



# Department of Homeland Security Office of Inspector General

## Independent Review of the U.S. Immigration and Customs Enforcement's Reporting of FY 2010 Drug Control Obligations





**Homeland  
Security**

JAN 26 2011

### 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 fiscal year ended September 30, 2010, 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, 2010, 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, 2011, 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 blue ink that reads "Anne L. Richards".

Anne L. Richards  
Assistant Inspector General for Audits



**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036-3389

## **Independent Accountants' Report**

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, 2010. We have also reviewed the accompanying management's assertions for the year ended September 30, 2010. 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.

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, 2010, are not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting* (May 1, 2007), or that (2) management's assertions referred to above are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting* (May 1, 2007).

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, 2011

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

Mr. John Shiffer  
Department of Homeland Security  
Director of Financial Management  
Office of the Inspector general  
1120 Vermont Avenue NW, 10<sup>th</sup> Floor  
Washington, D.C. 20005

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 2010 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 black ink that reads "Lisa Macecevic". The signature is written in a cursive style.

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

**Department of Homeland Security  
U.S. Immigration and Customs Enforcement  
Detailed Accounting Submission of Drug Control Funds during FY 2010**

**A. Table of Prior Year Drug Control Obligations**

	(In Millions) <b>FY 2010 Final</b>
<b>Drug Resources by Budget Decision Unit and Function:</b>	
<b>Salaries and Expense</b>	
Investigations	\$453.949
International	\$5.482
Intelligence: Domestic	\$10.577
Intelligence: International	<u>\$0.648</u>
<b>Total Salaries and Expense</b>	<u>\$470.656</u>
<b>Total Funding</b>	<u>\$470.656</u>
High Intensity Drug Trafficking Area (HIDTA) Transfer	\$1.173

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: Office of Investigations (OI), Office of International Affairs (OIA) and the Office of Intelligence.

**Domestic Investigations Program**

- The methodology for the OI 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 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 2010, the actual percentage for OI was 27.66%. To calculate a dollar amount, this percentage is applied to actual obligations incurred by OI against budget authority gained in FY 2010 and excludes reimbursable authority. The Federal Financial Management System (FFMS) is the system used to generate the actual obligations incurred.

### **International Affairs Programs**

- The methodology for the OIA 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 TECS. Following the close of the fiscal year, a report in 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 OIA, the actual percentage of hours that were counter-narcotics related was 4.9 % in FY 2010. To calculate a dollar amount, this percentage was applied to actual obligations incurred by OIA, excluding reimbursable authority, against budget authority gained in FY 2010 of \$110.9 million resulting in \$5.48 million of counter-narcotics obligations. The FFMS is the system used to generate the actual obligations incurred.

### **Intelligence Program**

- The methodology for the Office of 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 TECS. Following the close of the fiscal year, a report in 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 2010, 17.48% of the total case hours for Intelligence were found to be in support of drug control activities through an examination of data recorded in the Case Management System. This percentage was applied to actual obligations incurred against budget authority gained in FY 2010 by the Office of Intelligence for all activities of \$64.2 million; therefore, the narcotics share was \$11.2 million. 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 the OIA are classified as inherently international and all other customers are classified as inherently domestic. In FY 2010, 5.77% 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 2010 Internal Controls Assurance Statement, ICE noted weaknesses in its Budgetary Resource Management Processes. ICE noted that further improvements needed to be made to the monitoring and oversight of the budget management processes within the agency. ICE needs to

improve documentation and guidance, standardize policies and procedures for funds control and budgetary resource management, and continue to improve oversight at the Program execution level. In addition to the efforts implemented in FY 2010, the ICE Office of the Chief Financial Officer (OCFO) is looking at other long term solutions. Specifically, 1) OCFO is developing a real-time Status of Funds reporting functionality that will be used across ICE; 2) aligning obligation tracking responsibilities within OCFO; and 3) developing detailed Spend Plans at the Program Project Activity (PPA) level to improve fiscal management. ICE will continue to build upon its comprehensive approach towards mitigating weaknesses for budgetary resource management through improved documentations, guidance, and training.

Additionally, a material weakness related to Financial Systems Security was reported in the FY 2010 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 2010.

#### 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, 2009 and September 30, 2010. There are no other estimation methods used. The financial system used to calculate the drug-related budget obligations is the Federal Financial Management System (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.

Assertion No. 4: Reprogrammings or Transfers

No Reprogrammings or Transfers of drug-related budget resources occurred during FY 2010. The data presented are associated with obligations against a financial plan that was sent to ONDCP in FY 2010.

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 2010.



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