug control budget. In fiscal year 2002, the SDFSC program was administered by the Department's Office of Elementary and Secondary Education (OESE). The SDFSC program provides funding for research-based approaches to drug and violence prevention that support the *National Drug Control Strategy*. Safe and Drug-Free Schools and Communities is the Federal Government's largest drug prevention program, and the only Federal program that provides direct support to schools for efforts designed to prevent school violence. Under the SDFSC Act, funds are appropriated directly for State Grants and for National Programs.

SDFSC State Grants

SDFSC State Grant funds are allocated by formula to States and Territories, half on the basis of school-aged population and half on the basis of each State's share, for the prior year, of Federal funds for "concentration grants to local educational agencies (LEAs) for improving the academic achievement of disadvantaged students" under section 1124A of Title I of the Elementary and Secondary Education Act (ESEA). Generally, Governors received 20 percent, and State educational agencies (SEAs) 80 percent, of each State's allocation. SEAs are required to subgrant at least 93 percent of their allocations to LEAs; these subgrants are based 60 percent on LEA shares of prior-year funding under Part A of title I of the ESEA, and 40 percent on enrollment. LEAs may use their SDFSC State Grant funds for a wide variety of activities to prevent or reduce violence and delinquency and the use, possession, and distribution of illegal drugs, and thereby foster a safe and drug-free learning environment that supports academic

achievement. Governors may use their funds to award competitive grants and contracts to LEAs, community-based organizations, and other public and private organizations for activities to provide safe, orderly, and drug-free schools and communities through programs and activities that complement and support activities of LEAs.

SDFSC National Programs

SDFSC National Programs authorizes funding for several programs or activities to help promote safe and drug-free learning environments for students and address the needs of troubled or at-risk youth, including Federal Activities (a broad discretionary authority that permits the Secretary to carry out a wide variety of activities designed to prevent the illegal use of drugs and violence among, and promote safety and discipline for, students); a National Coordinator Program, which primarily supports grants to LEAs to enable them to recruit, hire, and train individuals to serve as drug prevention and school safety coordinators in schools with significant drug and school safety problems; and an Alcohol Abuse Reduction Program to assist school districts in implementing innovative and effective programs to reduce alcohol abuse in secondary schools. SDFSC National Programs also authorizes (1) State grants for community service for expelled or suspended students, (2) mentoring programs, and (3) Project SERV (School Emergency Response to Violence, which is a crisis response program that provides education-related services to LEAs in which the learning environment has been disrupted due to a violent or traumatic crisis), all of which made obligations of funds in fiscal year 2002. However, as explained in the discussion of drug budget methodology below, funds for these three appropriation line items are not included in the ONDCP drug budget, and therefore they are not included in this obligations report.

DISCLOSURES

Drug Methodology

Consistent with the May 2002 ONDCP restructuring of the national drug control budget, this accounting submission includes 100 percent of all fiscal year 2002 obligations of funds under the Safe and Drug-Free Schools and Communities (SDFSC) Act, with the exception of those SDFSC National Programs that, by statute, have no clear drug control nexus. Accordingly, the amounts in the enclosed table of prior year drug control obligations include funding for the Federal Activities, National Coordinator Program, and Alcohol Abuse Reduction appropriations line items of SDFSC National Programs; but exclude obligations of funds for SDFSC Community Service State Grants, Mentoring Programs, and Project SERV (School Emergency Response to Violence).

Obligations by Drug Control Function

All obligations of funds for the SDFSC program shown in the table on page 2 of this report fall under the ONDCP drug control function category of prevention, which is the same functional category under which the budgetary resources for the SDFSC program are displayed for the Department of Education in the annual *National Drug Control Budget Summary* issued by ONDCP that accompanies the President's budget and the *National Drug Control Strategy*.

Obligations by Budget Decision Unit

All obligations of funds for the SDFSC program in the table on page 2 of this report are shown under Office of Elementary and Secondary Education (OESE) as the budget decision unit.

OESE is the same decision unit under which the budgetary resources for the SDFSC program are displayed for the Department of Education by ONDCP in the fiscal year 2002 *National Drug Control Budget Summary* and the fiscal year 2003 *National Drug Control Budget Summary* that accompanied the 2002 and 2003 President's budgets in support of the *National Drug Control Strategy*. In these years OESE was named the budget decision unit for the SDFSC program, because it is the organizational unit within the Department equivalent to the bureau level of other drug control agencies at which the initial formulation of the Department's drug prevention budget falls under the scope of ONDCP review and certification, pursuant to the Office of National Drug Control Policy Reauthorization Act of 1998, and the corresponding ONDCP Circulars, *Budget Formulation* (dated May 30, 2002), and *Budget Instructions and Certification Procedures* (dated May 5, 1999). Also, aside from a very few exceptions in fiscal year 2002 where specific SDFSC activities or responsibilities were assigned to be carried out by other Department of Education offices, the SDFSC program was administered by staff in OESE.

It should be noted, however, that fiscal year 2002 obligations of SDFSC funds in the amount of $150,000 were incurred, on behalf of OESE, by the Department's Office of Special Education and Rehabilitative Services (OSERS); and, furthermore, that neither OSERS (which is not part of OESE), nor OESE, maintains its own accounting system separate from the Department's central accounting system. Consequently, this report displays all fiscal year 2002 obligations of SDFSC funds under the OESE drug budget decision unit.

More recently, under a Department of Education reorganization effective December 16, 2002, the SDFSC program is no longer administered by OESE, but by a newly created Office of Safe and Drug-Free Schools (OSDFS). Accordingly, beginning with the display of the *National Drug Control Budget Summary* that accompanies the 2004 President's budget, OSDFS will replace OESE as the Department of Education's drug budget decision unit.

Methodology Modifications

The Department does not have any drug control budget methodological modifications to disclose. We note, however, that the Department's fiscal year 2001 Detailed Accounting of Drug Control Funds was prepared pursuant to the ONDCP Circular *Annual Accounting of Drug Control Funds* dated December 17, 1999, while the fiscal year 2002 Detailed Accounting of Drug Control Funds was prepared pursuant to the revised ONDCP Circular *Drug Control Accounting* dated May 30, 2002. The revised Circular requires that the Department's fiscal year 2002 accounting of drug control funds be aligned with ONDCP's May 2002 restructuring of the national drug control budget. Accordingly, the drug budget methodology disclosed above for the Department of Education is consistent with the May 2002 ONDCP restructuring of the national drug control budget; and, as a result, this methodology is slightly different from the methodology used to prepare the Department's fiscal year 2001 Detailed Accounting of Drug Control Funds.

Material Weaknesses or Other Findings

The Department does not have any material weaknesses to disclose that affect the presentation of fiscal year 2002 drug-related obligations in this report. All other known weaknesses that affect the presentation of drug-related obligations in this report are explained in the drug methodology description above, and in the disclosures below.

Reprogrammings or Transfers

There were no reprogrammings or transfers of drug-related budgetary resources in the Department of Education in fiscal year 2002.

Other Disclosures

The Department acknowledges the following limitations in the methodology described above for deriving the obligations of fiscal year 2002 drug control funds attributable to the SDFSC program:

- Although the budgetary resources in this report include 100 percent of obligations for SDFSC State Grants, 100 percent of obligations for SDFSC Federal Activities (exclusive of Project SERV), and 100 percent of obligations for the SDFSC National Coordinator Program, not all obligations of funds for these SDFSC programs support drug prevention activities — some of these funds support violence prevention and school safety activities that have no drug control-related nexus.

- Approximately $5.2 million of the SDFSC National Programs funds included in the resource summary of this report (less than 1 percent of total fiscal year 2002 SDFSC reported drug control obligations) supports alcohol and other drug prevention projects for students enrolled in institutions of higher education; for college students served by such programs who are 21 years of age or older, alcohol is a legal drug and the alcohol prevention component of the program falls outside the scope of the *National Drug Control Strategy*.

ASSERTIONS

Obligations by Decision Unit

The fiscal year 2002 obligations of drug control funds shown in this report for the OESE drug budget decision unit are the actual 2002 obligations of funds from the Department's accounting system of record for the SDFSC program. As disclosed on page 4 of this report, OESE does not have its own accounting system separate from the Department's central accounting system, and the table on page 2 of this report displays 100 percent of the Department's fiscal year 2002 obligations of SDFSC funds under the OESE drug budget decision unit, even though a small amount of fiscal year 2002 obligations of SDFSC funds was incurred by a Department of Education office outside of OESE.

Drug Methodology

The methodology used to calculate the fiscal year 2002 obligations of drug prevention funds presented in this report is reasonably accurate, to the extent that: (1) the methodology captures all of the obligations of funds under the SDFSC program that reasonably have a drug control-related nexus, and (2) these obligations of funds correspond directly to the display of resources for the SDFSC program in the Department's budget justifications to Congress that accompany the President's budget.

Data

No workload or other statistical information was applied in the methodology used to generate the fiscal year 2002 obligations of drug control funds presented in the table on page 2 of this report.

Other Estimation Methods

Where assumptions based on professional judgment were used as part of the drug methodology, the association between these assumptions and the drug control obligations being estimated is thoroughly explained and documented in the drug methodology disclosure on page 3 and in the other disclosures on page 5 of this accounting report.

Financial Systems

Financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which the drug-related obligation estimates are derived.

Application of Drug Methodology

The methodology disclosed in the narrative of this report was, indeed, the actual methodology used to generate the fiscal year 2002 obligations of drug control funds presented in the table on page 2.

Reprogrammings or Transfers

There were no reprogrammings or transfers of Department of Education drug control funds in fiscal year 2002; therefore, the required assertion that the data presented in this report properly reflect changes in drug control budgetary resources resulting from reprogrammings or transfers of funds is not applicable.

Fund Control Notices

The Director of ONDCP has never issued to the Department of Education any Fund Control Notices under 21 U.S.C. 1703(f) or Section 7 of the ONDCP Circular, Budget Execution, dated May 30, 2002. Therefore, the required assertion that the data presented in this report accurately reflect obligations of drug control funds that comply with all such Fund Control Notices is not applicable.