

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Independent Review of The U.S. Coast
Guard's Reporting of FY 2006 Drug
Control Funds**



OIG-07-70

August 2007

Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

AUG 22 2007

MEMORANDUM FOR: Admiral Thad M. Allen
Commandant
U.S. Coast Guard

FROM: Richard L. Skinner 
Inspector General

SUBJECT: *Independent Review of the U.S. Coast's Guard Reporting of FY 2006
Drug Control Fzinds*

We have reviewed management's assertions in Section B of the accompanying U.S. Coast Guard's (USCG) annual report of FY 2006 drug control funds (Submission). The Submission, including the assertions made, is required by 21 U.S.C. § 1704(d) and Office of National Drug Control Policy (ONDCP) Circular, *Drzig Control Accounting* (Circular), and is the responsibility of USCG's management.

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

The *Independent Auditors' Report* for the FY 2006 financial statements of the Department of Homeland Security (DHS), of which USCG is a part, identified material weaknesses related to financial management, financial reporting, and financial systems. USCG contributed to the material weaknesses in all three areas. USCG currently has a remediation plan to correct these material weaknesses by FY 2010. Reportable conditions are matters coming to the auditors' attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in the auditors' judgment, could adversely affect DHS' ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being

audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Based on our FY 2006 review, except for the effects, if any, of the material weaknesses, as described above, nothing came to our attention during our review that caused us to believe that management's assertions included in Section B of the accompanying Submission (Attachment A) are not fairly stated in all material respects, based on the criteria set forth in the Circular.

During our FY 2005 review, we did not perform any tests related to reprogrammings and transfers due to what we considered "incomplete criteria against which to evaluate the subject matter, in terms of measurability and applicability for multi-mission bureaus." However, ONDCP later requested that we perform additional procedures in these areas to satisfy the requirements. In performing these additional procedures, we noted that USCG did not have formal mechanisms or procedures in place to track reprogrammings and transfers affecting drug funds as they occur, or to alert management when the \$5 million threshold is reached so that the necessary approvals can be obtained from ONDCP. USCG informed us that they were in the process of formalizing procedures for tracking reprogrammings and transfers. Based on our additional procedures mentioned above and our review of the FY 2006 submission, we determined that USCG had developed a formal process for handling reprogrammings and transfers; developed policies and procedures; and begun tracking reprogrammings and transfers. Based on the information provided by the USCG, reprogrammings did not meet the \$5 million threshold in FY 2006.

Also, in our FY 2005 review we did not test USCG's compliance with ONDCP issued Fund Control Notices due to what we considered "incomplete criteria against which to evaluate the subject matter, in terms of measurability and applicability for multi-mission bureaus." However, in our FY 2006 review we looked at USCG's compliance with Fund Control Notices and noted that USCG has a manual process in place to track compliance with the Fund Control Notices. This process calculates the total drug obligations from the beginning of the fiscal year to the date of approval of the financial plan by ONDCP and compares that with one-third of the total drug request for the year to determine whether obligations were greater or lesser than the request. Based on the process and methodology used, USCG was in compliance with the Fund Control Notice for FY 2006.

We provided the report to the Coast Guard. The Coast Guard concurred with the report.

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

Should you have any questions, please call me, or your staff may contact James L. Taylor, Deputy Inspector General, at (202) 254-4100.

**DEPARTMENT OF HOMELAND SECURITY
 UNITED STATES COAST GUARD
 ANNUAL ACCOUNTING OF
 FY 2006 DRUG CONTROL FUNDS
 6A. DETAILED OBLIGATION SUBMISSION**

(a) Table of Prior Year Drug Control Obligations (dollars in millions)

RESOURCE SUMMARY	2006 Actual
Drug Resources by Function:	Obligations
• Interdiction	\$1,032,913
• Research and Development	900
Total Resources by Function	\$1,033,813
Drug Resources by Decision Unit:	
• Operating Expenses (OE)	\$752.188
• Reserve Training (RT)	\$16.025
• Acquisition, Construction, and Improvements (AC&I)	\$264.700
• Research, Development, Test and Evaluation (RDT&E)	\$.900
Total Drug Control Obligations	\$1,033,813

(1) Drug Methodology

Over twenty years ago, the Coast Guard designed its cost allocation methodology to systematically allocate funding to the Coast Guard's primary mission areas. This methodology allocated Coast Guard costs based on the time that Coast Guard resources (cutters, aircraft, boats, and personnel) spent on various types of missions. This view of the Coast Guard budget provided valuable insight into the multi-mission use of assets and personnel. However, for many years the only information taken into consideration was the previous year's operational activity. Prior to 1998, operational data (resource hours) and obligation data were downloaded only at the end of the fiscal year to develop mission cost allocations for the year just completed and budgetary projections for current and future years taking into account incremental changes. Today, the methodology and software have been updated to take advantage of improved technology. Further, the Coast Guard has developed an operating hour baseline as a method to allocate resource hours for each resource class to multiple Coast Guard missions. This is the revised basis for funding allocations in budget projections. The operating hour allocation, or baseline, is developed and modified based upon line item requests, congressional direction and national priorities.

The Coast Guard's drug control funding estimates are computed by closely examining the decision units, or appropriations, that comprise the Coast Guard's drug control budget estimates. These decision units consist of: Operating Expenses (OE); Acquisition, Construction, and Improvement (AC&I); Reserve Training (RT); and Research, Development, Test, and Evaluation (RDT&E).

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2006 DRUG CONTROL FUNDS
6A. DETAILED OBLIGATION SUBMISSION**

(1) Drug Methodology (Continued)

Each decision unit contains its own unique spending authority and methodology. For example, AC&I includes funding that can last up to five years after appropriation and RDT&E funding does not expire. OE and RT funding must be spent in the fiscal year it is appropriated and therefore the methodology for these two appropriations is the same.

Operating Expenses

The majority of the funds the Coast Guard allocates to the drug interdiction program are in the Operating Expenses (OE) decision unit. OE funds are used to operate Coast Guard facilities; maintain capital equipment; improve management effectiveness; and recruit, train, and sustain an active duty military and civilian workforce. In the OE budget, the amount allocated to the drug interdiction program is derived by allocating a share of the actual expenditures based upon the amount of time aircraft, cutters, and boats spent conducting drug interdiction activities. The Coast Guard tracks the resource hours spent on each of the 11 Coast Guard programs by using a web-based Abstract of Operations (AOPS) data collection and report system. Coast Guard AOPS data is used to develop the amount of time that each asset class spent conducting each of the Coast Guard's missions. Using financial data gathered from over 3,000 cost centers around the United States along with the Abstract of Operations information, the Coast Guard is able to allocate OE costs to each of the 11 program areas consisting of: Drug Interdiction; Migrant Interdiction; Ports, Waterways and Coastal Security; Other Law Enforcement; Defense Readiness; Search and Rescue; Marine Safety; Ice Operations; Marine Environmental Protection; Living Marine Resources; and Aids to Navigation.

Acquisition, Construction, and Improvements

In scoring drug control funding requests within the zero-based Acquisition, Construction, and Improvement (AC&I) decision unit, professional judgment is used to evaluate every line item requested in the FY 2006 AC&I budget for its anticipated contribution to Coast Guard's 11 program areas. For each AC&I project, a discrete driver is selected to allocate the funding for that project to the various mission areas of the Coast Guard. In most cases, the driver is the percentage of time an asset contributes to the drug control mission as determined from the OE/RT Mission Cost Model (MCM). Otherwise, when a project is not related to any particular asset or series of asset classes, the project fund may benefit Coast Guard's entire inventory, the general OE AOPS MCM percentage is utilized. As with the other three appropriations, once the program percentage spreads are computed for each of these drivers in the FY 2006 AC&I MCM the total bottom-line mission percentage is applied directly to the AC&I total direct obligations. After further review of previous years AC&I drug accounting methodology, this improvement was adopted for two fundamental reasons: (a) to present how total 2006 AC&I multi-year obligations support Coast Guard's current state of operations rather than dated mission spreads developed when prior year funding was first requested and; (b) to maintain a repeatable mission spread process used throughout annual budget year presentations, OMB's MAX budget system and the CFO's Statement of Net Cost reports.

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2006 DRUG CONTROL FUNDS
6A. DETAILED OBLIGATION SUBMISSION**

(1) Drug Interdiction (continued)

Reserve Training

The Coast Guard allocates a portion of the Reserve Training (RT) decision unit funds to the drug interdiction program. RT funds are used to support Coast Guard Selected Reserve personnel who support and operate Coast Guard facilities, maintain capital equipment, improve management effectiveness, and assist in sustaining all Coast Guard operations. The actual FY 2006 obligations for the RT decision unit is determined using the same methodology used for OE.

Research, Development, Test and Evaluation

The final decision unit is Research, Development, Test and Evaluation (RDT&E). As with the AC&I Appropriation, scoring of drug interdiction funding is accomplished within the zero-based RDT&E decision unit and every line item requested in the FY 2006 RDT&E budget was evaluated for its anticipated contribution to drug interdiction efforts. Each RDT&E project, has a discrete driver that is selected to allocate the funding for that project to the various mission areas of the Coast Guard. These drivers are based upon experienced professional judgment. Once the unique program driver is chosen the program percentage spreads as determined from the OE/RT Mission Cost Model (MCM).

(2) Methodology Modifications

The methodology described above has not been modified from the previous year.

(3) Material Weaknesses or Other Findings

As a result of the CFO Act audit, the Coast Guard received material weaknesses in financial management, financial reporting and financial systems that impact the assurance of information in our financial reports. As such, we cannot provide assurances as to the integrity of the financial data contained in this report. Also, as a result of a separate audit relating to the Statement of Net Cost (SNC) report, the Coast Guard has received specific audit findings regarding the input processes (SRUFM, AMMIS and AOPS) that directly affect the mission cost model output reports. The SNC audit found that these input processes had not been adequately documented and did not have appropriate internal controls to support the existence, accuracy and completeness of this financial information. The Coast Guard currently has an aggressive remediation plan to correct these material weaknesses over the next several years.

(4) Reprogrammings or Transfers

No reprogrammings or transfers of drug related budget resources in excess of the ONDCP's \$5 million threshold occurred during FY 2006.

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2006 DRUG CONTROL FUNDS
6A. DETAILED OBLIGATION SUBMISSION**

(5) Other Disclosures

The following provides a synopsis of the United States Coast Guard's FY 2006 Drug Control Funds reporting which describes:

1. The agency's overall mission and the role of drug interdiction efforts within the Coast Guard's multi-mission structure;
2. The Coast Guard's drug control budget submission.

Coast Guard Mission

The Coast Guard is a military service with mandated national security and national defense responsibilities in addition to being the United States' leading maritime law enforcement agency with broad, multi-faceted jurisdictional authority. The Coast Guard is a multi-mission maritime service consisting of 11 complementary program areas: Drug Interdiction; Migrant Interdiction; Ports, Waterways and Coastal Security; Other Law Enforcement; Defense Readiness; Search and Rescue; Marine Safety; Ice Operations; Marine Environmental Protection; Living Marine Resources; and Aids to Navigation.

The Coast Guard faces many of the same challenges as the other four military services when it comes to deciding which assets should be deployed for what missions and where. This is not only true between the broad categories of missions, but also within sub-sets of the various missions the Coast Guard undertakes. For example, assets used for the Enforcement of Laws and Treaties must be divided between drug interdiction and migrant interdiction, as well as enforcement of fishing regulations and international treaties. Due to the multi-mission nature of the Coast Guard and the necessity to allocate the effort of a finite amount of assets, there is a considerable degree of asset "cross-over" between the missions. This crossover contributes to the challenges the Coast Guard faces when reporting costs for the various mission areas.

Coast Guard's Drug Budget

In the annual National Drug Control Strategy (NDCS) Budget Summary, all agencies present their drug control resources broken out by function, and decision unit. The presentation by decision unit is the one that corresponds most closely to the Coast Guard's congressional budget submissions and appropriations. It should be noted and emphasized that the Coast Guard does not have a specific appropriation for drug interdiction activities. All drug interdiction operations, capital improvements, reserve support, and research and development efforts are funded out of general Coast Guard appropriations. For the most part, the Coast Guard drug control budget is a reflection of the Coast Guard's overall budget. The Coast Guard's Operating Expenses appropriation budget request is incremental, focusing on the changes from the prior year base brought forward. The Coast Guard continues to present supplementary budget information through the use of a model, which allocates its base funding and incremental requests by mission.

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2006 DRUG CONTROL FUNDS
6A. DETAILED OBLIGATION SUBMISSION**

(5) Other Disclosures (Cont.)

This general purpose Mission Cost Model serves as the basis for developing drug control budget estimates for the OE and RT appropriations and provides allocation percentages used to develop the drug control estimates for the AC&I and RDT&E appropriations. Similarly, this is the methodology used to complete our annual submission to ONDCP for the NDCS Budget Summary.

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2006 DRUG CONTROL FUNDS
6B. ASSERTIONS**

(1) Obligations by Budget Decision Unit – N/A. As a multi-mission agency, the Coast Guard is exempt from reporting under this section as noted in ONDCP Circular: Drug Control Accounting, Sections 6a (1) (b).

(2) Drug Methodology

The following methodology was applied to derive the drug control information presented in the table in section 6A. The information reported is timely and is derived from an allocation process involving the Coast Guard's audited financial statement information.

The Coast Guard does not have a discrete drug control appropriation and its financial systems are not structured to accumulate accounting data by operating programs or missions areas. Drug control funding data is developed using a systematic process for the OE and RT appropriations, and a combination of project analysis, subject matter review and OE-based allocations for the AC&I and RDT&E appropriations.

Data: As outlined in the previous section, the Coast Guard reports its drug control funding to ONDCP for each of the four appropriations or decision units. The mechanics of how each decision unit's drug control data is derived as follows:

Operating Expenses (OE) and Reserve Training (RT) – Budget Authority or Expenditures are allocated to the mission areas of the Coast Guard based upon the output of a Mission Cost Model (MCM). This is basically an OE expenditure driven model that is used in presenting the mission based data shown in the OE and RT budget submissions across the 11 Coast Guard programs. The following data sources feed the FY 2006 OE/RT MCM:

- 1) Core Accounting System (CAS) – FY 2004 expense data broken down by cost center, unit name, allotment fund code, and dollar amount. This data is audited annually as part of the Chief Financial Officers Act audit process. These expenses are fed into the Standard Rates and User Fees Model (SRUFM), along with Coast Guard's operating cost reports of the Engineering Logistics Center (ELC) and Coast Guard Yard and the cost per flight hour report from the Aircraft Repair & Support Center (AR&SC). The SRUFM uses an activity-based methodology to assign and allocate expenses to the Coast Guard's assets and certain non-asset intensive missions, such as Marine Safety. The resulting total cost pools serve as one of the major inputs to the Mission Cost Model. If current year SRUFM data is not available, the previous year total cost pools are adjusted to fit the relevant fiscal year's asset inventory. For example, the FY 2006 actual expenses Mission Cost Model uses FY 2004 financial data, adjusted to reflect changes in the Coast Guard's asset inventory from FY 2004 to FY 2006. The SRUFM is reconciled to the Coast Guard's Statement of Net Cost.

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2006 DRUG CONTROL FUNDS
6B. ASSERTIONS**

(2) Drug Methodology (cont.)

- 2) Naval Electronics Supply Support System (NESSS) – The Coast Guard Engineering Logistics Center (ELC) and Coast Guard Yard at Baltimore operate a stand alone financial system. Similar to the Core Accounting System, NESSS data is broken down by cost center, unit name, allotment fund code, and dollar amount. NESSS expense data is fed into the SRUFM and allocated to Coast Guard assets and certain non-asset intensive missions. NESSS financial data is included in the Coast Guard's audited financial statements.
- 3) Aviation Maintenance Management Information System (AMMIS) - The Coast Guard Aircraft Repair and Supply Center in Elizabeth City operates a stand alone financial system. Similar to the Core Accounting System, AMMIS data is broken down by cost center, unit name, allotment fund code, and dollar amount. AMMIS expense data is fed into the SRUFM and allocated to Coast Guard assets and certain non-asset intensive missions. AMMIS financial data is included in the Coast Guard's audited financial statements.
- 4) 2006 Baseline and Abstract of Operations (AOPS) – AOPS is a web-based information system that reports how an asset (aircraft, boat, or cutter) was utilized across various missions of the Coast Guard. Each unit or activity that performs a mission is responsible for including the resource hours in the Baseline and AOPS database.
- 5) Other Expenses – The drug related pieces that feed this area of the model are the Tactical Law Enforcement Teams (TACLET), the Law Enforcement Detachments (LEDET) and the Special Projects. The percentage that drives the TACLET /LEDET resource areas are computed from team deployment days divided by the total deployment days in the fiscal year for the drug interdiction mission. The Special Projects percentage driver is formulated from a professional judgment of how funding is used to support costs related to counter-drug operations such as Frontier Shield/Frontier Lance as well as liaison costs for Coast Guard's Organized Drug Enforcement Task Force (OCDETF).
- 6) Mission Cost Model (MCM) Application & Results – The two chief input drives to the MCM are: 1) The financial costs of each Coast Guard asset and other expenses areas, made up of direct, support and overhead costs; and, 2) The projected 2006 baseline and AOPS hours. The support and overhead costs for each asset and other expenses element is applied to hours projected from the 2006 enacted baseline. These costs are reflective of the more static conditions of Coast Guard operations relative to the support functions and administrative oversight. The direct costs are applied to the final AOPS hours to show the dynamic flow of operations experienced during fiscal year 2006. The overall affect of the computed from the static baseline and the reality of AOPS results in a percentage to drive Coast Guard OE expenditures allocated across 11 programs.

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2006 DRUG CONTROL FUNDS
6B. ASSERTIONS**

(2) Drug Methodology (cont.)

Normalize to BA or Obligations – The program percentages derived from the MCM are then applied to total OE and RT fiscal year 2006 budget authority or obligations (see Attachments A & B respectively) depending upon the reporting requirement. Budget Authority is derived from the agency's annual enacted Appropriation and expenditure data is derived from the final financial accounting Report of Budget Execution (SF-133).

Acquisition, Construction & Improvements (AC&I) – AC&I is a multi-year appropriation where funding is available for up to 5 years depending on the nature of the project. The methodology used to develop the drug funding estimate is systematically different than that of OE and RT. AC&I drug funding levels, for either BA or obligations, is developed through an analysis of each project/line item. For each line item, a discrete driver is selected that best approximates the contribution that asset or project, when delivered, will contribute to each of the Coast Guard's 11 programs. The total program/mission area spreads for these drivers are based on the FY 2006 AC&I MCM output. To ensure consistency, the extract used for the analysis of enacted FY 2006 BA is used for the end of year analysis of obligations as well. For FY 2006 AC&I program and mission area spreads, the following data sources and methods were used:

- 1) AC&I Mission Cost Model – was developed based on data feeds from the FY 2006 OE/RT MCM model as related in earlier OE and AC&I statements. The following data sets were then required to complete the AC&I MCM:
 - 2) Drug related percentage – The percentage spread for each driver was extracted from the OE MCM. This information was further analyzed to:
 - (a) Ensure a discrete driver representing either a particular asset, series of assets or mission was applied to each project or;
 - (b) A general OE percentage driver was used when the project's outcome was expected to benefit all inventory and/or agency needs.
 - 3) Mission cost results/application - Once the project drivers were extracted from the OE MCM, they were applied to the total AC&I BA levels derived from the agency's enacted Appropriation Bill in the FY 2006 AC&I MCM. The total allocated mission percentages from the AC&I MCM were then applied to the total AC&I 2006 obligations as reported from the CAS as of September 30,2006 (see Attachment C).
- **Research, Development, Test & Evaluation (RDT&E)** – RDT&E is a no-year appropriation where funding, once appropriated, may be obligated indefinitely in the future until all balances are expended. The methodology used to develop the drug-funding estimate is similar to AC&I in that drug-funding costs are based on an analysis of each project. The program/mission area percentages are based upon subject matter expert review.

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2006 DRUG CONTROL FUNDS
6B. ASSERTIONS**

(2) Drug Methodology (cont.)

- 1) RDT&E Mission Cost Model – was developed based on data feeds from the FY 2006 OE/RT MCM model as related in earlier OE and AC&I statements. The following data sets were than required to complete the RDT&E MCM:
- 2) Drug related percentage – The percentage spread for each driver was extracted from the OE MCM. This information was further analyzed to:
 - a) Ensure a discrete driver representing either a particular asset, series of assets or mission was applied to each project or;
 - b) A general OE percentage driver was used when the project's outcome was expected to benefit all inventory and/or agency needs.
- 3) Mission cost results/application - Once the project drivers were extracted from the OE MCM, they were applied to the total RDT&E BA levels derived from the agency's enacted Appropriation Bill in the FY 2006 RDT&E MCM. The total allocated mission percentages from the RDT&E MCM were than applied to the total RDT&E 2006 obligations as reported from the CAS as of September 30,2006 (See Attachment D). BA data is derived from the agency's enacted Appropriation and expenditure data is extracted from a Finance and Procurement Desktop (FPD) transaction summary report by project. This revised application from previous year's methodology better defines the current state of Coast Guard operations and the management of it's personnel and asset inventories.

Other Estimation Methods - Where the MCM allocates a percentage of time/effort expended to a given AC&I project/line item, in some cases changes were made to better represent the drug costs associated. As noted in the AC&I and the RDT&E methodology, experienced professional judgment is sometimes used to change a driver based on specific knowledge that a resource will be used differently than the historical profile indicates. An example of this would be in the change in the allocation of resource hours associated with a new Great Lakes icebreaker. In the past, icebreakers have dedicated a majority of their annual resource hours to ice breaking with the remainder of the annual resource hours being allotted to environmental response. The new icebreaker is being designed as more of a multi-mission asset that will be tasked with aids to navigation, marine safety, and search and rescue and aids to navigation missions in addition to its ice breaking activities. This change requires that the MCM allocation for this resource be manually adjusted, based on professional judgment, to reflect the change in the planned operating profile for the new icebreaker.

Financial Systems – Data is derived from CAS, ELC, Coast Guard Yard systems. No other financial systems or information are used in developing program or mission area allocations.

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
ANNUAL ACCOUNTING OF
FY 2006 DRUG CONTROL FUNDS
6B. ASSERTIONS**

- (3) Application of Drug Methodology** - The methodology disclosed in this section was the actual methodology used to generate the table required by Section 6A. Documentation on each decision unit is provided.
- (4) Reprogrammings or Transfers** -- No reprogrammings or transfers of drug related budget resources in excess of the ONDCP's \$5 million threshold occurred during FY 2006.
- (5) Fund Control Notices** – The FY 2006 data presented herein is associated with obligations reported in Coast Guard's FY 2006 financial plan that fully complies with all Fund Control Notices issued by the Director under 21 U.S.C. Section 1703(f) and Section 8 of ONDCP Circular, Budget Execution, dated April 18,2003.

**OPERATING EXPENSES (OE)
MISSION COST MODEL OUTPUT:**

(dollars in thousands)		
FY 2006		
	Obligations	% of total
1. Search and Rescue (SAR)	579,880	10.67%
2. Marine Safety (MS)	526,844	9.70%
3. Aids to Navigation (ATON)	900,740	16.58%
4. Ice Operations (IO)	86,337	1.59%
5. Marine Environmental Protection (MEP)	132,420	2.44%
6. Living Marine Resources (LMR)	490,779	9.03%
7. Drug Interdiction	752,188	13.84%
8. Other Law Enforcement (OTH-LE)	68,952	1.27%
9. Migrant Interdiction	317,441	5.84%
10. Ports, Waterways & Coastal Security (PWCS)	1,206,508	22.20%
11. Defense Readiness	371,500	6.84%
Total OE Obligations	\$ 5,433,589	100%

**RESERVE TRAINING (RT)
MISSION COST MODEL OUTPUT:**

(dollars in thousands)		
FY 2006		
	Obligations	% of total
1. Search and Rescue (SAR)	12,354	10.67%
2. Marine Safety (MS)	11,224	9.70%
3. Aids to Navigation (ATON)	19,189	16.58%
4. Ice Operations (IO)	1,840	1.59%
5. Marine Environmental Protection (MEP)	2,821	2.44%
6. Living Marine Resources (LMR)	10,456	9.03%
7. Drug Interdiction	16,025	13.84%
8. Other Law Enforcement (OTH-LE)	1,469	1.27%
9. Migrant Interdiction	6,763	5.84%
10. Ports, Waterways & Coastal Security (PWCS)	25,702	22.20%
11. Defense Readiness	7,914	6.84%
Total OE Obligations	\$ 115,757	100%

**ACQUISITION, CONSTRUCTION and IMPROVEMENTS
MISSION COST MODEL OUTPUT:**

		(dollars in thousands) FY 2006	
		Obligations	% of total
1.	Search and Rescue (SAR)	100,434	11.87%
2.	Marine Safety (MS)	22,192	2.62%
3.	Aids to Navigation (ATON)	30,227	3.57%
4.	Ice Operations (IO)	4,662	0.55%
5.	Marine Environmental Protection (MEP)	15,679	1.85%
6.	Living Marine Resources (LMR)	135,847	16.06%
7.	Drug Interdiction	264,700	31.28%
8.	Other Law Enforcement (OTH-LE)	19,137	2.26%
9.	Migrant Interdiction	94,803	11.20%
10.	Ports, Waterways & Coastal Security (PWCS)	112,453	13.29%
11.	Defense Readiness	45,988	5.44%
Total OE Obligations		\$ 846,122	100%

**RESEARCH, DEVELOPMENT, TEST and EVALUATION
MISSION COST MODEL OUTPUT:**

			(dollars in thousands) FY 2006	
			Obligations	% of total
1.	Search and Rescue (SAR)		1,612	9.21%
2.	Marine Safety (MS)		3,025	17.28%
3.	Aids to Navigation (ATON)		2,757	15.75%
4.	Ice Operations (IO)		86	0.49%
5.	Marine Environmental Protection (MEP)		6,374	36.40%
6.	Living Marine Resources (LMR)		489	2.79%
7.	Drug Interdiction		900	5.14%
8.	Other Law Enforcement (OTH-LE)		132	0.75%
9.	Migrant Interdiction		317	1.81%
10.	Ports, Waterways & Coastal Security (PWCS)		1,447	8.26%
11.	Defense Readiness		370	2.11%
Total OE Obligations			\$ 17,509	100%

Additional Information and Copies

To obtain additional copies of this report, call the Office of Inspector General (OIG) at (202) 254-4199, fax your request to (202) 254-4305, or visit the OIG web site at www.dhs.gov/oig.

OIG Hotline

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to department programs or operations:

- **Call our Hotline at 1-800-323-8603;**
- **Fax the complaint directly to us at (202) 254-4292;**
- **Email us at DHSOIGHOTLINE@dhs.gov; or**
- **Write to us at:**
 - DHS Office of Inspector General/MAIL STOP 2600, Attention:**
 - Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410,**
 - Washington, DC 20528.**

The OIG seeks to protect the identity of each writer and caller.