

# Department of Homeland Security **Office of Inspector General**

Independent Review of the U.S. Immigration and  
Customs Enforcement's Reporting of FY 2011 Drug  
Control Obligations





Homeland  
Security

JAN 30 2012

## Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

This report presents the results of the review of the Table of Prior Year Drug Control Obligations of the U.S. Immigration and Customs Enforcement (ICE) for the year ended September 30, 2011, for the Office of National Drug Control Policy (ONDCP). We contracted with the independent public accounting firm KPMG LLP to perform the review. ICE prepared the Table of Prior Year Drug Control Obligations to comply with requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused them to believe that the Table of Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2011, are not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular. KPMG LLP is responsible for the attached independent accountants' report dated January 20, 2012, and the conclusions expressed in it. We do not express an opinion on the Table of Prior Year Drug Control Obligations and related disclosures.

We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Anne L. Richards".

Anne L. Richards

Assistant Inspector General for Audits



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Accountants' Report

Acting Inspector General  
U.S. Department of Homeland Security:

We have reviewed the accompanying Table of Prior Year Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) Immigration and Customs Enforcement (ICE) for the year ended September 30, 2011. We have also reviewed the accompanying management's assertions for the year ended September 30, 2011. ICE's management is responsible for the Table of Prior Year Drug Control Obligations, related disclosures, and the assertions.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Table of Prior Year Drug Control Obligations, related disclosures, and management's assertions. Accordingly, we do not express such an opinion.

Management of ICE prepared the Table of Prior Year Drug Control Obligations, related disclosures, and management's assertions to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 (the Circular).

Based on our review, nothing came to our attention that caused us to believe that (1) the Table of Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2011 are not presented, in all material respects, in conformity with the Circular, or that (2) management's assertions referred to above are not fairly stated, in all material respects, based on the criteria set forth in the Circular.

This report is intended solely for the information and use of the management of DHS and ICE, the DHS Inspector General, the ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

January 20, 2012

Office of Chief Financial Officer

U.S. Department of Homeland Security  
500 12<sup>th</sup> Street, SW  
Washington, D.C. 20536



**U.S. Immigration  
and Customs  
Enforcement**

January 19<sup>th</sup>, 2012

Mr. John Shiffer  
Department of Homeland Security  
Director of Financial Management  
Office of the Inspector general

Dear Mr. Shiffer,

In Accordance with the Office of National Drug Control Policy circular, *Drug Control Accounting*, dated May 1, 2007, enclosed is Immigration and Customs Enforcement's report of FY 2011 drug control obligations, drug control, methodology and assertions.

If you require further assistance on this information, please contact Joseph Grosodonia at (202)-732-6244.

Sincerely,

A handwritten signature in cursive script that reads "Lisa Macecevic".

Lisa Macecevic  
Director, Office of Budget and Program Performance  
U.S. Immigration and Customs Enforcement

**U.S. Department of Homeland Security  
U.S. Immigration and Customs Enforcement  
Detailed Accounting Submission of Drug Control Funds during FY 2011**

**A. Table of Prior Year Drug Control Obligations  
Drug Resources by Budget Decision Unit and Function:**

	FY 2011 Final (In Millions)
<b>Salaries and Expense</b>	
Domestic Investigations	\$483.65
International	\$7.11
Intelligence: Domestic	\$13.21
Intelligence: International	\$0.56
<b>Total Salaries and Expense</b>	<b>\$504.53</b>
<b>Total Funding</b>	<b>\$504.53</b>
High Intensity Drug Trafficking Area (HIDTA) Transfer	\$1.28

Disclosure No. 1: Drug Methodology

U.S. Immigration and Customs Enforcement (ICE) is a multi-mission bureau, and obligations are reported pursuant to an approved drug methodology. Separate calculations are made for the three ICE programs which undertake drug-related investigative activity: Domestic Investigations, International Affairs, and Intelligence.

**Domestic Investigations**

- The methodology for Domestic Investigations is based on investigative case hours recorded in ICE's automated Case Management System. ICE officers record the type of work they perform in this system, which interfaces with the Treasury Enforcement Communications System (TECS). Following the close of the fiscal year, a report in the TECS is run showing investigative case hours that are coded as general narcotics cases and money laundering narcotics cases. A second report is run showing all investigative case hours logged. A percentage is derived by dividing the number of investigative case hours linked to drug control activities by the total number of investigative case hours. This percentage may fluctuate from year to year. For FY 2011, the actual percentage for Domestic Investigations was 28.94%. To calculate a dollar amount of obligations, this percentage was applied to actual obligations incurred by Domestic Investigations, excluding reimbursable authority. The Federal Financial Management System (FFMS) is the system used to generate the actual obligations incurred.

## **International Affairs**

- The methodology for International Affairs is based on investigative case hours recorded in ICE's automated Case Management System. ICE officers record the type of work they perform in this system, which interfaces with the TECS. Following the close of the fiscal year, a report in the TECS is run showing investigative case hours that are coded as general narcotics cases and money laundering narcotics cases. A second report is run showing all investigative case hours logged. A percentage is derived by dividing the number of investigative case hours linked to drug control activities by the total number of investigative case hours. For International Affairs, the actual percentage of hours that were counter-narcotics related was 6.33% in FY 2011. To calculate a dollar amount of obligations, this percentage was applied to actual obligations incurred by International Affairs, excluding reimbursable authority. The FFMS is the system used to generate the actual obligations incurred.

## **Intelligence**

- The methodology for Intelligence is based on investigative case hours recorded in ICE's automated Case Management System. ICE officers record the type of work they perform in this system, which interfaces with the TECS. Following the close of the fiscal year, a report in the TECS is run showing investigative case hours that are coded as general narcotics cases and money laundering narcotics cases. A second report is run showing all investigative case hours logged. A percentage is derived by dividing the number of investigative case hours linked to drug control activities by the total number of investigative case hours. For FY 2011, 24.30% of the total case hours for Intelligence were in support of drug control activities. To calculate a dollar amount of obligations, this percentage was applied to actual obligations incurred by Intelligence, excluding reimbursable authority. The FFMS is the system used to generate the actual obligations incurred.
- Intelligence Information Management System (IIMS) tracks requests for intelligence work by customer. Requests made by International Affairs are classified as inherently international and all other customers are classified as inherently domestic. In FY 2011, 4.08% of IIMS requests were international in nature.

### Disclosure No. 2: Methodology Modifications

The methodology described above is consistent with the previous year.

### Disclosure No. 3: Material Weaknesses or Other Findings

In the FY 2011 Internal Controls Assurance Statement ICE continues to report a material weakness for the Budgetary Resource Management process. Plans to remediate the weakness have not yet been fully implemented and validation and verification activities have not been completed. Two major accomplishments in FY 2011 were the publication of the Administrative Control of Funds Directive and initial implementation of the Budget Execution Handbook. The Directive includes roles and responsibilities for the administrative control of funds and requires ICE program offices to use funds in accordance with the requirements of the Anti-Deficiency



Act. The Budget Execution Handbook serves as a supplement to the Directive and reflects detailed procedural guidance and key internal controls, such as spend plan requirements and execution reviews. The Office of the Chief Financial Officer (OCFO) now monitors burn rates on existing contracts through the Business Management Dashboard, and in doing so, are able to be more efficient in the use of ICE budgetary resources. As a result of these actions, ICE has improved guidance and standardized policies and procedures for funds control and budgetary resource management. These changes will allow for improved oversight at the program execution level and decrease the likelihood of ICE funds being inappropriately used.

During FY 2012, ICE expects to complete its corrective action plan and to fully remediate the budget execution material weakness conditions. Specifically, ICE OCFO will 1) publish an emergency expenses policy which will clarify those expenses critical to the Agency's mission when emergency situations arise; 2) document the sources and uses of funds to assist Program Offices in their responsibilities for the proper use of funds; 3) clarify or assign responsibilities for ensuring all Congressional appropriation mandates and metrics are met; and 4) implement measures to ensure documentation to support financial activities is readily available for examination.

Additionally, a material weakness related to Financial Systems Security was reported in the FY 2011 Internal Controls Assurance Statement. This material weakness is due to the aggregate of the significant deficiencies existing in FFMS and its subsidiary systems. ICE continues efforts to implement corrective actions to address this weakness.

#### Disclosure No. 4: Reprogrammings or Transfers

No Reprogrammings or Transfers of drug-related budget resources occurred during FY 2011.

#### Disclosure No. 5: Other Disclosures

There are no other disclosures, which we feel are necessary to clarify any issues regarding the data reported.

### **B. Assertions**

#### Assertion No. 1: Obligations by Budget Decision Unit

Not Applicable - As a multi-mission agency, ICE is exempt from reporting under this section as noted in the Office of National Drug Control Policy (ONDCP) *Drug Control Accounting, Section 6 (b) (1)*.

#### Assertion No. 2: Drug Methodology

The methodology used to calculate obligations of prior year budgetary resources by budget decision unit and function is reasonable and accurate in regard to the workload data employed and the estimation methods used. The workload data is derived from the TECS and IIMS systems discussed in the methodology section above and are based on work performed between October 1, 2010 and September 30, 2011. There are no other estimation methods used. The

financial system used to calculate the drug-related budget obligations is the FFMS which is capable of yielding data that fairly presents, in all material respects, aggregate obligations.

Assertion No. 3: Application of Drug Methodology

The methodology disclosed in section A, Disclosure No. 1 was the actual methodology used to generate the Table of Prior Year Drug Control Obligations.

Assertion No. 4: Reprogrammings or Transfers

No reprogrammings or transfers of drug-related budget resources occurred during FY 2011. The data presented are associated with obligations against a financial plan that was sent to ONDCP in FY 2011.

Assertion No. 5: Fund Control Notices

No Fund Control Notice was issued by the ONDCP Director under 21 U.S.C. section 1703(f) and Section 8 of the ONDCP Circular, *Budget Execution*, to ICE in FY 2011.



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