



Department of Homeland Security Office of Inspector General

Independent Review of the U.S. Immigration and Customs Enforcement's Reporting of FY 2009 Drug Control Obligations





**Homeland
Security**

JAN 27 2010

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 U.S. Immigration and Customs Enforcement for the fiscal year ended September 30, 2009, for the Office of National Drug Control Policy. We contracted with the independent public accounting firm KPMG LLP to perform the review. U.S. Immigration and Customs Enforcement prepared the Table of Prior Year Drug Control Obligations 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, 2010, 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 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 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, 2009. We have also reviewed the accompanying management's assertions for the year ended September 30, 2009. ICE's management is responsible for the Table of Prior Year 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 Prior Year Drug Control Obligations and 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 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 Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2009 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 ICE, 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

January 20, 2010

**Department of Homeland Security
U.S. Immigration and Customs Enforcement
Detailed Accounting of Drug Control Funds during FY 2009**

A. Table of Prior Year Drug Control Obligations

	(In Millions) FY2009 Final
Drug Resources by Budget Decision Unit and Function:	
Salaries and Expense	
Investigations	\$426.122
International	\$4.687
Intelligence: Domestic Law	\$5.972
Intelligence: International	\$0.314
Total Salaries and Expense	\$437.095
Total Funding	\$437.095
HITDA Transfer	\$1.337

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, Office of International Affairs and the Office of Intelligence.

Investigations Program

- The methodology for the Office of Investigations (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. Following the close of the fiscal year, a report in Treasury Enforcement Communications System (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. Applying the percentage to the total of direct resources results in a cost allocated to drug cases. This percentage may fluctuate from year to year. For FY 2009 the percentage was 28.2%. To calculate a dollar amount, this percentage is applied to actual obligations incurred by OI against budget authority gained in FY 2009, excluding reimbursable authority.

Intelligence Program

- ICE employs the same methodology as Investigations for calculating all drug control activities within the Office of Intelligence's budget. For FY 2009, 11.85% 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 against budget authority gained in FY 2009 incurred by the Office of Intelligence for all activities of \$53.0 million; therefore, Narcotics share would be \$6.3 million.
- The Intelligence Requirement Intake System (IRIS) tracks requests for intelligence work by customer. Requests made by the Office of International Affairs (OIA) are classified as inherently international and all other customers are classified as inherently domestic. In FY 2009, 5% of IRIS requests were international in nature.

International Affairs Program

- The methodology for the OIA is also based on investigative hours recorded in ICE's automated Case Management System which are represented as full time equivalent (FTE) agents. For FY 2009, 3.8% was applied to actual obligations against budget authority gained in FY 2009 incurred by the Office of International Affairs for all activities of \$123.3 million; therefore, Counter Narcotics portion was \$4.687 million.

Disclosure No. 2: Methodology Modifications

The methodology described above is consistent with the previous year.

Disclosure No. 3: Material Weaknesses or Other Findings

In FY 2009, during our evaluation of the internal controls over financial reporting, ICE identified reportable conditions regarding internal controls that may affect the presentation of prior year drug-related obligations data. The reportable conditions related to inadequate policy and procedure for the monitoring and oversight of changes required to the financial accounting system, and insufficient policy and procedure to periodically review transaction codes for adequacy. ICE initiated corrective actions to address changes in accounting policy and updates to the United States Standard General Ledger (USSGL) to address these internal control reportable conditions.

Disclosure No. 4: Reprogrammings or Transfers

No Reprogrammings or Transfers of drug-related budget resources occurred during FY 2009.

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 IRIS systems discussed in the methodology section above and is based on work performed between October 1, 2008 and September 30, 2009. 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 2009.

Assertion No. 5: Fund Control Notices

No Fund Control Notice was issued by the ONDCP Director under 21 U.S.C. section 1703(f) to ICE in FY 2009. The data presented are associated with obligations against a financial plan that was sent to ONDCP in FY 2009.

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