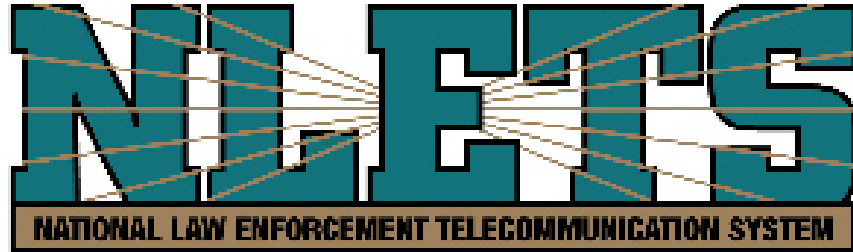


2002 ANNUAL REPORT



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Mission and Vision Statements

M I S S I O N

The mission of the National Law Enforcement Telecommunication System (NLETS) is to provide, within a secure environment, an international criminal justice telecommunications capability that will benefit to the highest degree, the safety, security, and the preservation of human life and the protection of property. NLETS will assist those national and international governmental agencies and other organizations with similar missions who enforce or aid in enforcing local, state, federal, or international laws or ordinances.

V I S I O N

NLETS' vision is to provide a network and system that will support and encourage a totally standardized integrated nationwide justice system. Acting primarily as a network provider, and, to the degree required, a data warehouse, NLETS will endeavor to serve every stratum of the justice community.

Letter to the Membership



Larry Grund Steve Correll

The year began with a meeting of the NLETS Executive Steering Committee to discuss the direction of the corporation. The year ended with a contract being signed with a strategic planning consultant who will assist in guiding the NLETS Board through this important process. While these were important events, quite a bit happened in between them.


The year was filled with activity that saw major changes and advancements come to NLETS. One of the first actions of the year was to modify the NLETS Mission Statement. Although it may still be a little “wordy”, it comes much closer to identifying our mission and purpose. In this new statement we included the term, “within a secure environment”. A secure environment that this year included a full blown Disaster Recovery Site that went operational in June, the first international criminal justice information sharing system to have such a DR site. Within the new mission statement we added the word “international”. This year saw NLETS work to greatly improve the Canadian Interface between the U.S. and Canada. This project saw a successful partnership between NLETS, the FBI, and the RCMP, proving that as residents of North America, we are all in this together.

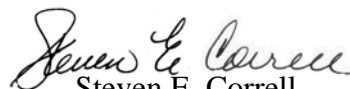
This year also saw a new fractional T1 frame relay network put in place, new network equipment was purchased and installed, and all traffic traveling between NLETS and our TCP/IP users became encrypted traffic. The NLETS system has never been as robust and secure as it is today. We are positioned to handle anticipated growth of legacy traffic, and more importantly, any new challenges that NLETS may be asked to deal with.

This year witnessed NLETS application for, and subsequent award of, federal assistance for the first time in more than thirty years. A grant request for assistance in moving NLETS forward technically was made to the Office of Justice Programs, National Institute of Justice. This competitive grant process was a new experience for NLETS but our argument was compelling and the grant was awarded. NLETS can now support legacy traffic along with XML formatted traffic. The NLETS User and Technical documentation was re-written and is now state-of-the-art. We have proven that we are technically prepared to do business in the new millennium.

The year saw several new members, including the National White Collar Crime Center, the U.S. Virgin Islands, and the Transportation Security Administration. The Government Services Administration has a new link to NLETS that will allow NLETS users to inquire on federal “G” license plates for registration information. Several other agencies are currently in the process of discussing NLETS connectivity.

The year 2002 started out fast, and as the year progressed, things only got faster. Many advancements were made and few opportunities were missed. We expect that 2003 will be much the same. NLETS has a lot to offer the criminal justice community. Now is the time to make it happen.


Larry Grund
President


Steven E. Correll
Executive Director

Maintain Superior Level of Service

DISASTER PREPAREDNESS PLAN

The NLETS Disaster Recovery Site became operational in June of this year. All NLETS users who have migrated off of bisync to TCP/IP are protected with this important site. As a critical piece of criminal justice infrastructure for the U.S. and Canada, it was imperative that we take this step in ensuring NLETS remain operational should a major outage occur in Phoenix, and we are proud to be the first to accomplish this important task. While testing has been done for individual users and smaller groups of users, the final test plans have not yet been finalized. Further planning is necessary and is underway prior to conducting a full test of the DR system.



UPGRADE FRAME RELAY NETWORK

Most states have been upgraded as they are able to accept the increased bandwidth and they have converted to IP. Cisco routers have been purchased, installed, and are now facilitating the transfer of triple DES encrypted traffic over the network. At the end of 2002 there were 48 NLETS users upgraded to a minimum of 128kb bandwidth with 10 additional sites in varying stages of transition.

NLETS USERS GUIDE...

...is now called the NLETS USER AND TECHNICAL GUIDE. This massive effort was undertaken and funded under the AISLE Project. The new guide was rewritten and reconfigured to be more user friendly. All technical specifications and formats are included but are appendices to the user portion of the guide. This should assist vendor partners in their use of the guide. The guide is hyperlinked in all of the appropriate places and is a joy to work with.

TRANSITION TO TCP/IP

Our transition to TCP/IP from the old bisynchronous protocol continued through the end of the year. We had 47 users under the new protocol at years end with 9 testing. In order to take advantage of several NLETS benefits including the national rap sheet, alternate routing, and the Disaster Recovery Site, a state will have to be using TCP/IP.

NLETS VIDEO

This was completed in 2002 and highlights some of the features of NLETS. Our partners at the INS Law Enforcement Service Center were prominently featured along with Customs and Border Patrol. The video was mailed out to all members in April. Updates will occur as necessary and in a timely manner.

Maintain Policy to Ensure Network and System Security

Implementation of NLETS Access and Security Policies

The NLETS Security and Access Policies, approved in 1999, require the states and their users to implement major changes in the way they do business. Our policies track very closely with the FBI's Security and Access policies, however NLETS bylaws and constitution allows limited access to agencies that currently are not allowed access to the FBI-CJIS system. The FBI has set deadlines for compliance with NCIC 2000 as well as encryption. Due to state concerns, the FBI has allowed states to request an extension to the deadline for encryption. NLETS has not adopted such deadlines, but continues to encourage states to meet these FBI and NLETS shared goals. The topic of a robust NLETS specific Security Policy is a topic of discussion within the 2003 Strategic Planning effort.



Develop and Promote Standards

STANDARDIZED RAP SHEET FORMATS

The Joint Task Force (JTF) on Rap Sheet standardization published the Rap Sheet specification version 2.2 in September of 2002. This latest specification is available at the OJP's Justice Standards Registry - http://it.ojp.gov/jsr/public/viewDetail.jsp?sub_id=140. Currently two states are actively programming for compliance to this specification and passing standardized rap sheets. It is anticipated that these states will be operational in 2003 and that other states will begin efforts in this area. Many users in the process of purchasing or modifying existing CCH systems have utilized this specification in their RFP process with success. NLETS continues to be a booster in this important effort to standardize criminal history records nationwide.

STANDARDIZED VEHICLE REGISTRATION DRIVER LICENSE FORMATS

Efforts continue with AAMVA to facilitate the standardization of driver and vehicle responses from state to state. In 2002, a Concept of Operations White Paper was written outlining the steps necessary to allow this to occur. The CONOPS reviews the steps necessary for NLETS to convert the AAMVA AMI protocol to XML allowing for the driver history transmission formats and content to be standardized. The insurmountable issue at the end of 2002 was funding. Both NLETS and AAMVA are working together to find funding for this effort. With twenty-four million DL and MV transactions run over NLETS each month, this appears to be an area where effort is justified.

Extend Network Accessibility

SHARING CONNECTIVITY BURDENS WITH THE FBI

Discussions were started with our partners within the FBI regarding the appropriate sharing of bandwidth when it is mutually beneficial to do so. An example of this is the U.S. Virgin Islands, our newest Principal Member. The USVI has a line drop from the FBI, but needs connectivity to NLETS. Through discussions with the FBI, the decision was made to “piggyback” on the FBI bandwidth for USVI’s NLETS connection. Another example that has not yet come to fruition but is in discussion phase is the U.S. Department of Interior. They have an NLETS connection in their DC offices, but no NCIC. The reverse scenario is being discussed where DOI would get NCIC access via an NLETS connection. The logic of these efforts is plain to see, but the roadblocks such as security, past practices and bureaucracy are another matter. We will continue to pursue solutions that make technical and fiscal sense for the users of the justice systems.

GSA FLEET CONNECTIVITY

Nearly final at the end of 2002 was our connection to the Government Services Administration (GSA) for access to the federal government license plate database. NLETS installed a connection into the GSA for the exclusive purpose of NLETS user access to these government plate registrations. For years no automated access has been available to these registrations. Look for this to go operational in the first quarter of 2003.

Evaluate New and Emerging Technologies

FUTURE NLETS NETWORK

In the fourth quarter, NLETS released a press release to all NLETS representatives notifying them of the grant awarded from the National Institute of Justice (NIJ). The grant offers some important new technical capabilities to NLETS. NLETS now has an upgrade path from the PRC (Northrup Grumman) switch. Under the grant new Dell 6650 servers (production, backup, and disaster recovery) with XML Message Router (XMR) software has been put into operation. Since November all of the message traffic for the two pilot states, Wisconsin and Maine, has been routed through the new XMR. Those states that want to use XML for communications with NLETS will have all of their message traffic routed through the XMR so that no changes are required to the PRC switch. The XMR can be easily configured to handle current message traffic and XML message traffic on an individual ORI or message key basis.

In an effort to consolidate all application software, NLETS will be offering MQ access via the new XMR. NLETS presently has a stand-alone version of MQ being utilized by Canada. The new XMR offers the capability of MQ transactions with XML or native message formats.

The Wisconsin Crime Information Bureau has been the pilot state for the AISLE Phase 1 Project, testing XML and the new "Web services" technology. They have deployed NLETS capabilities using XML for Wisconsin's browser based eTIME system and are working to deploy the XML Rap Sheet.

Access NLETS Administrative/Organizational Structure

BOARD APPROVES NEW STRATEGIC PLANNING INITIATIVE



The Board approved staff's request to initiate an NLETS strategic planning project to take NLETS into the next three to five years. The existing NLETS strategic plan is several years old and no longer reflects the environment in which we operate and does not set our technical and administrative path. A contract was let with a strategic planning consultant to facilitate the process and assist the NLETS Board and staff. The goal is to have this NLETS Strategic Plan in the hands of the NLETS membership by the 2003 Annual Conference in Jackson, Wyoming.

OPERATIONAL STATUS

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Local Exchange	31	20	10
NLETS Hardware Problems	22	22	13
NLETS Software Problems	47	54	37
User Hardware Problems	23	9	9
User Software Problems	51	26	25
Other (non-defined) Problems	56	41	41
User Action Requests	86	90	117
Pending Problems	77	104	116
AT&T	69	29	18

TRANSITIONS

Each year NLETS representatives retire or move on to other endeavors or positions. We are sad to see them leave but at the same time happy to welcome their replacements. Following is a list of the NLETS representatives that have left and their replacements.

<u>NEW</u>	<u>OLD</u>	<u>AGENCY</u>		<u>NEW</u>	<u>OLD</u>	<u>AGENCY</u>
Miguel Ramirez	Dan Hatfield	EP		Carrie Finch	Tonya Worley	SS
Scott Blanchard	Jim Cook	MI		TBD		TS
John Turcich	Rick Keema	NV		Mary Lauderdale	Roger Killingsworth	TX
Jason Thomas		NW		Juliet Francis-Greaux		VI
Richard Ruhland	John Swanson	PS		Sean Hartsock	Stephen Davis	WA

LONGEVITY AWARDS

Each year at the NLETS annual banquet, individuals are recognized for their longevity as the NLETS representative and staff. Following are the individuals that were recognized in 2002.

5 Years
Silver Lapel
Pin

Pat Creasman, Air Force
Jim Lueder, North Dakota
Fred Booth, New Hampshire
Paul Regimbal, Oregon
Bud Gaylord, NCMEC

10 Years
Gold Lapel Pin
w/Emerald

Tanya Al-Khateeb, Veterans Affairs
Frank Lewis Minice, NLETS

20 Years
Bronze Peace
Officer Statue

Dan Nelson, NLETS
Larry Grund, Iowa

Officers & Board of Directors

OFFICERS

Larry Grund, President
Isaac Kervin, 1st Vice-President
Brenda Owens, 2nd Vice-President

BOARD OF DIRECTORS

Jeffrey Harmon (ME), Region A
Rodney Ditzler (PA), Region B
David Bolme (TN), Region C
Will Spann (MS), Region D
Jim Biggerstaff (MO), Region E
Jim Wilson (WY), Region F
Vicky Harris (KS), Region G
Paul Regimbal (OR), Region H

Standing Committees

FINANCE AND MANAGEMENT COMMITTEE

Mike McDonald (DE) - Chairman
Will Spann (MS)
Rodney Ditzler (PA)
Isaac Kervin (AL) – Ex-Officio

TECHNICAL OPERATIONS COMMITTEE

Brad Long (OK) - Chairman
Brenda Owens (FL) – Ex-Officio
Kim Smith (FBI)
Dennis McCann (NY)
Robert Johnson (MN)
Michael Igoe (ID)
Bill Clinton (AR)
Phil Colby (VT)
Michael Key (ID)
Rob Miller (KY)
Gerry Coleman (WI)
John Loverude (IL)
Gib Heuett (GA)
Brian Glancy (RI)

Travel and Meetings

Global Security Working Group
Scottsdale, Arizona
January 3-4, 2002
Attended by Steve Correll

RISS Board Meeting
San Diego, California
January 8-9, 2002
Attended by Steve Correll
And Frank Minice

NLETS Exec. Steering Com.
Scottsdale, Arizona
January 15-16, 2002
Attended by Staff, Officers and
Committee Chairpersons

JTF Rapsheet Standardization
Morgantown, West Virginia
January 23-24, 2002
Attended by Steve Correll
and Frank Lewis

XML Reconciliation/AAMVA
San Diego, California
February 3-4, 2002
Attended by Steve Correll

Can. Interface Upgrade Meeting
Ottawa, Canada
February 11-12, 2002
Attended by Steve Correll,
Brad Long and Frank Minice

NLETS F & M Meeting
Phoenix, Arizona
February 18-20, 2002

FBI Compact Council Meeting
Clarksburg, West Virginia
February 26-28, 2002
Attended by Frank Minice

NLETS TOC Meeting
San Diego, California
March 5-6, 2002

FBI/APB Regional Working
Group (Consolidated) Meeting
Columbus, Ohio
March 11-13, 2002
Attended by Steve Correll

Counter Drug Intelligence Conf.
San Diego, California
March 25-27, 2002
Attended by Steve Correll

Global Advisory Committee
Washington, DC
April 10-12, 2002
Attended by Steve Correll

NLETS Board Meeting
Couer d'Alene, ID
April 16-17, 2002

FBI/CJIS Subcommittees
Pittsburgh, PA
April 23-24, 2002
Attended by Steve Correll

Global XML Committee
Charleston, WV
May 2, 2002
Attended by Frank Lewis

Canadian ITSC
Aylmer, Quebec
May 2-3, 2003
Attended by Frank Minice

Idaho Users Conference
Boise, ID
May 6-7, 2002
Attended by Steve Correll

AAMVA/NLETS DL transport
and XML Meeting
Washington, DC
May 13-14, 2002
Attended by Steve Correll,
Brad Long & Frank Minice

PRC Users Group
Reston, VA
May 13-15, 2002
Attended by Frank Lewis

WIN Board Meeting
Whitefish, MT
May 15-16, 2002
Attended by Steve Correll

Global Security Working Group
St. Louis, MO
May 22, 2002
Attended by Steve Correll

Canadian CPIC Board Meeting
Ottawa, Canada
May 27-28, 2002
Attended by Steve Correll

FBI CJIS APB Meeting
Chicago, IL
June 4-6, 2002
Attended by Steve Correll

ISO Conference
Orlando, FL
June 11-12, 2002
Attended by Frank Lewis

NLETS Annual Conference
Orlando, FL
June 24-26, 2002

Global Executive Steering
Committee
Washington, DC
July 17, 2002
Attended by Steve Correll

SEARCH Membership Meeting
Washington, DC
July 18-19, 2002
Attended by Steve Correll

Global Security Working Group
Atlanta, GA
August 22, 2002
Attended by Steve Correll

NW3C Board Meeting
Seattle, WA
August 1-2, 2002
Attended by Steve Correll

Global XML Committee
Denver, CO
August 5, 2002
Attended by Steve Correll

NLETS F&M Meeting
August 19-21, 2002
Phoenix, AZ

CJIS Western Regional
Working Group
Scottsdale, AZ
September 11, 2002
Attended by Steve Correll

NLETS TOC Meeting
Seaside, OR
September 17-18, 2002

Oregon Users Group
Seaside, OR
September 19, 2002
Attended by Steve Correll

Canadian ITSC
Aylmer, Quebec, Canada
September 23-25, 2002
Attended by Frank Minice

JTF Meeting
Portland, ME
October 1-3, 2002
Attended by Steve Correll
and Frank Minice

Montana Users Group
Butte, MT
October 7-8, 2002
Attended by Steve Correll

Wisconsin Users Group
Green Bay, WI
October 9-10
Attended by Steve Correll

Global Advisory Committee
Washington, DC
October 14-15, 2002
Attended by Steve Correll

NLETS/RISS Meetings
Phoenix, AZ
October 17-18, 2002
Attended by Steve Correll,
Frank Minice, Frank Lewis and
Brad Long

CJIS Subcommittee Meetings
Las Vegas, NV
October 23-24, 2002
Attended by Steve Correll

NLETS Board Meeting
Scottsdale, AZ
October 29-30, 2002

AAMVA Annual Conference
St. Louis, MO
November 18, 2002
Attended by John Loverude

Global meeting with OHS
Washington, DC
November 21, 2002
Attended by Steve Correll

RCMP/CPIC Board Meeting
Quebec, Canada
November 27-30, 2002
Attended by Steve Correll
and Larry Grund

FBI CJIS APB Meeting
Houston, TX
December 4-5, 2002
Attended by Steve Correll

NLETS

Statements of Financial Activities For the Years Ended December 31, 2002 and 2001

	2002	2001
REVENUES FROM SERVICE DUES AND EQUIPMENT USAGE FEE <i>(Note7)</i>	<u>(Compiled)</u> \$ 2,511,315	<u>(Audited)</u> \$ 1,722,572
OPERATING EXPENSES		
Direct System Costs	831,400	841,228
Salaries and Wages	585,440	544,021
Employee Benefits	379,626	610,440
Travel	205,918	301,367
Office Expenses	44,452	53,568
Office Rent	32,952	32,322
Professional Services	57,257	26,314
Grant Expenditures	560,736	-
Depreciation and Amortization	248,676	267,703
Total Operating Expenses	<u>2,946,457</u>	<u>2,685,963</u>
DEFICIENCY OF REVENUES OVER OPERATING EXPENSES	<u>(435,142)</u>	<u>(963,391)</u>
INVESTMENT (LOSS) INCOME		
Interest and Dividend Income	21,926	51,376
Net (Decrease) Increase in Market Value of Investments	(27,015)	(122,670)
Net Gain (Loss) on Sales of Investments	(17,119)	13,976
Investment Management Fees	(6,052)	(31,426)
Net Investment (Loss) Income	<u>(28,260)</u>	<u>(88,744)</u>
CHANGE IN NET ASSETS	(463,402)	(1,052,135)
NET ASSETS, Beginning of Year	<u>1,704,073</u>	<u>2,756,208</u>
NET ASSETS, End of Year	<u>\$ 1,240,671</u>	<u>\$ 1,704,073</u>

Notes for Financial Statements available upon request.

NLETS

Statement of Financial Position December 31, 2002 and 2001

ASSETS

	2002 (Compiled)	2001 (Audited)
CURRENT ASSETS		
Cash and Cash Equivalents <i>(Note 3)</i>	\$ 217,768	\$ 40,693
Service Dues Receivable <i>(Note 4)</i>	222,543	187,791
Prepaid Expenses	9,826	36,098
Total Current Assets	<u>450,137</u>	<u>264,582</u>
INVESTMENTS		
Marketable Equity and Debt Securities	<u>185,023</u>	<u>1,027,943</u>
PROPERTY AND EQUIPMENT		
Computer Equipment and Network	2,102,840	1,953,699
Furniture and Office Equipment	115,482	115,482
Disaster Recovery Site	99,977	42,268
Computer Software	11,517	11,517
Leasehold Improvements	22,146	22,146
Total Property and Equipment	<u>2,351,962</u>	<u>2,145,112</u>
Less Accumulated Depreciation and Amortization	<u>1,271,832</u>	<u>1,023,156</u>
Net Property and Equipment	<u>1,080,130</u>	<u>1,121,956</u>
DEPOSITS	<u>1,840</u>	<u>1,840</u>
TOTAL ASSETS	<u>\$ 1,717,130</u>	<u>\$ 2,416,321</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses <i>(Note 6)</i>	\$ 325,259	\$ 602,748
Unearned Service Dues	151,200	109,500
Total Current Liabilities	<u>476,459</u>	<u>712,248</u>
TOTAL LIABILITIES	<u>\$ 476,459</u>	<u>\$ 2,416,321</u>

NET ASSETS

DESIGNATED	\$ 120,541	\$ 542,117
EXPENDED FOR PROPERTY AND EQUIPMENT	1,080,130	1,121,956
UNDESIGNATED	40,000	40,000
TOTAL NET ASSETS	<u>\$ 1,240,671</u>	<u>\$ 1,704,073</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,717,130</u>	<u>\$ 2,416,321</u>

Notes for Financial Statements available upon request.