



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



Audit of the Bureau of Alcohol, Tobacco, Firearms and Explosives' Management and Oversight of Confidential Informants

AUDIT OF THE BUREAU OF ALCOHOL, TOBACCO, FIREARMS AND EXPLOSIVES' MANAGEMENT AND OVERSIGHT OF CONFIDENTIAL INFORMANTS

EXECUTIVE SUMMARY

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) uses confidential informants (CI) to assist in its law enforcement efforts by providing information related to unlawful activity. According to ATF officials, ATF would not be able to accomplish its mission without the use of CIs. ATF managed 1,855 active CIs as of January 2016, and it spent approximately \$4.3 million annually on its CI Program in fiscal years (FY) 2012 through 2015.

The use of CIs, however, comes with risks. For example, CIs may be associated with illicit activities and can be motivated by many factors other than a desire to assist law enforcement, including financial gain and avoidance of punishment. Therefore, ATF must implement controls and execute significant management oversight to mitigate the risks inherent to its CI Program.

To address these risks, the Attorney General's Guidelines Regarding the Use of Confidential Informants (AG Guidelines) provides Department-wide guidance on various CI matters, including determining the suitability of individual CIs, providing enhanced oversight of high-risk CIs, such as those who meet certain annual and lifetime payment thresholds, and those who fall into certain high-risk categories. In accordance with the AG Guidelines, in 2012 ATF developed a CI policy that provides agency-specific guidance on the use of CIs.¹

The objective of this audit was to evaluate ATF's policies and practices for the identification, approval, and oversight of its confidential informants. We focused our evaluation on the completeness, accuracy, and reliability of ATF CI-related information; ATF's administrative oversight of its CI Program; and ATF's implementation of CI-related policies.

Overall, we concluded that, while ATF's CI policies generally aligned with the AG Guidelines, ATF's oversight of its CI Program required significant improvement. ATF's management of its CI Program was largely decentralized, and ATF did not have reasonable assurance that some of the most fundamental information it maintained about the program was complete and accurate. As a result, we believe that ATF was not able to ensure that it had the level of oversight of its CI Program that is required by the AG Guidelines, and that ATF was not able to administer its CI Program in a manner that is reflective of the importance of the program, or its risks.

¹ The Office of the Inspector General's (OIG) 2012 report on ATF's Operation Fast and Furious found that ATF's CI policies were not consistent with the AG Guidelines prior to 2012. U.S. Department of Justice Office of the Inspector General, *A Review of ATF's Operation Fast and Furious and Related Matters* (September 2012) (Fast and Furious Report).

Of particular concern, during our audit we found that CI information critical to the strategic management of the program was compartmentalized in hard-copy files and an unsophisticated automated system that hindered ATF's ability to report CI information in an efficient and reliable manner. For example, to obtain a complete understanding of the value a CI has provided to ATF, or to determine the total compensation provided to a CI, ATF had to locate and review numerous hard-copy documents related to the specific CI, a task that was complicated by the fact that those documents are maintained in multiple, separate files and systems. Further, the automated system that ATF used to manage CI information during our audit was unsophisticated and unreliable, and it did not retain historical information.

The compartmentalized nature of ATF's CI information had particularly deleterious effects on ATF's ability to track payments to individual CIs. The AG Guidelines require the Department's law enforcement components to account for and reconcile all CI payments on an individual CI basis, yet we determined that ATF's guidance does not provide an adequate method for doing so. Specifically, we were able to reconcile the total amount of payments reflected in ATF's files for only one of five CIs we reviewed. Further, there was no way for us, or for ATF, to determine whether payment information was missing from the documentation. We therefore believe that ATF was likely unable to fully track or report on payments made to at least some CIs with sufficient accuracy or reliability. We further believe that this inability impacted ATF's ability to monitor the CI payment thresholds established in the AG Guidelines, and to provide sufficient safeguards to assure that accurate and complete payment information is consistently available to prosecutors when CIs are used in federal criminal proceedings.

This audit did not examine whether ATF provided incorrect CI payment information during any criminal proceedings and we are not aware of any such instances. However, we considered this deficiency in ATF's information environment to be a significant enough concern that, in June 2016, we issued a management advisory memorandum to ATF that described the risks that exist for ATF to use and supply others with inaccurate payment information concerning its CIs. The memorandum specifically noted that the deficiency could negatively impact ATF's mission, as well as criminal proceedings in which CIs testify or are otherwise relied upon.

This audit report also describes concerns with how ATF managed and provided oversight for certain categories of higher-risk CIs and found that ATF did not always categorize, track, and review the use of these CIs. In particular, the AG Guidelines require ATF to establish a Confidential Informant Review Committee (CIRC), consisting of ATF and Criminal Division officials, to oversee higher-risk CIs, such as long-term CIs and CIs who hold a high-level position in a criminal enterprise. We found that ATF relied on the field divisions to provide information on long-term CIs – CIs in use for 6 consecutive years – but did not have a method to verify that field divisions had provided all long-term CIs for review. We are concerned that this decentralized process did not provide an adequate level of accuracy for identifying long-term CIs requiring CIRC review. We also identified CIs

whose files indicated that they may have held a high-level position in a criminal enterprise, but who were not categorized as such by ATF and therefore did not receive the CIRC approval prior to establishment that would have been required if they were in fact high-level.

Moreover, we found that the CIRC had not always met as scheduled, it had not always reviewed and opined on all of the CI files provided by ATF for review, and it had postponed decisions to a later date on numerous occasions. As a result, we believe that ATF's CIRC approval process, as it has been implemented, had not provided the enhanced oversight of CIs required by the AG Guidelines.

Additionally, ATF personnel can seek legal sponsorship from the Department of Homeland Security (DHS) for foreign nationals whom ATF believes will provide valuable information and assistance to its investigations, but who do not lawfully reside in the United States. We found that ATF officials did not completely and accurately track information related to foreign national CIs, and as a result we were unable to determine an accurate total number of ATF-sponsored foreign national CIs. The inability to efficiently identify these CIs is especially problematic because these CIs often have criminal histories or are involved with criminal organizations, and therefore the risks associated with these CIs remaining in the United States without legal authorization are higher than normal. Nor could ATF provide an accurate accounting of its foreign national CIs who did not require ATF sponsorship. ATF's lack of reliable information related to foreign national CIs prohibited ATF headquarters from properly managing the CIs and ensuring appropriate coordination with DHS.

We were similarly unable to obtain from ATF an accurate or complete picture of other higher-risk CIs, such as CIs who are Federal Firearms Licensees (FFL) or CIs who were used by international ATF offices. Of particular note, DOJ guidance emphasizes the need for controls to ensure that no licensee is led to believe that the continued validity of their license is in any way predicated on their status as an informant.² While we found that ATF's policy provides guidance related to this category of CIs, we are concerned that ATF did not have a reliable method of querying its records to identify CIs who may be FFLs. We believe that because this category of CIs requires increased oversight, ATF should strengthen its recordkeeping in this area.

According to ATF officials, in FY 2015, ATF prioritized the development of a new automated system to maintain CI-related information and improve the quality of its CI data. These officials stated that the new system, the Confidential Informant Master Registry and Reporting System (CIMRRS), was deployed with limited functionality in October 2016, and that training and full implementation followed shortly thereafter. They also told us the new system is significantly more sophisticated than the legacy system and is designed to completely, reliably, and accurately track CI information, including payments to CIs. ATF officials further

² This is an issue the OIG identified in our Fast and Furious Report.

stated that this new system will allow ATF to track additional information related to each CI, such as CIs requiring CIRC review, foreign national CIs, and CIs who are FFLs. ATF officials believe that this initiative will improve their ability to manage the CI Program.

ATF provided us a demonstration of CIMRRS after we had completed our fieldwork. Based on that demonstration, we believe the system improves ATF's information environment, although we note that we have not audited the system and therefore cannot further assess it. We note, however, that as CIMRRS is developed further, ATF will need to ensure that data that has been migrated to the new system is accurate and complete, revise its CI Program policies and processes to account for the new system, and put in place sufficient controls to ensure that all information is captured in the system and validated, including individual payments to CIs.

This report makes five recommendations to help ATF address deficiencies in its CI Program and improve its ability to sufficiently identify, assess, and mitigate the risks involved with using CIs.

**AUDIT OF THE BUREAU OF ALCOHOL, TOBACCO, FIREARMS
AND EXPLOSIVES' MANAGEMENT AND OVERSIGHT OF
CONFIDENTIAL INFORMANTS**

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INTRODUCTION

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) uses confidential informants (CI), which ATF defines as “persons who assist enforcement efforts, providing information and/or lawful services related to criminal and other unlawful activity to ATF that otherwise might not be available,” to support its investigations. ATF officials told us that they believe that ATF could not effectively do its job without the use of CIs. According to ATF, as of January 2016, it managed 1,855 active CIs.

ATF and Department of Justice (DOJ or Department) officials have acknowledged that there are risks involved with using CIs because these individuals often have criminal backgrounds, and they often provide assistance or cooperation in exchange for cash or the prospect of a reduced criminal sentence rather than a desire to help law enforcement. Moreover, the appropriate use of CIs requires assessing the usefulness and credibility of the information and services they provide. Therefore, the use of CIs requires significant oversight and attentive program management and guidance.³

Program Management and Guidance

ATF generally relies on its field division personnel to manage, direct, and evaluate the use of CIs. ATF Special Agents manage the oversight of individual CIs who assist on their investigations. In addition, each field division has a CI Coordinator who manages CI-related information and oversight activity, including maintaining electronic CI information and ensuring the completion of required CI documentation.

ATF's Enforcement Support Branch is the headquarters entity responsible for the oversight of all CI-related matters. A CI Program Manager within this branch provided support to the field divisions and managed the National CI Registry System, a database that tracked basic CI information during the period we audited. The CI Program Manager also was responsible for updating and implementing ATF CI-related policies, as well as ensuring that ATF's policies are consistent with the Attorney General's Guidelines Regarding the Use of Confidential Informants (AG Guidelines).

³ These comments echoed statements we received from DOJ officials during a previous audit of the Drug Enforcement Administration's confidential informant program. U.S. Department of Justice Office of the Inspector General, *Audit of the Drug Enforcement Administration's Confidential Source Policies and Oversight of Higher-Risk Confidential Sources*, Audit Report 15-28 (July 2015).

The AG Guidelines apply to the use of CIs in criminal investigations and prosecutions by DOJ law enforcement agencies and all Department litigating components with the authority to prosecute federal cases. The AG Guidelines provide Department-wide guidance on various CI matters, including assessing the suitability of individuals to be reliable CIs, establishing annual and lifetime payment thresholds, managing activities performed by CIs, and providing baseline oversight requirements for certain high-risk categories of CIs. In addition, the AG Guidelines require that all DOJ law enforcement components have specific policies that comply with the AG Guidelines. In 2012, ATF developed a CI policy document, entitled "Confidential Informant Usage," which ATF personnel refer to as "the ATF CI Order." The ATF CI Order provides guidance to ATF employees on procedures to follow related to CIs, including the CI suitability determination process and payments to CIs.

Suitability Determination and Review Process

To mitigate the risks involved in using CIs, ATF employs a variety of evaluation mechanisms aimed at ensuring that information provided by a CI is reliable and that a CI will not jeopardize an enforcement mission. The ATF CI Order dictates that ATF's review process starts with an initial suitability determination, which includes an assessment of the CI's background, including occupation; known relationships with subjects or targets, law enforcement, and public officials; and the CI's motivation for becoming an informant. In addition, a CI must sign an agreement confirming the relationship between ATF and the CI, and ATF requires the CI to acknowledge the parameters of the relationship with ATF, including that the CI is not an ATF employee and cannot participate in any unlawful activities except with ATF's specific authorization.

The ATF CI Order states that control agents – Special Agents managing CIs – must review and report on the contributions of each CI every 90 days to ensure that the CI is necessary for continued use and has not violated conditions of the agreement. In addition, the ATF CI Order requires that the control agent semiannually prepare reports detailing each CI's general background and criminal history, as well as investigations worked and payments received, to determine whether a CI should remain active. These semiannual reports are provided to ATF field division management to approve a CI for continued use. Further, when a CI has been active for more than 6 consecutive years, the AG Guidelines require the CI to undergo a formal review process involving ATF senior management and DOJ officials to examine whether, and under what conditions, the individual should continue to be utilized as a CI.

The ATF CI Order states that when a control agent determines that a CI is no longer required to provide assistance in an investigation, the CI should be deactivated. Upon deactivation, ATF requires that the control agent notify the CI that he or she is no longer authorized to engage in work on behalf of ATF. The control agent must document in a memorandum that the CI is no longer active, the reason for deactivation, the length of time the CI was active, the cumulative payments to the CI for the previous 6-month period, and the amount of money that

ATF has paid to the CI over the CI’s lifetime. Additionally, the ATF CI Order states that if it appears a CI has violated the CI agreement — including by willfully submitting false, materially substantive information — ATF officials are required to make note of this “removal for cause” deactivation to help ensure that the CI is not used again for law enforcement activity.

Each suitability determination requires various levels of approval from either ATF or senior DOJ officials. Table 1 displays the approval and reporting requirements for the suitability determinations over the lifetime of a CI.

Table 1
ATF CI Approval and Reporting Requirements

		Confidential Informant Reporting Requirements						
		Initial Suitability	90-Day	Semi-annual	Annual	Long-term CI	Deactivation	Removal for Cause
Approval Requirements	Group Supervisor/ Resident Agent in Charge	X	X	X	X	X	X	X
	Special Agent in Charge	X		X	X	X	X	X
	Deputy Assistant Director					X		X
	Senior DOJ Officials					X		
Report Components	Signed CI Agreement	X			X	X		
	Updated Biographical Information			X	X	X		
	Criminal History Check	X	X	X	X	X		
	6-month Payment Summary			X	X		X	X
	Aggregate Lifetime Payment Summary			X	X	X	X	X
	List of Investigations Worked			X	X	X	X	X

Source: OIG analysis of the ATF CI Order and CI report memoranda.

Payments to Confidential Informants

As stated above, for their assistance on ATF investigations, CIs may receive compensation in the form of monetary payments or consideration in criminal proceedings. ATF field divisions pay CIs in cash, using their field division agent cashier fund.⁴ CI payments generally are made in one of three categories: (1) subsistence, (2) reward, or (3) relocation. Subsistence, the primary form of CI compensation, is a cash payment to cover a CI’s incidental expenses and for time spent providing information directly related to an investigation. According to ATF policy, this subsistence amount is determined by the control agent, should be commensurate with the value of the information provided or the assistance

⁴ ATF field divisions use agent cashier funds to facilitate the purchase of evidence, procurement of services, and payment for information related to criminal investigations. Field Division management reviews and approves all agent cashier fund payments.

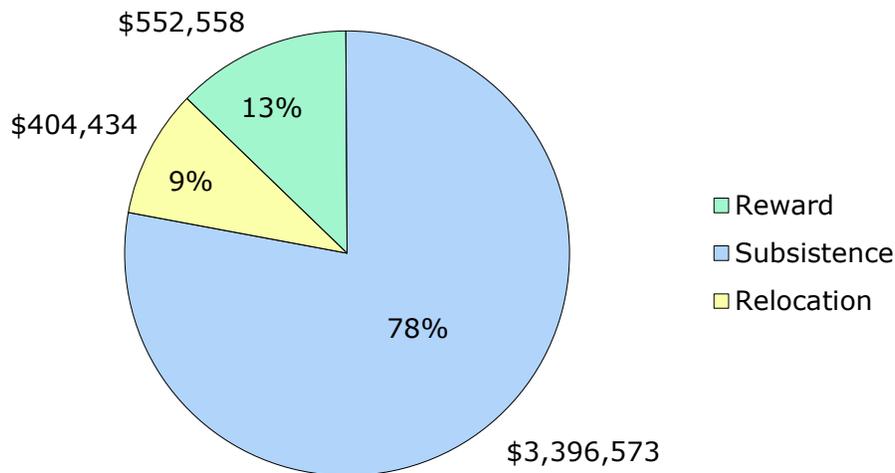
rendered to ATF, and should not exceed \$200 per day. In addition to this threshold, the AG Guidelines stipulate that payments to a CI exceeding \$100,000 within a 1-year period, or exceeding a total lifetime amount of \$200,000, shall be made only with the authorization and approval of a designated senior headquarters official. ATF's designated official is the Deputy Assistant Director of Field Operations.

The ATF CI Order states that reward payments must be carefully considered and that the primary objective for offering a reward is to encourage obtaining information that may not otherwise be attainable through the normal investigative process. Field divisions may approve reward payments of up to \$25,000, corresponding to the value the CI provided to the investigation. However, any rewards in excess of \$25,000 must be approved by ATF headquarters management, in accordance with the AG Guidelines. Finally, ATF can pay to relocate the CI when, for instance, the CI's safety is at risk because the CI's identity has been compromised and their involvement with ATF is suspected or known.

According to ATF's official financial management system, ATF spent approximately \$4.35 million in payments to CIs in each fiscal year (FY) between 2012 and 2015. In FY 2015, these payments totaled \$4,353,565, the majority of which were made in the form of subsistence payments, as displayed in Figure 1. ATF was unable to provide the OIG with the total number of CIs to whom this \$4.35 million was paid.⁵

⁵ Later in this report, we discuss our concerns about the unreliability of ATF's CI data. We obtained the financial information presented above from ATF's official financial management system. It is provided solely for contextual purposes; the figures are unaudited.

Figure 1
Distribution of \$4.35 Million in Payments
to ATF Confidential Informants
Fiscal Year 2015



Source: OIG analysis of ATF financial system data.

Audit Approach

The objective of this audit was to evaluate ATF's policies and practices for the identification, approval, and oversight of its confidential informants. Specifically, we focused on the completeness, accuracy, and reliability of ATF CI-related information, ATF's administrative oversight of its CI Program, and ATF's implementation of CI-related policies from FYs 2012 through 2015. To accomplish our audit objective, we met with ATF headquarters officials, as well as officials at ATF field divisions in Chicago, Illinois; Washington, D.C.; and Los Angeles, California. We also reviewed CI and investigative case files, analyzed CI-related data, examined documents relating to payments made to CIs, and observed two Confidential Informant Review Committee meetings.

The results of our review are detailed in the Findings and Recommendations section of this report. Our audit objective, scope, and methodology are discussed in further detail in Appendix 1.

FINDINGS AND RECOMMENDATIONS

While ATF's CI policies generally aligned with the AG Guidelines regarding the management and use of CIs, we found that certain ATF practices for carrying out CI-related activities needed improvement. We determined that ATF's management of its CI Program was largely decentralized, and information that is fundamental to the management of the program was compartmentalized in hard-copy files and an unsophisticated automated system. As a result, ATF could not efficiently obtain an accurate and complete picture of its CI Program as a whole, or of the contributions of and payments to individual CIs. This impeded ATF's oversight and management of, and reporting about, its program. In addition, although we determined that ATF convenes a Confidential Informant Review Committee (CIRC) to oversee the use of higher-risk CIs, as required by the AG Guidelines, we found that ATF may not have been properly submitting CIs for review and approval. This is because ATF did not have a reliable mechanism for identifying CIs requiring CIRC review. We are also concerned that the CIRC's decision-making was inefficient and could be untimely. In addition, we identified inadequate management and oversight of specific types of higher-risk CIs, such as foreign national CIs whom ATF has sponsored for temporary legal status and must monitor while in the United States. Finally, we found that ATF could not readily provide accurate, complete, and reliable information from the National CI Registry System about some types of CIs for whom we believe there is an elevated element of risk involved in their use or management, such as CIs registered as Federal Firearms Licensees, further illustrating our concerns about ATF's oversight and management of its program.

ATF CI Policy Framework

The AG Guidelines provide guidance to all DOJ law enforcement components, including ATF, related to establishing, approving, utilizing, and evaluating CIs. Compliance with the AG Guidelines is important for DOJ law enforcement components to manage CIs appropriately and to mitigate the risks involved with using CIs in federal investigations. In a 2015 report, the Government Accountability Office (GAO) reviewed the extent to which DOJ and Department of Homeland Security (DHS) components' policies address the AG Guidelines for vetting CIs and overseeing their illegal activities.⁶ In this report, GAO reviewed aspects of the ATF's CI Order and found the guidance, as written, to be consistent with the AG Guidelines. We agree that ATF's CI Order was generally consistent with the AG Guidelines, as it was largely patterned after the AG Guidelines in organization and content, and in some areas the ATF CI Order required greater

⁶ GAO, *Confidential Informants Updates to Policy and Additional Guidance Would Improve Oversight by DOJ and DHS Agencies*, GAO-15-807, (September 2015).

oversight than prescribed in the AG Guidelines. For example, while the AG Guidelines require an annual suitability review to assess the continued use of the CI, ATF required additional semiannual and quarterly suitability reviews of every active CI.

However, our audit also revealed that ATF has not properly implemented practices that accomplish what is written in its policy, and ATF's CI policies and procedures did not provide for adequate management of the program. Specifically, we found that ATF had inadequate methods for maintaining information related to CIs. In addition, ATF's decentralized recordkeeping practices, particularly related to the tracking of payment information and identifying higher-risk CIs, did not allow for ATF to meet the oversight requirements established in the AG Guidelines, and they did not allow ATF to employ the level of oversight or management that would have most effectively mitigated the risks involved in using CIs. The areas of program weakness we identified are discussed in detail in the following sections of this report.

ATF's CI Information Environment

ATF policy required field divisions to maintain hard-copy CI files that contain biographical information on the CI, as well as any completed and approved memoranda documenting the CI's continuing suitability as an informant. The CI files generally did not contain information regarding the work performed by the CI or an accounting of the individual payments the CI received. This information was required to be maintained by the field division in separate hard-copy investigative case files. Along with these two types of physical files, ATF headquarters maintained a database to store biographical information on all CIs.

ATF's method of maintaining CI information in these three distinct systems made it difficult to determine the impact, both collectively and individually, that CIs brought to ATF investigations. Our own efforts to understand the work performed by an individual CI on a specific investigative event illustrated the problem. When we attempted to conduct this analysis, we found that some files were disorganized and documents were located in different places throughout the investigative files. We had to search through the entire investigative file to locate the reports of investigation, operational plans, and payment documents that matched each investigative event, and read through every document to determine the work performed and compensation received by the CI. Some of the investigative files we reviewed also contained documents related to multiple CIs, and we had to sort through various documents to identify paperwork related to the CI we were reviewing.

ATF experienced similar inefficiencies when it attempted to compile information about its CIs. For example, payments to CIs were required to be reported by the control agent twice a year in a semiannual suitability memorandum. The ATF CI Order states that this information should be reported as a total dollar amount for the semiannual period, as well as aggregate lifetime payments, and does not require the amounts to be broken down by investigation or

types of payments. Providing this information required that the control agent manually identify, assess, and compile the payment information located in the CI investigative files. While agents were supposed to report a total cumulative amount paid to the CI on each semiannual suitability memorandum, during our file review we noted that this number was not consistently reported. We found that although some agents noted the cumulative amount paid on a CI's deactivation memo, the files we reviewed showed inconsistent reporting of this amount. We believe that this is due, at least in part, to the ATF field divisions' cumbersome record-keeping practices.

In addition to the hard copy files maintained by the field divisions, in 2013 ATF headquarters deployed the National CI Registry System, which utilized off-the-shelf database software, to consolidate individual field division tracking of CI identities.⁷ ATF officials told us that the data within the National CI Registry System was used to coordinate the use of CIs in the field divisions. ATF policy also stated that the system ensured that ATF field divisions did not create a new unique identifier for a CI who was previously established by another field division.

The ATF CI Order required that the CI Coordinator in each field division update and maintain the database with information related to that particular field division's CIs. According to ATF's policies, each database entry for a CI should have contained basic information related to the CI, including the CI's name, associated field division, control agent, and other biographical information of the CI, such as date of birth, gender, and citizenship. Information such as the activation date and the status of a CI (i.e., active or deactivated) should have also appeared for each CI. In addition, a CI Coordinator could choose to input other information, such as a CI's gang affiliation, employment history, or languages spoken, as well as information on payments made to a CI.

While inputting payment information into the system was not required by the ATF CI Order, the National CI Registry System allowed the CI Coordinator to enter "status" updates. According to the system user guide, these status updates could include an entry indicating the amount paid to the CI as reported in semiannual memoranda. However, the user guide indicated that it is optional to include semiannual payment information. Moreover, the user guide contained no guidance to address the recording of individual payments in the database, and ATF CI Program officials told us they did not use the payment information in the National CI Registry System. This was confirmed by our review of the database, which revealed that only 43 percent of CI records included any payment information, and in those records the payment information was included in an inconsistent manner. For these reasons, we were unable to use the database as a definitive source for CI payment information.

⁷ In October 2016, ATF deployed the Confidential Informant Master Registry and Reporting System (CIMRRS), discussed later in this section. The National CI Registry System was the only CI-specific electronic system utilized by ATF during the time period covered by our audit.

Inefficiencies such as those described above served as impediments to ATF's ability to easily identify the impact and value provided by individual CIs, and to ATF's ability to readily provide complete and reliable CI-related information to prosecutors for use in criminal proceedings, as we discuss later in our report. We believe that ATF's CI information environment can be restructured to conform with the AG Guidelines and reduce the amount of time that is expended on recording and maintaining essential CI information, while increasing the ability to capture and more accurately report outcomes. We believe that ATF should implement a recordkeeping solution to maintain, in a single location, complete and reliable information related to the CI's identity, compensation, and involvement in investigations.

CI Database Design and Controls

ATF maintained its National CI Registry System to track information on its universe of CIs, including active CIs, recently deactivated CIs, CIs removed for cause, and CI applicants who were not approved for use. As part of this audit, we obtained and evaluated data from the National CI Registry System, the electronic system in use during the period we audited. We identified numerous problems with the data we received, including data that was incomplete or inconsistent. For instance, although the system user guide indicated that certain fields within the database were required to have information entered, we found that these fields were not always completed. We found that least 3.5 percent of records in the dataset we received did not identify the control agent assigned to handle the CI, and 3 percent of records had not identified the responsible CI Coordinator. We also found other issues in the information, such as 8 percent of the records in the dataset that had not identified an activation date for the CI. Taken together, these inconsistencies resulted in hundreds of records with empty fields, some of which are fundamental to the effective management of the CI Program.

In addition, all information in the database was entered manually by CI Coordinators in ATF field divisions. The CI Coordinators obtained the information from memoranda created by the control agents when they first activated a CI and when they performed required suitability reviews. Therefore, instead of manually recording the information once on an electronic form that then populates the database, information was manually recorded twice – once in the memorandum and then later from the memorandum to the database – thereby increasing the opportunity for human error. Additional errors and inconsistencies may have occurred because the CI Coordinator often interpreted information in the control agents' memoranda, such as narrative information about a CI's specialties or experience, criminal or employment history, and made a judgment as to how to enter this information into the system. Additionally, control agents were not required to verify data that CI Coordinators enter into the National CI Registry System.

Moreover, the database did not retain historical information; new entries in data fields overwrote previously entered information. Consequently, users could not query the system for potentially important historical information, such as the

number of active CIs at a particular time in the past, or for information related to a particular CI's history of cooperation with the ATF. For example, if a CI was deactivated by one field division and then reactivated by another, certain information input about the CI would override any previous information that existed in the National CI Registry System.

The system's lack of historical data also resulted in an insufficient audit trail for use by ATF management and other oversight entities. For example, ATF told us in October 2015 it had approximately 1,500 active CIs, and the dataset provided to us from the National CI Registry System in January 2016 showed that ATF had over 1,850 active CIs at that time. We attempted to use the National CI Registry System to verify that ATF registered approximately 350 CIs in the 4 months between October 2015 and January 2016, but when we reviewed the data for active CIs who were entered into the National CI Registry System during that period, we found only 63 records, and nothing in the National CI Registry System allowed us to examine and explain a rapid expansion in the number of CIs ATF reported to us by ATF.

We believe ATF's inability to track historical information and maintain standardized and complete data was caused by inadequate data entry and validation controls established within the database. This inability risks undermining many of the benefits of the system, which, if properly designed with sufficient controls to ensure the integrity, reliability, and security of the data, could provide valuable information about ATF's CI universe. Additionally, we believe that such a centralized system could allow ATF officials to improve the oversight of the CI Program by using the system to monitor the completion of semiannual verifications and CIRC reviews, and to identify program trends such as the reasons that CIs were removed for cause.

We discussed these issues with ATF officials who acknowledged our concerns and stated that in FY 2015, in an effort to improve the quality of its CI data, ATF prioritized the development of a new CI system, the Confidential Informant Master Registry and Reporting System (CIMRRS), to assist with its information management. ATF officials told us that it contracted with a vendor in June 2016, and officials stated that the new system was launched with limited functionality in October 2016 with training and implementation following shortly thereafter. According to ATF officials, the new system is significantly more sophisticated than the current database. ATF officials told us that the system was designed to reliably and accurately track information related to CIs.

In January 2017, we obtained a demonstration of CIMRRS from ATF headquarters officials, including a presentation of basic features, user roles, and general reports from the system.⁸ In addition, during this demonstration these officials stated that CIMRRS tracks individual payments and automatically

⁸ Our audit evaluated ATF's legacy system, the National CI Registry System, which was the only electronic system in use during the time period we audited. We have not assessed the capabilities of ATF's new CI system, CIMRRS.

aggregates payment totals for the semiannual reporting period, as well as lifetime total payment amounts. Further, these officials told us that with CIMRRS, ATF headquarters officials can run queries to assist in the oversight and management of the CI Program, including identifying CIs who are foreign nationals and long-term CIs. These officials stated that ATF has committed funding for enhancements to further automate the process for tracking CI information.

While we believe that the new automated system improves ATF's information environment, we noted that ATF did not yet have sufficient controls in place to ensure that all information is captured and validated, including individual payments to CIs. In addition, ATF officials told us that they had not yet updated ATF policy to incorporate the use of CIMRRS. Moreover, although ATF officials reported taking steps to ensure that no data was lost during the migration of data from the National CI Registry System, ATF officials stated that the data was not reviewed or revised prior to the migration, thus carrying over any incomplete records or inaccurate data to the new system.

We believe that ATF should continue its efforts to enhance its current data environment and ensure that CIMRRS requires that additional CI-related information is captured. Doing so will help ensure that the data is accurate, that ATF is able to perform appropriate management analyses of its CI-related information, and that a sufficient audit trail exists for future management and oversight reviews. We therefore recommend that ATF: (1) work with field division CI Coordinators to complete, standardize, and verify the accuracy of the data from the legacy system that has been migrated into CIMRRS; (2) establish adequate procedures and controls to ensure that data is entered in a consistent, complete, and accurate manner; and (3) institute practices to routinely analyze all CI-related information to better manage its CI Program.

CI Payment Tracking

A primary area in which the compartmentalized nature of ATF's CI information impacted its oversight of the CI Program was in the tracking of payments to individual CIs. ATF field divisions use agent cashier funds to facilitate the purchase of evidence, procurement of services, and transactions related to criminal investigations, including payments to CIs for information. ATF pays CIs in the form of cash through its agent cashier fund, and these payments are documented with hard-copy requests for funds, payment receipts, and reports of expenditure. However, during our audit we found that this information was not captured or maintained in such a way that the individual payments are readily discernable. Although field divisions must manually compile cumulative agent cashier fund expenditure reports, during our audit we determined that ATF lacked an automated tracking system to document individual CI payments. Therefore, ATF did not have an effective tool for reconciling payments, and it consequently could not meet the AG Guidelines' requirement of accounting for and reconciling payments to CIs on an individual CI basis.

Our review of ATF's Agent Cashier Fund Manual found that the policy did not specifically require control agents to separately track individual payments to CIs, as required by the AG Guidelines, and only indicated that control agents would have to be aware of total payments to a CI when tracking certain payment thresholds or when a CI will be used in criminal proceedings. We also determined that the National CI Registry System's user manual did not discuss the potential for recording individual CI payments. We asked ATF to query its field divisions to determine whether they used any other system to track payments to individual CIs, and we determined that only 6 of ATF's 25 field divisions responded that the division or a sub-office utilized a method to track payments to individual CIs. We spoke with several control agents to determine whether agents tracked payments made to the CIs that they handled, and we learned that while some control agents maintained a log of each payment, this was not standard, and the method of recordkeeping was not consistent.

We are concerned about the possible implications of ATF's CI payment tracking methods. For example, during our audit, when ATF needed total payment information for a CI, such as for trial preparation, a CI's control agent had to examine all of the payment documents that were scattered through every investigative file for all of the cases for which a CI provided assistance. Through this manual and cumbersome method, there is an increased risk that an agent might have calculated incorrectly the total amount paid due to errors or omissions in the CI investigative file, inability to identify all investigations worked by the CI, or the entry of incorrect amounts. Beginning in October 2016, the new CI database, CIMRRS, provided control agents with a mechanism to record individual payments to CIs. When CIMRRS was implemented, CI Coordinators were required to manually compile CI payment information for the complete length of service of the CI in the manner described above, which we noted to be an inadequate method for providing complete and reliable payment information. In addition, neither the old method for compiling information nor the new CI database require the validation of payment information compiled by control agents, thus increasing the risk that inadvertent errors will go unnoticed.

During our audit, we attempted to identify the total lifetime amount paid to a judgmental sample of five individual CIs. We used the semiannual figures reported in the suitability memoranda (which are stored in the CI file), the individual payment receipts and reports (which are stored in the investigative case files). We also reviewed any figures reported in the National CI Registry System in an effort to help us reconcile the payment figures. Our analysis is displayed in Table 2.

Table 2

**Comparison of Three Sources of Payment Information
for Sample of Five ATF Confidential Informants
(Total of All Available Payment Information by Source)**

CI Sample	National CI Registry System	Semiannual Suitability Memoranda in CI File	Payment Documents in Investigative Case Files
A	\$0	\$200	\$200
B	\$14,440	\$20,800	\$21,500
C	\$45,100	\$98,800	\$70,000
D	\$51,200	\$38,000	\$46,250
E	\$70,710	\$62,730	\$48,259

Note: ATF officials told us that ATF did not use the National CI Registry System to verify CI payment information. We utilized available payment information from the agent cashier fund logs to select our sample of CIs to review. Our sample selection methodology is more fully discussed in Appendix 1.

Source: OIG analysis of ATF information.

As shown in Table 2, we were unable to reconcile four of the reported payment amounts among the various supporting documents. For one CI in our sample, "Informant C," the National CI Registry System indicated that the CI had received \$45,100 since activation as a CI. According to the figures reported in the suitability memoranda in the CI file, we identified supporting documentation that this CI had received payments of \$98,800. Further, our review of the investigative case files referenced in the suitability memoranda identified that the CI received \$70,000 in payments. The payment information that we were able to reconcile for another CI in our sample, "Informant A," was for a CI who began work with ATF in July 2015. After 6 months as a CI, the control agent reported on the January 2016 semiannual suitability memorandum that the CI had worked on one investigation and had received a total of \$200 for that period. Our review of the investigative case file found payment documents confirming that \$200 was paid to this CI during this 6-month period.⁹ The OIG recognizes that while we were able to reconcile the payment amount for this CI, ATF had only paid the CI twice in 6 months for work on a single investigation. As CIs continue service with ATF, and consequently accumulate more payments and work on additional investigations, it can become difficult for control agents to track this information. Given that we could not determine the exact cumulative amount paid to four of the five CIs in our sample, we are concerned that ATF was not able to accurately or reliably determine the

⁹ The National CI Registry System did not contain any payment information for this CI. However, the suitability memoranda for January 2016 may not have been executed prior to the date the data was provided to the OIG.

amount paid to its CIs, particularly those with greater lengths of service or assistance on multiple investigations.

In addition, the lack of accurate and reliable cumulative payment information also impaired ATF's ability to determine whether CIs had met certain payment thresholds. The AG Guidelines and ATF's CI Order require that payments to a CI who exceed \$100,000 within a 1-year period, or payments that exceed a lifetime total of \$200,000, shall be made only with the authorization and approval of the Deputy Assistant Director of Field Operations.

We found that the antiquated, cumbersome, and unreliable practices used by ATF to calculate and maintain CI payment information did not allow officials to immediately determine if a CI had met one of the AG Guidelines thresholds, nor did they provide a method for alerting officials when a CI was approaching one of the levels. As a result, ATF could not conduct the necessary level of oversight on these high-paid CIs as required by the AG Guidelines.

When we discussed this issue with ATF, officials responded that the aggregate payment amounts should have been documented in the semiannual reports, which are located in the CI files. However, these officials also stated that they did not rely on the semiannual reports because they had identified errors in these reports. Further, our review of the CI files noted that the semiannual reports often did not include cumulative payment amounts. During the demonstration of CIMRRS, we noted that the system provides the functionality to enter and track individual payments to CIs. While this enhancement improves ATF's ability to retrieve CI-related information, we noted that ATF did not yet have sufficient administrative procedural or system controls in place to ensure that every payment to a CI is captured or that the figures are validated or reconciled. Therefore, we believe that ATF does not have a reliable mechanism to track cumulative payments to individual CIs and this impairs its ability to monitor the lifetime payment thresholds as required by the AG Guidelines.

Evidence Available to Prosecutors in Criminal Proceedings

When ATF provides evidence in support of federal criminal prosecutions, including information to support the credibility of a CI, it is essential that the information provided, including information about payments made to a CI, is complete, accurate, and reliable. In addition, government disclosure of exculpatory and impeachment evidence, when such evidence is material to guilt or punishment, is part of the constitutional guarantee to a fair trial, and federal prosecutors must therefore have access to any such information, including accurate and complete information about payments to CIs, to ensure that they are able to meet their discovery obligations.¹⁰

¹⁰ *Brady v. Maryland*, 373 U.S. 83, 87 (1963); *Giglio v. United States*, 405 U.S. 150, 154 (1972).

As previously described, we found that ATF's manual and cumbersome process for compiling CI payment data did not provide sufficient safeguards to ensure that complete and accurate information was consistently available to prosecutors for potential disclosure during criminal proceedings. Although this audit did not examine whether ATF provided incorrect CI payment information during any criminal proceedings and we are not aware of any such instances, several ATF and DOJ attorneys to whom we provided our findings regarding ATF's tracking and retrieval processes expressed concerns about whether the payment information available to prosecutors is reliable and accurate.

Based on these concerns, in June 2016 we issued a Management Advisory Memorandum that advised ATF of these significant issues that may affect ATF's ability to consistently provide complete and reliable payment information related to its CIs. In response to the memorandum, ATF agreed to improve the efficiency and effectiveness of tracking CI payments. Specifically, ATF stated that it will ensure the integrity of data entry and cost accumulation reports with the institution of its new CI tracking database. The memorandum and ATF's response can be found in Appendix 2.

OIG Review of Individual Payment Transactions

During our file review at three ATF field divisions, we attempted to reconcile, from the monthly agent cashier log, all CI payment transactions for a particular month (August 2015) to determine whether ATF could account for individual CI payments, as well as whether ATF maintained the required supporting payment documents that would support the CI payments and provide oversight of the payment process.¹¹ In each of the three divisions in which we performed this testing, we examined the field division's agent cashier fund log, the referenced investigative case files, and the CI files. We identified numerous issues with the payment documents contained in or missing from the investigative files and CI files, examples of which are listed below.

- According to the monthly agent cashier summary, one CI received a \$5,000 reward payment, yet we could not find any accompanying documentation in the CI file or the investigative file. In another instance, an investigative file that we reviewed identified a \$20,000 reward payment to a CI, but we found no reference to the reward in the CI file.
- We found a total of \$3,100 in subsistence payments to CIs identified within the field division's agent cashier fund documentation for which we did not find supporting documents in any of the investigative files. In one of these instances, all information in the relevant investigative file was from

¹¹ Field divisions are required to maintain a monthly log summarizing all payments made out of its agent cashier fund. According to the agent cashier logs in the three offices in which we performed testing (Chicago, Illinois; Los Angeles, California; and Washington, D.C.), the universe of CI payments in these locations totaled \$76,635. Our testing methodology is further detailed in Appendix 1.

2010 through 2013, although the agent cashier fund log included a \$200 subsistence payment in August 2015.

- We found several CI files without a list of investigations worked by the CI, in addition to CI files that did not list the investigations for which the agent cashier fund log reported that the CI received a payment. These omissions would prevent a control agent from locating all of the investigative files reflecting payments to the individual CIs.
- We found an instance in which a CI was paid twice by two different agents for the same event.
- We found a payment for subsistence in the agent cashier fund log for one CI, but according to the payment receipt, a different CI received the payment.
- We found payments for the relocation of CIs, but the CI files did not include information about the CIs' relocation, indicating that the CI files did not provide a complete documentation of the CIs' activities.
- We found a \$200 subsistence payment to a CI identified within a field division's agent cashier fund log that was not incorporated into a deactivation memo in the CI file.
- While reviewing a CI file for a CI who had previously been assigned two different unique identifiers, we found that the memoranda in the file did not indicate whether the payment totals included payments attributed to both CI numbers. We therefore could not determine whether the file included all payments associated with both identifiers.

The results of our testing – for both cumulative payments and for individual payment transactions - illustrate the risks associated with ATF's management of CI information, and support the conclusion that ATF did not have adequate oversight of aggregate or individual payments to CIs. Based on our findings, we recommend that ATF implement a method to accurately and completely track payment information for individual CIs. According to ATF officials, the new CI system, launched in October 2016, along with new procedures for agent cashier fund payment requests, included the tracking of individual payments made to CIs. ATF officials believe that the new system will mitigate issues related to payment tracking.

Oversight of Higher-Risk CIs

Certain types of CIs require additional oversight due to their background, activities, and experience. The AG Guidelines stipulate that a review committee, called a Confidential Informant Review Committee (CIRC), must review and approve CIs who: (1) are part of the senior leadership of a criminal enterprise, or

(2) have been used for more than 6 consecutive years.¹² The CIRC is required to convene to make a decision on the use of a CI based on the justification for using the CI, the value that the CI has added or will add to ATF investigations, the CI's criminal history, and compensation information. The AG Guidelines further require that the CIRC include an agency official at or above the Deputy Assistant Director level, a Deputy Assistant Attorney General for the Criminal Division (DAAG), and an Assistant United States Attorney (AUSA).

We believe that ATF needs to improve its management of CIs requiring CIRC review, and also its management of other categories of higher-risk CIs we identified, such as foreign nationals whom ATF has sponsored for residency in the United States. These higher-risk CI categories are discussed in the following sections.

High-Level CIs

The AG Guidelines require written CIRC approval for the establishment of CIs who present greater risks of potential liability, intrusion into governmental processes, and other adverse consequences. The ATF CI Order states that if a CI meets the high-level CI definition, whether a potential CI who holds a high-level position within an organization, or an existing CI whose status has risen within an organization, the control agent must first obtain written approval from the CIRC to begin or continue using this individual as a CI. We asked whether the CIRC had reviewed any such CIs and were told that the CIRC had never reviewed or approved CIs for that purpose.

However, during our audit we found 14 CIs who may have met the criteria to be designated as high-level CIs. During our CI file review, we identified a CI who ATF officials referred to as "confidential."¹³ According to the control agent for this CI, the CI was classified as "confidential" based on the individual's upper-level membership in a criminal organization and the sensitive nature of information contained in the CI's file. The control agent told us that other CIs had similarly been labeled "confidential," and we found six such records in the National CI Registry System. Further, our review of the National CI Registry System noted six additional individuals whose electronic records identified them as high-ranking members of their criminal organizations, and we believe this categorization may have met the criteria of high-level CIs. However, none of these CIs were reviewed by the CIRC prior to their establishment as CIs, and ATF officials were unable to provide an explanation as to why. Although the determinations not to categorize these CIs as high-level were made by ATF's field divisions, ATF headquarters lacked an efficient mechanism for identifying, tracking, and reviewing these decisions.

¹² The AG Guidelines also require CIRC approval of CIs who have an obligation of a legal privilege of confidentiality, such as lawyers, doctors, and journalists. We did not identify any such informants during our review.

¹³ "Confidential CI" is the term used by the control agent; it is not the same definition as the National Security Information category of the same name, as defined in Executive Order 13526.

We believe that ATF needs to ensure that AG Guidelines' requirements for additional oversight of higher-risk CIs is performed as stipulated. Therefore, we recommend that ATF ensure that CIs requiring CIRC approval are properly identified and reviewed, including but not limited to any CIs previously labeled as "confidential" or who meet the AG Guidelines definition of high-level.

Long-Term CIs

In addition to high-level CIs, the AG Guidelines require additional oversight of confidential informants who have been registered for more than 6 consecutive years. Such informants are referred to, under the AG Guidelines, as long-term informants. According to a DOJ official, this requirement was included in the AG Guidelines due to the potential for an inappropriate relationship to develop between a government handler and an informant when that relationship extends over a long period of time. Requiring review of long-term informants mitigates the risk that such a relationship might develop and go unnoticed, and it helps to ensure that the continued use of such long-term informants is warranted and handled appropriately. The AG Guidelines stipulate that when a confidential informant reaches the 6 consecutive year threshold and, to the extent the informant remains active, every 6 years thereafter, the CIRC shall convene to make a decision on the continued use of a CI.

Process for Identifying Long-term CIs

The ATF CI Order states that field divisions are responsible for determining which, if any, CIs have been active for 6 consecutive years and therefore must be submitted for CIRC review. ATF headquarters officials told us that they relied on the field divisions to provide information on long-term CIs, and that ATF headquarters did not have a method to verify that field divisions had provided all long-term CIs for review. According to headquarters CI Program officials and two of the three the CI Coordinators we interviewed, the identification of long-term CIs was normally delegated to the field division's CI Coordinator.

We are concerned that this decentralized process and ATF's insufficient CI information environment did not provide an adequate level of accuracy for identifying CIs requiring CIRC review. In addition, although the National CI Registry System provided a central place of reference for CI activation dates, we do not believe that it could be relied upon to track a CI's length of service. For example, the CI dataset we reviewed contained 10,808 total CI records, 884 of which (8 percent) did not contain an activation date. In addition, ATF CI Program officials did not have a running list of long-term CIs who had undergone CIRC review. Therefore, we could not determine, and the ATF could not affirm, if ATF had reviewed all long-term CIs at the 6-year mark as required by the AG Guidelines.

We also identified a risk that a control agent could have deactivated a CI prior to the 6-year mark and then reactivated the CI a short time later, thereby avoiding the AG Guidelines' requirement for CIRC review. During our file review,

we identified two CIs that appeared to have been deactivated right around the 6-year threshold for a CIRC review and were subsequently reactivated at a later date, resulting in cumulative service of greater than 6 years. For example, one CI was activated in May 2009, deactivated in July 2015 (after more than 6 years but before being reviewed by the CIRC), and then reactivated in September 2015.¹⁴ In another example, a CI was activated in late December 2008 and deactivated in early January 2015, just over 6 years later. This CI was reactivated in March 2015. Although we were not able to determine whether these CIs were deactivated to avoid CIRC review, we are concerned that some ATF CIs will not be reviewed by the CIRC because they are deactivated just prior to CIRC review and then reactivated a short time later, which resets ATF's calculation of the CI's length of continuous service.

We discussed this issue with an ATF official who expressed concern over the 6-year threshold in the AG Guidelines. This official said there was a discussion during a previous ATF CIRC meeting of the potential for reviewing all CIs with 6 years of *cumulative* service rather than consecutive service, and that CIRC officials believed that CIs with 6 years of cumulative service should be submitted for a CIRC review. This official further stated that in FY 2016 field divisions received verbal instruction to calculate a CI's length of service based on cumulative time, not consecutive time. However, this approach had not yet been reflected in the ATF CI Order, and we have not confirmed that ATF has consistently adopted this approach for CIRC reviews of long-term CIs.

Scheduling CIRC Meetings

According to an ATF CI Program official, ATF convened its first CIRC meeting in September 2012 following the incorporation of the AG Guidelines into ATF Policy.¹⁵ Although the AG Guidelines do not stipulate the frequency of or instructions for scheduling CIRC meetings, ATF officials told us that it was ATF's practice for field divisions to identify CIs who had met the 6-year milestone during the semiannual review periods and submit relevant information to headquarters for CIRC review. ATF headquarters scheduled CIRC meetings following these semiannual review periods, as needed, and scheduled follow-on meetings to review any CIs that had not received a decision at the initial semiannual CIRC meeting.

We found that, following the first CIRC meeting in 2012, the CIRC met on six separate occasions from October 2012 to June 2014. However, the CIRC did not schedule the next meeting until after our audit began in October 2015, and ultimately held that meeting in December 2015. The CIRC then met twice more in

¹⁴ This CI was never reviewed by the CIRC and was again deactivated in February 2016. There was no CIRC meeting held between the time that the CI should have been submitted for the 6-year review (May 2015) and July 2015.

¹⁵ Prior to 2012, ATF's CI Program was regulated by an ATF Order dated January 2002. On January 17, 2003, ATF was established as a component within DOJ pursuant to Title XI of the Homeland Security Act of 2002, Public Law 107-296. Prior to that date, ATF was housed within the Treasury Department and was not required to comply with the AG Guidelines.

March and April 2016. ATF officials told us that they did not convene a meeting (between June 2014 and December 2015) because they were waiting for the Department to fill a vacancy on the CIRC. In addition, ATF officials told us that Criminal Division officials often had competing priorities that delayed efforts to schedule CIRC meetings. For example, an ATF official informed us that in April 2015 ATF notified the CIRC members that ATF had long-term CI files that required CIRC review, but only one of the non-ATF committee members responded. ATF sent sporadic e-mails over the next few months and finally scheduled a CIRC meeting for December 2015, or 8 months after ATF’s initial request to convene a meeting. Additionally, in June 2016, an ATF official told us that ATF had been attempting to schedule a CIRC meeting to complete the review of CIs submitted to the CIRC at previous meetings, but due to scheduling conflicts, as of January 2017 the CIRC had yet to reconvene.

CIRC Decision-Making Process

To assess the oversight of long-term CIs, we observed CIRC meetings in December 2015 and April 2016. We found that the CIRC decision-making process was lengthy and decisions were often not finalized until subsequent meetings are held. As shown in Table 3, the CIRC met three times in FY 2016: December 2015, March 2016, and April 2016. In December 2015, the CIRC was to review a total of five long-term CIs; however the CIRC only began the review of three CIs and did not make a decision during the meeting on the continued use of any CIs. At the March 2016 meeting, the CIRC received an additional seven CIs to review along with the CIs remaining from the December 2015 meeting. Again the CIRC did not make a decision on the continued use of any CIs. It was not until April 2016 that the CIRC made a final determination on five files for which the review had begun at the December and March meetings.¹⁶

Table 3
FY 2016 CIRC Meetings

Meeting Dates	Files to Review	Reviews Completed
December 2015	5	0
March 2016	10	0
April 2016	10	5

Note: Based on the documentation provided by ATF, we were unable to determine the number of files submitted and reviewed during the CIRC meetings prior to FY 2016.

Source: OIG analysis of ATF documentation

¹⁶ The five outstanding CI files for which the CIRC had not completed its review included three files submitted during the December 2015 CIRC meeting and two files submitted during the March 2016 meeting.

During the CIRC meetings we attended, determining whether a CI should be approved for continued use required lengthy file reviews and discussions among the CIRC members. We observed that not all members had reviewed the files prior to the meeting, and because the files did not always contain the level of detail wanted by the decision makers, members had lengthy discussions regarding risks associated with the continued use of the CIs. In addition, when a CIRC member required additional explanation on the information provided on a CI, ATF officials made inquiries after the CIRC meeting to the field division and control agent assigned to the CI in order to provide the clarification to the CIRC at a later time, and the CIRC's determination about the suitability of the CI for continued use had to be delayed until the next meeting.

Ensuring long-term CIs undergo a timely review by the CIRC is an important part of the oversight process because it provides an objective suitability review by DOJ officials outside of ATF. While we acknowledge the need for the CIRC to be thorough and to obtain all relevant information to make an informed decision, we believe that, taken together, the irregular meetings of the CIRC and the inefficiencies we witnessed during the meetings have combined to create an unnecessarily drawn-out process for providing oversight of long-term CIs that has delayed the CIRC's required reviews and determinations regarding the continued use of CIs. We therefore believe that ATF should work with the Department to develop a policy to improve the timeliness of the CIRC's reviews and determinations, including ensuring appropriate and timely scheduling of ATF CIRC meetings and improving the efficiency in decision-making at ATF CIRC meetings. In addition, we believe that ATF should implement a reliable process for identifying long-term CIs requiring CIRC review and ensure all active long-term CIs requiring CIRC review are reviewed, as appropriate.

Foreign National CIs

Foreign nationals legally in the United States are eligible to become ATF CIs.¹⁷ In addition, ATF personnel can seek legal sponsorship from the Department of Homeland Security (DHS) for foreign nationals who agents believe will provide valuable information and assistance to ATF investigations but who do not lawfully reside in the United States.¹⁸ The use of sponsored CIs in this manner can be especially problematic due to the higher-than-normal risks associated with these CIs remaining in the United States without legal authorization, because they often have criminal histories or are involved with criminal organizations. The ATF CI Order requires control agents to monitor the legal status of foreign national CIs to ensure the legal status does not expire during the individual's service with ATF. Specifically, control agents who manage sponsored foreign nationals must submit a

¹⁷ A foreign national is any person who is not a citizen or national of the United States.

¹⁸ ATF coordinates with DHS to obtain sponsorship for foreign national CIs under various DHS authorities, including: (1) Significant Public Benefit Parole, (2) S-Visa Program, and (3) Deferred Action. These programs provide DHS the authority to allow certain foreign nations to temporarily reside in the United States for reasons specific to each program.

monthly status report to ATF headquarters to help monitor the continued use of the CI. According to ATF policy, these reports must be stored in both the field division's CI file and a separate file maintained at ATF headquarters. In addition, the ATF CI Order requires that at the end of the sponsored foreign national's service to ATF, ATF will turn over the foreign national to DHS.

We found that although ATF headquarters had a centralized method for collecting the monthly reports, ATF was not adequately tracking or monitoring the use of foreign nationals as CIs. ATF field divisions were responsible for monitoring foreign national CIs without the involvement of headquarters-level CI Program personnel. To assess whether the field divisions were appropriately monitoring these CIs, including completing the monthly reports as required, we reviewed CI files for a sample of sponsored foreign national CIs. Our review identified two sponsored foreign national CI files for which control agents had not followed ATF requirements for documenting regular monitoring, and therefore we could not determine whether the field divisions appropriately monitored the activities of these CIs. We are thus concerned that CI Program officials could not ensure that field divisions were properly monitoring the activities of foreign national CIs.

ATF headquarters also had other tracking mechanisms in place for foreign national CIs, but we identified concerns with each. First, a headquarters-based ATF program manager utilized a spreadsheet to track the status and expiration dates of ATF-sponsored foreign nationals. According to the sponsored foreign national spreadsheet provided to us in March 2016, ATF had sponsored a total of 32 foreign national CIs during the period we audited. Second, ATF policy requires all foreign national CIs, not limited to those sponsored by ATF, to be identified in the National CI Registry System as a foreign national CI, although ATF officials stated that ATF did not actually use the system for that purpose. We reviewed the system to determine whether the information it did contain about the foreign national status of CIs was accurate and reliable, and whether it could be reconciled with the foreign national spreadsheet provided to us in March 2016. We found that the National CI Registry System identified three additional active CIs as ATF-sponsored foreign nationals who were not listed on the sponsored foreign national spreadsheet, and that only 4 of the 32 individuals identified as foreign nationals on the spreadsheet were listed in the database. As such, we were unable to determine the total number of foreign national CIs based on the information provided to us.

To better understand ATF's management of these CIs, we performed an in-depth review of the sponsored foreign national spreadsheet and a sample of CI and investigative files relating to sponsored foreign national CIs. Our review identified weaknesses in ATF's management of these higher-risk CIs. For example, we identified a foreign national established as an active ATF CI in 2007. However, documentation provided by ATF for this CI did not include the initial request for sponsorship by ATF for the CI, nor did it include three sponsorship extensions (2008, 2009, and 2010) or numerous monthly status reports. Based on this documentation, we were unable to determine when ATF requested sponsorship for this CI. In addition, the documentation indicated that the CI had left the United

States in 2014 and the control agent had deactivated the individual, but there was no documentation that ATF had notified DHS of the CI's departure.

In another example, a CI was recorded in the sponsored foreign national spreadsheet as having a pending sponsorship application, but the National CI Registry System indicated that ATF deactivated the CI in September 2015. We believe that this illustrates the weaknesses in ATF's administration of its responsibilities related to sponsored foreign national CIs. Specifically, if the CI was deactivated, the sponsorship application should not have continued to be pending with DHS, or the spreadsheet should have been updated to reflect the current status of the CI.

We identified many other issues with the information in the sponsored foreign national spreadsheet, including approval statuses without corresponding approval dates, multiple statuses listed for the same CI, and deactivated CIs without corresponding sponsorship termination dates. For instance, three CIs were recorded twice on the spreadsheet with two different sponsorships. Also, the spreadsheet did not clearly or consistently indicate the legal status of foreign national CIs, nor did it always track the expiration of CI sponsorships. Further, it did not indicate whether ATF had taken action with DHS on those CIs with expired or terminated sponsorship. We made ATF aware of our concerns regarding its management of sponsored foreign national CIs, and ATF agreed that its processes for tracking these individuals were in need of improvement.

Because we found that information related to foreign national CIs was not completely or accurately tracked, we were unable to determine whether ATF fulfilled its obligation to coordinate with DHS on foreign nationals with expired sponsorship.

We believe ATF should strengthen the tracking of such individuals to ensure that it meets its obligations to properly monitor foreign national CIs. We recommend that ATF improve the tracking and monitoring of foreign national CIs to ensure the legal status of active CIs does not lapse and, as appropriate, coordinate with DHS when the legal status of foreign national CIs has expired. In addition, we recommend that ATF determine whether any current or former CIs with expired sponsorships are in the United States and, if so, coordinate with DHS on the status of these individuals.

Other Categories of CIs

During our audit, we attempted to identify the existence and extent of certain additional types of CIs for whom we believe there would be an elevated element of risk involved in their use or management. These types included CIs registered as Federal Firearms Licensees (FFL) and CIs used by international offices.

We encountered a great deal of difficulty in obtaining information about CIs in these categories. We found that information was not readily available, and that

even after reviewing the National CI Registry System, CI files, and speaking with numerous ATF officials, we were not able to obtain an accurate or complete picture of CIs in these specific categories. We believe that these examples further illustrate the need for ATF to improve its information environment to provide an ability to obtain and report complete and accurate information on its CI Program.

Federal Firearms Licensees

In a previous OIG report, *A Review of ATF's Operation Fast and Furious and Related Matters*, the OIG found that ATF was receiving information and cooperation from an ATF licensee regarding firearms sales to individuals who were engaged in firearms trafficking and illegal firearms purchases.¹⁹ The 2012 report revealed that ATF did not have controls in place to ensure that there was no conflict between its use of the individual in an investigative manner and its oversight of the same individual as an approved license holder.

Following the OIG's *Fast and Furious* review, DOJ issued guidance to its law enforcement and litigating components addressing certain risks revealed in the report. This guidance states that law enforcement protocols should include special considerations for establishing a confidential informant whose business requires a license from a law enforcement agency to ensure that no licensee is led to believe that the continued validity of their license is in any way predicated on their status as an informant.

We found that ATF's CI policy includes guidance specifically related to FFLs and only allows for FFLs to be established as CIs under special circumstances. Further, the CI Program Manager told us that the use of CIs who are FFLs is highly sensitive, heavily monitored, and would be need approval by the CIRC. In addition, the CI Program Manager stated that ATF did not currently have any active CIs who were also FFLs, and we did not identify any CIs who were active FFLs. However, we believe that some of the same weaknesses in oversight and management that we found in ATF's management of CIs and CI information would similarly apply to CIs who are also FFLs. Specifically, the National CI Registry System did not have a unique field dedicated to FFL status, and therefore the system could not be queried to determine whether any CI was an active FFL. However, while reviewing information in the National CI Registry System, we found miscellaneous references to the term "FFL" entered into a free flow text box.²⁰ ATF officials told us that although ATF has the ability to query a separate database to determine whether a CI is an FFL, the separate system was not designed or intended to be used for that purpose and cannot be easily queried to identify all FFLs who are also CIs. Therefore, while we did not identify any CIs who were active FFLs, we are

¹⁹ U.S. Department of Justice Office of the Inspector General, *A Review of ATF's Operation Fast and Furious and Related Matters* (September 2012).

²⁰ We reviewed the CIs with FFL-related information in their records and determined that they were not themselves registered FFLs. Instead, these individuals were associated with FFLs, including one CI who was employed by a large nationwide firearms retailer and whose name was not listed on the FFL license.

nevertheless concerned that ATF officials may not be able to readily and definitively identify all CIs who are also FFLs, which limits its ability to monitor compliance with ATF and Department policies. Especially given ATF's acknowledgment that this category of CIs requires increased oversight, we believe ATF should strengthen its recordkeeping in this area.

Use of CIs by ATF International Offices

ATF policy states that ATF may use CIs outside of the United States for intelligence purposes, and that control agents must closely supervise the nature of the international CI's work, as these individuals are only authorized to provide information to support investigations and cannot perform illegal activities on behalf of ATF. During our audit, ATF headquarters officials told us that they did not believe ATF was using international CIs. Our review of the National CI Registry System also revealed no active CIs assigned to any foreign ATF office. However, the National CI Registry System identified only three deactivated international CIs, whereas our discussions with ATF officials in the Mexico City Country Office alone indicated that ATF had previously utilized as many as eight international CIs during our review period. We are therefore concerned that ATF lacks a complete and accurate accounting of all CIs used by international offices.

Inspection Branch Reviews

ATF's Inspection Branch is responsible for conducting compliance-based reviews to ensure ATF field divisions adhere to laws, regulations, and published ATF policies and procedures, including the ATF CI Order. However, while these reviews identify compliance issues regarding CI file maintenance and recordkeeping, we learned that ATF generally did not use them to identify improvements to the overall CI Program.

The Inspection Branch conducts field division reviews on a 3-year cycle. The review includes an assessment of hard-copy files maintained by the field division, including a sample of active, deactivated, and long-term CI files. The Inspection Branch also examines a sample of transactions from the field division's agent cashier fund, which may include payments from control agents to CIs.²¹

We reviewed a sample of four Inspection Branch reports, each from a different field division, and found that all of these reports identified issues related to CI files and the agent cashier fund. Specifically, all the reports that we reviewed showed that the reports of expenditures were not always complete and/or accurate. In addition, there were two issues related to CI and witness payment signatures.

The results of these reviews were provided to designated ATF headquarters

²¹ The Inspection Branch selects a sample of 48 agent cashier fund transactions to review during the field division review. The sample is selected based on a review of four transactions per month, for a 12-month period. The sample is taken from all agent cashier fund transactions and therefore may not always include payments to CIs.

officials and field division management to remedy these specific issues, but the results were not provided to the Enforcement Support Branch, which oversees the CI Program, for consideration of whether program-wide improvement may be warranted. An Inspection Branch official confirmed that the Inspection Branch reviewed how field divisions complied with ATF policies and did not interact with ATF operational branches and program officials.

We believe that ATF could make better use of its inspection process if CI Program officials received information on results specific to CI Program management. By instituting the reporting of summary results from Inspection Branch reviews, we believe ATF could better assess whether it is adhering to its CI-related policies and could make enhancements to improve the CI Program.

Conclusion

ATF officials consider CIs to be an essential component to many ATF investigations. However, significant risks accompany the use of CIs because these individuals may be associated with criminal activities and motivated by the potential for monetary compensation or consideration for a reduced criminal sentence. Therefore, effective oversight of the CI Program is essential to ATF operations.

We determined that the ATF CI Order – as written – incorporated the AG Guidelines, but ATF’s implementation of its policies did not ensure the level of oversight required by the Department. The compartmentalized manner in which ATF maintained its CI information, as well as the decentralized manner in which ATF managed the CI Program, did not allow ATF to conduct adequate management and oversight of CI-related activities or the program as a whole. Specifically, ATF’s method of managing its CI data impeded its ability to provide accurate, complete, and reliable CI payment information, which in turn impeded its ability to ensure compliance with the AG Guidelines’ oversight requirements and ensure that information it provides in support of criminal proceedings is complete and accurate.

In addition, ATF’s practices for managing higher-risk CIs did not provide for adequate oversight or management of CIs, such as foreign national or long-term CIs. We found that ATF did not always appropriately identify these CIs, some of whom required approval from the CIRC, which results in CIs not being subjected to the required suitability assessment by DOJ officials outside of ATF. Moreover, we found that when the CIRC did review information related to CIs, its process for making decisions regarding their continued use was often unnecessarily drawn-out, making the CIRC an inefficient oversight mechanism.

Based on our assessment, ATF’s CI Program lacked adequate oversight and management. ATF officials informed us that they believe these issues will be remedied by the development and implementation of its new, more robust, automated system – CIMRRS – to manage CI-related information. To improve ATF’s information environment, we believe that ATF must ensure that CIMRRS maintains complete and reliable information and recommend below that this system require that additional CI-related information be captured and validated, including

all payments to CIs at the transaction level, length of time that CIs have been active, legal status of foreign national CIs, and special categories of CIs, such as FFLs and CIs utilized internationally. We also offer additional recommendations below to help ATF administer and strengthen oversight of its CI Program.

Recommendations

We recommend that ATF:

1. Complete the development of and implement a recordkeeping system sufficient to maintain, in a single location, complete and reliable CI information. To accomplish this, ATF should:
 - a. work with field division CI Coordinators to ensure that any data that has been migrated from the legacy National CI Registry System to CIMRRS is complete, accurate, and standardized;
 - b. establish adequate procedures and controls within the system to ensure that all data is entered in a complete, consistent, and accurate manner, and that historical data is appropriately maintained;
 - c. ensure that its system requires the capture and validation of additional CI-related information to assist ATF in managing its CI Program, including high-level CIs, length of time that CIs have been active, legal status of foreign national CIs, and special categories of CIs such as FFLs and international CIs;
 - d. implement a method to accurately and completely track all payment information for individual CIs, including at the transaction level as well as annual and lifetime payment amounts; and
 - e. routinely analyze CI-related information to better manage the CI Program.
2. Establish a reliable procedure for ensuring that all CIs requiring CIRC approval are properly identified and submitted for CIRC review. This should include examining "confidential" CIs and any other active CIs that should be classified as high-level CIs, as well as ensuring that all active long-term CIs requiring CIRC approval have been reviewed by the CIRC.
3. Work with the Department to develop a policy to improve CIRC-related activities, including ensuring appropriate and timely scheduling of ATF CIRC meetings and improving the efficiency in decision-making at ATF CIRC meetings.
4. Improve the monitoring of foreign national CIs to ensure the legal status of active CIs does not lapse and, as appropriate, coordinate with DHS when the legal status of foreign national CIs has expired. In addition, we recommend that ATF determine whether any current or former CIs with expired sponsorships are in the United States and if so, coordinate with DHS on the status of these individuals.

5. Institute a process for CI Program officials to receive office inspection results specific to CI Program management in order to better assess whether offices are adhering to CI-related policies, as well as to make enhancements to improve the CI Program.

STATEMENT ON INTERNAL CONTROLS

As required by Government Auditing Standards, we tested, as appropriate, internal controls significant within the context of our audit objectives. A deficiency in an internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to timely prevent or detect and correct: (1) impairments to the effectiveness and efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations. Our evaluation of ATF's internal controls was not made for the purpose of providing assurance on the agency's internal control structures as a whole. ATF's management is responsible for the establishment and maintenance of internal controls.

Throughout our audit, we identified deficiencies in ATF's internal controls that are significant within the context of the audit objectives. As described in the report, we found deficiencies related to CI information management, ATF's tracking of payments to CIs, and oversight of certain higher-risk CIs. Based upon the audit work performed, we believe the deficiencies identified adversely affect ATF's ability to ensure that the Confidential Informant Program is appropriately and adequately managed. These matters are discussed in detail in the Findings and Recommendations section of this report.

Because we are not expressing an opinion on ATF's internal control structure as a whole, this statement is intended solely for the information and use of ATF. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by the Government Auditing Standards, we tested, as appropriate given our audit scope and objectives, selected transactions, records, procedures, and practices, to obtain reasonable assurance that ATF's management complied with federal laws and regulations, for which noncompliance, in our judgment, could have a material effect on the results of our audit. ATF's management is responsible for ensuring compliance with applicable federal laws and regulations applicable to the Department of Justice. Although we did not identify any federal laws or regulations that would apply specifically to the ATF's Confidential Informant Program, we did identify DOJ and ATF-level policies that we considered to be significant within the context of the audit objective, namely, the Attorney General's Guidelines Regarding the Use of Confidential Informants, and ATF Order 3252.1A, Confidential Informant Usage. Our audit included examining, on a test basis, ATF's compliance with the aforementioned policies that could have a material effect on ATF's Confidential Informant Program. We did so by examining applicable ATF confidential informant policies and procedures, interviewing ATF and Offices of the United States Attorneys personnel, analyzing and testing financial data, assessing internal control procedures and management practices, and reviewing confidential informant files, investigative files, and payment records.

We identified certain weaknesses in operational controls related to ATF's CI information management and oversight of ATF's CI Program. We found deficiencies in the manner in which ATF manages information related to CIs, and we found weaknesses in the manner in which ATF implements its policies and provides oversight of its CI Program. These issues are discussed in the Findings and Recommendations section of our report.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this audit was to evaluate ATF's policies and practices for the identification, approval, and oversight of its confidential informants. Specifically, we focused on the completeness, accuracy, and reliability of CI-related information managed by ATF, administrative oversight of its CI Program, and the implementation of CI-related policies.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our audit objective, we focused on ATF confidential informants who were active from FY 2012 through FY 2015. We completed interviews with 19 ATF officials located in various ATF headquarters offices, including the Enforcement Support Branch, Oversight and Review Division, Human Resources Operations Division, Resource Management Branch/Finance Management Division, Special Operations Division, Office of Chief Counsel, International Affairs Division, Office of Science and Technology, and IT Systems Delivery Division. Additionally, we spoke with 39 officials from ATF's Chicago, Los Angeles, and Washington Field Divisions. We also interviewed three Assistant United States Attorneys from U.S. Attorneys' Offices and one Criminal Division official.

We reviewed the Attorney General's Guidelines Regarding the Use of Confidential Informants. Further, we reviewed various ATF policies and procedures associated with ATF's Confidential Informant Program, such as ATF CI Order 3252.1A, Confidential Informant Usage; ATF Standard Operating Policies and Procedures; the ATF Agent Cashier Manual; and correspondence related to the CI Program. We also observed two ATF CIRC meetings regarding the use of long-term CIs.

We judgmentally selected the Chicago, Los Angeles, and Washington Field Divisions as locations for site visits to perform a limited review of 102 ATF CI files and ATF investigative files associated with those CIs. Our selection was based on obtaining information on various broad areas of risk such as high-profile CIs, payment frequency and amount, various investigative factors, deactivated and reactivated CIs, and foreign national CIs. We also attempted to review all CI payment information for the month of August 2015 in all three field divisions. This included reviewing agent cashier logs and documentation. Finally, we selected a judgmental sample of five CIs, based on the amount and frequency of payments, for which we attempted to determine and validate the total amount of CI payments

made to the CIs. Our sample selection methodologies were not designed with the intent of projecting our results to the population from which the samples were selected.

In many cases, the compartmentalized nature of ATF information precluded us from confirming that we had identified and reviewed all documentation related to a particular CI or issue. Our concerns with ATF's information environment are detailed in the Findings and Recommendations Section of our report. We did not perform an independent, overall assessment of the reliability of computer-processed data provided because we used the data only for information and contextual purposes to support our overall conclusions. We performed testing to source documents to assess aspects of the management of CI activities and the controls over CI resources. The data did not provide the sole basis of our findings.

In addition, in October 2016 ATF implemented a new CI database, the Confidential Informant Master Registry and Reporting System (CIMRRS), after we had completed our fieldwork. In January 2017, we received a demonstration of CIMRRS from ATF headquarters officials, including a presentation of basic features, user roles, and general reports from the system. We did not conduct an assessment of the new system or include it in our audit.

OIG MANAGEMENT ADVISORY MEMORANDUM



U.S. Department of Justice

Office of the Inspector General

June 10, 2016

MANAGEMENT ADVISORY MEMORANDUM FOR:

THOMAS E. BRANDON
 ACTING DIRECTOR
 BUREAU OF ALCOHOL, TOBACCO, FIREARMS AND
 EXPLOSIVES

FROM:


 MICHAEL E. HOROWITZ
 INSPECTOR GENERAL

SUBJECT:

Management and Tracking of Confidential Informant
 Payment Information

The purpose of this memorandum is to advise you of significant issues that may be affecting the Bureau of Alcohol, Tobacco, Firearms and Explosives' (ATF) ability to adequately provide complete and reliable payment information related to its confidential informants (CI). This concern arises from my office's ongoing audit of ATF's management and oversight of its CIs. We initiated this audit in October 2015 with the objective to evaluate ATF's policies and practices for the identification, approval, and oversight of its CIs. While we are still evaluating the effects on the overall reliability of ATF information on all facets of ATF's CI program, we believe that ATF needs to take immediate action to strengthen the management and tracking of CI payment information. In particular, we believe a risk exists that ATF could be using and supplying others with inaccurate payment information concerning its CIs, which could negatively impact ATF's mission, as well as criminal proceedings in which ATF CIs testify or are otherwise relied upon.

Background

Department of Justice (Department or DOJ) law enforcement agencies, including ATF, are required to follow the Attorney General's Guidelines Regarding the Use of Confidential Informants, which apply to the use of CIs in criminal investigations and prosecutions. ATF Order 3252.1A for Confidential Informant Usage defines the policies and instructions for ATF's use of CIs and incorporates the requirements from the Attorney General's Guidelines into ATF policy. These policies contain instructions for the maintenance of

CI-related information and documentation, including a CI's personal identifiers, a CI's criminal history, authorization for the CI to participate in otherwise illegal activity, and payment information. While our preliminary audit findings indicate that ATF's policies are generally consistent with the Attorney General's Guidelines, we do not believe that ATF's practices offer adequate controls over the tracking and maintaining of CI-related information, particularly regarding payment information.

Tracking Payments to CIs

ATF field divisions use agent cashier funds to facilitate the purchase of evidence, procurement of services, and payment for information related to criminal investigations. ATF pays CIs in the form of cash through this agent cashier fund, and these CI payments are documented with hard-copy requests for funds, payment receipts, and reports of expenditure. Field divisions submit to ATF Headquarters a manually compiled monthly report of all cumulative expenditures from the agent cashier fund by expenditure type, such as categories for the purchase of information, evidence, CI subsistence, or undercover expenses; these individual transactions are not logged into an automated tracking system.

However, based on our fieldwork to date, ATF field divisions are not required to maintain or track aggregate payment data for individual CIs. Therefore, there appears to be little consistency in how aggregate CI payment information may be tracked or assembled when this information is needed or requested. Although some ATF field divisions track CI payments in a structured and detailed manner, such as listing each transaction on a basic spreadsheet, we have found that tracking payments, by individual CI, is not a standard practice within every field division. For example, agents are not required to maintain a log of each payment made to an individual CI or all CIs in an investigation.

According to ATF policy, field divisions are required to maintain a hard-copy CI file. Based upon our review of CI files in three ATF field divisions, the files contain basic background and biographical information related to the CI, as well as suitability memoranda from the CI's handler to field division management requesting that the CI remain active, and, if the CI is no longer required for use, a memoranda notifying ATF management of the CI's deactivation. Payments to CIs are to be reported by an agent twice a year in a semiannual suitability memorandum. However, ATF requires the payment information in this suitability memorandum to be reported only as a total dollar amount for the semiannual period. It does not require the payment amounts to be itemized, or broken down by investigation, or by type of payment. From the information provided in the CI file, we could not verify the payment amounts reported because the file did not contain sufficient information to support the total payment amount for that semiannual period.

In addition, agents are not required to report the total cumulative payment amount made to the CI until the CI's deactivation, and this total amount is only reported on the hard-copy deactivation memorandum located in the CI file. Therefore, from our review of ATF's CI files, there is no apparent method of validating the accuracy of CI payment information contained within the hard-copy CI file.

In addition to the hard-copy CI files, ATF maintains an electronic system for CI data. However, ATF's automated system is an immature database that does not have sufficient controls or consistency over the information input into the system. Further, while ATF's CI database does have an optional field for payment information, the field definition only calls for the entry of the total payment amount for the current semiannual suitability memorandum. The database does not contain information about individual payments, or aggregate payments made during past semiannual suitability periods. Thus, the CI database standing alone does not contain sufficient information to audit a CI's payments, or to determine the total amount paid to a CI.

When ATF is asked to provide payment information for a CI, such as for trial preparation or the routine suitability memoranda, its current method is for the CI's handling agent to manually examine all payment documents to determine the total amount paid to that CI. This would be completed either by reviewing payment information in every investigative file the CI has been associated with or by reviewing monthly agent cashier logs dating back to the time of the CI's activation. In addition to being inefficient in that the same process must be repeated in any subsequent request for payment information relating to the same CI, this manual method presents an obvious elevated risk of error. Among other things, the handling agent could incorrectly calculate the total payment amounts, inadvertently overlook CI payment documentation in an investigative file, fail to review a relevant investigative file because the agent was unaware that a CI was used in a particular investigation, or enter incorrect payment amounts because of the lack of data validation procedures. Our audit has not attempted to verify the accuracy of any CI payment amounts provided to prosecutors, and we have not identified any specific instance in which such errors have been made, but the risk presented by the current process should be addressed.

During our ongoing audit, we have attempted to verify the payment information relating to a small sample of individual CIs, independent of any disclosure issue. As previously noted in this memorandum, CI-related payment information is contained in CI files, investigative case files, the agent cashier fund logs, and is sometimes recorded in the CI database. We reviewed the semiannual suitability memoranda cumulative payment amounts, the individual payment receipt documentation, reports about payments from investigative files, and the payment amounts reported in the CI database. We were unable to reconcile reported payment amounts with the various

above-described supporting documents and records. Therefore, we have been unable to confirm whether CI payment information was complete or accurate for the specific CIs in our sample, thus giving rise to the concerns related in this memorandum.

Evidence Used for Federal Criminal Proceedings

The United States Attorney's Manual states that federal prosecutors should decide whether to prosecute a case based upon the belief that evidence provided by law enforcement agencies, such as ATF, is sufficient to obtain and sustain a conviction. Specifically related to CIs, DOJ guidance states that the credibility of evidence will always be at issue when CI testimony may be necessary for a successful prosecution. When ATF provides evidence in support of federal criminal prosecutions, including information to support the credibility of a CI, it is expected that the information provided, including payments made to a CI, is complete, accurate, and reliable.

Consistent with constitutional and statutory disclosure and discovery obligations, the United States Attorneys' Manual states that federal prosecutors are obligated to seek exculpatory and impeachment information from members of the prosecution team, which includes federal, state, and local law enforcement officers. Accordingly, prosecutors need to obtain reliable information from law enforcement agency files for testifying CIs. The information potentially subject to disclosure, including payment information, should be readily accessible for this purpose.

As described in this memorandum, we found that obtaining the information requires a manual search of various sources of information, such as all investigative files with which a CI is associated. In addition, we found inconsistencies in the payment information tracked in an individual's CI file, the investigative case files, and the ATF's CI database. We do not have information that ATF provided prosecutors with inaccurate CI payment information in connection with any criminal proceeding, however numerous ATF and DOJ officials expressed concern when they learned that ATF does not have a systematic method to track or retrieve this type of information. We are concerned that the manual and compartmentalized manner in which ATF tracks such information could lead to incorrect information being provided to prosecutors for disclosure in criminal cases. Therefore, we believe ATF must strengthen the management and tracking of information related to its CIs to help avoid such risks.

We are providing this information so that ATF can assess the potential systemic nature of our preliminary finding and take appropriate corrective action. Please advise us within 30 days of the date of this memorandum of any actions ATF has taken or intends to take regarding the issues discussed herein. We are continuing our audit of ATF's management and oversight of CIs

and intend to incorporate in our final audit report any corrective actions ATF takes in response to this memorandum. If you would like to discuss this memorandum, please contact me at (202) 514-3435 or Jason R. Malmstrom, Assistant Inspector General for Audit, at (202) 616-4633.

cc: Carlos Uriarte
Associate Deputy Attorney General

Adam Pallotto
Audit Liaison
Bureau of Alcohol, Tobacco, Firearms, and Explosives

Richard P. Theis
Assistant Director
Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

ATF'S RESPONSES TO THE OIG MANAGEMENT ADVISORY MEMORANDUM



U.S. Department of Justice

Bureau of Alcohol, Tobacco,
Firearms and Explosives

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The Honorable Michael E. Horowitz
Inspector General
United States Department of Justice
950 Pennsylvania Avenue, N.W., Room 4706
Washington, D.C. 20530-0001

Dear Mr. Horowitz:

Thank you for allowing the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) the opportunity to review and comment on the Management Advisory Memorandum for the Office of the Inspector General's (OIG) ongoing audit of ATF's Management and Tracking of Confidential Informant (CI) Payment Information.

ATF appreciates the ongoing efforts of the audit team, and agrees with the OIG's recommendation. ATF specifically acknowledges that the current methodology of tracking CI payment information into Excel workbooks throughout each field division is not the most efficient means by which to track payment information, and that the information collected throughout all 25 field divisions is not uniformly entered with respect to aggregate amounts versus summary amounts.

Consistent with OIG's recommendation, I am pleased to advise you that ATF has already taken steps to modernize our process for tracking CI payments and further strengthen controls and oversight. These efforts are designed to ensure the highest level of audit controls are put into place through the design and implementation of our new CI tracking database. The implied risks and concerns cited by your office will be addressed by an automated solution, which will provide a heightened level of oversight, data reporting consistency, monitoring and accountability for all payments made to CIs. The actions to date include:

- December 2014–Revised ATF Order 3252.1, Confidential Informant Usage from July 2012
- June 2016–Contract award for CI Tracking Database Development/Modernization
- June/July 2016–ATF/Contractor kick-off, and system requirements development.

The Honorable Michael E. Horowitz

ATF is working to implement the new CI Tracking National Database by October 1, 2016, affecting all new criminal investigations beginning in FY 2017. In addition, ATF Order 3252.1A, Confidential Informant Usage, will be revised appropriately to document the use of the new national tracking database and to direct that all transactions affecting CI payments be input throughout the course of each investigation.

While ATF concurs in the recommendation to improve tracking of CI payment information and is acting expeditiously to address that recommendation, we do not agree with the OIG's characterization of the severity of the risks associated with the inefficiencies in the current system. In particular, we do not agree with the characterization that "a risk exists that ATF could be using and supplying others with inaccurate payment information concerning its CIs, which could negatively impact ATF's mission, as well as criminal proceedings in which ATF CIs testify or are otherwise relied upon." Notwithstanding this characterization, the OIG audit team did not identify or document any instance of erroneously reporting payment information. Hence, while the lack of consistent data entry practices may be problematic to the efficient reporting of payment information, ATF's controls on Agent Cashier Funds (ACF) and financial management reimbursement, as well as quarterly reviews by independent audit personnel within the Bureau, provide reasonable assurance over controls and oversight of source documentation. These controls and reviews also ensure professional staff have the ability to perform due diligence in obtaining and accumulating the payment information for disclosure and use in criminal and other proceedings.

To verify that existing controls are sufficient to ensure accurate reporting, ATF's forensic auditors were engaged to examine CI payments in multiple investigations along with the data entry and cumulative amounts. In all cases, using all source documentation, ATF forensic auditors were able to track all costs associated with a CI and "add-back" to the total amount entered in the affected workbooks.

ATF recognizes that all system entries, whether into an informal workbook or a new automated national CI database, are at risk for data entry error. To minimize that risk, and provide greater oversight, ATF has employed its forensic auditors to review Agent Cashier Funds, and will extend that role to the transmission of CI data from the ACF process into the new CI tracking database, thus ensuring the integrity of data entry operations and cost accumulation reports.

In conclusion, ATF concurs with the OIG recommendation and shares the goal of improving the efficiency and effectiveness of the CI payment tracking system. The modernization efforts that ATF has already initiated will address the concerns stated in OIG's memorandum and enable ATF to further strengthen our management oversight and control of payment tracking. Our new database will establish consistency with transaction details, aggregate payments and cumulative payments. In the interim, ATF is confident the processes and oversight of CI payments resulting from the ACF policies/processes, combined with regular reviews of ACF transactions, will continue to ensure the accuracy and reliability of information disclosed from that system.

The Honorable Michael E. Horowitz

Should you have any questions regarding this response, please contact Adam Pallotto, Chief, Audit Liaison Branch, at 202-648-8706.

Sincerely yours,

A handwritten signature in blue ink that reads "Thomas E. Brandon". The signature is fluid and cursive, with the first name being the most prominent.

Thomas E. Brandon
Deputy Director



U.S. Department of Justice

Bureau of Alcohol, Tobacco,
Firearms and Explosives

Office of the Director

Washington, DC 20226

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Mr. Michael E. Horowitz
Inspector General
United States Department of Justice
950 Pennsylvania Avenue, Northwest, Suite 4706
Washington, DC 20530

Dear Mr. Horowitz:

I am writing to follow-up on my letter to you dated July 11, 2016, regarding the Office of the Inspector General's (OIG) ongoing audit of ATF's Management and Tracking of Confidential Informant (CI) Payment Information. I sent ATF's July 11th letter in response to the Management Advisory Memorandum your office provided to ATF on June 10, 2016. One of the subjects addressed in that memorandum was the OIG Audit team's assessment that ATF's prior tracking system for payments to CIs was vulnerable to inaccuracy. As outlined in ATF's July 11th letter, in response to the Management Advisory Memorandum, I directed ATF's internal forensic auditor team to examine CI payments and the data entry documenting those in multiple investigations from one of the field divisions the OIG Audit team had reviewed. That examination did not confirm the OIG Audit team's assessment.

Since delivery of the July 11th letter, ATF and the OIG Audit team have continued to engage in cooperative discussions regarding the recommendations in the Management Advisory Memorandum. During those discussions, the OIG Audit team advised that its assessment regarding recordkeeping vulnerabilities was based on a review of records from ATF field divisions other than the field division whose records the ATF forensic auditors had examined for my July 11th response. Consequently, I directed ATF's forensic auditors to examine the records from the two field divisions at issue. In early October, ATF's forensic audit team reported that it had been unable to 100% reconcile the CI payment records in the two field divisions identified by the OIG Audit team – essentially confirming the concerns outlined in the Management Advisory Memorandum.¹ ATF promptly reported its findings to the OIG Audit team to ensure that all relevant information was available for the final audit report and to continue the cooperative efforts of OIG and ATF to strengthen ATF's internal recordkeeping controls on CI payments.

As you are aware, ATF has recognized the need to further strengthen the process for tracking CI payments, and had been in the process of deploying a new automated CI tracking system during this audit. I am very pleased to advise you that ATF's new tracking system was launched on

Mr. Michael E. Horowitz

October 11, 2016, and we will be inviting the OIG Audit team to attend a demonstration of the system's functionality in the near future.

ATF is grateful for the cooperative and productive input the OIG Audit team provided throughout this process, and we look forward to continued collaboration to ensure ATF's new CI payment tracking system is fully effective and efficient.

Should you have any questions regarding this response, please contact me at 202-648-8700, or Adam Pallotto, Chief, Audit Liaison Branch at 202-648-8706.

Sincerely yours,

A handwritten signature in cursive script that reads "Thomas E. Brandon".

Thomas E. Brandon
Deputy Director

⁴Consistent with the findings of the OIG Audit team in its original review of these records, ATF's forensic auditors also did not identify or document any instance of ATF erroneously reporting payment information.

ATF'S RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Bureau of Alcohol, Tobacco,
Firearms and Explosives*Office of the Director*

MAR 15 2017

Washington, DC 20226

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MEMORANDUM TO: Inspector General

FROM: Acting Director
Bureau of Alcohol, Tobacco, Firearms and ExplosivesSUBJECT: Review of the Audit of ATF's Management and Oversight of
Confidential Informants

Thank you for allowing the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) the opportunity to review and comment on the Office of Inspector General's (OIG) report entitled "Audit of the Bureau of Alcohol, Tobacco, Firearms and Explosives' (ATF) Management and Oversight of Confidential Informants." ATF appreciates the work of the OIG audit team on this matter, and concurs with all of the recommendations in the report. As the report indicates, ATF recognized and began addressing many of the issues raised in the recommendations well before the audit began, and many of the findings do not reflect the current status of the program. As we move forward, we welcome the insights and expertise of the OIG audit team to guide our continuing implementation of program enhancements.

Before addressing the steps ATF has taken or will be taking to implement the report's recommendations, we believe it is important to emphasize that the report's findings address deficiencies – primarily historical – in ATF's *administrative oversight of its Confidential Informant (CI) program*; the report does not identify any deficiencies in ATF's *operational use or oversight* of confidential informants in investigations. The report's findings are primarily historical because ATF had already begun development of a new, robust national database to automate the confidential informant program before the OIG had initiated its review. The new national database was initially rolled-out in October 2016, while the OIG team was completing its information gathering, and it is significantly enhancing ATF's administrative management and oversight of the program. Finally, although the report finds that the recordkeeping deficiencies in ATF's legacy database and paper files *could* have led to incomplete reporting of informant payment information to prosecutors, the audit team did not find any instances where inaccurate payment information was in fact provided in the criminal prosecution process. As discussed at length with the audit team, ATF is acutely aware of its obligation to provide accurate and complete information to prosecutors in the criminal discovery process.

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Recommendation #1. Complete the development of and implement a recordkeeping system sufficient to maintain, in a single location, complete and reliable CI information. To accomplish this, ATF should:

- a. work with field division CI Coordinators to ensure that any data that is to be migrated from the current CI Registry System is complete, accurate, and standardized;
- b. establish adequate controls within the system to ensure that all data is entered in a complete, consistent, and accurate manner, and that historical data is appropriately maintained;
- c. ensure that its system requires the capture of additional CI-related information to assist ATF in managing its CI Program, including high-level CIs, length of time that CIs have been active, legal status of foreign national CIs, and special categories of CIs such as FFLs and international CIs;
- d. implement a method to accurately and completely track all payment information for individual CIs, including at the transaction level as well as annual and lifetime payment amounts; and
- e. routinely analyze CI-related information to better manage the CI Program.

Response: ATF concurs with this recommendation. ATF has already modernized its CI recordkeeping system and has specific plans to add additional enhancements to the new, automated system in the immediate future. In October 2016, the first iteration of the new Confidential Informant Master Registry and Reporting System (CIMRRS) was deployed for use by the field. That deployment included complete and verified data migration from the legacy CI system, as well as improved security features with role-based access. Additionally, the new system included a centralized payment tracking feature that captures all payments to CIs at the transactional level, as well as aggregate-lifetime payments, and the capacity to track special categories, such as foreign nationals and their current legal status. ATF will continue to enhance the CIMRRS with features to provide additional layers of oversight for managers, improved tracking for other special categories of CIs, as well as improved historical data preservation.

Recommendation #2: Establish a reliable procedure for ensuring that all CIs requiring CIRC approval are properly identified and submitted for CIRC review. This should include examining “confidential” CIs and any other active CIs that should be classified as high-level CIs, as well as ensuring that all active long-term CIs requiring CIRC approval have been reviewed by the CIRC.

Response: ATF concurs with this recommendation. ATF will develop an enhancement in CIMRRS to accurately identify all CIs who require CIRC approval prior to initial use. The enhancement also will automatically alert field personnel and HQ program managers when CIRC

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review of a CI is required for long-term use under Department of Justice guidelines and ATF policy. This feature will thus ensure multiple layers of oversight.

Recommendation #3: Work with the Department to develop a policy to improve CIRC-related activities, including ensuring appropriate and timely scheduling of ATF CIRC meetings and improving the efficiency in decision-making at ATF CIRC meetings.

Response: ATF concurs with this recommendation. ATF will work with the Department to develop an improved procedure to convene the CIRC as needed, and to provide materials to CIRC members in a way that improves the efficiency of CIRC decision-making.

Recommendation #4: Improve the monitoring of foreign national CIs to ensure the legal status of active CIs does not lapse and, as appropriate, coordinate with DHS when the legal status of foreign national CIs has expired. In addition, we recommend that ATF determine whether any current or former CIs with expired sponsorships are in the United States and if so, coordinate with DHS on the status of these individuals.

Response: ATF concurs with this recommendation. ATF will work with vendors to develop additional enhancements to CIMRRS to monitor foreign national CIs and notify both field level managers and HQ program managers of upcoming sponsorship expiration dates, ensuring that appropriate steps can be taken to renew or terminate authorization. Additionally, the ATF Alien Sponsorship program will develop a procedure to routinely verify records with CI program managers and DHS officials. ATF will continue to coordinate with DHS on the status of all ATF sponsored foreign national CIs.

Recommendation #5: Institute a process for CI Program officials to receive office inspection results specific to CI Program management in order to better assess whether offices are adhering to CI-related policies, as well as to make enhancements to improve the CI Program.

Response: ATF concurs with this recommendation. Moving forward, the ATF Inspection Branch will develop a procedure to provide CI program managers with inspection results related to CI policy compliance. The CI program manager will utilize this data to develop field guidance to enhance compliance with agency policy and procedures.

Again, thank you for the opportunity to review this report. ATF is committed to implementing each of these recommendations as soon as possible. We look forward to continuing to work with your office on improving this important ATF program.


Thomas E. Brandon

**OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE THE REPORT**

The OIG provided a draft of this audit report to ATF. ATF's response is incorporated in Appendix 3 of this final report. In response to our audit report, ATF concurred with our recommendations and discussed the actions it will implement in response to our findings. As a result, the status of the audit report is resolved.

However, we would like to address three points made in ATF's response. First, the response appears to indicate that our findings have no impact on ATF's operational use of CIs in investigations. We disagree. We believe that the absence of a CI tracking system that maintained even the most basic data such as payment information, and ATF's inability to ensure that certain high-risk CIs are approved for use pursuant to the Attorney General's Guidelines – both matters we identified and are the subject of recommendations – cannot be viewed only as administrative failures. To the contrary, the AG Guidelines, including the requirement that the Confidential Informant Review Committee approve the continued use of a long-term CI, exist to help ensure that law enforcement agencies carefully handle and closely supervise CI matters. If an agency does not have adequate controls and systems in place to assist in the compliance with the AG Guidelines, it cannot ensure that it is taking the appropriate steps to mitigate the inherent risk involved in using CIs during its investigative work.

Second, ATF's response asserts that ATF "had already begun development" of its new database before the OIG initiated this review. While we acknowledge that ATF officials informed us shortly after our entrance conference in October 2015 of its ongoing discussions to enhance its existing system, ATF did not award the contract for its new database until June 2016 (as shown in ATF's response to our June 2016 Management Advisory Memorandum in Appendix 2), which was months after our audit began. Therefore, we do not agree that ATF's new system was already in development when our audit began.

Third, ATF's response notes our concern that ATF's recordkeeping practices could have led to incomplete payment information being provided to prosecutors and then states that the OIG "did not find any instances" where that occurred. However, the response ignores the fact, as we made clear in our report, that while we were not made aware of any such instances during the audit, the OIG audit team did not examine whether ATF in fact provided incorrect CI payment information during any criminal proceedings.

The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for ATF:

1. **Complete the development of and implement a recordkeeping system sufficient to maintain, in a single location, complete and reliable CI information. To accomplish this, ATF should:**
 - a. **work with field division CI Coordinators to ensure that any data that has been migrated from the legacy National CI Registry System to CIMRRS is complete, accurate, and standardized;**
 - b. **establish adequate procedures and controls within the system to ensure that all data is entered in a complete, consistent, and accurate manner, and that historical data is appropriately maintained;**
 - c. **ensure that its system requires the capture and validation of additional CI-related information to assist ATF in managing its CI Program, including high-level CIs, length of time that CIs have been active, legal status of foreign national CIs, and special categories of CIs such as FFLs and international CIs;**
 - d. **implement a method to accurately and completely track all payment information for individual CIs, including at the transaction level as well as annual and lifetime payment amounts; and**
 - e. **routinely analyze CI-related information to better manage the CI Program.**

Resolved. ATF concurred with our recommendation. ATF stated in its response that in October 2016, it deployed the first iteration of the new Confidential Informant Master Registry and Reporting System (CIMRRS). According to ATF, its launch of this new system included complete and verified data migration from the legacy database, as well as improved security features, centralized payment tracking, and the capacity to track special categories of CIs. ATF further stated that it will continue to enhance CIMRRS with features to provide additional layers of oversight for managers, improved tracking for other special categories of CIs, and improved historical data preservation.

As discussed in our report, ATF provided the OIG with a demonstration of CIMRRS in January 2017. Although we believe that the new automated system is an improvement over ATF's prior automated CI system, we noted that ATF did not yet have sufficient controls in place to ensure that all CI information is captured and validated, including individual payments or annual and lifetime payment amounts to CIs. In addition, ATF officials told us that they had not yet updated ATF policy to incorporate the use of CIMRRS. Moreover, although ATF's demonstration of CIMRRS included information about steps ATF took to ensure that no data was lost during the migration of data from the National CI Registry System, ATF officials stated during the demonstration that the legacy data was not reviewed or revised prior to the migration. ATF's response to our report does not address any

additional steps taken to review the legacy data migrated to the new system to ensure that data from the legacy system was complete, accurate, and standardized. In addition, ATF's response did not address our recommendation to routinely analyze CI-related information to better manage the CI Program.

The OIG recognizes that ATF's new automated CI system, CIMRRS, is still in its infancy. We believe that ATF should prioritize enhancements to CIMRRS, including additional layers of oversight; improved tracking for payments to CIs and special categories of CIs; and improved historical data preservation. Further, ATF needs to incorporate the use of CIMRRS into its policies and procedures and promulgate these new policies and procedures to all relevant employees. Additionally, ATF should ensure that migrated data is complete, accurate, and standardized and should provide the OIG an update on its efforts to routinely analyze CI-related information to better manage the CI Program. This recommendation can be closed when we receive evidence that ATF has completed the development and implementation of a recordkeeping system sufficient to maintain, in a single location, complete and reliable CI information.

- 2. Establish a reliable procedure for ensuring that all CIs requiring CIRC approval are properly identified and submitted for CIRC review. This should include examining "confidential" CIs and any other active CIs that should be classified as high-level CIs, as well as ensuring that all active long-term CIs requiring CIRC approval have been reviewed by the CIRC.**

Resolved. ATF concurred with our recommendation. ATF stated in its response that it will develop an enhancement in CIMRRS to accurately identify all CIs who require CIRC approval prior to initial use as a CI. In addition, ATF stated that this enhancement will automatically alert field personnel and headquarters program managers when CIRC review of a long-term CI is required.

In its response, ATF did not address whether it examined any "confidential" CIs or any other active CIs that should be classified as high-level CIs, as well as whether ATF has ensured that all active long-term CIs requiring CIRC approval have been reviewed by the CIRC.

This recommendation can be closed when we receive evidence that ATF enhanced CIMRRS with the ability to ensure that all CIs requiring CIRC approval are identified and submitted for CIRC review, as well as that all active long-term CIs requiring CIRC approval have been reviewed by the CIRC. ATF should also provide evidence that ATF has assessed whether any "confidential" CIs or any other active CIs should be classified as high-level CIs, and if so, that ATF submitted these CIs to the CIRC for approval.

- 3. Work with the Department to develop a policy to improve CIRC-related activities, including ensuring appropriate and timely scheduling of ATF CIRC meetings and improving the efficiency in decision-making at ATF CIRC meetings.**

Resolved. ATF concurred with our recommendation. ATF stated in its response that it will work with the Department to develop an improved procedure to convene the CIRC as needed, as well as to provide materials to CIRC members in a way that improves the efficiency of CIRC decision-making.

This recommendation can be closed when we receive evidence that ATF has coordinated with the Department to develop an improved CIRC procedure, including convening the CIRC in an appropriate and timely manner. In addition, ATF should provide evidence of its efforts to improve the efficiency of CIRC decision-making, including steps taken to provide CIRC members with appropriate materials to review.

- 4. Improve the monitoring of foreign national CIs to ensure the legal status of active CIs does not lapse and, as appropriate, coordinate with DHS when the legal status of foreign national CIs has expired. In addition, we recommend that ATF determine whether any current or former CIs with expired sponsorships are in the United States and if so, coordinate with DHS on the status of these individuals.**

Resolved. ATF concurred with our recommendation. ATF stated in its response that it will develop enhancements to CIMRRS to monitor foreign national CIs and notify both field-level managers and headquarters program managers of upcoming sponsorship expiration dates. Additionally, ATF stated that the ATF Alien Sponsorship Program will develop a procedure to routinely verify records with CI program managers and will continue to coordinate with DHS on the status of all ATF-sponsored foreign national CIs.

In its response, ATF did not address whether any current or former CIs with expired sponsorships are in the United States and if so, whether ATF has coordinated with DHS on the status of these individuals.

This recommendation can be closed when we receive evidence that ATF has improved the monitoring of foreign national CIs. These improvements should include ensuring coordination with DHS on legal status expiration information and events, including examining current or former CIs with expired sponsorships.

- 5. Institute a process for CI Program officials to receive office inspection results specific to CI Program management in order to better assess whether offices are adhering to CI-related policies, as well as to make enhancements to improve the CI Program.**

Resolved. ATF concurred with our recommendation. ATF stated in its response that the Inspection Branch will develop a procedure to provide CI program managers with the results of office inspections related to CI policy compliance. In addition, ATF stated that the CI program manager will utilize the information to develop field guidance to enhance compliance with agency policy and procedures.

This recommendation can be closed when we receive evidence of the Inspection Branch's new procedure to provide the results of office inspections to CI program management. ATF should also provide evidence that CI program management has reviewed office inspection information and taken any necessary action, including developing field guidance to enhance compliance with agency policies and procedures, when appropriate.

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