

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

Independent Review of the U.S. Coast Guard's  
Reporting of FY 2011 Drug Control Performance  
Summary Report





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 Performance Summary Report of the U.S. Coast Guard for the year ended September 30, 2011, for the Office of National Drug Control Policy. We contracted with the independent public accounting firm KPMG LLP to perform the review. The U.S. Coast Guard prepared the Performance Summary Report and management assertions to comply with requirements of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007. 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 Performance Summary Report and management's assertions.

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 Performance Summary Report of the U.S. Department of Homeland Security's (DHS) United States Coast Guard (USCG) for the year ended September 30, 2011. We have also reviewed the accompanying management's assertions for the year ended September 30, 2011. USCG's management is responsible for the Performance Summary Report 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 Performance Summary Report and management's assertions. Accordingly, we do not express such an opinion.

Management of USCG prepared the Performance Summary Report 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 Performance Summary Report for the year ended September 30, 2011, is 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 management of DHS and USCG, 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

U.S. Department of  
Homeland Security

United States  
Coast Guard



Commandant  
United States Coast Guard

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7110  
January 17, 2012

Mr. John D. 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: *Annual Accounting of Drug Control Funds* dated May 1, 2007, enclosed is the Coast Guard's final FY 2011 Performance Summary Report.

If you require further assistance on this information, please contact LCDR Timothy Meyers, 202-372-1340.

Sincerely,

A handwritten signature in black ink, appearing to read "C.S. Swirbliss".

C. S. SWIRBLISS  
Captain, U.S. Coast Guard  
Chief, Office of Performance Management &  
Assessment

Enclosure (1) FY 2011 Performance Summary Report

Copy: DHS Budget Office

## **Drug Budget**

**United States Department of Homeland Security**

**United States Coast Guard**

**Performance Summary Report FY 2011**

**I. PERFORMANCE INFORMATION**

**Decision Units: Primary Outcome Measure**

**NOTE:** *Although the Coast Guard appropriation is apportioned along budget decision unit lines (i.e., Acquisitions, Construction & Improvements (AC&I), Operating Expenses (OE), Research Development Testing and Evaluation (RDT&E), and Reserve Training (RT)), the Coast Guard does not manage performance along decision unit lines. This is impractical due to the multi-mission performance of our assets, which transcends budget decision units.*

The Coast Guard’s drug interdiction performance is best summarized by the lead outcome measure of the program. This measure is the central focus of its Performance Summary Report. The Coast Guard Maritime Law Enforcement Program has a suite of metrics that support the lead outcome measure. The lead outcome measure and its supporting metrics suite were validated during a 2007 Office of Management and Budget (OMB) Program Assessment and Rating Tool (PART) Evaluation. In FY 2009, the Coast Guard transitioned the methodology by which it calculates its primary outcome measure as recommended by the 2007 Independent Program Evaluation by the Center for Naval Analyses. The Coast Guard transitioned from the Interagency Assessment of Cocaine Movement (IACM) to the Consolidated Counter Drug Database (CCDB) as the authoritative source for estimating illicit drug flow through the transit zone. The change in methodology permits the Coast Guard to evaluate its performance on a quarterly basis. Historically, CCDB cocaine movement estimates are higher than the IACM because it includes all confidence maritime flow (IACM does not count low confidence data), which translates to a lower performance result for cocaine removal rate. Additionally, DHS leadership reviewed and approved this metric as a Coast Guard Management metric in 2010. This metric is included as part of the Coast Guard’s annual budget submission.

**Measure:** Cocaine Removal Rate (Removal rate for cocaine from non-commercial vessels in the maritime transit zone (CCDB)).

**Table 1:** Cocaine Removal Rate

<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Actual</b>	<b>FY 2011 Actual</b>	<b>FY 2011 Target</b>	<b>FY 2012 Target</b>
<b>16.6%</b>	<b>13.2%</b>	<b>15.0%</b>	<b>13.5%</b>	<b>11.6%</b>	<b>15.5%</b>	<b>16.5%</b>

(1) Describe the measure. In doing so, provide an explanation of how the measure (a) reflects the purpose of the program, (b) contributes to the *National Drug Control Strategy*, and (c) is used by management of the program. This description should include sufficient detail to permit non-experts to understand what is being

measured and why it is relevant to the agency's drug control activities.<sup>1</sup>

The goal of the Coast Guard's Drug Interdiction program is to reduce the supply of illegal drugs within the United States by denying smugglers the use of air and maritime routes by projecting an effective law enforcement presence in and over the six million square mile transit zone of the Caribbean Sea, the Gulf of Mexico and the Eastern Pacific Ocean. The Coast Guard's primary outcome measure, the Cocaine Removal Rate, indicates how effective the program is at disrupting the flow of cocaine traveling via non-commercial maritime means toward the United States. The more cocaine bound for the United States that the Coast Guard removes, the less supply of cocaine available within the United States. The cocaine removal rate is calculated by dividing the total amount of cocaine removed (drugs interdicted, jettisoned, scuttled) by the Coast Guard by the total estimated non-commercial maritime movement of cocaine towards the United States. Both of these assessments are captured and validated in the CCDB.

The 2010 *National Drug Control Strategy* maintains the interagency, transit zone removal rate goal for cocaine at 40% by 2015; a goal originally set in the 2007 *National Drug Control Strategy*. With over 80% of the cocaine moving through the transit zone via non-commercial maritime means, the national goal is achievable with a higher Coast Guard cocaine removal rate, assuming no decrease in domestic and international partner agency performance to achieve that 40% goal. Maritime Law Enforcement program managers monitor the cocaine removal rate, watching for both changes in Coast Guard removals as well as increases or decreases in flow. Any changes are diagnosed to determine the cause and to develop strategies and tactics to continue to increase the removal rate. Factors that can impact the removal rate include, but are not limited to, changing modes, tactics and routes by the drug trafficking organizations (DTOs); increased or decreased patrol effort by the Coast Guard or its drug interdiction partner agencies/nations; the availability, quality and timeliness of tactical intelligence; new or upgraded diplomatic and legal tools; and the fielding of new capabilities (National Security Cutter and HC-144A aircraft, for example).

(2) Provide narrative that examines the FY 2011 actual performance results with the FY 2011 target, as well as prior year actual results. If the performance target was not achieved for FY 2011, the agency should explain why this is the case. If the agency has concluded it is not possible to achieve the established target with available resources, the agency should include recommendations on revising or eliminating the target.

In FY 2011, there was an observed reduction in cocaine flow being smuggled through the transit zone via non-commercial means (652 Metric Tons (MT) in FY 2011 compared to 682 MT in FY 2010). Of the FY 2011 non-commercial maritime flow, the Coast Guard removed 75.5 MT of cocaine, down from its FY 2010 total of 91.8 MT. Relative to the total estimated movement of non-commercial cocaine destined to the United States in FY 2011 captured in the CCDB, the Coast Guard removed 11.6% of this estimated flow, falling short of its target of 15.5%. Comparatively, the Coast Guard's cocaine removal rate was 13.5% in FY 2010.

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<sup>1</sup> Requirements 1 through 4 in this section are drawn from the Office of National Drug Control Policy Circular: Drug Control Accounting, dated May 1, 2007.

Although the total number of Coast Guard interdiction and disruption events (for all drugs) increased slightly in FY 2011 (122 in FY 2010 to 129 in FY 2011), the number of Coast Guard cocaine removal events dropped in FY 2011 (97 in FY 2010 to 90 in FY 2011). Reduced availability of surface and air (detection and interdiction) assets continued to hinder counter-drug mission performance in the drug transit zone. The advancing age of the Coast Guard's cutter fleet leads to increased unscheduled maintenance days and casualties, reducing the number of deployable assets available to support Joint Interagency Task Force South (JIATF-S). Through the 2011 Department of Homeland Security (DHS) Statement of Intent, the Coast Guard planned to provide 2,190 cutter days and 4,700 Maritime Patrol Aircraft (MPA) hours to JIATF-S, but was only able to provide 1,823 cutter days and 4,416 MPA hours for FY 2011 or approximately 83% of intended cutter days and 94% of intended MPA hours.

In addition to reduced asset and resource availability, the following also contributed to the Coast Guard missing its FY 2011 Cocaine Removal Rate target:

- Smaller average load size per Coast Guard cocaine removal event (839 kg in FY 2011 compared to 946 kg in FY 2010)<sup>2</sup> and
- Increasingly sophisticated and evolving Transnational Criminal Organization tactics (e.g. greater use of self-propelled semi- and fully-submersibles).

(3) The agency should describe the performance target for FY 2012 and how the agency plans to meet this target. If the target in FY 2011 was not achieved, this explanation should detail how the agency plans to overcome prior year challenges to meet targets in FY 2012.

The Coast Guard's target for FY 2012 is to remove 16.5% percent of the cocaine moving via non-commercial maritime means towards the United States. This target was developed by examining historical trends, as well as forecasting asset and resource availability along with the estimated flow of cocaine. The Coast Guard works cooperatively with other federal agencies to carry out the National Drug Control Strategy, including support for the JIATF-S counter drug detection and monitoring mission. To increase interdiction capability and capacity, the Coast Guard has several initiatives which are expected to come to fruition in FY 2012. Two National Security Cutters (BERTHOLF and WAESCHE) will be available for deployment to the JIATF-S Area of Responsibility. The Coast Guard and the U.S. Navy (USN) will continue to pursue expansion of Airborne Use of Force capability with the USN expecting to deploy AUF helicopters during nighttime operations in FY 2012 to improve the interdiction and "end game" prosecution of drug traffickers using go-fast vessels. The Coast Guard's Research and Development Center is creating a visible marking device to assist in the recovery of jettisoned contraband, facilitating an increase in actionable intelligence through additional prosecutions and more accurate load size estimates within the CCDB. The Coast Guard will continue its counter drug hidden compartment detection course at the Maritime Law Enforcement Academy in FY 2012, which will improve boarding teams' ability to investigate, search, locate, and access hidden

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<sup>2</sup> The FY 2010 Performance Summary Report discussed average cocaine load size per event—this statistic considered all Coast Guard drug removal events. Using the FY 2010 methodology, the average cocaine load size per Coast Guard drug removal event would still be on the decline (585 kg in FY 2011 compared to 753 kg in FY 2010).



compartments on suspect vessels. With go-fast type vessels remaining the primary means of conveyance by DTOs operating in and around the littorals, the Coast Guard will continue to expand its use of bilateral agreements, as well as provide training programs and engage in professional exchanges to enhance partner nation capability and to support Theater Security Cooperation initiatives. Such engagement strengthens ties with source and transit zone partner nations and increases their maritime law enforcement competency and capability throughout the transit zone. Based on its baseline of performance and the expanded capabilities mentioned, the Coast Guard expects that it can achieve its FY 2012 target.

(4) The agency should describe the procedures used to ensure performance data for this measure are accurate, complete, and unbiased in presentation and substance. The agency should also describe the methodology used to establish targets and actual results, as well as the data source(s) used to collect information.

The data used to calculate the Coast Guard's Cocaine Removal Rate is drawn from the interagency-validated CCDB. The amount of cocaine removed by the Coast Guard is the sum of all cocaine that is physically seized by Coast Guard personnel and all cocaine lost to the DTOs due to the Coast Guard's efforts. The latter amount is at times an intelligence-based estimate of the quantity of cocaine onboard a given vessel that is burned, jettisoned, or scuttled in an attempt to destroy evidence when Coast Guard presence is detected. Cocaine removals are drawn from the CCDB. Data entered into the CCDB are approved through a quarterly, interagency vetting process. Although the cocaine removals are originally reported in kilograms, the Coast Guard converts the removal to metric tons to compute the Cocaine Removal Rate. The estimated non-commercial maritime flow of cocaine towards the United States is extracted from the CCDB. All data contained in the CCDB are deemed to be as accurate, complete and unbiased in presentation and substance as possible.

At least annually, the Coast Guard's Maritime Law Enforcement Program and Deputy Commandant for Operations' Office of Performance Management and Assessment review all the assumptions that factor into the setting of its out-year targets, and makes adjustments as necessary. Revisions to the targets are reported via the Department of Homeland Security's Future Year Homeland Security Program database.

The Maritime Law Enforcement Program last updated its out-year performance targets in March 2011 in conjunction with normal target setting timelines. The key factors that drive the target setting process are the estimated out-year cocaine flow, the projected availability of Coast Guard resources (major cutters, long range MPA, Law Enforcement Detachments (LEDET) and Airborne Use of Force (AUF) helicopters), and any anticipated changes in Coast Guard capabilities, authorities, or partnerships that may impact cocaine removals.

## II. MANAGEMENT'S ASSERTIONS

The Report should include a letter in which an accountable agency official makes the following assertions regarding the information presented above:

(1) **Performance reporting system is appropriate and applied** – The agency has a

system to capture performance information accurately and that system was properly applied to generate the performance data.

The Coast Guard performance reporting system is appropriate and applied. It was reviewed in a 2007 Independent Program Evaluation by the Center for Naval Analyses and a 2007 OMB PART evaluation. Both reviews verified the appropriateness and application of the performance reporting system, and the Coast Guard has made all significant changes recommended to ensure continued validity. The metric was also reviewed and approved by DHS leadership in 2010.

**(2) Explanations for not meeting performance targets are reasonable** – The explanation(s) offered for failing to meet a performance target and for any recommendations concerning plans and schedules for meeting future targets are reasonable.

The Coast Guard did not meet its FY11 performance target. The explanations offered for failing to meet the target are reasonable. The Coast Guard's FY 2011 performance target satisfied OMB Circular A-11 guidance for establishing targets.

**(3) Methodology to establish performance targets is reasonable and applied** – The methodology described above to establish performance targets for the current year is reasonable given past performance and available resources.

The Coast Guard methodology to establish performance targets is reasonable and applied. The Coast Guard uses a quantitative and qualitative process that reviews intelligence, logistics, strategic and operational policy, capability, emerging trends, past performance, and capacity variables impacting mission performance to establish performance targets. Targets generated by the program manager are reviewed independently by performance and budget oversight offices at Coast Guard Headquarters, as well as the DHS Office of Program Analysis and Evaluation, prior to entry into budget documents and the DHS Future Year Homeland Security Program database.

**(4) Adequate performance measures exist for all significant drug control activities**

The 2007 OMB PART of the Coast Guard Drug Interdiction Program and 2007 Independent Program Evaluation by the Center for Naval Analyses validated the adequacy of Coast Guard performance measures.

The agency has established one acceptable performance measure that covers all four budget decision units for which a significant amount of obligations (\$1,000,000 or 50 percent of the agency drug budget, whichever is less) were incurred in the previous fiscal year.

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