

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Independent Review of The U.S. Customs
and Border Protection's Reporting of
FY 2007 Drug Control Obligations**





Homeland
Security

April 18, 2008

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 Drug Control Obligations and related disclosures of the U.S. DHS' Customs and Border Protection (CBP) for the year ended September 30, 2007, for the Office of National Drug Control Policy (ONDCP). We contracted with the independent public accounting firm KPMG LLP to perform the review. Management of CBP prepared the Table of Drug Control Obligations and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. We do not express an opinion on the Table of Drug Control Obligations and related disclosures.

It is our hope that the information in this report will continue to result in 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 "Richard L. Skinner".

Richard L. Skinner
Inspector General



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Accountants' Report

Inspector General
U.S. Department of Homeland Security:

We have reviewed the accompanying Table of FY 2007 Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) U.S. Customs and Border Protection (CBP) for the year ended September 30, 2007. We have also reviewed the accompanying management's assertions for the year ended September 30, 2007. CBP's management is responsible for the Table of FY 2007 Drug Control Obligations and 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 2007 Drug Control Obligations and related disclosures and management's assertions. Accordingly, we do not express such an opinion.

Management of CBP prepared the Table of FY 2007 Drug Control Obligations and 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 FY 2007 Drug Control Obligations and related disclosures for the year ended September 30, 2007 is 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 CBP, the 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

February 11, 2008

DEPARTMENT OF HOMELAND SECURITY
 CUSTOMS AND BORDER PROTECTION
 Annual Reporting of FY 2007 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2007 Drug Control Obligations

(Dollars in Thousands)

<u>Drug Resources by Drug Control Function:</u>	<u>FY 2007</u>
Intelligence	\$256,392
<u>Interdiction</u>	<u>\$1,308,094</u>
TOTAL	\$1,564,486
<u>Drug Resources by Budget Decision Unit:</u>	
Salaries and Expenses	\$1,226,988
<u>Air & Marine Operations</u>	<u>\$337,498</u>
TOTAL	\$1,564,486

1. Drug Methodology

Customs and Border Protection (CBP) is a multi-mission bureau, and 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 Offices of: Border Patrol; Field Operations; Information Technology; Training and Development; and Air and Marine were provided with guidance on preparing estimates for the FY 2007 annual reporting of drug control funds. These offices were asked to estimate, on the basis of their expert opinion, what portion of their activities is related to drug enforcement. In addition, these organizations were also asked to only provide data for obligations against budget authority that became available in FY 2007.

All five organizations identified resources in their financial plans that support the drug enforcement mission of the agency. Each office also attributes resources to both the intelligence and interdiction functions.

OFFICE OF BORDER PATROL

There are over 14,900 Border Patrol agents that are assigned the mission of detecting and apprehending illegal entrants between the ports-of-entry along the over 8,000 miles of land and coastal border. 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, thus preventing their illegal entry. It has been determined that 15 percent of the total agent time nationwide is related to drug interdiction activities. These activities include staffing 34 permanent border traffic checkpoints nationwide including 584 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 Office of Field Operations estimates that, as of September 2007, there were 3,941 CBP Officer positions that are related to drug enforcement called Enforcement Team Officers. In August 2003, CBP established a Consolidated National Inspectional Anti-Terrorism Contraband Enforcement Team (A-TCET) Policy. Under A-TCET, the former Contraband Enforcement Team (CET), Manifest Review Unit (MRU), Non-Intrusive Inspection, Canine, and Outbound teams were united to form a single enforcement team, 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 the A-TCET teams is anti-terrorism, A-TCETs also focus on all types of contraband, including narcotics. It is estimated that 69 percent of the A-TCET is devoted to drug enforcement. The smuggling methodologies and their indicators are believed to be similar for both narcotics and anti-terrorism activities.

As of September 2007, there was a total of 583 Canine Enforcement Officers. Included in the total were 271 Narcotics Detection Teams, 10 Currency Detection Teams and 185 Narcotics/Concealed Human Detection Teams that were nearly 100 percent devoted to smuggling interdiction. Also included in the total, but not scored for narcotics enforcement are 91 Agricultural Teams, and 26 Explosive Detection Teams.

As of September 2007, the Office of Field Operations (OFO) also had oversight for 13,685 other CBP Officers that in addition to the interdiction of contraband and illegal drugs enforce hundreds of laws and regulations of many other Federal government agencies. For example, these agencies include the U.S. Fish and Wildlife Service, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the Bureau of Export Administration among many others. CBP subject matter experts estimate that roughly 30 percent of these officers' time is devoted to drug-related activities.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology (OIT) supports the drug enforcement mission through the acquisition, and support and maintenance of technology, such as non-intrusive inspection systems and mission critical targeting software systems. Of OIT's spending, 30 percent of base 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 in support of the drug mission.

OFFICE OF TRAINING AND DEVELOPMENT

The Office of Training and Development (OTD) arrived at its estimates by reviewing all courses conducted to determine if the course contained drug enforcement related material. If the course was found to contain drug related material, the funding attributed to the course was then multiplied by the drug content percentage based on the drug budget methodology. Other resources were attributed to drug enforcement activities at a rate of 31 percent based on the diverse nature of OTD's programs such as anti-terrorism, career development, and transition training of the legacy workforce.

OFFICE OF AIR & MARINE OPERATIONS

CBP Air's core competencies are air and marine interdiction, air and marine law enforcement, and air domain security. In this capacity, CBP Air and Marine targets the conveyances that illegally transport narcotics, arms, and aliens across our borders and in

the Source, Transit and Arrival Zones. In support of Source and Transit Zone interdiction operations, the CBP Air and Marine P-3 Program has dedicated a minimum of 7,200 hours a year in support of Joint Interagency Task Force – South. Due to serious maintenance issues for the past year many of the P-3 aircraft were parked pending repairs. A&M was still able to complete 5,400 (75%) hours with only 25% of assets available. This added additional flight hours per aircraft, reducing the life-time before a SLEP must be accomplished. An extensive SLEP program is currently underway and all the P-3 aircraft should be fully functional by the 4th quarter of fiscal year 2008.

Although 90 percent of the resources that support CBP Air and Marine are considered to be drug-related, since September 11, 2001, Air and Marine has steadily increased its support to counter-terrorism by developing a more cohesive and integrated response to national security needs as well as more emphasis on illegal immigration. Currently, Air and Marine is dedicating significant assets and personnel in support of Operation HALCON – a US/Mexico interdiction initiative, and support to the Office of Border Patrol in Southwest Border illegal alien intervention.

2. Methodology Modifications

There were no methodology modifications since last year. As mentioned above the percentages are, in large part, based on expert opinion.

Last year's Office of Information and Technology submission used 50% of base of the Enforcement Technology Center, 100% of ATS-Narcotics systems software costs, 50% of the Treasury Enforcement Communications System (TECS) and ATS-Passenger Costs and 10% of data center operations costs as being dedicated to drug enforcement. In this submission, these percentages are 30% of base of the Enforcement Technology Center, 25% of Automated Targeting Systems (Passenger, Narcotics and Anti-Terrorism) systems software costs, 50% of the Treasury Enforcement Communications System (TECS) and ATS-Passenger Costs and 10% of data center operations costs. If last year's percentages had been used, Customs obligation estimate would have increased by \$50 million.

In FY 2007, OFO's subject matter experts (SME) changed the percent of drug resources attributable to positions dedicated to its Enforcement Team Officers from 85% in FY 2006, to 69% in FY 2007. Enforcement Team Officers are CBPOs who are part of Anti-terrorism Contraband Enforcement Teams (A-TCETs), which include the former Contraband Enforcement Teams (CETs), Manifest Review Units (MRUs), Passenger Enforcement Rover Teams (PERTs) and Passenger Analytical Units (PAUs).

The change to 69% for CBP Officer's working on Enforcement Teams has resulted in a decrease of \$78.6 million from the old methodology that used 85%. This total reduction includes an impact on the base (\$49.6 M) as well as the initiatives (\$29.0 M). The impact on the initiatives is due to the diminished weighting (i.e., 69% versus 85%) applied to the congressional initiative that appropriated \$181.8 million in FY 2007 for the purchase, deployment and operations for non-intrusive inspectional (NII) systems, including the personnel needed to operate the NII systems.

Overall, these changes decrease the CBP obligation estimates in this submission by \$128.6 million. We believe that this estimate fairly characterizes our efforts and provides a better estimate.

3. Material Weakness or Other Findings

Core Financial Systems: This material weakness was first reported in 1993 when it was noted that agency core financial systems were not integrated and did not provide certain financial information for managing operations. The implementation of Systems, Applications, and Products (SAP) addressed a number of the issues under this weakness.

Financial Systems Security: In the Fiscal Year 2005 DHS Financial Statements Audit Report, auditors expanded this DHS material weakness to include IT and financial system control weaknesses in addition to weaknesses in CBP security controls affecting headquarters and the National Data Center management and staff's system access to CBP applications and data (formerly Financial Systems Functionality and Technology).

4. Reprogramming or Transfers

There are no reprogrammings or transfers that affected drug-related budgetary resources.

5. Other Disclosures

There are no other disclosures as we feel are necessary to clarify any issues regarding the data reported under this circular.

B. Assertions

1. Drug Methodology

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

a. Data

The estimate of drug enforcement related costs 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 Estimate Methods

There are no other estimation methods that are used as part of the drug methodology.

c. Financial Systems

CBP's financial systems (SAP) 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.

2. Application of Methodology

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

3. Reprogramming or Transfers

No changes were made to CBP's Financial Plan that required ONDCP approval per the ONDCP Circular dated May 1, 2007.

4. Fund Control Notices

The data presented are associated with obligations against the financial plan that fully complied with the Fund Control Notice issued by the Director of The Office of National Drug Control Policy on September 21, 2006. The Director for ONDCP lifted the Notice on December 6, 2006.

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