

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

Independent Review of the U.S. Customs and Border
Protection'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 FY 2011 Drug Control Obligations and related disclosures of the U.S. Customs and Border Protection (CBP) 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. CBP's management prepared the Table of FY 2011 Drug Control Obligations and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007 (the Circular). Based on the review, nothing came to KPMG LLP's attention that caused them to believe that the Table of FY 2011 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 management's assertions are not fairly stated, in all material respects, based on the criteria set forth in the Circular. KPMG LLP is responsible for the attached independent accountants' report dated January 23, 2011, and the conclusions expressed in the report. We do not express an opinion on the Table of FY 2011 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 FY 2011 Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) Customs and Border Protection (CBP) for the year ended September 30, 2011. We have also reviewed the accompanying management's assertions for the year ended September 30, 2011. CBP's management is responsible for the preparation of the Table of FY 2011 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 FY 2011 Drug Control Obligations, related disclosures, and management's assertions. Accordingly, we do not express such an opinion.

Management of CBP prepared the Table of FY 2011 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 FY 2011 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 CBP, 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 23, 2012



**U.S. Customs and
Border Protection**

JAN 23 2012

Mr. R. Gil Kerlikowske
Director, Office of National Drug Control Policy
Executive Office of the President
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Kerlikowske:

The enclosed documents are the U.S. Customs and Border Protection (CBP) Fiscal Year (FY) 2011 Detailed Accounting Submission on National Drug Control Funding. In FY 2011, CBP reported direct obligations of approximately \$2,199 million.

If we may offer further assistance, please contact me at (202) 344-2300, or a member of your staff may contact Mr. Keith Bratt at (202) 344-2472.

Respectfully,

A handwritten signature in blue ink that reads "Deborah J. Schilling".

Deborah J. Schilling
Chief Financial Officer
U.S. Customs and Border Protection

Enclosures

**U.S. DEPARTMENT OF HOMELAND SECURITY
U.S. CUSTOMS AND BORDER PROTECTION
Detailed Accounting Submission of FY 2011 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2011 Drug Control Obligations

(Dollars in Millions)	
	FY 2011
Drug Resources by Budget Decision Unit and Function	
Salaries & Expenses	
Intelligence	\$262.307
Interdiction	\$1,492.675
Total, Salaries and Expenses	\$1,754.982
Air & Marine Operations	
Intelligence	\$113.900
Interdiction	\$331.022
Total, Air & Marine Operations	\$444.922
Total Obligations	\$2,199.904
High Intensity Drug Traffic Area (HIDTA)	
Intelligence	\$0.009
Interdiction	\$0.245
HIDTA Total	\$0.254

1. Drug Methodology

U.S. Customs and Border Protection (CBP) is a multi-mission bureau that calculates obligations, by budget decision unit and function, pursuant to an approved drug methodology. On the basis of past practice, five organizations within CBP: the U.S. Border Patrol (USBP) and the Offices of Field Operations (OFO); Information Technology (OIT); Training and Development (OTD); and Air and Marine (OAM), were provided with guidance on preparing submissions for the Fiscal Year (FY) 2011 annual reporting of drug control obligations. USBP, OAM, OIT, OTD, and OFO were asked to estimate what portion of their activities is related to drug enforcement. The aforementioned portions are based on the expert opinions of operational and programmatic staff from the offices.

All five organizations identified resources in their financial plans that support the drug enforcement mission of the agency. OIT, OFO, USBP, and OAM attribute their resources to both intelligence and interdiction functions; while OTD attributes its resources solely to interdiction.

U.S. BORDER PATROL

USBP is responsible for controlling almost 6,000 miles of land borders between ports of entry with Canada and Mexico and nearly 2,700 miles of coastal waters surrounding the Florida Peninsula and Puerto Rico. As of September 2011, there were 21,444 Border Patrol agents assigned to the mission of detecting and apprehending illegal entrants between the ports of entry. These illegal entries include aliens and drug smugglers, potential terrorists, wanted criminals, and persons seeking to avoid inspection at the designated ports of entry due to their undocumented status. It has been determined that nationwide, 15 percent of the total agent time is related to drug activities. Of the 15 percent of total agent time related to drug activities, 3.5 percent of agents' efforts are related to intelligence and 96.5 percent are related to drug interdiction based on a historical review of Border Patrol agents' time. These activities include staffing 35 permanent border traffic checkpoints nationwide with 905 canine units trained in the detection of humans and certain illegal drugs that are concealed within cargo containers, truck trailers, passenger vehicles, and boats. In addition, agents perform line watch functions in targeted border areas that are frequent entry points for the smuggling of drugs and people into the United States.

OFFICE OF FIELD OPERATIONS

The Office of Cargo Conveyance and Security/Non-Intrusive Inspection Division of the OFO estimates that, as of September 2011, there were 5,108 CBP officer positions related to drug enforcement on Anti-Terrorism Contraband Enforcement Teams (A-TCET). The A-TCET also works closely with the Passenger Enforcement Rover Team (PERT) and Passenger Analytical Unit (PAU) teams to coordinate all enforcement activities. Although the primary mission of A-TCET teams is anti-terrorism, they also focus on all types of contraband, including narcotics. Of OFO's resources related to drug activities, 17 percent are related to intelligence and 83 percent are related to drug interdiction. The smuggling methods and their indicators are similar for both narcotics and anti-terrorism activities.

As of September 2011, there were 629 Canine Enforcement Officers with assigned dogs. Among the dogs paired with an officer, 142 were Narcotics Detection Teams, and 325 Narcotics/Human Smuggling Detection Teams. 100 percent of the efforts of these teams were devoted to smuggling interdiction.

As of September 2011, there were 14,766 other CBP officers, who, in addition to the interdiction of contraband and illegal drugs, enforced hundreds of laws and regulations of many other Federal government agencies. The other Federal agencies include the U.S. Fish and Wildlife Service; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the Bureau of Export Administration; and many others. CBP estimates that roughly 30 percent of these officers' time is devoted to drug-related activities based on a historical review of officers' time.

OFFICE OF INFORMATION TECHNOLOGY

OIT supports the drug enforcement mission through the acquisition, support, and maintenance of technology, such as non-intrusive inspection systems and mission critical targeting software systems. Of OIT's spending, 30 percent of the Enforcement Technology Center; 25 percent of Automated Targeting Systems (Passenger, Narcotics, and Anti-Terrorism) systems software costs, 50 percent of the Treasury Enforcement Communications System (TECS); and 10 percent of data center operations costs are estimated to support the drug mission. Of the percent of OIT's resources related to drug activities, 44 percent are related to intelligence and 56 percent are related to drug interdiction.

OFFICE OF TRAINING AND DEVELOPMENT

OTD provides courses which are funded via the National Training Plan (NTP). Specific training programs involving drug control activities include the canine training programs and basic, specialized, and advanced training for CBP Officers. Other OTD resources were attributed to drug enforcement activities based on the diverse nature of OTD's programs, such as anti-terrorism, development of national programs, career development, leadership, new course design/development, and succession management for the workforce. OTD's methodology evaluates the number of course hours dedicated to drug interdiction within the NTP and for each course compares drug interdiction course hours against total course hours to determine the percentage for drug interdiction.

OFFICE OF AIR & MARINE OPERATIONS

OAM is a critical component of CBP' border security layered enforcement strategy. With more than 1,266 law enforcement personnel operating 270 aircraft and 301 marine vessels from 119 locations throughout the United States, OAM conducts a broad range of operations and supports multiple operational objectives. OAM also supports Federal, state, local, and tribal law enforcement partners. OAM uses its sophisticated and integrated air and marine fleets to detect, sort, track, intercept, and apprehend criminals in diverse environments at and beyond U.S. borders. Approximately 90 percent of the resources that support OAM are considered to be drug-related, of which approximately 26 percent are related to intelligence, and 74 percent are related to drug interdiction based on a historical review of pilots' time.

2. Methodology Modifications

The drug control methodology for obligations used in FY 2011 remained the same as the methodology used in FY 2010.

3. Material Weaknesses or Other Findings

Pursuant to CBP's FY 2011 Internal Control Assurance Statement, the following financial weaknesses, reportable conditions, or non-conformance could affect the reporting of drug control budget obligations.

Reporting Pursuant to the Department of Homeland Security (DHS) Financial Accountability Act. P.L 108-330:

a. Budgetary Accounting – Reportable Condition

CBP implemented policies and procedures requiring timely review and deobligations of funds when contracts have expired or are complete. These procedures were implemented during mid FY 2011, and consequently did not resolve the finding for all of FY 2011. The review and deobligation of completed contracts has significantly improved, and we will be monitoring its effectiveness through FY 2012.

Reporting Pursuant to Federal Managers' Financial Integrity Act Section 4. 31 U.S.C. 3512 (d)(2)(B):

a. Financial Systems Security - Non-Conformance of Applicable Laws/DHS Directives

The DHS OIG has noted that there continues to be Information Technology (IT) general and application control weaknesses at CBP. During FY 2011, 4 IT findings issued in the FY 2010 Financial Statement Audit were closed, though 17 new IT findings were issued. CBP has developed a corrective action plan for each finding issued and will continue implementing corrective actions until each finding is remediated.

4. Reprogrammings or Transfers

There are no reprogrammings or transfer to report for FY 2011.

5. Other Disclosures

There are no other disclosures that CBP has determined are necessary to clarify any issues regarding the data reported under Office of National Drug Control Policy (ONDCP) Circular, Drug Control Accounting, dated May 1, 2007, Section (6)(b)(1).

B. Assertions

1. Obligations by Budget Decision Unit

Not Applicable - As a multi-mission agency, CBP is exempt from reporting under this section as noted in the ONDCP Circular, Drug Control Accounting, Section 6 (b) (1), dated May 1, 2007.

2. Drug Methodology

CBP asserts that the methodology used to estimate drug enforcement related obligations is reasonable and accurate. The criteria associated with this assertion are as follows:

a. Data

The estimate of drug enforcement related obligations is based on the methodology described in section A.1 above, and presents a fair and accurate picture of the CBP drug enforcement mission.

b. Other Estimation Methods

As referenced in section A.1, program offices used expert opinion to determine drug budget methodologies. Intelligence and interdiction levels were established and computed based upon the professional judgment of the programs. The drug control budget program totals and the percentage of resources related to drug enforcement activities were calculated by expert opinion.

c. Financial Systems

CBP's financial systems are capable of providing data that fairly present, in all material respects, aggregate obligations. The drug methodology described in section A.1 above is used to estimate what portion of these obligations may reasonably be considered to be associated with drug enforcement related activities.

3. Application of Drug Methodology

The methodology described in section A.1 above was used to prepare the estimates contained in this report.

4. Reprogrammings or Transfers

Pursuant to 21 U.S.C. 1703 (c)(4)(A), the ONDCP Circular on Budget Execution (revised May 1, 2007) prohibits agencies from submitting to Congress reprogramming or transfer requests that would result in a decrease or increase of \$1 million or more in funding included in the National Drug Control Program budget without obtaining prior approval from the Director of National Drug Control Policy. CBP did not submit a reprogramming that affected the drug control budget during FY 2011.

5. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2011.

Report Distribution

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
Deputy Chief of Staff
General Counsel
Executive Secretariat
Director, GAO/OIG Liaison Office
Assistant Secretary for Office of Policy
Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs
Chief Financial Officer
Chief Information Officer

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Office of National Drug and Control Policy

Associate Director for Planning and Budget

United States Coast Guard

Commandant
Chief Financial Officer
Chief Information Officer

Congress

Congressional Oversight and Appropriations Committees, as appropriate

ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this report, please call the Office of Inspector General (OIG) at (202)254-4100, fax your request to (202)254-4305, or e-mail your request to our OIG Office of Public Affairs at DHS-OIG.OfficePublicAffairs@dhs.gov. For additional information, visit our OIG website at www.oig.dhs.gov or follow us on Twitter @dhsOIG.

OIG HOTLINE

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

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

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