



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Harry Reid  
Majority Leader  
United States Senate  
S-212 The Capitol  
Washington, D.C. 20510

Dear Senator Reid:

Enclosed is the *Fiscal Year 2009 Accounting of Drug Control Funds* report. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277, Division C, Title VII, Section 705(d), with the close cooperation of Executive Department financial officials.

For each National Drug Control Program Agency, the accompanying report provides a detailed accounting of funds expended for drug control activities during FY 2009. In addition, as required by statute, this accounting information has been authenticated by agency Inspectors General where appropriate, and the report includes their associated analyses.

ONDCP is committed to maintaining the accuracy and reliability of all financial data supporting the drug control program of the President. This annual accounting of drug control funds will serve as a valuable tool to assist in these important efforts.

If you have any further questions, please do not hesitate to contact me directly at 202-395-6700 or have your staff contact Rob Reed, Deputy Director of our Office of Legislative Affairs, at 202-395-6912.

Respectfully,

A handwritten signature in cursive script that reads "R. Gil Kerlikowske".

R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D. C. 20503

June 22, 2010

The Honorable Dennis J. Kucinich  
Chairman  
Committee on Oversight and Government Reform  
Subcommittee on Domestic Policy  
United States House of Representatives  
B-349B Rayburn House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is the *Fiscal Year 2009 Accounting of Drug Control Funds* report. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277, Division C, Title VII, Section 705(d), with the close cooperation of Executive Department financial officials.

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R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Susan M. Collins  
Ranking Member  
Committee on Appropriations  
Subcommittee on Financial Services and General Government  
United States Senate  
125 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Collins:

Enclosed is the *Fiscal Year 2009 Accounting of Drug Control Funds* report. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277, Division C, Title VII, Section 705(d), with the close cooperation of Executive Department financial officials.

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R. Gil Kerlikowske  
Director

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Patrick J. Leahy  
Chairman  
Committee on the Judiciary  
United States Senate  
224 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Mr. Chairman:

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R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Robert (Bobby) C. Scott  
Chairman  
Committee on the Judiciary  
Subcommittee on Crime, Terrorism and Homeland Security  
United States House of Representatives  
B-370 Rayburn House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is the *Fiscal Year 2009 Accounting of Drug Control Funds* report. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277, Division C, Title VII, Section 705(d), with the close cooperation of Executive Department financial officials.

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D. C. 20503

June 22, 2010

The Honorable John A. Boehner  
Minority Leader  
United States House of Representatives  
H-204 The Capitol  
Washington, D.C. 20510

Dear Representative Boehner:

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Director

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Mitch McConnell  
Minority Leader  
United States Senate  
S-231 The Capitol  
Washington, D.C. 20510

Dear Senator McConnell:

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Jo Ann Emerson  
Ranking Member  
Committee on Appropriations  
Subcommittee on Financial Services and General Government  
United States House of Representatives  
1001 Longworth House Office Building  
Washington, D.C. 20515

Dear Representative Emerson:

Enclosed is the *Fiscal Year 2009 Accounting of Drug Control Funds* report. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277, Division C, Title VII, Section 705(d), with the close cooperation of Executive Department financial officials.

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R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable José E. Serrano  
Chairman  
Committee on Appropriations  
Subcommittee on Financial Services and General Government  
United States House of Representatives  
B-300 Rayburn House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman:

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Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Jerry Lewis  
Ranking Member  
Committee on Appropriations  
United States House of Representatives  
1016 Longworth House Office Building  
Washington, D.C. 20515

Dear Representative Lewis:

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R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable David R. Obey  
Chairman  
Committee on Appropriations  
United States House of Representatives  
H-218 The Capitol  
Washington, D.C. 20515

Dear Chairman Obey:

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Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Lamar S. Smith  
Ranking Member  
Committee on the Judiciary  
United States House of Representatives  
B-351 Rayburn House Office Building  
Washington, D.C. 20515

Dear Representative Smith:

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R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable John Conyers, Jr.  
Chairman  
Committee on the Judiciary  
United States House of Representatives  
2138 Rayburn House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman:

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Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Charles E. Grassley  
Co-Chairman  
Senate Caucus on International Narcotics Control  
United States Senate  
135 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Grassley:

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Director

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Dianne Feinstein  
Chairwoman  
Senate Caucus on International Narcotics Control  
United States Senate  
818C Hart Senate Office Building  
Washington, D.C. 20510

Dear Madam Chairman:

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Richard Durbin  
Chairman  
Committee on Appropriations  
Subcommittee on Financial Services and General Government  
United States Senate  
133 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Mr. Chairman:

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Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Thad Cochran  
Ranking Member  
Committee on Appropriations  
United States Senate  
S-146 The Capitol  
Washington, D.C. 20510

Dear Senator Cochran:

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Daniel K. Inouye  
Chairman  
Committee on Appropriations  
United States Senate  
S-131 The Capitol  
Washington, D.C. 20510

Dear Mr. Chairman:

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Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Lindsey Graham  
Ranking Member  
Committee on the Judiciary  
Subcommittee on Crime and Drugs  
United States Senate  
290 Senate Russell Building  
Washington, D.C. 20510

Dear Senator Graham:

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Arlen Specter  
Chairman  
Committee on the Judiciary  
Subcommittee on Crime and Drugs  
United States Senate  
309 Hart Senate Office Building  
Washington, D.C. 20510

Dear Mr. Chairman:

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Jeff Sessions  
Ranking Member  
Committee on the Judiciary  
United States Senate  
152 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Sessions:

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EXECUTIVE OFFICE OF THE PRESIDENT  
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June 22, 2010

The Honorable Jim Jordan  
Ranking Member  
Committee on Oversight and Government Reform  
Subcommittee on Domestic Policy  
United States House of Representatives  
B-350A Rayburn House Office Building  
Washington, D.C. 20515

Dear Representative Jordan:

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If you have any further questions, please do not hesitate to contact me directly at 202-395-6700 or have your staff contact Rob Reed, Deputy Director of our Office of Legislative Affairs, at 202-395-6912.

Respectfully,

  
R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Darrell E. Issa  
Ranking Member  
Committee on Oversight and Government Reform  
United States House of Representatives  
B-350A Rayburn House Office Building  
Washington, D.C. 20515

Dear Representative Issa:

Enclosed is the *Fiscal Year 2009 Accounting of Drug Control Funds* report. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277, Division C, Title VII, Section 705(d), with the close cooperation of Executive Department financial officials.

For each National Drug Control Program Agency, the accompanying report provides a detailed accounting of funds expended for drug control activities during FY 2009. In addition, as required by statute, this accounting information has been authenticated by agency Inspectors General where appropriate, and the report includes their associated analyses.

ONDCP is committed to maintaining the accuracy and reliability of all financial data supporting the drug control program of the President. This annual accounting of drug control funds will serve as a valuable tool to assist in these important efforts.

If you have any further questions, please do not hesitate to contact me directly at 202-395-6700 or have your staff contact Rob Reed, Deputy Director of our Office of Legislative Affairs, at 202-395-6912.

Respectfully,

A handwritten signature in cursive script, reading "R. Gil Kerlikowske".

R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Edolphus Towns  
Chairman  
Committee on Oversight and Government Reform  
United States House of Representatives  
2157 Rayburn House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed is the *Fiscal Year 2009 Accounting of Drug Control Funds* report. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277, Division C, Title VII, Section 705(d), with the close cooperation of Executive Department financial officials.

For each National Drug Control Program Agency, the accompanying report provides a detailed accounting of funds expended for drug control activities during FY 2009. In addition, as required by statute, this accounting information has been authenticated by agency Inspectors General where appropriate, and the report includes their associated analyses.

ONDCP is committed to maintaining the accuracy and reliability of all financial data supporting the drug control program of the President. This annual accounting of drug control funds will serve as a valuable tool to assist in these important efforts.

If you have any further questions, please do not hesitate to contact me directly at 202-395-6700 or have your staff contact Rob Reed, Deputy Director of our Office of Legislative Affairs, at 202-395-6912.

Respectfully,

R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 22, 2010

The Honorable Nancy Pelosi  
Speaker of the House  
United States House of Representatives  
H-232 The Capitol  
Washington, D.C. 20515

Dear Madam Speaker:


Enclosed is the *Fiscal Year 2009 Accounting of Drug Control Funds* report. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277, Division C, Title VII, Section 705(d), with the close cooperation of Executive Department financial officials.

For each National Drug Control Program Agency, the accompanying report provides a detailed accounting of funds expended for drug control activities during FY 2009. In addition, as required by statute, this accounting information has been authenticated by agency Inspectors General where appropriate, and the report includes their associated analyses.

ONDCP is committed to maintaining the accuracy and reliability of all financial data supporting the drug control program of the President. This annual accounting of drug control funds will serve as a valuable tool to assist in these important efforts.

If you have any further questions, please do not hesitate to contact me directly at 202-395-6700 or have your staff contact Rob Reed, Deputy Director of our Office of Legislative Affairs, at 202-395-6912.

Respectfully,

  
R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF NATIONAL DRUG CONTROL POLICY  
Washington, D.C. 20503

June 21, 2010

The Honorable Louie Gohmert  
Ranking Member  
Committee on the Judiciary  
Subcommittee on Crime, Terrorism and Homeland Security  
United States House of Representatives  
B-351 Rayburn House Office Building  
Washington, D.C. 20515

Dear Representative Gohmert:

Enclosed is the *Fiscal Year 2009 Accounting of Drug Control Funds* report. This report was prepared by the Office of National Drug Control Policy (ONDCP), pursuant to P.L. 105-277, Division C, Title VII, Section 705(d), with the close cooperation of Executive Department financial officials.

For each National Drug Control Program Agency, the accompanying report provides a detailed accounting of funds expended for drug control activities during FY 2009. In addition, as required by statute, this accounting information has been authenticated by agency Inspectors General where appropriate, and the report includes their associated analyses.

ONDCP is committed to maintaining the accuracy and reliability of all financial data supporting the drug control program of the President. This annual accounting of drug control funds will serve as a valuable tool to assist in these important efforts.

If you have any further questions, please do not hesitate to contact me directly at 202-395-6700 or have your staff contact Rob Reed, Deputy Director of our Office of Legislative Affairs, at 202-395-6912.

Respectfully,

A handwritten signature in black ink that reads "R. Gil Kerlikowske".

R. Gil Kerlikowske  
Director

Enclosure: *Fiscal Year 2009 Accounting of Drug Control Funds* report

# **FY 2009 Accounting of Drug Control Funds**

**Office of National Drug Control Policy**

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## FY 2009 Accounting of Drug Control Funds

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## Executive Summary

### Background

This presents for Congress the *Fiscal Year 2009 Accounting of Drug Control Funds*. As part of the 1998 law that reauthorized the Office of National Drug Control Policy (ONDCP), a provision was added (Public Law 105-277, October 21, 1998 [Div.C, Title VII], Section 705(d)), which mandates that the Director of ONDCP shall, “(A) require the National Drug Control Program agencies to submit to the Director not later than February 1 of each year a detailed accounting of all funds expended by the agencies for National Drug Control Program activities during the previous fiscal year, and require such accounting to be authenticated by the Inspector General for each agency prior to submission to the Director; and (B) submit to Congress not later than April 1 of each year the information submitted to the Director under subparagraph (A).” That provision was not changed by the ONDCP Reauthorization Act of 2006 (Public Law 109-469, December 29, 2006).

In order to comply with this statutory provision, ONDCP issued a Circular, *Annual Accounting of Drug Control Funds* (Tab L), to all National Drug Control Program agencies defining the requirements for annual accounting submissions. The Circular specifies, “Each report...shall be provided to the agency’s Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the report.” In assessing reliability, ONDCP anticipates each Office of Inspector General (OIG) will conduct an attestation review consistent with the *Statements for Standards of Attestation Engagements*, promulgated by the American Institute of Certified Public Accountants. An attestation review is more limited in scope than a standard financial audit, the purpose of which is to express an opinion on management’s assertions. The objective of an attestation review is to evaluate an entity’s financial reporting and to provide negative assurance. Negative assurance, based on the criteria established by the ONDCP Circular, indicates that nothing came to the attention of the OIG that would cause them to believe an agency’s submission was presented other than fairly in all material respects.

## FY 2009 Accounting of Drug Control Funds

### Department Compliance and Attestation Reviews

All but one of the National Drug Control Program agencies complied with the provisions of the Drug Control Accounting Circular dated May 1, 2007. This fact is evident, along with whether an agency passed or failed the required attestation review, in the table below. For the purpose of this report, “pass” indicates an agency’s OIG was able to complete their review and provide negative assurance. Conversely, “fail” implies that an agency’s assertions regarding its FY 2009 drug control obligations were not reviewable. The Department of Homeland Security’s Customs and Border Protection (CBP), the United States Coast Guard (USCG); and the Department of State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) all failed. Details on each agency’s report are provided below.

**Table: Compliance and Attestation Review Summary**

Department/Bureau	Compliance with ONDCP Circular (Yes/No)	OIG/Independent Auditor Attestation Review (Pass/Fail)
<b>Defense</b>	Yes	Pass
<b>Education</b>		
Office of Safe and Drug-Free Schools	Yes	Pass
<b>Health and Human Services</b>		
Indian Health Services (IHS)	Yes	Pass
National Institute on Drug Abuse	Yes	Pass
Substance Abuse and Mental Health Services Administration	Yes	Pass
<b>Homeland Security</b>		
United States Coast Guard	Yes	Fail
Immigration and Customs Enforcement	Yes	Pass
Customs and Border Protection	No	Fail
<b>Department of Interior</b>	Yes	N.A. <sup>/1</sup>
<b>Justice</b>		
Bureau of Prisons	Yes	Pass
Drug Enforcement Administration	Yes	Pass
Organized Crime Drug Enforcement Task Force	Yes	Pass
Office of Justice Programs	Yes	Pass
<b>State</b>		
Bureau of International Narcotics and Law Enforcement Affairs	Yes	Fail
United States Agency for International Development	Yes	Pass
<b>Transportation</b>		
National Highway Traffic Safety Administration	Yes	N.A. <sup>/1</sup>
<b>Department of the Treasury</b>		
Internal Revenue Service	Yes	Pass
<b>Veterans Affairs</b>		
Veterans Health Administration	Yes	Pass
<b>Small Business Administration</b>	Yes	N.A. <sup>/1</sup>

**Notes:** <sup>/1</sup> In compliance with the ONDCP Circular, the Agency submitted an alternative report because the requirements created an unreasonable burden. The alternative reports for the Department of the Interior and the Small Business Administration were not subject to an attestation review, however, the Department of Transportation report was subject to such a review.

### Summary of Agency Reports

#### Department of Defense

The Department of Defense's (DoD) accounting of FY 2009 drug control obligations (Tab A) satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DoD OIG, which indicates that nothing came to the attention of the OIG that would cause them to believe DoD's submission was presented other than fairly in all material respects. Given this, DoD was assessed a rating of pass.

#### Department of Education

The Department of Education's accounting of FY 2009 drug control obligations (Tab B) satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the Department's OIG. Given this, Education was assessed a rating of pass.

#### Department of Health and Human Services

The Department of Health and Human Services' (HHS) accounting submission includes separate reports for the Indian Health Services (IHS), the National Institute on Drug Abuse (NIDA) and the Substance Abuse and Mental Health Services Administration (SAMHSA) (Tab C). The Centers for Medicaid & Medicare Services (CMS) Grants to States for Medicaid program featured in the Drug Budget is not included; CMS reports actuarial outlay estimates rather than budget authority, and therefore it is not appropriate to produce a detailed accounting submission containing a table of prior year obligations and corresponding assertions.

**IHS:** IHS's accounting of FY 2009 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the HHS OIG. Given this, IHS was assessed a rating of pass.

**NIDA:** NIDA's accounting of FY 2009 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the HHS OIG. Given this, NIDA was assessed a rating of pass.

**SAMHSA:** SAMHSA's accounting of FY 2009 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the HHS OIG. Given this, SAMHSA was assessed a rating of pass.

- The management of the HHS Program Support Center (Center) provides SAMHSA's financial accounting services. The Center evaluated its internal controls and indicated its system of internal controls met the objectives of the Federal Financial Management

## FY 2009 Accounting of Drug Control Funds

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Improvement Act (FMFIA) of 1996, however qualified their opinion to reflect the existence of the following significant deficiency and non-conformance exceptions:

- PSC financial management systems are not in substantial compliance with the Federal financial management systems requirements of the OMB Circular A-127, *Financial Management Systems*, and the United States Standard General Ledger (USSGL) at the transaction level. As in prior years, PSC continues to have internal control weaknesses in its financial management systems and processes for producing financial statements. PSC made progress in FY 2008 toward phased deployment of fully integrated FFMIA compliant systems. The lack of final implementation of the system and weaknesses in internal controls make it difficult for PSC to prepare financial statements.
- PSC detected weaknesses in the oversight and management of information system controls in key financial management systems, including access and change controls and inadequate documentation for systems and processes. This can compromise the integrity of PSC's data and increase the risk that HHS's data may be inappropriately used or disclosed. In addition, the financial management systems are not currently in conformance with legal and regulatory guidelines as established by the appropriate governing bodies.

### Department of Homeland Security

The Department of Homeland Security's (DHS) accounting submission includes separate reports for the United States Coast Guard (USCG), Customs and Border Patrol (CBP), and Immigration and Customs Enforcement (ICE) (Tab D).

**USCG:** USCG management could not provide to the DHS OIG an assurance as to the integrity of the financial data contained within the detailed accounting submission. As a result, the independent auditor was unable to complete its review of USCG's financial data. The Independent Auditors' Report stated that the USCG has not developed or implemented an effective general ledger system, and that the general ledgers in place are not in compliance with the Federal Financial Management Improvement Act of 1996. Financial reporting deficiencies mentioned in the report remain uncorrected as of September 30, 2009 according to the Independent Auditors' Report. Given this, USCG was assessed a rating of fail. The USCG's Financial Strategy for Transformation and Audit Readiness states that there will be more corrective actions implemented in FY 2010. ONDCP anticipates an improvement given the USCG's commitment to address weaknesses mentioned in the Independent Auditors' Report.

**ICE:** ICE's accounting of FY 2009 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DHS OIG. ICE identified reportable conditions regarding internal controls that may affect the presentation of prior year drug-related obligations data. ICE initiated corrective actions to address these conditions. Given this, ICE was assessed a rating of pass.



## FY 2009 Accounting of Drug Control Funds

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**CBP:** CBP was unable to provide management's assertions pursuant to ONDCP's Drug Control Accounting Circular and could not assert that any reprogrammings or transfers affecting drug-related resources in excess of \$1 million were approved by ONDCP. Additionally, CBP didn't conduct a thorough review of its year-end financial statements, which resulted in misstatements regarding its year-end closure. It was determined that the financial weakness could affect the reporting of drug control funding obligations. As a result, CBP was assessed a rating of fail.

### Department of the Interior

The Department of the Interior (DOI) submitted a limited report (Tab E) to ONDCP because their drug-related activities are below the reporting threshold of \$50 million. The report includes a table of FY 2009 obligations for their Drug Initiative. The DOI submission satisfies all requirements established by the ONDCP Circular, including concurrence from the OIG that an alternative report submission is appropriate.

### Department of Justice

The Department of Justice's (DOJ) accounting submission includes separate reports for the Bureau of Prisons (BOP), Drug Enforcement Administration (DEA), Organized Crime Drug Enforcement Task Force (OCDETF), and Office of Justice Programs (OJP) (Tab F).

**BOP:** The accounting of FY 2009 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DOJ OIG. The independent audit identified no material weaknesses, but noted one deficiency in internal control over financial reporting. Specifically, a FY 2009 audit reported a weakness in access controls and configuration management. BOP has implemented corrective action plans that are reviewed, updated quarterly, and provided to the auditors for review and discussion. Therefore, BOP was assessed a rating of pass.

**DEA:** The accounting of FY 2009 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DOJ OIG. DEA's financial statement audit identified no material weaknesses that affect the presentation of drug-related obligations data. However, the audit did identify a deficiency in the financial management controls to ensure timely de-obligations of funds that are no longer needed. Along with the implantation of a new financial system, the Unified Financial Management System (UFMS), DEA is taking actions to develop a corrective action plan to address issues identified during the course of the audit. Given this, DEA was assessed a rating of pass.

**OCDETF:** The accounting of FY 2009 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DOJ OIG. While no material weaknesses were identified, the DOJ Offices, Boards and Divisions (OBDs) audit report noted one deficiency in the failure to update the Audited Financial

## FY 2009 Accounting of Drug Control Funds

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Statements (AFS) funding analysis journal entry related to the misuse of earmarked funding between appropriated and reimbursable sources, resulting in an error in the financial statements submitted for external audit. The DOJ Justice Management Division (JMD) Finance Director, Quality Control and Compliance Group (QCCG), and component program managers will develop a corrective action plan to address the deficiency. Given this, OCDETF was assessed a rating of pass.

**OJP:** The accounting of FY 2009 drug control obligations satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DOJ OIG. The OJP audit report cited no material weaknesses. However, a deficiency has been identified in their Financial Management Information System 2 because it is not configured to immediately record adjustments when changes are made to prior year obligations, resulting in recording errors and line item overstatements. Improvements are required in the systems and controls over budgetary adjustments. As recommended in the audit report, OJP will strengthen its controls over and enhance the review of upward and downward adjustment transactions. Given this, OJP was assessed a rating of pass.

### Department of State

The Department of State's (State) accounting of FY 2009 drug control obligations (Tab G) satisfies all requirements established by ONDCP's Circular.

**INL:** The Bureau for International Narcotics and Law Enforcement Affairs (INL) submitted reprogrammings impacting country totals for FY 2009. Submissions complied with ONDCP's Budget Execution Circular. State worked with a new independent auditor for its FY 2009 review. In the Independent Auditors' Report, the validity and accuracy of unliquidated obligations were reported as significant deficiencies as opposed to material weaknesses. The independent external auditor found that current internal controls don't allow for the accurate reporting of unliquidated obligation balances recorded in the financial statements. State's internal controls were unable to evaluate the validity and possible deobligation of these balances. Since State's OIG was unable to attest to management's assertions, State INL was assessed a rating of fail.

**USAID:** The U.S. Agency for International Development (USAID) OIG attested that USAID's submission and management assertion in compliance with the ONDCP Drug Control Accounting Circular. USAID was assessed a rating of pass.

### Department of Transportation

The Department of Transportation (DoT) submitted a limited report (Tab H) because its drug-related activities fall below the reporting threshold of \$50 million. The report includes a table of FY 2009 obligations for the National Highway Traffic Safety Administration - Drug Impaired Driving Program and an explanation of drug methodology. DoT's OIG determined that the

## **FY 2009 Accounting of Drug Control Funds**

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accounting report submission conforms to all requirements established by ONDCP's Circular, including an attestation that the alternative report submission is accurate and appropriate.

### **Department of the Treasury**

The FY 2009 accounting report of drug control obligations (Tab I) is presented in accordance with all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the Treasury Inspector General for Tax Administration (TIGTA). Given this, the Department of the Treasury was assessed a rating of pass.

### **Department of Veterans Affairs**

The Department of Veterans Affairs (VA), Veterans Health Administration's (VHA) accounting of FY 2009 drug control obligations (Tab J) satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the Department's OIG. However, the IG noted four material weaknesses in VA's Financial Management System: Functionality, Information Technology Security Controls, Financial Management Oversight, and compensation, pension, and burial liabilities. Because of these weaknesses, the IG's opinion is qualified because of the possible effects these weaknesses could have on VA's financial reporting. Given this, VHA was assessed a rating of pass.

### **Small Business Administration**

The Small Business Administration (SBA) submitted a limited report (Tab K) because its drug-related activities fall below the reporting threshold of \$50 million. The report includes a table of FY 2009 obligations for the Drug-Free Workplace Grants. The IG compared the report's accounting data to that provided by grant recipients of SBA's Drug-Free Workplace Grants to confirm accuracy and consistency. SBA's submission satisfies all requirements established by ONDCP's Circular, including concurrence from the SBA OIG that the alternative report submitted is appropriate.



# Tab A

# Department of Defense

# FY2009 Accounting of Drug Control Funds



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

February 1, 2010

## MEMORANDUM FOR THE DEPUTY ASSISTANT SECRETARY OF DEFENSE (COUNTERNARCOTICS and GLOBAL THREATS)

**SUBJECT:** Independent Auditor's Report on the DOD FY 2009 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities (Report No. D-2010-040)

Public Law 105-277, section 701, is known as "The Office of National Drug Control Policy Reauthorization Act of 1998" (the Act). The Act requires that DOD annually submit a detailed report (the Report) to the Director of the Office of National Drug Control Policy accounting for all funds DOD expended for National Drug Control Program activities during the previous fiscal year. The Public Law was reauthorized by Public Law 109-469 in December 2006. The Act requires that the Inspector General of the Department of Defense authenticate the Report prior to its submission to the Director.

Office of National Drug Control Policy Circular "Drug Control Accounting," (the Accounting Policy Circular) May 1, 2007, provides the policies and procedures DOD must use to prepare the Report and authenticate the DOD funds expended on National Drug Control Program activities. The Accounting Policy Circular specifies that the Report must contain a table of prior year drug control obligations, listed by functional area, and include five assertions relating to the obligation data presented in the table.

The Deputy Assistant Secretary of Defense (Counternarcotics and Global Threats) [DASD (CN & GT)] was responsible for the detailed accounting of funds obligated and expended by DOD for the National Drug Control Program for FY 2009. We have reviewed the DASD (CN & GT) detailed accounting in accordance with the attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government auditing standards. We performed a review-level attestation, which is substantially less in scope than an examination done to express an opinion on the subject matter. Accordingly, we do not express an opinion.

We reviewed three DOD reprogramming actions that allocated \$1,397.2 million among the Military Departments, National Guard, and Defense agencies. We reviewed the year-end obligation report and determined that DASD (CN & GT) allocated the funds to appropriations and project codes intended for the DOD Counterdrug program.

The DOD Office of Inspector General previously identified a material management control weakness related to the DOD Components' accounting for Counterdrug funds. In response to our identification of this weakness, DASD (CN & GT) issued a policy

## FY2009 Accounting of Drug Control Funds

memorandum on August 25, 2005, requiring detailed transaction support for all Counterdrug obligations.

As part of our review attestation for FY 2009, we determined whether the DOD Components that received Counterdrug funding from DASD (CN & GT) had implemented procedures to support reported obligations with detailed transaction listings. We requested and obtained the listings that were available for reported obligations. We were able to obtain the majority of detailed transactions for the Military Component obligations.

DASD (CN & GT) provided us the Report in a letter dated December 18, 2009, which we reviewed to determine compliance with the Accounting Policy Circular. The detailed accounting indicated that during FY 2009 the DOD obligated \$1,240.4 million in the Counterdrug program functional areas. The Office of the DASD (CN & GT) compiled the Report from data the Military Departments and other DOD Components submitted.

DASD (CN & GT) initially reprogrammed the funds from the Central Transfer Account to the DOD Components, using project codes. The DOD Components provided year-end obligation data to DASD (CN & GT) through the DASD CN database which compiled the data into one obligation report. In order to present the obligations by functional area in compliance with the Accounting Policy Circular, DASD (CN & GT) applied percentages to each project code in the consolidated report to compute the amounts presented in the table of obligations instead of obtaining the information directly from the accounting systems.

Based on our review, except for the DASD (CN & GT) use of percentages to calculate the obligations presented by functional area, nothing came to our attention during the review that caused us to believe the detailed accounting of funds obligated by DOD on the National Drug Control Program for FY 2009 is not presented, in all material respects, in conformity with the Accounting Policy Circular.



Patricia A. Marsh, CPA  
Assistant Inspector General  
Defense Business Operations

FY2009 Accounting of Drug Control Funds



SPECIAL OPERATIONS/  
LOW-INTENSITY CONFLICT  
& INTERDEPENDENT CAPABILITIES

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

2500 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-2500

**DEC 1 8 2009**

Mr. Jon Rice  
Associate Director  
Performance and Budget  
Office of National Drug Control Policy  
750 17<sup>th</sup> Street, NW  
Room 535  
Washington, DC 20503

Dear Mr. Rice:

The drug methodology used to calculate obligations by drug control function of Fiscal Year 2009 budgetary resources is reasonable and accurate. The obligation table in Tab A was generated by the methodology as reflected in Tab B. The obligations are associated with a financial plan that properly reflects all changes made during the fiscal year. The Counternarcotics Central Transfer Account does not receive Fund Control. Notice. Performance Reporting will be addressed under separate correspondence.

A handwritten signature in black ink, appearing to read "W. F. Wechsler".

William F. Wechsler  
Deputy Assistant Secretary of Defense  
Counternarcotics and Global Threats

Enclosures:  
As stated

CF:  
DODIG

# FY2009 Accounting of Drug Control Funds

**UNCLASSIFIED**

## **Counternarcotics Central Transfer Account Obligations**

(\$ 000)

<b>ONDCP Resource Categories</b>	<b>FY-09</b>
Intelligence: Dom Law Enforcement	41,989
Intelligence: Interdiction	33,236
Intelligence: International	92,930
Interdiction	318,208
International	389,180
Investigative	50,964
Prevention	130,065
Prosecution	0
R&D: Interdiction	21,741
R&D: International	2,268
State and Local Assistance	151,760
Treatment	8,094
<b>TOTAL</b>	<b>1,240,435 *</b>

\* This amount includes a 0.99% obligation rate for MILPERS and a 0.98% obligation rate for O&M. Investment appropriations, which are multi-year, are currently obligated at 0.31%.

### **DRUG RESOURCES PERSONNEL SUMMARY**

Total FTEs	1,528
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**UNCLASSIFIED**

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Tab A



## **DRUG METHODOLOGY**

### **Central Transfer Account**

The Counternarcotics Central Transfer Account (CTA) was established in PBD 678 in November 1989. Under the CTA, funds are appropriated by Congress to a single budget line, not to the Services baselines. The CTA accounts for all counternarcotics resources for the Department of Defense with the exception of OPTEMPO and Active Duty MILPERS. Funds are reprogrammed from the CTA to the Services and Defense Agencies in the year of execution. The CTA allows for greater execution flexibility in the counternarcotics program with the ability to realign resources to address changes in requirements. The CTA is essential to respond effectively to the dynamic nature of the drug threat.

The Office of National Drug Control Policy (ONDCP) reports within the National Drug Control Strategy the amount of funds appropriated to the counternarcotics CTA. The actual obligations for the counternarcotics program for a particular fiscal year differ from the amount released to the CTA since some of the DoD counternarcotics effort is executed with multi-year funding.

The reprogramming process begins with reprogramming documents (DD1415 and DD1105) prepared by the Office of the Deputy Assistant Secretary of Defense for Counternarcotics and forwarded to DoD Comptroller. Funds are reprogrammed to the applicable appropriation/budget activity at the Service/Defense Agency by project (e.g., Navy's Fleet Support, Hemispheric Radar System, Counternarcotics RDT&E). The internal reprogramming (IR) action requires no congressional notification/approval.

The Services/Defense Agencies have their own internal accounting systems for tracking obligations of funds transferred from the Counternarcotics CTA. The following examples provide the process of how obligations are tracked:

- The Army Budget Office receives obligation data from the Defense Finance and Accounting System (DFAS) on a monthly basis and funds are tracked by the DFAS/Standard Army Financial Information System (STANFINS).
- The Air Force uses the USAF General Accounting & Finance System (GAFS) and the Commanders Resources Integration System (CRIS) to track obligations. Both of these systems are utilized for Counternarcotics obligations and commitments. These systems interface directly with the DFAS.
- The Navy uses the Standard Accounting and Reporting System, Field Level (STARS-FL) which provides the means of tracking allocated counternarcotics funds through the life cycle of the appropriation at the activity/field level. Navy counternarcotics funding is recorded under separate cost centers and sub-cost centers, with a line of accounting consisting of subhead, project units and cost codes specifically for counternarcotics obligation tracking.
- The Army and Air National Guard employs a central accounting service from the DFAS to consolidate, aggregate, and report on funds as they are committed, obligated, and expended. The Army State and Federal Program Accounting Codes and the Air

Tab B

## FY2009 Accounting of Drug Control Funds

Accounting Codes provide funds-tracking mechanisms to reconcile funding at various levels of reporting and execution.

The Services/Defense Agencies provide quarterly obligation reports by project code to the Office of the Deputy Assistant Secretary of Defense for Counternarcotics (CN). Beginning in FY 2008, the collection of obligation data has been via the DASD CN database and compiled into a single counternarcotics obligation report. The obligation and expenditure data provided by the Services/Defense Agencies are compared against their total annual counternarcotics funding for each appropriation. At the end of the year, the Services/Defense Agencies provide an end of year data which reflects their actual obligations, not an estimation.

The quarterly obligation data collected is by project code, not down to the drug control function. In order to comply with ONDCP's circular and provide obligation data by function, it was necessary to use percentages for each project code.



# Tab B

# Department of Education

# FY2009 Accounting of Drug Control Funds



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF PLANNING, EVALUATION AND POLICY DEVELOPMENT

January 29, 2010

Gil Kerlikowske  
Director  
Office of National Drug Control Policy  
Executive Office of the President  
Washington, D.C. 20500

Dear Mr. Kerlikowske:

In accordance with section 705(d) of the Office of National Drug Control Policy (ONDCP) Reauthorization Act of 1998 (21 U.S.C. 1704(d)), enclosed please find a detailed accounting of all fiscal year 2009 Department of Education drug control funds, along with the Department of Education Assistant Inspector General's authentication of this accounting, consistent with the instructions in ONDCP Circular *Drug Control Accounting*, dated May 1, 2007.

Please do not hesitate to contact me if you have any questions about this information.

Sincerely,

A handwritten signature in black ink that reads "Thomas P. Skelly".

Thomas P. Skelly  
Director, Budget Service

Enclosure # 1: *Department of Education Detailed Accounting of Fiscal Year 2009 Drug Control Funds*, dated January 26, 2010

Enclosure # 2: Authentication letter from Keith West, Assistant Inspector General for Audit Services, dated January 29, 2010

cc: Keith West

400 MARYLAND AVE. S.W., WASHINGTON, DC 20202  
www.ed.gov

Our mission is to ensure equal access to education and to promote educational excellence throughout the nation.

# DEPARTMENT OF EDUCATION



## DETAILED ACCOUNTING OF FISCAL YEAR 2009 DRUG CONTROL FUNDS

IN SUPPORT OF THE  
*NATIONAL DRUG CONTROL STRATEGY*  
AS REQUIRED BY SECTION 705(d) OF THE OFFICE OF NATIONAL  
DRUG CONTROL POLICY REAUTHORIZATION ACT OF 1998  
(21 U.S.C. 1704(d))

**JANUARY 26, 2010**

# FY2009 Accounting of Drug Control Funds

## DEPARTMENT OF EDUCATION

### DETAILED ACCOUNTING OF FISCAL YEAR 2009 DRUG CONTROL FUNDS

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# FY2009 Accounting of Drug Control Funds



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF PLANNING, EVALUATION AND POLICY DEVELOPMENT

**JAN 26 2010**

Ms. Mary Mitchelson  
Inspector General (Acting)  
U.S. Department of Education  
400 Maryland Avenue, S.W.  
Washington, DC 20202-1510

Dear Ms. Mitchelson:

As required by section 705(d) of the Office of National Drug Control Policy (ONDCP) Reauthorization Act of 1998 (21 U.S.C. 1704(d)), enclosed please find a detailed accounting of all fiscal year 2009 Department of Education drug control funds for your authentication, in accordance with the guidelines in ONDCP Circular *Drug Control Accounting*, dated May 1, 2007.

Consistent with the instructions in the ONDCP Circular, please provide your authentication to me in writing, and I will transmit it to ONDCP along with the enclosed accounting of funds. As you know, ONDCP requests these documents by February 1, 2010, if possible. Please do not hesitate to contact me if you have any questions about the enclosed information.

Sincerely,

A handwritten signature in black ink that reads "Thomas P. Skelly".

Thomas P. Skelly  
Director, Budget Service

# FY2009 Accounting of Drug Control Funds

## TABLE OF PRIOR-YEAR DRUG CONTROL OBLIGATIONS

	Fiscal Year 2009 Obligations (in \$ millions)
<u>Drug Resources by Function</u>	
Prevention	\$427.944
Total	427.944
<u>Drug Resources by Decision Unit</u>	
Safe and Drug-Free Schools and Communities Program	
SDFSC State Grants	292.866
SDFSC National Programs	135.078
Total	427.944

## PROGRAM DESCRIPTIONS

The programs funded under the Safe and Drug-Free Schools and Communities (SDFSC) Act comprise the only Department of Education programs included in the national drug control budget in fiscal year 2009. The SDFSC program provides funding for drug prevention programs and activities that support the *National Drug Control Strategy*, in addition to efforts designed to prevent school violence. Under the SDFSC Act, funds are appropriated for State Grants and for National Programs.

### SDFSC State Grants

Under the program statute SDFSC State Grant funds are allocated by formula to States and Territories, half on the basis of school-aged population and half on the basis of each State's share, for the prior year, of Federal funds for "concentration grants to local educational agencies (LEAs) for improving the academic achievement of disadvantaged students" under section 1124A of Title I of the Elementary and Secondary Education Act (ESEA). Governors receive 20 percent, and State educational agencies (SEAs) 80 percent, of each State's allocation (unless a Governor elects to delegate administrative responsibility to the SEA for some or all of the 20 percent). SEAs are required to subgrant at least 93 percent of their allocations to LEAs; these subgrants are based 60 percent on LEA shares of prior-year funding under Part A of title I of the ESEA and 40 percent on enrollment. LEAs may use their SDFSC State Grant funds for a wide variety of activities to prevent or reduce violence and delinquency and the use, possession, and distribution of illegal drugs, and thereby foster a safe and drug-free learning environment that supports academic achievement. Governors may use their funds to award competitive grants and contracts to LEAs, community-based organizations, and other public and private organizations for activities to provide safe, orderly, and drug-free schools and communities through programs and activities that complement and support activities of LEAs.

### SDFSC National Programs

SDFSC National Programs authorizes funding for several programs and activities to help promote safe and drug-free learning environments for students and address the needs of troubled or at-risk youth, including Federal Activities (a broad discretionary authority that permits the Secretary to carry out a wide variety of activities designed to prevent the illegal use of drugs



## FY2009 Accounting of Drug Control Funds

and violence among, and promote safety and discipline for, students); and an Alcohol Abuse Reduction Program to assist school districts in implementing innovative and effective programs to reduce alcohol abuse in secondary schools. SDFSC National Programs also authorizes: (1) Mentoring Programs, and (2) Project SERV (School Emergency Response to Violence, which is a crisis response program that provides education-related services to LEAs in which the learning environment has been disrupted due to a violent or traumatic crisis), both of which made obligations of funds in fiscal year 2009. However, as explained in the discussion of drug budget methodology below, funds for these two components of SDFSC National Programs are not included in the ONDCP drug budget and, therefore, they are not included in this obligations report.

### DISCLOSURES

#### Drug Methodology

This accounting submission includes 100 percent of all fiscal year 2009 obligations of funds under the Safe and Drug-Free Schools and Communities (SDFSC) Act, with the exception of those SDFSC National Programs that have no clear drug control nexus. Accordingly, the amounts in the enclosed table of prior-year drug control obligations include 100 percent of funding for the SDFSC State Grants program, the SDFSC Alcohol Abuse Reduction program, and all other SDFSC National Programs, with the exclusion of obligations of funds for (1) SDFSC Mentoring Programs, (2) Project SERV (School Emergency Response to Violence), and (3) School Emergency Preparedness Initiatives.

#### Obligations by Drug Control Function

All obligations of funds for the SDFSC program shown in the table on page 2 of this report fall under the ONDCP drug control function category of prevention — the same functional category under which the budgetary resources for the SDFSC program are displayed for the Department of Education in the annual *National Drug Control Budget Summary* issued by ONDCP that accompanies the President's budget and in the *National Drug Control Strategy*.

#### Obligations by Budget Decision Unit

All obligations of drug control funds in the table on page 2 of this report are displayed using the SDFSC program as the budget decision unit — the same decision unit under which the budgetary resources for the Department of Education are displayed by ONDCP in the May 2009 *National Drug Control Budget Summary* that accompanied the 2010 President's budget in support of the *National Drug Control Strategy*.

#### Methodology Modifications

The Department does not have any drug control budget methodological modifications to disclose.

#### Material Weaknesses or Other Findings

The Department does not have any material weaknesses to disclose that affect the presentation of fiscal year 2009 drug-related obligations in this report. All other known weaknesses that affect the presentation of drug-related obligations in this report are explained in the disclosures below.

# FY2009 Accounting of Drug Control Funds

## Reprogrammings or Transfers

On three occasions in 2009 the Department reprogrammed small amounts of funds within SDFSC National Programs: in combination these reprogrammings increased the amount of funding for School Emergency Preparedness Initiatives by \$2.2 million and decreased the amount of funding for the Mentoring program by \$1.6 million. Applied against the drug methodology explained on page 2, these reprogrammings had the net effect of reducing the amount of Education's 2009 drug-related obligations by \$0.6 million. There were no transfers that changed the amount of drug-related budgetary resources in the Department in fiscal year 2009.

## Other Disclosures

The Department acknowledges the following limitations in the methodology described above for deriving the obligations of fiscal year 2009 drug control funds attributable to the SDFSC program:

- Although the budgetary resources in this report include 100 percent of obligations for SDFSC State Grants and Federal Activities (exclusive of Project SERV and School Emergency Preparedness Initiatives), not all obligations of funds for these SDFSC programs support drug prevention activities — some of these funds support violence prevention and school safety activities that have no drug control-related nexus.
- Approximately \$9.2 million of the SDFSC National Programs funds included in the resource summary of this report (2.2 percent of total fiscal year 2009 SDFSC reported drug control obligations) supported prevention projects for students enrolled in institutions of higher education; for college students served by such programs who are 21 years of age or older, alcohol is a legal drug and the alcohol prevention component of the program falls outside the scope of the *National Drug Control Strategy*.

## **ASSERTIONS**

### Obligations by Decision Unit

The fiscal year 2009 obligations of drug control funds shown in this report for the SDFSC drug budget decision unit are the actual 2009 obligations of funds from the Department's accounting system of record for the SDFSC program.

### Drug Methodology

The methodology used to calculate the fiscal year 2009 obligations of drug prevention funds presented in this report is reasonable and accurate, because: (1) the methodology captures all of the obligations of funds under the SDFSC program that reasonably have a drug control-related nexus, and (2) these obligations of funds correspond directly to the display of resources for the SDFSC program in the Department's budget justifications to Congress that accompany the President's budget.

# FY2009 Accounting of Drug Control Funds

## Data

No workload or other statistical information was applied in the methodology used to generate the fiscal year 2009 obligations of drug control funds presented in the table on page 2 of this report.

## Other Estimation Methods

Where assumptions based on professional judgment were used as part of the drug methodology, the association between these assumptions and the drug control obligations being estimated is thoroughly explained and documented in the drug methodology disclosure on page 3 and in the other disclosures on page 4 of this accounting report.

## Financial Systems

Financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which the drug-related obligation estimates are derived.

## **Application of Drug Methodology**

The methodology disclosed in the narrative of this report was the actual methodology used to generate the fiscal year 2009 obligations of drug control funds presented in the table on page 2.

## **Reprogrammings or Transfers**

The data presented in this report properly reflect changes in drug control budget resources resulting from reprogrammings of fiscal year 2009 SDFSC funds. On three occasions in 2009 (May 4, September 9, and September 24) the Department reprogrammed a small amount of funds within the SDFSC National Programs: The May 4 and September 9 reprogrammings exceeded \$1 million and were approved in advance by ONDCP, as required by law. The other reprogramming was less than \$1 million and was not subject to ONDCP approval.

## **Fund Control Notices**

The Director of ONDCP has never issued to the Department of Education any Fund Control Notices under 21 U.S.C. 1703(f) or the applicable ONDCP Circular, *Budget Execution*. Therefore, the required assertion that the data presented in this report accurately reflect obligations of drug control funds that comply with all such Fund Control Notices is not applicable.

# FY2009 Accounting of Drug Control Funds



## UNITED STATES DEPARTMENT OF EDUCATION OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES

January 29, 2010

Office of Inspector General's Independent Report on the U.S. Department of Education's  
Detailed Accounting of Fiscal Year 2009 Drug Control Funds, dated January 26, 2010

We have reviewed management's assertions contained in the accompanying *Detailed Accounting of Fiscal Year 2009 Drug Control Funds*, dated January 26, 2010 (Accounting). The U.S. Department of Education's management is responsible for the Accounting and the assertions contained therein.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

We performed review procedures on the "Table of Prior Year Drug Control Obligations," "Disclosures," and "Assertions" contained in the accompanying Accounting. We did not review the "Program Descriptions" contained in the accompanying Accounting. In general, our review procedures were limited to inquiries and analytical procedures appropriate for our review engagement.

Based on our review, nothing came to our attention that caused us to believe that management's assertions, contained in the accompanying Accounting, are not fairly stated in all material respects, based upon the Office of National Drug Control Policy Circular: *Drug Control Accounting*, dated May 1, 2007.

A handwritten signature in black ink that reads "Keith West".

Keith West  
Assistant Inspector General for Audit



# Tab C

# Department of Health and Human Services

Indian Health Service

National Institute on Drug Abuse

Substance Abuse and Mental Health Services  
Administration

FY2009 Accounting of Drug Control Funds



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington DC 20201

Mr. Jon Rice  
Associate Director for Performance and Budget  
Office of National Drug Control Policy  
Washington, D.C. 20503

Dear Mr. Rice:

As required by the Office of National Drug Control Policy (ONDCP) Circular titled *Drug Control Accounting*, dated May 1, 2007, enclosed are Department of Health and Human Services (HHS) detailed accounting submissions accompanied by the HHS Office of Inspector General attestation reviews for fiscal year 2009 for the following bureaus: i) Substance Abuse and Mental Health Services Administration (SAMHSA), ii) National Institutes of Health – National Institute on Drug Abuse (NIDA), and iii) Indian Health Service (IHS).

In accordance with the agreement dated May 14, 2008, with Mr. Thomas A. Johnson of your office, this package does not include a detailed accounting submission for the Centers for Medicare and Medicaid Services (CMS) because the funding associated with the CMS program featured in the Drug Budget represents actuarial outlay estimates rather than budget authority. Therefore, we agreed that it is not appropriate to produce a detailed accounting submission containing a table of prior year obligations and corresponding assertions.

If you have any questions, please contact Ms. Christine Jones, Director, Division of Systems Policy, Payment Integrity and Audit Resolution at (202) 690-7542 or [christine.jones@hhs.gov](mailto:christine.jones@hhs.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Sheila O. Conley".

Sheila O. Conley  
Deputy Assistant Secretary, Finance

Enclosures:  
NIDA Drug Control Accounting Report  
SAMHSA Drug Control Accounting Report  
IHS Drug Control Accounting Report

cc: HHS Office of Inspector General

FY2009 Accounting of Drug Control Funds



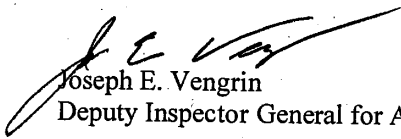
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JAN 15 2010

**TO:** Elizabeth A. Fowler  
Chief Financial Officer  
Indian Health Service

**FROM:**   
Joseph E. Vengrin  
Deputy Inspector General for Audit Services

**SUBJECT:** Independent Attestation Review: Indian Health Service Assertions Concerning Drug Control Accounting for Fiscal Year 2009 (A-03-10-00355)

The purpose of this report is to provide the results of our attestation review of the Indian Health Service (IHS) fiscal year (FY) 2009 assertions concerning drug control accounting and the accompanying table of FY 2009 Drug Control Obligations.

Pursuant to 21 U.S.C. § 1704(d)(A), each National Drug Control Program agency must submit to the Director of the Office of National Drug Control Policy (ONDCP), not later than February 1 of each year, a detailed accounting of all funds expended by the agency for National Drug Control Program activities during the previous FY. The section further requires such accounting "to be authenticated by the Inspector General for each agency prior to submission to the Director." The report and related assertions are the responsibility of IHS's management and were prepared by IHS as specified in section 6 of the ONDCP Circular entitled "Drug Control Accounting," dated May 1, 2007.

As required by 21 U.S.C. § 1704(d)(A), we reviewed the attached IHS report entitled "Assertions Concerning Drug Control Accounting," dated November 12, 2009. We conducted our attestation review in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements 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 to express an opinion on management's assertions contained in its report; accordingly, we do not express such an opinion.

**INDIAN HEALTH SERVICE REPORT**

IHS's report consisted of a table of FY 2009 Drug Control Obligations, which reported obligations totaling \$88,085,000, and a related funding table.

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# FY2009 Accounting of Drug Control Funds

Page 2 – Elizabeth A. Fowler

We performed review procedures on IHS's assertions and the accompanying table of FY 2009 Drug Control Obligations. In general, we limited our review procedures to inquiries and analytical procedures appropriate for the attestation review.

## **OFFICE OF INSPECTOR GENERAL CONCLUSION**

Based on our review, nothing came to our attention that caused us to believe that IHS's assertions and the accompanying FY 2009 Drug Control Obligations table were not fairly stated, in all material respects, based on the ONDCP Circular entitled "Drug Control Accounting," dated May 1, 2007.

\*\*\*\*\*

This report is intended solely for the information and use of Congress, ONDCP, and IHS and is not intended to be, and should not be, used by anyone other than these specified parties. If you have questions or comments, please contact me, or have your staff call Stephen Virbitsky, Regional Inspector General for Audit Services, Region III, at (215) 861-4470.

Attachment

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# FY2009 Accounting of Drug Control Funds

ATTACHMENT  
Page 1 of 4



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Indian Health Service  
Rockville MD 20852

November 12, 2009

TO: Director  
Office of National Drug Control Policy

THROUGH: Sheila Conley  
Deputy Assistant Secretary of Finance  
Department of Health and Human Services

FROM: Chief Financial Officer

SUBJECT: Assertions Concerning Drug Control Accounting

In accordance with the requirements of the Office of National Drug Control Policy Circular *Drug Control Accounting*, I make the following assertions regarding the attached annual accounting of drug control funds for the Indian Health Service (IHS):

#### Obligations by Budget Decision Unit

I assert that obligations reported by budget decision unit are the actual obligations from the bureau's accounting system of record for these budget decision units, consistent with the drug budget methodology discussed below.

#### Drug Methodology

I assert that the drug methodology used to calculate obligations of prior year budgetary resources by function for all bureaus was reasonable and accurate in accordance with the criteria listed in Section 6b(2) of the Circular. In accordance with these criteria, I have documented/identified data which support the drug methodology, explained and documented other estimation methods (the assumptions for which are subjected to periodic review) and determined that the financial systems supporting the drug methodology yield data that present fairly, in all material respect, aggregate obligations from which drug-related obligation estimates are derived.

The IHS methodology for estimating the drug control budget was established using the amounts appropriated for the Alcohol and Substance Abuse Prevention programs authorized under P.L. 102-573, the Indian Health Amendments of 1992. See attached table "Alcoholism and Substance Abuse Treatment and Prevention Program Authorized Under P.L. 102-573" for list of programs. This table reflects estimated amounts. When originally authorized and appropriated, the funds were allocated to tribes in their self-determination contract by specific programs. However, when the programs were reauthorized and captured under public law 102-573, some IHS area offices allocated the funds in lump sum while others maintained the specific program breakout. Therefore, at the current time precise amounts of funding for each program are not available. The table is maintained to estimate current funding level and is the basis of the drug budget control methodology. Excluded is the amount for the Adult Treatment programs, which represents the original authorization for IHS to provide alcohol treatment services. The focus on alcoholism treatment is the reason for the exclusion.

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Page 2 – Director, Office of National Drug Control Policy

**Drug Resources by Decision Unit:** The IHS drug control funds are appropriated in two budget line items: 1) Alcohol and Substance Abuse and 2) Urban Indian Health Programs (UIHP). The Alcohol and Substance Abuse funds are primarily allocated to Tribes under Self-Determination contracts and compacts, where they manage the programs and have authority to reallocate funds to address local priorities. The portion of the alcohol fund included in the drug control budget methodology is as described above, i.e., the entire budget excluding the amount for adult treatment. The Urban Indian Health Program funds are allocated through contracts and grants to 501(c)(3) organizations. The portion of UIHP funds included in the drug control budget methodology is for NIAAA programs transferred to the IHS under the UIHP budget.

**Drug Resources by Function:** Under the methodology, two programs through FY 2007 were identified as Prevention programs, Community Education and Training and Wellness Beyond Abstinence. In FY 2008, one half of the new funds appropriated for Methamphetamine and Suicide prevention and treatment were also included in the Prevention function. The treatment function comprises the remaining program excluding adult treatment. In addition, the amount of UIHP funds is included under the treatment function.

**Application of Drug Methodology**

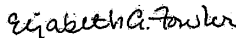
I assert that the drug methodology disclosed in this section was the actual methodology used to generate the table required by Section 6a of the Circular.

**Reprogramming or Transfers**

IHS did not reprogram or transfer any funds included in its drug control budget.

**Funds Control Notices**

IHS was not issued any Fund Control Notices by the Director under 21 U.S.C. 1703 (f) and Section 8 of the ONDCP circular Budget Execution, dated May 1, 2007.

  
Elizabeth A. Fowler

**Attachments:<sup>1</sup>**

1. Table – Alcoholism and Substance Abuse Prevention Treatment Program Authorized Under P.L. 102-573
2. Table – FY 2009 Drug Control Obligations

<sup>1</sup> The first table attached to this report is necessary for understanding the IHS drug control budget methodology. The table titled "Alcoholism and Substance Abuse Treatment and Prevention Program Authorized Under P.L. 102-573" shows the Alcohol and Substance Abuse budget line item broken out by the activities authorized originally in P.L. 100-690 and later included under P.L. 102-573. This table also includes the funding within the Urban Indian Health budget line item that supports alcohol and substance abuse treatment services. However, funds are not appropriated or accounted for by these specific categories, but rather as the lump sum funds of Alcohol and Substance Abuse and Urban Health. The second table shows the obligations of these funds as required by the Office of National Drug Control Policy Circular *Drug Control Accounting*.

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Alcoholism and Substance Abuse  
Treatment Prevention Program  
Authorized under P.L. 102-573  
(Dollars in Thousands)

Amount of Funds	FY 2005 Approp	FY 2006 Approp	FY 2007 Approp	FY 2008 Approp	FY 2009 Approp	Crosswalk to Drug Control & Moyer Reports
Adult Treatment.....	\$78,783	\$81,099	\$83,947	\$89,181	\$86,807	Excluded*
Regional Treatment Centers	\$18,882	\$19,442	\$20,125	\$23,403	\$19,957 <sup>3</sup>	Treatment
Community Education & Training.....	\$7,316	\$7,533	\$7,798	\$8,282	\$8,974	Prevention
Community Rehabilitation/ Aftercare.....	\$23,766	\$24,471	\$25,330	\$26,903	\$29,150	Treatment
Gila River.....	\$182	\$187	\$194	\$206	\$223	Treatment
Contract Health Service.....	\$8,368	\$8,614	\$8,917	\$9,471	\$10,262	Treatment
Navajo Rehab. Program....	\$322	\$332	\$343	\$365	\$395	Treatment
Urban Clinical Services.....	\$688	\$708	\$731	\$776	\$841	Treatment
Wellness Beyond Abstinence.....	\$790	\$813	\$842	\$894	\$969	Prevention
Meth Prev & Treatment.....	--	--	--	\$13,782	\$18,891	50/50 Tx & Prev
<b>Total.....</b>	<b>\$139,073</b>	<b>\$143,197</b>	<b>\$148,227</b>	<b>\$173,243</b>	<b>\$183,769</b>	

URBAN HEALTH PROGRAM <sup>1</sup>

Amount of Funds	FY 2005 Approp	FY 2006 Approp	FY 2007 Approp	FY 2008 Approp	FY 2009 Approp	
Expand Urban Programs....	\$3,722	\$3,869	\$3,981	\$3,407	\$3,407	Treatment

INDIAN HEALTH FACILITIES <sup>2</sup>

Amount of Funds	FY 2005 Approp	FY 2006 Approp	FY 2007 Approp	FY 2008 Approp	FY 2009 Approp	
Construction.....	0	0	0	0	0	
<b>Alcohol/Substance Abuse Urban Health Program</b>	<b>\$139,073</b>	<b>\$143,197</b>	<b>\$148,227</b>	<b>\$173,243</b>	<b>\$183,769</b>	
<b>Facilities Construction</b>	<b>3,722</b>	<b>3,869</b>	<b>3,981</b>	<b>3,407</b>	<b>3,407</b>	
<b>GRAND TOTAL.....</b>	<b>\$142,795</b>	<b>\$147,066</b>	<b>\$152,208</b>	<b>\$176,650</b>	<b>\$187,176</b>	

<sup>1</sup> The Urban Program was funded under P.L. 100-690, and is now funded under P.L. 102-573.

<sup>2</sup> These funds are included in the Outpatient Sub-sub-activity.

<sup>3</sup> The FY 2009 funding for the Regional Treatment Centers was adjusted based on Area Office reports of funding levels.

\*Adult Treatment funds are excluded from the ONDCP Drug Control Budget and Moyer Anti-Drug Abuse methodologies because this program reflects the original authorized program for IHS with the sole focus of alcoholism treatment services for adults. This determination was made in consultation with ONDCP when the drug control budget was initially developed in the early-1990s.

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INDIAN HEALTH SERVICE  
FY 2009 Drug Control Obligations

	(\$000)	
	Appropriated	Obligated
<b>Drug Resources by Function</b>		
Prevention	\$18,139	\$16,556
Treatment	\$72,430	\$71,529
	<u>\$90,569</u>	<u>\$88,085</u>
<b>Drug Resources by Decision Unit</b>		
Alcohol and Substance Abuse	\$87,162	\$83,729
Urban Indian Health Program <sup>1</sup>	\$3,407	\$4,356
	<u>\$90,569</u>	<u>\$88,085</u>

<sup>1</sup> The appropriated amount for Urban Indian Health Programs was an estimate. The Obligated amount reflects actual funding for the designated programs in FY 2009.

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# FY2009 Accounting of Drug Control Funds



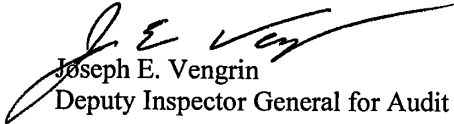
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JAN 15 2010

**TO:** Donna Jones  
Chief Financial Officer  
National Institute on Drug Abuse  
National Institutes of Health

**FROM:**   
Joseph E. Vengrin  
Deputy Inspector General for Audit Services

**SUBJECT:** Independent Attestation Review: National Institute on Drug Abuse Assertions Concerning Drug Control Accounting for Fiscal Year 2009 (A-03-10-00353)

The purpose of this report is to provide the results of our attestation review of the National Institute on Drug Abuse (NIDA) fiscal year (FY) 2009 assertions concerning drug control accounting, the table of FY 2009 Actual Obligations (Table 1), and the table of FY 2009 American Recovery and Reinvestment Act Actual Obligations (Table 2).

Pursuant to 21 U.S.C. § 1704(d)(A), each National Drug Control Program agency must submit to the Director of the Office of National Drug Control Policy (ONDCP), not later than February 1 of each year, a detailed accounting of all funds expended by the agency for National Drug Control Program activities during the previous FY. The section further requires such accounting "to be authenticated by the Inspector General for each agency prior to submission to the Director." The report and related assertions are the responsibility of NIDA's management and were prepared by NIDA as specified in section 6 of the ONDCP Circular entitled "Drug Control Accounting," dated May 1, 2007.

As required by 21 U.S.C. § 1704(d)(A), we reviewed the attached NIDA report entitled "Assertions Concerning Drug Control Accounting," dated November 3, 2009. We conducted our attestation review in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements 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 to express an opinion on management's assertions contained in its report; accordingly, we do not express such an opinion.

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Page 2 – Donna Jones

**NATIONAL INSTITUTE ON DRUG ABUSE REPORT**

NIDA's report consisted of Table 1 and Table 2, which reported obligations totaling \$1,039,561,000 and \$136,058,000, respectively.

We performed review procedures on NIDA's assertions and the accompanying tables. In general, we limited our review procedures to inquiries and analytical procedures appropriate for the attestation review.

**OFFICE OF INSPECTOR GENERAL CONCLUSION**

Based on our review, nothing came to our attention that caused us to believe that NIDA's assertions and accompanying tables were not fairly stated, in all material respects, based on the ONDCP Circular entitled "Drug Control Accounting," dated May 1, 2007.

\*\*\*\*\*

This report is intended solely for the information and use of Congress, ONDCP, and NIDA and is not intended to be, and should not be, used by anyone other than these specified parties. If you have questions or comments, please contact me, or have your staff call Stephen Virbitsky, Regional Inspector General for Audit Services, Region III, at (215) 861-4470.

Attachment

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

NOV 03 2009

National Institutes of Health  
National Institute on Drug Abuse  
Bethesda, Maryland 20892

**MEMORANDUM TO:** Director  
Office of National Drug Control Policy

**THROUGH:** Sheila Conley  
Deputy Assistant Secretary of Finance  
Department of Health and Human Services

**FROM:** Donna Jones *Donna M Jones*  
Chief Financial Officer  
National Institute on Drug Abuse

**SUBJECT:** Assertions Concerning Drug control Accounting

In accordance with the requirements of the Office of National Drug Control Policy Circular "Drug Control Accounting," I make the following assertions regarding the attached annual accounting of drug control funds:

**Obligations by Budget Decision Unit**

I assert that obligations reported by budget decision unit are the actual obligations from the NIH financial accounting system for this budget decision unit after using NIDA's internal system to reconcile the NIH accounting system during the year.

**Drug Methodology**

I assert that the drug methodology used to calculate obligations of prior year budgetary resources by function for the institute was reasonable and accurate in accordance with the criteria listed in Section 6b(2) of the Circular. In accordance with these criteria, I have documented data which support the drug methodology, explained and documented other estimation methods (the assumptions for which are subject to periodic review) and determined that the financial systems supporting the drug methodology yield data that present fairly, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.

Obligations of prior year drug control budgetary resources are calculated as follows:

FY 2009 actual obligations were determined by identifying NIDA support for projects that address drug prevention and treatment. Projects for inclusion in the ONDCP budget are identified from the NIDA coding system and database known as the "NEPS" system (NIDA Extramural Project System). Data are entered into this system by program staff. NIDA does not need to make any assumptions or estimates to isolate its total drug control obligations as the total appropriation is drug control.

As the supporter of more than 85% of the world's research on drug abuse and addiction, the

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National Institute on Drug Abuse (NIDA) provides a strong science base for our Nation's efforts to reduce the abuse of drugs and their consequences. NIDA's comprehensive research portfolio addresses a broad range of drug abuse and addiction issues, ranging from the support of fundamental neurobiology to community-based research. As our Nation looks for science-based approaches to enhance its prevention and treatment efforts, NIDA's broad portfolio and its continuing efforts to work with other Agencies and NIH Institutes on a variety of transdisciplinary issues will provide the tools necessary to move these efforts forward. Research serves as the cornerstone of NIDA's efforts to disseminate research information and educate health professionals and the public, especially our Nation's youth, about the factors influencing drug use, its consequences, and about science-based and tested treatment and prevention techniques. These research and dissemination efforts to develop, test, and disseminate information on the basis of addiction, its consequences, and enhanced therapeutic techniques support the ONDCP Goal 3 (treatment). Efforts to enhance the science base and disseminate information on the factors that inhibit and facilitate drug use and its progression to addiction and other health consequences, and on science-based approaches for prevention interventions support the ONDCP Goal 1 (prevention).

NIDA obligations are allocated between prevention and treatment research based on the professional judgment of scientific program officials on specific grant and contract projects. These scientists review the grant application, project purpose and methodology, and/or progress report to determine whether the project meets NIDA's criteria for categorization as prevention or as treatment research. Projects are coded and entered into the NEPS system prior to funding.

The total of NIDA's regular appropriation of \$1,039,561,000 is the actual amount obligated and reconciles to the NIDA Database system. The total of \$1,039,561,000 does not reconcile to the FY 2009 column of the FY 2010 Congressional Justification (CJ). This is because the FY 2009 column of the FY 2010 CJ excludes a transfer of \$6,803,000 from the Office of the Director of NIH to NIDA for the Genes, Environment and Health Initiative (GEI). The adjustment to the FY 2009 column is determined by the NIH, DHHS and OMB.

In addition, NIDA received a total allotment of \$261,156,000 for the American Recovery and Reinvestment Act (ARRA) which is to be expended over two years. In 2009 NIDA obligated a total of \$136,058,000. In 2010 NIDA has a remaining balance of \$125,098,000 left to obligate.

**Application of Methodology**

I assert that the drug methodology described in the preceding section was the actual methodology used to generate the table required by Section 6a. NIDA has not modified its drug methodology from the previous year. The difference between NIDA's actual obligations and the National Drug Control Strategy Budget summary number for FY 2009 are for the same reasons described above for the FY 2009 column of the FY 2010 CJ.

**Reprogrammings or Transfers**

I assert that the obligation data presented are associated against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of

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reprogrammings or transfers affecting drug-related resources in excess of \$1 million that occurred during the fiscal year. As described above, NIDA had the following adjustment to its appropriation for FY 2009: (1) a transfer of \$6,218,000 from the Office of the Director NIH for the Genes, Environment and Health Initiative.

**Fund Control Notices**

I assert that the obligation data presented are associated against a financial plan that complied fully with all Fund Control Notices issued by the Director under 21 U.S.C. 1704(d) and Section 6 of the ONDCP Circular *Drug Control Accounting*, dated May 1, 2007.

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NATIONAL INSTITUTES OF HEALTH  
NATIONAL INSTITUTE ON DRUG ABUSE  
FY 2009 Actual Obligations  
(Dollars in Thousands)

I. RESOURCE SUMMARY

	FY 2009 Actual
<b>Drug Resources by Function:</b>	
Prevention	413,518
Treatment	626,043
<b>Total</b>	<b>1,039,561</b>
<b>Drug Resources by Decision Unit:</b>	
Demand Reduction	1,039,561
<b>Total</b>	<b>1,039,561</b>
<b>HIDTA Transfer</b>	
<b>ICDE Resources</b>	

Differences Between (1) Actual Obligations and (2) the FY 09 Column of the  
FY 10 CJ and the National Drug Control Strategy Budget Summary  
(Dollars in Thousands)

Total 2009 Col. of the FY 2010 CJ; National Drug Control Strategy	1,032,759
GEI Transfer	6,802
<b>Total Obligations</b>	<b>1,039,561</b>

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NATIONAL INSTITUTES OF HEALTH  
NATIONAL INSTITUTE ON DRUG ABUSE  
FY 2009 Actual Obligations - ARRA  
(Dollars In Thousands)

I. RESOURCE SUMMARY

	FY 2009 Actual
<b>Drug Resources by Function:</b>	
Prevention	43,394
Treatment	92,664
<b>Total</b>	<b>136,058</b>
<b>Drug Resources by Decision Unit:</b>	
Demand Reduction	136,058
<b>Total</b>	<b>136,058</b>
<b>HIDTA Transfer</b>	
<b>IGDE Resources</b>	

Differences Between (1) Actual Obligations and (2) the total amount  
Provided for FY 2009 ARRA National Drug Control tegy Budget Summary  
(Dollars In Thousands)

Total NIDA Arra Funds - 2 Years	261,158
Amount obligated In 2009	<u>-136,058</u>
Amount Available 2010	125,098

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FY2009 Accounting of Drug Control Funds



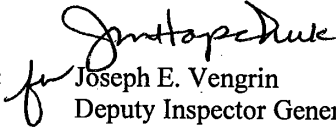
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JAN 15 2010

**TO:** Daryl Kade  
Chief Financial Officer  
Office of Policy, Planning, and Budget  
Substance Abuse and Mental Health Services Administration

**FROM:**  Joseph E. Vengrin  
Deputy Inspector General for Audit Services

**SUBJECT:** Independent Attestation Review: Substance Abuse and Mental Health Services Administration Assertions Concerning Drug Control Accounting for Fiscal Year 2009 (A-03-10-00351)

The purpose of this report is to provide the results of our attestation review of the Substance Abuse and Mental Health Services Administration (SAMHSA) fiscal year (FY) 2009 assertions concerning drug control accounting and the accompanying Table of Prior Year Drug Control Obligations: FY 2009 (Table).

Pursuant to 21 U.S.C. § 1704(d)(A), each National Drug Control Program agency must submit to the Director of the Office of National Drug Control Policy (ONDCP), not later than February 1 of each year, a detailed accounting of all funds expended by the agency for National Drug Control Program activities during the previous FY. The section further requires such accounting "to be authenticated by the Inspector General for each agency prior to submission to the Director." The report and related assertions are the responsibility of SAMHSA's management and were prepared by SAMHSA as specified in section 6 of the ONDCP Circular entitled "Drug Control Accounting," dated May 1, 2007.

As required by 21 U.S.C. § 1704(d)(A), we reviewed the attached SAMHSA report entitled "Assertions Concerning Drug Control Accounting," dated November 5, 2009. We conducted our attestation review in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements 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 to express an opinion on management's assertions contained in its report; accordingly, we do not express such an opinion.

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Page 2 –Daryl Kade

**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES  
ADMINISTRATION'S REPORT**

SAMHSA's report consisted of the Table, which reported obligations totaling \$2,582,000,000, and related exhibits.

We performed review procedures on SAMHSA's assertions and the accompanying Table. In general, we limited our review procedures to inquiries and analytical procedures appropriate for our attestation review.

**OFFICE OF INSPECTOR GENERAL CONCLUSION**

Based on our review, nothing came to our attention that caused us to believe that SAMHSA's assertions and the accompanying Table were not fairly stated, in all material respects, based on the ONDCP Circular entitled "Drug Control Accounting," dated May 1, 2007.

\*\*\*\*\*

This report is intended solely for the information and use of Congress, ONDCP, and SAMHSA and is not intended to be, and should not be, used by anyone other than these specified parties. If you have questions or comments, please contact me, or have your staff call Stephen Virbitsky, Regional Inspector General for Audit Services, Region III, at (215) 861-4470.

Attachment

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# FY2009 Accounting of Drug Control Funds

ATTACHMENT  
Page 1 of 9



DEPARTMENT OF HEALTH & HUMAN SERVICES

Substance Abuse and Mental  
Health Services Administration

NOV 5 2009

Center for Mental Health Services  
Center for Substance Abuse  
Prevention  
Center for Substance Abuse  
Treatment  
Rockville MD 20857

**MEMORANDUM TO:** Director  
Office of National Drug Control Policy

**THROUGH:** Sheila Conley  
Deputy Assistant Secretary for Finance  
Department of Health and Human Services

**FROM:** Daryl Kade, Chief Financial Officer  
Office of Policy, Planning, and Budget  
Substance Abuse and Mental Health Services Administration

**SUBJECT:** Assertions Concerning Drug Control Accounting

In accordance with the requirements of the Office of National Drug Control Policy Circular *Drug Control Accounting*, as revised on May 1, 2007, I make the following assertions regarding the attached annual accounting of drug control funds:

**Obligations by Budget Decision Unit**

I assert that obligations reported by budget decision unit are the actual obligations from SAMHSA's accounting system of record for these budget decision units.

**Drug Methodology**

I assert that the drug methodology used to calculate obligations of prior year budgetary resources by function for SAMHSA was reasonable and accurate in accordance with the criteria listed in Section 6b(2) of the Circular. In accordance with these criteria, I have documented/identified data which support the drug methodology, explained and documented other estimation methods (the assumptions for which are subjected to periodic review) and determined that the financial systems supporting the drug methodology yield data that present fairly, in all material respects, aggregate obligations from which drug-related obligation estimates are derived. (See Exhibit A)

**Application of Drug Methodology**

I assert that the drug methodology disclosed in Exhibit A was the actual methodology used to generate the table required by Section 6a.

**Reprogrammings or Transfers**

I assert that the data presented are associated with obligations against a financial plan that was revised during the fiscal year to include funds received from ONDCP in support of the Drug

Office of the Administrator—Office of Applied Studies—Office of Communications—Office of Policy, Planning and Budget—Office of Program Services


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Page 2 - Director, Office of National Drug Control Policy

Free Communities Program. SAMHSA received a total of \$88,389,937 from ONDCP via an Interagency Agreement to fund activities of the Drug Free Communities Program in FY 2009. SAMHSA had no other reportable reprogrammings or transfers in FY 2009.

**Fund Control Notices**

I assert that the data presented are associated with obligations against SAMHSA's financial plan which complied fully with all ONDCP Budget Circulars.

  
for Daryl W. Kade  
Chief Financial Officer

Attachments:

Table of Prior Year Drug Control Obligations, FY 2009  
Exhibit A - Drug Control Methodology  
Exhibit B - FY 2009 Management Assurance (SAMHSA)

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**SUBSTANCE ABUSE AND MENTAL HEALTH  
SERVICES ADMINISTRATION**

**Table of Prior Year Drug Control Obligations  
FY 2009  
(Dollars in millions)**

**Obligations by Drug Control Function**

Prevention .....	665.1
Treatment .....	<u>1,916.9</u>
<b>Total .....</b>	<b>\$2,582.0</b>

**Obligations by Budget Decision Unit**

Programs of Regional and National Significance <sup>1/</sup> .....	613.1
Substance Abuse Prevention (Non-add) .....	(201.0)
Substance Abuse Treatment (Non-add) .....	(412.1)
Drug Free Communities Program <sup>2/</sup> .....	88.4
National All Schedules Prescription Electronic Reporting (NASPER) Program .....	2.0
Substance Abuse Block Grant <sup>3/</sup> .....	1,778.5
Program Management <sup>4/</sup> .....	<u>100.0</u>
<b>Total .....</b>	<b>\$2,582.0</b>

**Footnotes:**

<sup>1/</sup> PRNS obligations reflect direct obligations against SAMHSA budget authority. Reimbursable obligations are not included, as these funds would be reflected in the obligations of the agency providing the reimbursable funds to SAMHSA. Substance Abuse Treatment PRNS obligations include funds provided to SAMHSA from the PHS evaluation fund.

<sup>2/</sup> Drug Free Communities Program funding was provided to SAMHSA/CSAP via Interagency Agreement.

<sup>3/</sup> SAPT Block Grant obligations include funds provided to SAMHSA from the PHS evaluation fund.

<sup>4/</sup> Program Management obligations include funds provided to SAMHSA from the PHS evaluation fund. Obligations reflect total SAMHSA Program Management funds, less reimbursements, as prescribed by ONDCP Budget Circulars.

**TOTALS MAY NOT ADD DUE TO ROUNDING**

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Exhibit A

(1) **Drug Methodology** - Actual obligations of prior year drug control budgetary resources are derived from the SAMHSA Unified Financial Management System (UFMS), PSC Status of Funds by Allotment and Allowance Report.

(a) **Obligations by Drug Control Function** - SAMHSA distributes drug control funding into two functions, prevention and treatment:

**Prevention:** This total reflects the sum of the actual obligations for:

- CSAP's Programs of Regional and National Significance (PRNS) direct funds, excluding reimbursable authority obligations;
- Drug Free Community Program funds provided by Interagency Agreement with ONDCP;
- 20% of Substance Abuse Prevention and Treatment Block Grant (SAPTBG) funds, including obligations related to receipt of PHS Evaluation funds; and
- 20% of the actual obligations of SAMHSA Program Management funds, including obligations related to receipt of PHS Evaluation funds.

Regarding allocation of 20% of the SAPTBG for the prevention function, the Public Health Services Act provides that "in expending the grant, the State involved will expend not less than 20 percent for programs for individuals who do not require treatment for substance abuse" (or, in other words, for primary prevention activities, reference PHS Act, Sec. 1922(a)(1)). For expediency and simplicity, program management actual obligations have also been allocated to the prevention function using the 20% factor as a proxy.

**Treatment:** This total reflects the sum of the actual obligations for:

- CSAT's Programs of Regional and National Significance (PRNS) direct funds, excluding reimbursable authority obligations, but including obligations related to receipt of PHS Evaluation funds;
- CSAT's NASPER program (National All Schedules Prescription Electronic Reporting);
- 80% of the actual obligations of the Substance Abuse Prevention and Treatment Block Grant (SAPTBG) funds, including obligations related to receipt of PHS Evaluation funds; and
- 80% of the actual obligations of SAMHSA Program Management funds, including obligations related to receipt of PHS Evaluation funds;

Regarding allocation of 80% of the SAPTBG for the treatment function, rather than adding complexity to the allocation methodology, it has been determined and generally accepted that the full balance of 80% should be ascribed to the treatment function. Likewise, the 80% factor is also used to allocate the balance of program management obligations to the treatment function after the prevention allocation of 20% has been accomplished.

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(b) **Obligations by Budget Decision Unit** - SAMHSA's budget decision units have been defined by Attachment B, ONDCP Circular, *Budget Formulation*, dated May 1, 2007. These units are:

- Programs of Regional and National Significance (PRNS) - Prevention (CSAP);
- Programs of Regional and National Significance (PRNS) - Treatment (CSAT);
- Substance Abuse Prevention and Treatment Block Grant (SAPTBG) - CSAT; and
- Program Management (PM) program - SAMHSA.
- In addition to the above, the Drug Free Communities Program funds provided by ONDCP through an Interagency Agreement with SAMHSA are included in the Obligations by Budget Decision Unit display (CSAP); and,
- Funding appropriated in FY 2009 for CSAT's National All Schedules Prescription Electronic Reporting program (NASPER) has been included in this year's report.

Included in this Drug Control Accounting report for FY 2009 are 100% of the actual obligations for these six budget decision units, minus reimbursements. Obligations against funds provided to SAMHSA from the PHS Evaluation Fund are included. Actual obligations of prior year drug control budgetary resources are derived from the SAMHSA Unified Financial Management System (UFMS), PSC Status of Funds by Allotment and Allowance Report.

- (2) **Methodology Modifications** – Provision of funding in the FY 2009 SAMHSA appropriation for the National All Schedules Prescription Electronic Reporting program (NASPER), administered by CSAT, is reflected in the methodology shown above and constitutes a change in the SAMHSA accounting methodology from that used in the FY 2008 Drug Control Accounting Report.
- (3) **Material Weaknesses or Other Findings** - See Exhibit B.
- (4) **Reprogrammings or Transfers** – SAMHSA entered into an Interagency Agreement with ONDCP in the amount of \$88,389,937 to fund activities of the Drug Free Communities Program in FY 2009. SAMHSA had no other reportable reprogrammings or transfers in FY 2009.
- (5) **Other Disclosures** – None.

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EXHIBIT B



DEPARTMENT OF HEALTH & HUMAN SERVICES

Substance Abuse and Mental  
Health Services Administration

Center for Mental Health Services  
Center for Substance Abuse  
Prevention  
Center for Substance Abuse  
Treatment  
Rockville MD 20857

OCT 15 2009

TO: Chairman  
A-123 Senior Assessment Team  
U.S. Department of Health and Human Services

FROM: Acting Administrator  
Chief Financial Officer

SUBJECT: FY 2009 Management Assurance

The Substance Abuse and Mental Health Services Administration (SAMHSA) is an Operating Division (OPDIV) of the Department of Health and Human Services (HHS). SAMHSA's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004. These objectives are to ensure: 1) effective and efficient operations; 2) compliance with applicable laws and regulations; and 3) reliable financial reporting.

In accordance with the HHS *Guidance Manual for OMB Circular A-123 Assessments*, SAMHSA has evaluated its internal controls and financial management systems to determine whether these objectives are being met.

Based on this evaluation, SAMHSA provides a qualified statement of assurance that with the exception of the two reportable conditions (including one material weakness) pertaining to its service provider as discussed below (see Table 1), SAMHSA's internal controls and financial management systems meet the objectives of FMFIA. The reportable conditions described below relate to Section 2 of FMFIA and also constitute non-conformances under Section 4 of FMFIA.

**Description of Service Provider's Reportable Conditions and Corrective Actions**

SAMHSA uses the HHS Program Support Center (PSC) as a service provider for accounting and financial reporting. PSC evaluated its internal controls and financial systems in accordance with HHS *Guidance Manual for OMB Circular A-123 Assessments* and provided a qualified statement of assurance that its internal controls meet the objectives of FMFIA, except for the following reportable conditions under Section 2 of FMFIA:

1. PSC Oversight and Management of Information System Controls and Security (Material Weakness)

Weaknesses in the oversight and management of information system controls were detected in key financial management systems. PSC acknowledges internal

Office of the Administrator—Office of Applied Studies—Office of Communications—Office of Policy, Planning and Budget—Office of Program Services

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Page 2

control weaknesses in system security, including general and application controls in financial management systems. Although no single financial management system had a material weakness, the pervasive nature of these and other findings leads PSC Management to conclude that the findings warrant classification as a material weakness. The primary findings, as previously reported by PSC, include access and change controls and inadequate documentation for systems and processes, which can compromise the integrity of PSC's data and increase the risk that the Department's data may be inappropriately used or disclosed. In addition, the financial management systems are not yet in conformance with legal and regulatory guidelines as established by the appropriate governing bodies with respect to overall system security.

**2. PSC Financial Systems and Reporting Processes (Significant Deficiency)**

PSC continues to report that its financial management systems are not in substantial compliance with the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996 because they do not fully comply with the Federal financial management systems requirements of the Office of Management and Budget Circular A-127, *Financial Management Systems*.

Also, as in prior years, PSC continues to report deficiencies in its financial management systems and processes for producing financial statements. Significant progress was made in FY 2009 with the phased deployment of fully integrated FFMIA compliant systems. The lack of final implementation of the system and deficiencies in internal controls make the process of PSC preparing financial statements more manual in effort.

PSC has made significant progress in strengthening the controls in the Financial Reporting area resulting in PSC Management's assessment that the financial reporting material weakness, previously reported as of June 30, 2009, has been remediated to the level of significant deficiency as of September 30, 2009. FY 2009 A-123 testing by PSC confirms these improvements in the financial reporting process, including the automation of the procurement cycle through the HHS Consolidated Acquisition System (HCAS), compliance with HHS reconciliation policy, quarterly review of undelivered order (UDO) balances, and properly supported manual journal entries.

**PSC's Corrective Actions:**

PSC's assurance statement states that it has made significant progress in strengthening controls in both the financial reporting and IT compliance areas, including PSC Management's assessment that the financial reporting material weakness, reported as of June 30, 2009, has been remediated to the level of significant deficiency as of September 30, 2009.

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Page 3

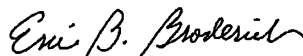
According to the Corrective Action Plan and Impact of Material Weakness (Table II) accompanying the PSC Management Assurance as a Service Provider and OPDIV (as of September 30, 2009), sufficient compensating controls exist so that "the risk of a misstatement in the Financial Statements has been mitigated" with respect to the reported material weakness in Information System Controls and Security.

**Assurance for Internal Control over Operations and Compliance**

SAMHSA conducted its evaluation of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the HHS *Guidance Manual for OMB Circular A-123 Assessments*. Based on the results of this evaluation, SAMHSA identified one material weakness, as of September 30, 2009, in its internal control over the effectiveness and efficiency of operations under Section 2 of FMFIA which also constitutes a nonconformance under Section 4 of FMFIA. The weakness pertains to operations and compliance matters identified by PSC relating to oversight and management of information system controls and security as discussed above. Other than the exception described above (see Table 1), the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations were operating effectively and no other material weaknesses were found in their design or operation.

**Assurance for Internal Control over Financial Reporting**

In addition, SAMHSA conducted its evaluation of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the HHS *Guidance Manual for OMB Circular A-123 Assessments*. Based on the results of this evaluation, SAMHSA identified one reportable condition (previously classed as a material weakness, but remediated to the level of significant deficiency as of September 30, 2009) in its internal control over financial reporting as of June 30, 2009. According to the PSC Assurance Statement as a Service Provider and OPDIV as of September 30, this does not constitute a nonconformance under Section 4 of FMFIA. Other than the exception described above (see Table 1), the internal controls over financial reporting as of June 30, 2009, were operating effectively and no other material weaknesses were found in their design or operation.

  
Eric B. Broderick, D.D.S., M.P.H.  
Acting Administrator  
Assistant Surgeon General

  
Daryl W. Kade  
Chief Financial Officer

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Table 1

Summary of Material Weaknesses/Systems Non-Conformances

Control Area	FMFIA Section 2			FMFIA Section 4
	Operations (as of September 30, 2009)	Compliance (as of September 30, 2009)	Financial Reporting (as of June 30, 2009)	Non-Conformance (as of September 30, 2009)
Financial Systems and Processes operated by the PSC	--	--	--	--
Oversight and Management of Information System Controls operated by the PSC	X	--	--	X

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# Tab D

# Department of Homeland Security

United States Coast Guard

Immigration and Customs Enforcement

Customs and Border Protection

FY2009 Accounting of Drug Control Funds

*Office of Inspector General*

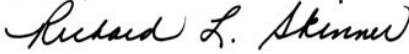
**U.S. Department of Homeland Security**  
Washington, DC 20528



**Homeland  
Security**

January 27, 2010

MEMORANDUM FOR: The Honorable Admiral Thad W. Allen  
Commandant  
United States Coast Guard

From:   
Richard L. Skinner  
Inspector General

Subject: *Independent Review of the U.S. Coast Guard's Reporting of FY 2009  
Drug Control Obligations*

Attached for your information is our report, *Independent Review of the U.S. Coast Guard's Reporting of FY 2009 Drug Control Obligations*. This report contains no recommendations.

We contracted with the independent public accounting firm KPMG LLP to perform the review. The review was conducted according to attestation standards established by the American Institute of Certified Public Accountants. Due to the U.S. Coast Guard's inability to provide assurances as to the integrity of the financial data contained within the detailed accounting submission, KPMG LLP was unable to complete the review. As a result, KPMG LLP was unable to report on the Table of Prior Year Drug Control Obligations and related disclosures.

Should you have any questions, please call me, or your staff may contact Anne L. Richards, Assistant Inspector General for Audits, at 202-254-4100.

Attachment





# Department of Homeland Security Office of Inspector General

## Independent Review on the U.S. Coast Guard's Reporting of FY 2009 Drug Control Obligations



OIG-10-48

January 2010

# FY2009 Accounting of Drug Control Funds

*Office of Inspector General*

**U.S. Department of Homeland Security**  
Washington, DC 20528



**Homeland  
Security**

January 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 and related disclosures of the U.S. Coast Guard 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. Coast Guard management prepared the Table of Prior Year Drug Control Obligations and related disclosures to comply with requirements of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007. Due to the U.S. Coast Guard's inability to provide assurance as to the integrity of the financial data in the detailed accounting submissions, KPMG LLP was unable to complete its review and report 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

# FY2009 Accounting of Drug Control Funds



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

Telephone 202 533 3000  
Fax 202 533 8500  
Internet [www.us.kpmg.com](http://www.us.kpmg.com)

January 18, 2010

Ms. Anne Richards  
Assistant Inspector General for Audits  
Office of the Inspector General  
U.S. Department of Homeland Security  
1120 Vermont Avenue, NW  
Washington, DC 20005

Dear Ms. Richards:

We were engaged to review the Table of Prior Year Drug Control Obligations and related disclosures (Section 6A), and the accompanying management's assertions (Section 6B) of the Department of Homeland Security's (DHS) United States Coast Guard (USCG) for the year ended September 30, 2009. USCG management is responsible for the Table of Prior Year Drug Control Obligations and related disclosures, and the assertions.

The Office of National Drug Control Policy (ONDCP) Circular: *Drug Control Accounting* (May 1, 2007), requires management to disclose any material weaknesses or other findings affecting the presentation of data reported. Management reported that it "cannot provide assurances as to the integrity of the financial data contained" in its Table of Prior Year Drug Control Obligations and related disclosures.

In accordance with applicable professional standards, without a positive assertion provided by management, we are unable to complete our review of USCG's Table of Prior Year Drug Control Obligations and related disclosures, and management's assertion. Accordingly, we are unable to provide an Independent Accountants' Report on the Table of Prior Year Drug Control Obligations and related disclosures, and management's assertions pursuant to the requirements of ONDCP Circular: *Drug Control Accounting* (May 1, 2007).

Sincerely,

A handwritten signature in black ink that reads "Scot Janssen".

Scot G. Janssen,  
*Partner*

# FY2009 Accounting of Drug Control Funds



Commandant  
United States Coast Guard

2100 Second Street, S.W.  
Washington, DC 20593-0001  
Staff Symbol: CG-821  
Phone: (202) 372-3512  
Fax: (202)372-2311  
Email:Rebecca.E.Ore@uscg.mil

7110

JAN 14 2010

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

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 report of FY 2009 drug control obligations, drug control, methodology and assertions. Per your KPMG auditor's guidance received on December 18<sup>th</sup>, 2009, my staff addressed this request for additional supporting documentation and changes to the FY 2009 Annual Accounting of Drug Control Funds, dated November 30<sup>th</sup>, 2009.

If you require further assistance on this information, please contact LCDR Rebecca Ore at (202) 372-3512.

Sincerely,

A handwritten signature in black ink, appearing to read "T.W. Jones".

T.W. JONES  
Captain, U.S. Coast Guard  
Chief, Office of Budget and Programs

Copy: DHS Budget Office

Enclosures:

- (1) USCG FY 2009 Annual Accounting of Drug Control Funds
- (2) Exhibit 1 – Materiel Weaknesses in Internal Control – U.S. Coast Guard
- (3) USCG Assurance Statement
- (4) KPMG Auditor Comments with USCG Response

# FY2009 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY  
UNITED STATES COAST GUARD  
ANNUAL ACCOUNTING OF  
FY 2009 DRUG CONTROL FUNDS  
6A. DETAILED OBLIGATION SUBMISSION**

**(a) Table of Prior Year Drug Control Obligations (dollars in millions)**

<b>RESOURCE SUMMARY</b>	<b>2009 Actual</b>
<b>Drug Resources by Function:</b>	<b>Obligations</b>
• Interdiction	\$1,053.665
• Research and Development	\$2.261
<b>Total Resources by Function</b>	<b>\$1,055.926</b>
<b>Drug Resources by Decision Unit:</b>	
• Operating Expenses (OE)	\$771.224
• Reserve Training (RT)	\$15.607
• Acquisition, Construction, and Improvements (AC&I)	\$266.834
• Research, Development, Test and Evaluation (RDT&E)	\$2.261
<b>Total Drug Control Obligations</b>	<b>\$1,055.926</b>
<i>Interagency Crime and Drug Enforcement [non-add]</i>	<i>[\$708]</i>

**(1) Drug Methodology**

Over twenty years ago, the Coast Guard designed its cost allocation methodology to systematically allocate costs to the Coast Guard’s primary mission areas. This methodology allocated Coast Guard costs based on the level of effort (e.g. time) that Coast Guard resources (cutters, aircraft, boats, and personnel) spent on various types of missions. This view of the Coast Guard budget provided valuable insight into the multi-mission use of assets and personnel. However, for many years the only information taken into consideration was the previous year’s operational activity. Prior to 1998, operational data (resource hours) and obligation data were downloaded only at the end of the fiscal year to develop mission cost allocations for the year just completed and budgetary projections for current and future years taking into account incremental changes. Starting in 2000 an improved methodology, known as the Mission Cost Model (MCM), was developed to present Coast Guard missions more accurately using activity based cost accounting principles. Further, the Coast Guard has developed an operating hour baseline as a method to approximate the future allocation of resource hours for each asset class to multiple Coast Guard missions. This is the revised basis for funding allocations in budget projections. The operating hour allocation, or baseline, is developed and modified based upon budget line item requests and national priorities.

The Coast Guard’s drug control funding estimates are computed by closely examining the decision units, or appropriations, that comprise the Coast Guard’s drug control budget estimates. These decision units consist of: Operating Expenses (OE); Reserve Training (RT); Acquisition, Construction, and Improvement (AC&I); and Research, Development, Test, and Evaluation (RDT&E).

# FY2009 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY  
UNITED STATES COAST GUARD  
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6A. DETAILED OBLIGATION SUBMISSION**

## **(1) Drug Methodology (cont.)**

Each decision unit contains its own unique spending authority and methodology. For example, AC&I includes funding that remains available for obligation up to five years after appropriation and RDT&E includes funding which does not expire. Unless stipulated by law, OE and RT funding must be spent in the fiscal year it is appropriated and therefore the methodology for these two appropriations is the same.

### **Operating Expenses**

The majority of the funds the Coast Guard allocates to the drug interdiction program are in the (OE) decision unit. OE funds are used to operate Coast Guard facilities; maintain capital equipment; improve management effectiveness; and recruit, train, sustain, and compensate, an active duty military and civilian workforce. In the OE budget, the amount allocated to the drug interdiction program is derived by allocating a share of the actual expenditures based upon the percentage of time aircraft, cutters, and boats spent conducting drug interdiction activities. The Coast Guard tracks the resource hours spent on each of the 11 Coast Guard programs by using a web-based Abstract of Operations (AOPS) data collection and report system. Coast Guard AOPS data is used to develop the amount of time each asset class spends conducting each Coast Guard mission. Using financial data gathered from over 3,000 cost centers around the United States along with the AOPs information, the Coast Guard is able to allocate OE costs to each of the 11 program areas consisting of: Drug Interdiction; Migrant Interdiction; Ports, Waterways and Coastal Security; Other Law Enforcement; Defense Readiness; Search and Rescue; Marine Safety; Ice Operations; Marine Environmental Protection; Living Marine Resources; and Aids to Navigation.

### **Acquisition, Construction, and Improvements**

In scoring drug control funding requests within the zero-based AC&I decision unit, professional judgment is used to evaluate every line item project requested in the FY 2009 AC&I budget for its anticipated contribution to Coast Guard's 11 program areas. For each AC&I project, a discrete profile is established to allocate the funding for that project to the various mission areas of the Coast Guard. In most cases, the driver is the percentage of time an asset contributes to the 11 program areas as determined from the OE Mission Cost Model (MCM). Otherwise, when a project is not related to any particular asset or series of asset classes, the project fund may benefit the Coast Guard's entire inventory and other expense categories. With this condition, the general OE AOPS MCM percentage is utilized. As with the other three appropriations, once the program percentage spreads are computed for each of these drivers in the FY 2009 AC&I MCM, the total bottom-line mission percentage is applied directly to the AC&I total direct obligations. This percentage allocation results in a repeatable mission spread process which the Coast Guard uses throughout its annual budget year presentations, namely OMB's MAX budget system for the President's Budget submission and the Chief Financial Officer's Statement of Net Cost report.

# FY2009 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY  
UNITED STATES COAST GUARD  
ANNUAL ACCOUNTING OF  
FY 2009 DRUG CONTROL FUNDS  
6A. DETAILED OBLIGATION SUBMISSION**

## **(1) Drug Methodology (cont.)**

### **Reserve Training**

The Coast Guard allocates a portion of RT decision unit funds to the drug interdiction program. RT funds are used for Coast Guard Selected Reserve personnel who support and operate Coast Guard facilities, maintain capital equipment, improve management effectiveness, and assist in sustaining all Coast Guard operations. The final FY 2009 obligations for the RT decision unit are determined using the OE methodology.

### **Research, Development, Test and Evaluation**

The final decision unit is RDT&E. As with the AC&I Appropriation, scoring of drug interdiction funding is accomplished within the zero-based RDT&E decision unit. Every line item requested in the FY 2009 RDT&E budget was evaluated for its anticipated contribution to drug interdiction efforts. Each RDT&E project has a discrete driver that is selected to allocate the costs for the project to various Coast Guard mission areas. These drivers are based upon experienced professional judgment. Once the unique program driver is chosen the program percentage spreads as determined from the OE MCM.

## **(2) Methodology Modifications**

The methodology described above is consistent with the previous year.

## **(3) Material Weaknesses or Other Findings**

As a result of the CFO Act audit and feedback provided in the enclosed Independent Auditors' Report: Exhibit I – Material Weaknesses in Internal Control (Enclosure 2) and described in the enclosed 2009 U.S. Coast Guard Assurance Statement (Enclosure 3), the Coast Guard has material weaknesses in financial management, financial reporting, and financial systems that impact the assurance of information in our financial reports. As such, we cannot provide assurances as to the integrity of the financial data contained in this report.

The Coast Guard has chartered an Audit Readiness Planning Team which is mapping processes, conducting gap analysis, tracking processes to assertions at the transaction level, and associating deliverables to milestones. Upon completion of this analysis, the Coast Guard will aggressively update Mission Action Plans that guide our implementation of internal controls leading to assurance over financial information. This information is used in the MCM to produce a portion of this report. Additionally, we will pursue improved internal controls in the collection of our Abstract of Operations information necessary to give assurance to the non-financial data used to produce a portion of this report.

# FY2009 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY  
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FY 2009 DRUG CONTROL FUNDS  
6A. DETAILED OBLIGATION SUBMISSION**

## **(4) Reprogrammings or Transfers**

During FY 2009, the Coast Guard has no reports of transfers or reprogramming actions affecting in excess of \$1 million drug-related budget resources.

## **(5) Other Disclosures**

The following provides a synopsis of the United States Coast Guard's FY 2009 Drug Control Funds reporting which describes:

1. The agency's overall mission and the role of drug interdiction efforts within the Coast Guard's multi-mission structure and
2. The Coast Guard's drug control budget submission.

## **Coast Guard Mission**

The Coast Guard is a military service with mandated national security and national defense responsibilities and the United States' leading maritime law enforcement agency with broad, multi-faceted jurisdictional authority. The Coast Guard is a multi-mission maritime service consisting of 11 complementary program areas: Drug Interdiction; Migrant Interdiction; Ports, Waterways and Coastal Security; Other Law Enforcement; Defense Readiness; Search and Rescue; Marine Safety; Ice Operations; Marine Environmental Protection; Living Marine Resources; and Aids to Navigation.

The Coast Guard faces many of the same challenges as the other four military services when it comes to deciding which assets should be deployed for what missions and where. This is not only true between the broad categories of missions, but also within sub-sets of the various missions the Coast Guard undertakes. For example, assets used for the Enforcement of Laws and Treaties must be divided between drug interdiction and migrant interdiction, as well as enforcement of fishing regulations and international treaties. Due to the multi-mission nature of the Coast Guard and the necessity to allocate the effort of a finite amount of assets, there is a considerable degree of asset "cross-over" between missions. This crossover contributes to the challenges the Coast Guard faces when reporting costs for its mission areas.

## **Coast Guard's Drug Budget**

In the annual National Drug Control Strategy (NDCS) Budget Summary, all agencies present their drug control resources broken out by function and decision unit. The presentation by decision unit is the one that corresponds most closely to the Coast Guard's congressional budget submissions and appropriations. It should be noted and emphasized that the Coast Guard does not have a specific appropriation for drug interdiction activities. As such, there are no financial accounting lines for each of Coast Guard's 11 programs. All drug interdiction operations, capital improvements, reserve support, and research and development efforts are funded out of general Coast Guard appropriations.



# FY2009 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY  
UNITED STATES COAST GUARD  
ANNUAL ACCOUNTING OF  
FY 2009 DRUG CONTROL FUNDS  
6A. DETAILED OBLIGATION SUBMISSION**

**Coast Guard's Drug Budget (cont.)**

For the most part, the Coast Guard drug control budget is a reflection of the Coast Guard's overall budget. The Coast Guard's Operating Expenses appropriation budget request is incremental, focusing on the changes from the prior year base brought forward. The Coast Guard continues to present supplementary budget information through the use of the MCM, which allocates base funding and incremental requests by mission.

This general purpose MCM serves as the basis for developing drug control budget estimates for the OE and RT appropriations and provides allocation percentages used to develop the drug control estimates for the AC&I and RDT&E appropriations and the process is repeatable. Similarly, this is the same methodology used to complete our annual submission to ONDCP for the NDCS Budget Summary.

# FY2009 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY  
UNITED STATES COAST GUARD  
ANNUAL ACCOUNTING OF  
FY 2009 DRUG CONTROL FUNDS  
6B. ASSERTIONS**

**(1) Obligations by Budget Decision Unit** – N/A. As a multi-mission agency, the Coast Guard is exempt from reporting under this section as noted in ONDCP Circular: *Drug Control Accounting*, Section 6a (1) (b).

**(2) Drug Methodology**

The MCM is an estimate of mission costs allocated across Coast Guard's 11 mission/programs, versus actual accounting of drug funded obligations. The information reported is timely and is derived from an allocation process involving the Coast Guard's financial statement information. In the Coast Guard's opinion, the methodology outlined below is a reasonable and accurate portrayal of the agency's mission/program presentations because it is repeatable and supported by the most current financial and abstract of operations data available. The following methodology was applied to derive the drug control information presented in the table in section 6A.

The Coast Guard does not have a discrete drug control appropriation and its financial systems are not structured to accumulate accounting data by operating programs or missions areas. Drug control funding data is developed using a systematic process for the OE and RT appropriations, and a combination of project analysis, subject matter review, and OE-based allocations for the AC&I and RDT&E appropriations.

**Data:** As outlined in the previous section, the Coast Guard reports its drug control funding to ONDCP for each of the four appropriations or decision units. The mechanics of how each decision unit's drug control data is derived as follows:

- **Operating Expenses and Reserve Training**– Budget Authority or Expenditures are allocated to the mission areas of the Coast Guard based upon the output of a MCM. This is basically an OE expenditure driven model used to present the mission based data shown in the OE and RT budget submissions across the 11 Coast Guard programs. The following data sources feed the FY 2009 OE/RT MCM:

- 1) Core Accounting System (CAS) – FY 2009 actual expenses MCM uses FY 2007 financial data, adjusted to reflect changes in the Coast Guard's asset inventory from FY 2007 to FY 2009. These expenses are fed into the Standard Rates Model (SRM), along with Coast Guard's operating cost reports of the Engineering Logistics Center (ELC) and Coast Guard Yard and the cost per flight hour report from the Aircraft Repair & Support Center (AR&SC). The SRM uses an activity-based methodology to assign and allocate expenses to the Coast Guard's assets and certain non-asset intensive missions, such as Marine Safety. The resulting total cost pools serve as one of the major inputs to the MCM. If current year SRM data is not available, the previous year total cost pools are adjusted to fit the relevant fiscal year's asset inventory. The SRM is reconciled to the Coast Guard's Statement of Net Cost.

# FY2009 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY  
UNITED STATES COAST GUARD  
ANNUAL ACCOUNTING OF  
FY 2009 DRUG CONTROL FUNDS  
6B. ASSERTIONS**

**(2) Drug Methodology (cont.)**

2) Naval Electronics Supply Support System (NESSS) – The ELC and Coast Guard Yard at Baltimore operate a stand alone financial system. Similar to the CAS, NESSS data is broken down by cost center, unit name, allotment fund code, and dollar amount. NESSS expense data is fed into the SRM and allocated to Coast Guard assets and certain non-asset intensive missions. NESSS financial data is included in the Coast Guard’s financial statements.

3) Aviation Maintenance Management Information System (AMMIS) - The Coast Guard AR&SC in Elizabeth City operates a stand alone financial system. Similar to the CAS, AMMIS data is broken down by cost center, unit name, allotment fund code, and dollar amount. AMMIS expense data is fed into the SRM and allocated to Coast Guard assets and certain non-asset intensive missions. AMMIS financial data is included in the Coast Guard’s financial statements.

4) 2009 Abstract of Operations– AOPS is a web-based information system that reports how an asset (aircraft, boat, or cutter) was utilized across various missions of the Coast Guard. Each unit or activity that performs a mission is responsible for including the resource hours in the AOPS database.

5) Other Expenses – The drug related pieces that feed this area of the model are the Tactical Law Enforcement Teams (TACLET), Law Enforcement Detachments (LEDET) and Special Projects. The percentage that drives the TACLET /LEDET resource areas are computed from team deployment days divided by the total deployment days in the fiscal year for the drug interdiction mission. The Special Projects percentage driver is formulated from professional judgment regarding how funding is used to support costs related to counter-drug operations such as High Intensity Drug Traffic Area activities and liaison costs for the Coast Guard’s Organized Drug Enforcement Task Force.

6) Mission Cost Model Application & Results – The two chief input drivers to the MCM are: 1) Financial costs of each Coast Guard asset and other expenses areas, made up of direct, support and overhead costs and 2) 2009 AOPS hours. The support and overhead costs for each asset and other expenses element is applied to hours projected from the 2009 AOPS. These costs are reflective of the more static conditions of Coast Guard operations relative to the support functions and administrative oversight. The direct costs are applied to the final AOPS hours to show the dynamic flow of operations experienced during fiscal year 2009. The overall affect of the computed amount from the static baseline and reality of AOPS results in a percentage to drive Coast Guard OE expenditures allocated across 11 programs.

# FY2009 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY  
UNITED STATES COAST GUARD  
ANNUAL ACCOUNTING OF  
FY 2009 DRUG CONTROL FUNDS  
6B. ASSERTIONS**

## (2) Drug Methodology (cont.)

- **Normalize to Budget Authority or Obligations** – The program percentages derived from the MCM are then applied to total OE and RT FY 2009 budget authority and obligations (see Attachments A & B respectively), depending upon the reporting requirement. Budget Authority (BA) is derived from the agency's annual enacted Appropriation and expenditure data is derived from the final financial accounting Report of Budget Execution (SF-133).
- **Acquisition, Construction & Improvements (AC&I)** – AC&I is a multi-year appropriation where funding may be available for up to 5 years depending on the nature of the project. The methodology used to develop the drug funding estimate is systematically different than that of OE and RT. AC&I drug funding levels, for either BA or obligations, is developed through an analysis of each project/line item. For each line item, a discrete driver is selected that best approximates the contribution that asset or project, when delivered, will contribute to each of the Coast Guard's 11 programs. The total program/mission area spreads for these drivers are based on the FY 2009 AC&I MCM output. To ensure consistency, the extract used for the analysis of enacted FY 2009 BA is used for the end of year analysis of obligations as well. For FY 2009 AC&I program and mission area spreads, the following data sources and methods were used:

AC&I Mission Cost Model – developed based on data feeds from the FY 2009 OE/RT MCM model as related in earlier OE and AC&I statements. The following data sets were then required to complete the AC&I MCM:

- 1) Drug related percentage – The percentage spread for each driver was extracted from the OE MCM. This information was further analyzed to:
    - (a) Ensure a discrete driver representing either a particular asset, series of assets, or mission was applied to each project; or
    - (b) A general OE percentage driver was used when the project's outcome was expected to benefit all inventory and/or agency needs.
  - 2) Mission cost results/application - Once the project drivers were extracted from the OE MCM, they were applied to the total AC&I BA levels derived from the agency's enacted Appropriation Bill in the FY 2009 AC&I MCM. The total allocated mission percentages from the AC&I MCM were then applied to the total AC&I 2009 obligations as reported from the CAS as of September 30, 2009 (see Attachment C).
- **Research, Development, Test & Evaluation (RDT&E)** – RDT&E is a no-year appropriation where funding, once appropriated, may be obligated indefinitely in the future until all balances are expended. The methodology used to develop the drug-funding estimate is similar to AC&I in that drug-funding costs are based on an analysis of each project. The program/mission area percentages are based upon subject matter expert review.

# FY2009 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY  
UNITED STATES COAST GUARD  
ANNUAL ACCOUNTING OF  
FY 2009 DRUG CONTROL FUNDS  
6B. ASSERTIONS**

## **(2) Drug Methodology (cont.)**

RDT&E Mission Cost Model – Developed based on data feeds from the FY 2009 OE/RT MCM model as in earlier OE and AC&I statements. The following data sets were then required to complete the RDT&E MCM:

- 1) Drug related percentage – The percentage spread for each driver was extracted from the OE MCM. This information was further analyzed to:
  - a) Ensure a discrete driver representing either a particular asset, series of assets or mission was applied to each project or;
  - b) A general OE percentage driver was used when the project's outcome was expected to benefit all inventory and/or agency needs.
- 2) Mission cost results/application - Once the project drivers were extracted from the OE MCM, they were applied to the total RDT&E BA levels derived from the agency's enacted Appropriation Bill in the FY 2009 RDT&E MCM. The total allocated mission percentages from the RDT&E MCM were then applied to the total RDT&E 2009 obligations as reported from the CAS as of September 30, 2009 (See Attachment D). BA data is derived from the agencies enacted Appropriation and expenditure data is extracted from a Finance and Procurement Desktop transaction summary report by project.

**Other Estimation Methods:** Where the MCM allocates a percentage of time/effort expended to a given AC&I project/line item, in some cases changes were made to better represent the drug costs associated. As noted in the AC&I and the RDT&E methodology, experienced professional judgment is sometimes used to change a driver based on specific knowledge that a resource will be used differently than the historical profile indicates.

**Financial Systems:** Data is derived from CAS, ELC and Coast Guard Yard systems. No other financial systems or information are used in developing program or mission area allocations. The Coast Guard has not fully implemented corrective actions to remediate weaknesses identified by the independent auditors during the annual CFO audits. As a result, the Coast Guard could not assert to the completeness, existence (validity), accuracy, valuation or presentation of its financial data.

- (3) Application of Drug Methodology** - The methodology disclosed in this section was the actual methodology used to generate the table required by Section 6A. Documentation on each decision unit is provided.
- (4) Reprogrammings or Transfers** -- During FY 2009, Coast Guard had no transfers or reprogramming actions affecting in excess of \$1 million drug-related budget resources.

# FY2009 Accounting of Drug Control Funds

**DEPARTMENT OF HOMELAND SECURITY  
UNITED STATES COAST GUARD  
ANNUAL ACCOUNTING OF  
FY 2009 DRUG CONTROL FUNDS  
6B. ASSERTIONS**

- (5) **Fund Control Notices** – The FY 2009 data presented herein is associated with drug control funding reported in Coast Guard’s FY 2009 financial plan. ONDCP did not issue Coast Guard a Fund Control Notice for FY 2009.

**OPERATING EXPENSES (OE)  
MISSION COST MODEL OUTPUT:**

	(dollars in thousands)	
	FY 2009	
	Obligations	% of total
1. Search and Rescue (SAR)	775,905	12.07%
2. Marine Safety (MS)	595,681	9.27%
3. Aids to Navigation (ATON)	1,095,051	17.03%
4. Ice Operations (IO)	117,502	1.83%
5. Marine Environmental Protection (MEP)	138,257	2.15%
6. Living Marine Resources (LMR)	582,252	9.06%
7. Drug Interdiction	771,224	12.00%
8. Other Law Enforcement (OTH-LE)	84,527	1.31%
9. Migrant Interdiction	476,460	7.41%
10. Ports, Waterways & Coastal Security (PWCS)	1,353,372	21.05%
11. Defense Readiness	438,487	6.82%
<b>Total OE Obligations</b>	<b>\$ 6,428,718</b>	<b>100%</b>

**RESERVE TRAINING (RT)  
MISSION COST MODEL OUTPUT:**

	(dollars in thousands)	
	FY 2009	
	Obligations	% of total
1. Search and Rescue (SAR)	15,702	12.07%
2. Marine Safety (MS)	12,054	9.27%
3. Aids to Navigation (ATON)	22,162	17.03%
4. Ice Operations (IO)	2,377	1.83%
5. Marine Environmental Protection (MEP)	2,799	2.15%
6. Living Marine Resources (LMR)	11,784	9.06%
7. Drug Interdiction	15,607	12.00%
8. Other Law Enforcement (OTH-LE)	1,711	1.32%
9. Migrant Interdiction	9,642	7.41%
10. Ports, Waterways & Coastal Security (PWCS)	27,389	21.05%
11. Defense Readiness	8,875	6.82%
<b>Total RT Obligations</b>	<b>\$ 130,102</b>	<b>100%</b>



**ACQUISITION, CONSTRUCTION and IMPROVEMENTS  
(AC&I) MISSION COST MODEL OUTPUT:**

	(dollars in thousands)	
	FY 2009	
	Obligations	% of total
1. Search and Rescue (SAR)	180,600	14.54%
2. Marine Safety (MS)	27,682	2.23%
3. Aids to Navigation (ATON)	51,430	4.14%
4. Ice Operations (IO)	30,622	2.46%
5. Marine Environmental Protection (MEP)	13,117	1.06%
6. Living Marine Resources (LMR)	183,334	14.76%
7. Drug Interdiction	266,834	21.48%
8. Other Law Enforcement (OTH-LE)	36,762	2.96%
9. Migrant Interdiction	142,213	11.45%
10. Ports, Waterways & Coastal Security (PWCS)	211,564	17.03%
11. Defense Readiness	98,122	7.90%
<b>Total AC&amp;I Obligations</b>	<b>\$ 1,242,280</b>	<b>100%</b>

Note: Includes \$56.180 million recoveries of prior year obligations.

**RESEARCH, DEVELOPMENT, TEST and EVALUATION  
(RDT&E) MISSION COST MODEL OUTPUT:**

	(dollars in thousands)	
	FY 2009	
	Obligations	% of total
1. Search and Rescue (SAR)	1,238	6.32%
2. Marine Safety (MS)	2,031	10.37%
3. Aids to Navigation (ATON)	1,745	8.91%
4. Ice Operations (IO)	360	1.84%
5. Marine Environmental Protection (MEP)	4,824	24.62%
6. Living Marine Resources (LMR)	929	4.74%
7. Drug Interdiction	2,261	11.54%
8. Other Law Enforcement (OTH-LE)	135	0.69%
9. Migrant Interdiction	1,398	7.14%
10. Ports, Waterways & Coastal Security (PWCS)	3,970	20.26%
11. Defense Readiness	701	3.58%
<b>Total RDT&amp;E Obligations</b>	<b>\$ 19,592</b>	<b>100%</b>

Note: Includes \$497 thousand recoveries from prior year obligations.

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**I-A Financial Management and Reporting**

*Background:* In fiscal year (FY) 2009, we were engaged to perform an examination of internal controls over financial reporting. The auditors' objective in an examination of internal control is to form an opinion on the effectiveness of internal control. When planning our examination, we gave appropriate emphasis to testing entity-level controls, such as management's risk assessment and monitoring processes, and other control environment elements that exist throughout the Department of Homeland Security (DHS or Department). Four Department-wide control environment conditions were identified through our examination procedures that have a pervasive influence on the control environment and effectiveness of control activities at the United States Coast Guard (Coast Guard). This Exhibit should be read in conjunction with the Department-wide conditions and recommendations described in Comment II-A, *Financial Management and Reporting*.

In previous years, we reported that the Coast Guard had several internal control deficiencies that led to a material weakness in financial reporting. In response, the Coast Guard developed its *Financial Strategy for Transformation and Audit Readiness (FSTAR)*, which is a comprehensive plan to identify and correct conditions that are causing control deficiencies, which in some cases prevent the Coast Guard from preparing auditable financial statements. The Coast Guard did make progress in FY 2009 by completing its planned corrective actions over pension liabilities, allowing management to make assertions on completeness and accuracy on more than \$25 billion of accrued liabilities, which represents more than 50 percent of DHS' total liabilities. In addition, the Coast Guard sustained financial reporting assertions attained in the previous fiscal year over investments representing more than \$3 billion or the majority of the Department's balance for this line item, while also sustaining financial reporting assertions for contingent legal liabilities and *Federal Employees' Compensation Act (FECA)*-related line items. The FSTAR calls for substantially more activity in FY 2010; consequently, many of the financial reporting deficiencies we reported in the past remain uncorrected at September 30, 2009.

*Conditions:*

1. In FY 2009, we identified certain entity-level control weaknesses that may interfere with the timely completion of corrective actions planned for FY 2010 and beyond. The Coast Guard:
  - Does not have sufficient financial management personnel to identify and address control weaknesses, and to develop and implement effective policies, procedures, and internal controls to ensure that data supporting financial statement assertions are complete and accurate, and that transactions are accounted for consistent with GAAP;
  - Has not fully implemented an on-going Coast Guard-wide risk assessment by financial, IT, and program personnel;
  - Has not developed and/or fully implemented information and communication processes and controls relevant to financial reporting; and
  - Has not fully implemented adequate monitoring controls over headquarters, areas/districts, and units with significant financial activity.
2. Does not have properly designed, implemented, and effective policies, procedures, processes, and controls surrounding its financial reporting process, as necessary to:
  - Support beginning balances, year-end close-out, and the cumulative results of operations analysis in its general ledgers individually and/or in the aggregate;
  - Ensure that transactions and accounting events at Coast Guard headquarters, areas/districts, and units are appropriately supported and accounted for in its general ledgers;
  - Ensure financial statement disclosures submitted for incorporation in the DHS financial statements are accurate and complete;

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- Ascertain that intragovernmental activities and balances are identified and differences, especially with agencies outside DHS, are being resolved in a timely manner in coordination with the Department's Office of Financial Management (OFM);

*Cause/Effect:* The Coast Guard has not developed and implemented an effective general ledger system. The Core Accounting System (CAS), Aircraft Logistics Management Information System (ALMIS), and Naval Engineering Supply Support System (NESSS) general ledgers do not comply with the requirements of the *Federal Financial Management Improvement Act of 1996* (FFMIA). The general ledgers do not allow for compliance with the United States Standard General Ledger (USSGL) at the transaction level, and period-end and opening balances are not supported by transactional detail in the three general ledgers. The conditions described below in Comment I-B, *Information Technology Controls and Financial System Functionality* contribute to the financial reporting control deficiencies, and make correction more difficult. In addition, the Coast Guard was unable to provide reasonable assurance that internal controls over financial reporting are operating effectively and has acknowledged that pervasive material weaknesses exist in key financial processes. Consequently, the Coast Guard can not be reasonably certain that its financial statements are reliable, or assert to the completeness, existence, accuracy, valuation, rights and obligations, or presentation of their financial data related to their balances of fund balance with Treasury, accounts receivable, inventory and related property, general property, plant, and equipment, including heritage assets and stewardship land, actuarially-derived liabilities, environmental and other liabilities, and net position as reported in the Department's balance sheets as of September 30, 2009 and 2008.

*Criteria:* FFMIA Section 803(a) requires that Federal financial management systems substantially comply with (1) applicable Federal accounting standards, (2) Federal financial management system requirements, and (3) the USSGL at the transaction level. FFMIA emphasizes the need for agencies to have systems that can generate timely, reliable, and useful information with which to make informed decisions to ensure ongoing accountability.

The *Federal Managers' Financial Integrity Act of 1982* (FMFIA) requires that agencies establish internal controls according to standards prescribed by the Comptroller General. These standards are specified in the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government (Standards)*. These standards define internal control as an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The *GAO Standards* require that internal controls be documented in management directives, administrative policies or operating manuals; transactions and other significant events be clearly documented; and information be recorded and communicated timely with those who need it within a timeframe that enables them to carry out their internal control procedures and other responsibilities. The *GAO Standards* also identify the control environment as one of the five key elements of control, which emphasizes the importance of conscientiousness in management's operating philosophy and commitment to internal control. These standards cover controls such as human capital practices, supervisory reviews, policies, procedures, monitoring, and segregation of duties.

The *Treasury Federal Intragovernmental Transactions Accounting Policies Guide*, dated August 6, 2009, and OMB Circular No. A-136, *Financial Reporting Requirements*, as revised, require Federal CFO Act and non-CFO Act entities identified in the *Treasury Financial Manual (TFM) 2009, Vol. I, Part 2, Chapter 4700, Agency Reporting Requirements for the Financial Report of the United States Government*, to perform quarterly reconciliations of intragovernmental activity/balances. TFM, Section 4706, *Intragovernmental Requirements*, provides guidance on OMB Circular No. A-136 requirements for reporting agencies to reconcile and confirm intragovernmental activity and balances quarterly for specific reciprocal groupings. TFM Bulletin 2007-03, *Intragovernmental Business Rules*, also provides standardized guidance to Federal agencies for reconciling and recording intragovernmental activities.

*Recommendations:* We recommend that the Coast Guard:

1. Continue the implementation of the FSTAR as planned;

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2. Conduct a human resource needs assessment and financial organizational assessment to identify gaps in skill sets, hire or realign personnel to fill the gaps, and assign personnel with responsibilities that best match their expertise, and consider updating the financial organizational structure based on the human resources needs assessment;
3. Improve entity-level controls by fully implementing a formal risk assessment process, evaluating and updating processes used to communicate policies and ensure that all transactions are recorded completely and accurately, and improve monitor controls over financial data supporting the general ledger and financial statements;
4. Implement accounting and financial reporting processes including an integrated general ledger system that is FFMIA compliant; and
5. Establish new or improve existing policies, procedures, and related internal controls to ensure that:
  - a. The year-end close-out process, reconciliations, and financial data and account analysis procedures are supported by documentation, including evidence of effective management review and approval, and beginning balances in the following year are determined to be reliable and auditable;
  - b. All accounting transactions and balances are properly reflected in the financial statements consistent with GAAP;
  - c. Financial statement disclosures submitted for incorporation in the DHS financial statements are accurate and complete; and
  - d. All intragovernmental activity and balances are accurately reflected in the financial statements, and differences are resolved in a timely manner in coordination with the Department's OFM.

**I-B Information Technology Controls and Financial System Functionality**

*Background:* Information Technology (IT) general and application controls are essential for achieving effective and reliable reporting of financial and performance data. IT general controls (ITGC) are tested using the objectives defined by the GAO's *Federal Information System Controls Audit Manual* (FISCAM), in five key control areas: security management, access control, configuration management, segregation of duties, and business continuity. Our procedures included a review of the Coast Guard's key ITGC environments.

We also considered the effects of financial systems functionality when testing internal controls since key Coast Guard financial systems are not compliant with FFMIA and are no longer supported by the original software provider. Functionality limitations add to the challenge of addressing systemic internal control weaknesses, and strengthening the control environment at the Coast Guard.

In FY 2009, our IT audit work identified 20 IT findings, of which 11 were repeat findings from the prior year and 9 were new findings. In addition, we determined that the Coast Guard remediated 9 IT findings identified in previous years. Specifically, the Coast Guard took actions to improve aspects of its ITGC by strengthening access controls around key programs and data, and in its entity-wide security program.

*Conditions:* Our findings related to IT controls and financial system functionality are as follows:

*Related to IT Controls:*

*Condition:* We noted that the Coast Guard's core financial system configuration management process controls are not operating effectively and continue to present risks to DHS financial data confidentiality, integrity, and availability. Financial data in the general ledger may be compromised by automated and manual changes that are not adequately controlled. For example, the Coast Guard uses an IT scripting process to make updates to its core general ledger software as necessary to process financial data. However, the Coast Guard has not (a) fully developed testing standards to guide staff in the development and functional testing of IT scripts, (b) documented policies and procedures over testing plans that must be performed, and (c) ensured that all necessary approvals are obtained prior to implementation.

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All of our ITGC findings are described in detail in a separate *Limited Official Use* (LOU) letter provided to the Coast Guard and DHS management.

*Related to financial system functionality:*

We noted that financial system functionality limitations are contributing to control deficiencies reported elsewhere in Exhibit I, are inhibiting progress on corrective actions for the Coast Guard, and preventing the Coast Guard from improving the efficiency and reliability of its financial reporting processes. Some of the financial system limitations lead to extensive manual and redundant procedures to process transactions, verify accuracy of data, and to prepare financial statements. Systemic conditions related to financial system functionality include:

1. As noted above, the Coast Guard's core financial system configuration management process is not operating effectively due to inadequate controls over IT scripts. The IT script process was instituted as a solution primarily to compensate for system functionality and data quality issues;
2. Annual financial system account recertifications are not being performed due to limitations;
3. Financial system audit logs are not readily generated and reviewed, as some of the financial systems are lacking this capability;
4. Aspects of DHS-required system password requirements are not implemented because some financial systems cannot support the policy;
5. Production versions of operational financial systems are outdated, no longer supported by the vendor, and do not provide the necessary core functional capabilities (e.g., general ledger capabilities);
6. Financial systems functionality limitations are preventing the Coast Guard from establishing automated processes and application controls that would improve accuracy, reliability and facilitate efficient processing of certain financial data, such as:
  - Tracking of costs to support weighted average pricing for operating materials and supplies;
  - Maintaining data needed to support the calculation of accounting payable and provide detailed listings of accounts payable, which may reduce the resources spent by Coast Guard personnel in manually preparing the accounts payable accrual;
  - Ensuring proper segregation of duties such as automating the procurement process to ensure that only individuals who have proper contract authority can approve transactions;
  - Tracking detail transactions associated with intragovernmental business and eliminate the need for default codes such as Trading Partner Identification Number that cannot be easily researched; and
  - Ensuring that undelivered obligations are properly accounted for upon receipt of goods or services.

*Cause/Effect:* The IT system development activities did not incorporate adequate security controls during the initial implementation more than six years ago. The current IT configurations of many Coast Guard financial systems cannot be easily reconfigured to meet new DHS security requirements. The existence of these IT weaknesses leads to added dependency on other mitigating manual controls to be operating effectively at all times. Because mitigating controls often require more human involvement, there is an increased risk that human error could materially affect the financial statements. In addition, the Coast Guard's core financial systems are not FFMIA compliant with the Federal Government's Financial System Integration Office (FSIO) requirements. See Comment I-A, *Financial Management and Reporting*, for a discussion of the related conditions causing significant noncompliance with the requirements of FFMIA. Configuration management weaknesses are also among the principle causes of the Coast Guard's inability to support its financial statement balances for audit purposes.

*Criteria:* The *Federal Information Security Management Act* (FISMA), passed as part of the *E-Gov Act of 2002*, mandates that Federal entities maintain IT security programs in accordance with standards prescribed by the Secretary of Commerce.

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OMB Circular No. A-130, *Management of Federal Information Resources*, describes specific essential criteria for maintaining effective general IT controls.

FFMIA sets forth legislation prescribing policies and standards for Executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. The purposes of FFMIA are to (1) provide for consistency of accounting by an agency from one fiscal year to the next, and uniform accounting standards throughout the Federal Government, (2) require Federal financial management systems to support full disclosure of Federal financial data, including the full costs of Federal programs and activities, (3) increase the accountability and credibility of federal financial management, (4) improve performance, productivity, and efficiency of Federal Government financial management, and (5) establish financial management systems to support controlling the cost of Federal Government.

OMB Circular No. A-123, *Management's Responsibility for Internal Control*, states, "Agency managers should continuously monitor and improve the effectiveness of internal control associated with their programs. This continuous monitoring, and other periodic evaluations, should provide the basis for the agency head's annual assessment of and report on internal control, as required by FFMIA." This Circular indicates that "control weaknesses at a service organization could have a material impact on the controls of the customer organization. Therefore, management of cross-servicing agencies will need to provide an annual assurance statement to its customer agencies in advance to allow its customer agencies to rely upon that assurance statement. Management of cross-servicing agencies shall test the controls over the activities for which it performs for others on a yearly basis. These controls shall be highlighted in management's assurance statement that is provided to its customers. Cross-servicing and customer agencies will need to coordinate the timing of the assurance statements."

DHS' *Sensitive Systems Policy Directive, 4300A*, as well as the DHS' *Sensitive Systems Handbook* documents policies and procedures adopted by DHS intended to improve the security and operation of all DHS IT systems including the Coast Guard IT systems.

*Recommendations:* We recommend that the DHS Office of Chief Information Officer, in coordination with the Office of the Chief Financial Officer (OCFO), implement the recommendations in our LOU letter provided to the Coast Guard and DHS management. In that letter, we provide more detailed recommendations to effectively address the deficiencies identified in the configuration management process.

**I-C Fund Balance with Treasury**

*Background:* Fund Balance with Treasury (FBWT) at the Coast Guard totaled approximately \$5.5 billion, or approximately 9.7 percent of total DHS FBWT, at September 30, 2009. The majority of these funds represented appropriated amounts that were obligated, but not yet disbursed, as of September 30, 2009. In FY 2008, we reported a material weakness in internal control over FBWT at the Coast Guard. In FY 2009, the Coast Guard corrected some FBWT control deficiencies and revised its remediation plan to include additional corrective actions that are scheduled to occur after FY 2009. Consequently, most of the conditions stated below are repeated from our FY 2008 report.

*Conditions:* The Coast Guard has not developed a comprehensive process, to include effective internal controls, to ensure that all FBWT transactions are recorded in the general ledger timely, completely, and accurately. For example, the Coast Guard:

- Did not properly design FBWT monthly activity reconciliations and/or could not provide detail transaction lists for amounts reported to Treasury for at least three of the six Coast Guard Agency Location Codes;
- Recorded adjustments to the general ledger FBWT accounts or activity reports submitted to Treasury, including adjustments to agree Coast Guard balances to Treasury amounts, that were unsupported;
- Does not have an effective process for clearing suspense account transactions related to FBWT due to over-reliance on vendor-provided data. The Coast Guard lacks documented and effective policies and procedures and internal controls necessary to support the completeness, existence, and

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accuracy of suspense account transactions. In addition, certain issues persist with industrial service orders (ISOs) and credit cards that preclude a complete and accurate population of suspense detail, and

- Was unable to provide military payroll data to support the summary payroll transactions processed through the Coast Guard's FBWT. In addition, the Coast Guard lacked formal policies and procedures for processing and documenting all military and civilian payroll transactions.

*Cause Effect:* The Coast Guard had not designed and implemented accounting processes, including a financial system that complies with federal financial system requirements, as defined in OMB Circular No. A-127, *Financial Management Systems*, and the requirements of the *Joint Financial Management Improvement Program (JFMIP)*, now administered by the FSIO, to fully support the FY 2009 FBWT activity and balance as of September 30, 2009. Failure to implement timely and effective reconciliation processes could increase the risk of undetected errors and/or violations of appropriation laws, including instances of undiscovered *Anti-deficiency Act* violations or fraud, abuse, and mismanagement of funds, which could lead to inaccurate financial reporting and affect DHS' ability to effectively monitor its budget status.

*Criteria:* Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, paragraph 39 states, "Federal entities should explain any discrepancies between fund balance with Treasury in their general ledger accounts and the balance in the Treasury's accounts and explain the causes of the discrepancies in footnotes to financial statements. (Discrepancies due to time lag should be reconciled and discrepancies due to error should be corrected when financial reports are prepared). Agencies also should provide information on unused funds in expired appropriations that are returned to Treasury at the end of a fiscal year."

*Per Fund Balance with Treasury Reconciliation Procedures, a Supplement to TFM 2-5100, Section V,* "Federal agencies must reconcile their SGL 1010 account and any related subaccounts [...] on a monthly basis (at minimum). [...] Federal agencies must [...] resolve all differences between the balances reported on their GL FBWT accounts and balances reported on the FMS 6653, 6654 and 6655 [now the *Government-wide Accounting system (GWA)*]." In addition, "An agency may not arbitrarily adjust its FBWT account. Only after clearly establishing the causes of errors and properly documenting those errors, should an agency adjust its FBWT account balance. If an agency must make material adjustments, the agency must maintain supporting documentation. This will allow correct interpretation of the error and its corresponding adjustment."

Section 803(a) of FFMA requires that Federal financial management systems comply with (1) applicable Federal accounting standards, (2) Federal financial management system requirements, and (3) the USSGL at the transaction level. FFMA emphasizes the need for agencies to have systems that can generate timely, reliable, and useful information with which to make informed decisions to ensure ongoing accountability.

The GAO *Standards* hold that transactions should be properly authorized, documented, and recorded accurately and timely.

*Recommendations:* We recommend that the Coast Guard establish policies, procedures, and internal controls to ensure that FBWT transactions are recorded accurately and completely, and in a timely manner, and that all supporting documentation is maintained for all recorded transactions. These policies and procedures should allow the Coast Guard to:

1. Perform complete and timely FBWT reconciliations using the Treasury Government-wide Accounting tools;
2. Better manage its suspense accounts to include researching and clearing items carried in suspense clearing accounts in a timely manner during the year, and maintaining proper supporting documentation in clearing suspense activity; and
3. Maintain payroll data supporting payroll transactions processed through FBWT and have access to complete documentation, if needed.

**I-D Property, Plant, and Equipment and Operating Materials and Supplies**



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*Background:* The Coast Guard maintains approximately 52 percent of all DHS property, plant, and equipment (PP&E), including a large fleet of boats and vessels. Many of the Coast Guard's assets are constructed over a multi-year period, have long useful lives, and undergo extensive routine servicing that may increase their value or extend their useful lives. In FY 2009, the Coast Guard continued to revise corrective action plans as documented in FSTAR to address the PP&E process and control deficiencies, and execute remediation efforts. However, many of the FSTAR procedures are scheduled to occur over a multi-year timeframe. Consequently, many of the conditions cited below have been repeated from our FY 2008 report.

Operating Materials and Supplies (OM&S) are maintained by the Coast Guard in significant quantities and consist of tangible personal property to be consumed in normal operations to service marine equipment, aircraft, and other operating equipment. The majority of the Coast Guard's OM&S is physically located at either two Inventory Control Points (ICPs) or in the field. The Coast Guard's policy requires regularly scheduled physical counts of OM&S, which are important to the proper valuation of OM&S and its safekeeping. The conditions cited below for OM&S have been repeated from our FY 2008 report.

DHS' Stewardship PP&E consists of heritage assets, which are PP&E that are unique due to historical or natural significance; cultural, educational, or artistic (e.g., aesthetic) importance; or architectural characteristics. The majority of DHS' stewardship PP&E is maintained by the Coast Guard, and consists of both collection type heritage assets, such as artwork and display models, and non-collection-type heritage assets, such as lighthouses, sunken vessels, and buildings.

*Conditions:* The Coast Guard has not:

*Regarding PP&E:*

- Established its opening PP&E balances necessary to prepare a balance sheet as of September 30, 2009. In cases where original acquisition documentation has not been maintained, the Coast Guard has not developed and documented methodologies and assumptions to support the value of PP&E;
- Implemented appropriate controls and related processes to accurately, consistently, and timely record additions to PP&E and construction in process (CIP), transfers from other agencies, disposals in its fixed asset system, and valuation and classification of repairable PP&E;
- Implemented accurate and complete asset identification, system mapping, and tagging processes that include sufficient detail, e.g., serial number, to clearly differentiate and accurately track physical assets to those recorded in the fixed asset system; and
- Properly accounted for some improvements and impairments to buildings and structures, capital leases, and selected useful lives for depreciation purposes, consistent with GAAP.

*Regarding OM&S:*

- Implemented policies, procedures, and internal controls to support the completeness, accuracy, existence, valuation, and presentation assertions related to the FY 2009 OM&S and related account balances;
- Fully designed and implemented policies, procedures, and internal controls over physical counts of OM&S at field units to remediate conditions identified in previous years; and
- Established processes and controls to fully support the calculated value of certain types of OM&S to approximate historical cost.

*Regarding stewardship PP&E:*

- Fully designed and implemented policies, procedures, and internal controls to support the completeness, existence, accuracy, and presentation assertions over data utilized in developing required financial statement disclosures and related supplementary information for Stewardship PP&E.

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*Cause Effect:* The Coast Guard has had difficulty establishing its opening PP&E balances primarily because of poorly designed policies, procedures and processes implemented more than a decade ago, combined with ineffective internal controls. PP&E was not properly tracked or accounted for many years preceding the Coast Guard's transfer to DHS in 2003, and now the Coast Guard is faced with a formidable challenge of performing retroactive analysis in order to properly establish the existence, completeness, and accuracy of PP&E. Furthermore, the fixed asset module of the Coast Guard's CAS is not updated timely for effective tracking and reporting of PP&E on an ongoing basis. As a result, the Coast Guard is unable to accurately account for its PP&E, and provide necessary information to DHS OFM for consolidated financial statement purposes.

Coast Guard management deferred correction of most OM&S weaknesses reported in previous years, and acknowledged that the conditions we reported in prior years remained throughout FY 2009. Lack of comprehensive and effective policies and controls over the performance of physical counts, and appropriate support for valuation, may result in errors in the physical inventory process or inventory discrepancies that could result in financial statement misstatements.

The Coast Guard did not consider the new stewardship property reporting standards until late in the year, and did not have sufficient time to design and implement procedures to accumulate data needed for financial reporting purposes before the completion of the FY 2009 DHS AFR.

*Criteria:* SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, provides the general requirements for recording and depreciating property, plant and equipment. SFFAS No. 6 was recently amended by SFFAS No. 35, which clarifies that "reasonable estimates of original transaction data historical cost may be used to value general PP&E [...] Reasonable estimates may be used upon initial capitalization as entities implement general PP&E accounting for the first time, as well as by those entities who previously implemented general PP&E accounting."

The Federal Accounting Standards Advisory Board (FASAB)'s Federal Financial Accounting Standards Interpretation No. 7, dated March 16, 2007, defines "items held for remanufacture" as items "in the process of (or awaiting) inspection, disassembly, evaluation, cleaning, rebuilding, refurbishing and/or restoration to serviceable or technologically updated/upgraded condition. Items held for remanufacture may consist of: Direct materials, (including repairable parts or subassemblies [...]) and Work-in-process (including labor costs) related to the process of major overhaul, where products are restored to 'good-as-new' condition and/or improved/upgraded condition. 'Items held for remanufacture' share characteristics with 'items held for repair' and items in the process of production and may be aggregated with either class. Management should use judgment to determine a reasonable, consistent, and cost-effective manner to classify processes as 'repair' or 'remanufacture'."

SFFAS No. 29, *Heritage Assets and Stewardship Land*, provides the requirements for the presentation and disclosure of heritage assets. In summary, this standard requires that heritage assets and stewardship land information be disclosed as basic information in the notes to the financial statements, except for condition information, which is reported as required supplementary information (RSI).

FFMIA Section 803(a) requires each agency to implement and maintain a system that complies substantially with Federal financial management system requirements. OMB Circular No. A-127 prescribes the standards for federal agencies' financial management systems. That Circular requires an agency's system design to have certain characteristics that include consistent "internal controls over data entry, transaction processing, and reporting throughout the system to ensure the validity of information and protection of Federal Government resources."

According to GAO *Standards*, assets at risk of loss or unauthorized use should be periodically counted and compared to control records. Policies and procedures should be in place for this process. The FSIO publication, *Inventory, Supplies, and Materials System Requirements*, states "the general requirements for control of inventory, supplies, and materials consist of the processes of receipt and inspection, storing, and item in transit." Specifically, the "placement into inventory process" requires that an "agency's inventory, supplies, and materials system must identify the intended location of the item and track its movement from the point of initial receipt to its final destination." SFFAS No. 3, *Accounting for Inventory and Related Property*, states OM&S shall be valued on the basis of historical cost.

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*Recommendations:* We recommend that the Coast Guard:

*Regarding PP&E:*

1. Adopt the provisions of SFAS No. 35, which provides alternatives to the Coast Guard to value general property, plant, and equipment to establish its opening balances for balance sheet presentation;
2. Implement appropriate controls and related processes to accurately and timely record additions to PP&E and CIP, transfers from other agencies, improvements, impairments, capital leases, depreciable lives, disposals in its fixed asset system, and valuation and classification of repairable PP&E;
3. Ensure that appropriate supporting documentation is maintained and readily available for audit; and
4. Implement processes and controls to record an identifying number in the fixed asset system at the time of asset purchase to facilitate identification and tracking; and ensure that the status of assets is accurately tracked in the subsidiary ledger.

*Regarding OM&S:*

5. Update OM&S physical count policies, procedures, and controls, and provide training to personnel responsible for conducting physical inventories at field units, and include key elements of an effective physical inventory in the policies;
6. Consider adopting an inventory control system for OM&S as a method of tracking usage and maintaining a perpetual inventory of OM&S on hand; and
7. Establish processes and controls to support the calculated value of OM&S to ensure accounting is consistent with GAAP.

*Regarding stewardship PP&E:*

8. Design and implement policies, procedures, and internal controls to support the completeness, existence, accuracy, and presentation and disclosure assertions related to the data utilized in developing disclosure and related supplementary information for Stewardship PP&E that is consistent with GAAP.

**I-E Actuarial and Other Liabilities**

*Background:* The Coast Guard maintains medical and post-employment travel benefit programs that require actuarial computations to record related liabilities for financial reporting purposes. The Military Retirement System (MRS) is a defined benefit plan that covers both retirement pay and health care benefits for all active duty and reserve military members of the Coast Guard. The medical plan covers active duty, reservists, retirees/survivors, and their dependents that are provided care at Department of Defense (DoD) medical facilities. The post-employment travel benefit program pays the cost of transportation for uniformed service members upon separation from the Coast Guard. Annually, participant and cost data is extracted by the Coast Guard from its records and provided to an actuarial firm as input for the liability calculations. The accuracy of the actuarial liability as reported in the financial statements is dependent on the accuracy and completeness of the underlying participant and cost data provided to the actuary as well as the reasonableness of the assumptions used.

The Coast Guard estimates accounts payable by adjusting the prior year revised accounts payable accrual estimate by the percentage change in budgetary authority for the current fiscal year. The revised prior year estimate is calculated by analyzing actual payments made subsequent to September 30 of the prior year to determine a range within which the accrual should fall, and using the mid-point of that range. The calculation is based on the results of a statistical sample of subsequent disbursements and actual or average amounts paid.

The Coast Guard's environmental liabilities consist of two main types: shore facilities and vessels. Shore facilities include any facilities or property other than ships, (e.g., buildings, fuel tanks, lighthouses, small arms firing ranges (SAFRs), etc.)

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*Conditions:* We noted the following internal control weaknesses related to actuarial and other liabilities. The Coast Guard has not:

*Regarding medical and post-employment benefits:*

- Implemented effective policies, procedures, and controls to ensure the completeness and accuracy of medical cost data and post-employment travel claims provided to, and used by, the actuary for the calculation of the medical and post-employment benefit liabilities. Reconciliations between subsidiary and general ledger amounts for medical expenditures are not effective;
- Implemented controls to prevent overpayments for medical services; and
- Implemented effective processes to account for military personnel data changes, including changes in leave balances and payroll corrections, in the appropriate reporting periods, and consequently the completeness and accuracy of leave and payroll accruals as well as data used for actuarial projections is not always reliable;

*Regarding accounts payable estimates:*

- Validated its methodology used to estimate accounts payable, e.g., the reliability of data, assumptions, and criteria used to calculate and subsequently validate the estimate for financial reporting;

*Regarding environmental liabilities:*

- Fully supported the completeness, existence, and accuracy assertions of the data utilized in developing the estimate for the FY 2009 environmental liability account balance; and
- Fully developed, documented, and implemented the policies and procedures in developing, preparing, and recording the environmental liability estimates related to shore facilities, and has not approved policies and procedures for the review of the environmental liability estimate related to vessels.

*Cause/Effect:* Much of the data required by the actuary comes from personnel and payroll systems that are outside of the Coast Guard's accounting organization and are managed by the Coast Guard's Pay and Personnel Center (PPC). Inaccurate medical costs submitted to the Coast Guard actuary could result in a misstatement of the actuarial medical liability and related expenses.

The Coast Guard has not yet developed comprehensive policies and procedures or corrective action plans to address the conditions above, and consequently, management is unable to assert to the accuracy and completeness of the accounts payable and payroll accruals recorded as of September 30, 2009.

*Criteria:* According to SFAS No. 5, *Accounting for Liabilities of the Federal Government*, Other Retirement Benefits (ORB) include all retirement benefits other than pension plan benefits. The ORB liability should be reported using the aggregate entry-age normal actuarial cost method. The liability is the actuarial present value of all future benefits less the actuarial present value of future normal cost contributions that would be made for and by the employees of under the plan.

According to SFAS No. 5, paragraph 95, the employer should recognize an expense and a liability for other post-employment benefits (OPEB) when a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the reporting date. Further, the long-term OPEB liability should be measured at the present value of future payments, which requires the employer to estimate the amount and timing of future payments, and to discount the future outflow over the period for which the payments are to be made.

The GAO *Standards* states that transactions should be properly authorized, documented, and recorded accurately and timely. SFAS No. 1 states, "When an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of the goods. If invoices for those goods are not available when financial statements are prepared, the amounts owed should be estimated."

**Independent Auditors' Report**

**Exhibit I – Material Weaknesses in Internal Control – U.S. Coast Guard**

Federal Accounting Standards Advisory Board (FASAB) Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, states that an agency is required to recognize a liability for environmental cleanup costs as a result of past transactions or events when a future outflow or other sacrifice of resources is probable and reasonably estimable. "Probable" is related to whether a future outflow will be required. "Reasonably estimable" relates to the ability to reliably quantify in monetary terms the outflow of resources that will be required.

*Recommendations:* We recommend that the Coast Guard:

*Regarding actuarial liabilities:*

1. Implement effective policies, procedures, and controls to ensure the completeness and accuracy of medical cost data and post-employment travel claims provided to, and used by, the actuary for the calculation of the medical and post-employment benefit liabilities;
2. Perform a periodic reconciliation between the medical expenditures recorded in the subsidiary ledger and those recorded in the CAS, and address differences before data is provided to the actuary. This reconciliation should be performed for all significant sources of medical actuarial data, including TriCare and DoD Military Treatment Facilities (MTFs). In addition, this reconciliation should be reviewed by someone other than the preparer to ensure accuracy; and
3. Implement effective processes to account for military personnel data changes, including changes in leave balances and payroll corrections, and to ensure that updates are recorded in the proper accounting period;

*Regarding accounts payable:*

4. Analyze and make appropriate improvements to the methodology used to estimate accounts payable and support all assumptions and criteria with appropriate documentation to develop and subsequently validate the estimate for financial reporting;

*Regarding environmental liabilities:*

5. Develop and implement policies, procedures, processes, and controls to ensure identification of and recording of all environmental liabilities, define the technical approach, cost estimation methodology, and overall financial management oversight of its environmental remediation projects. Consider the "Due Care" requirements defined in FASAB Technical Release No. 2. The policies should include:
  - a. Procedures to ensure the proper calculation and review of cost estimates for consistency and accuracy in financial reporting, including the use of tested modeling techniques, use of verified cost parameters, and assumptions;
  - b. Periodically validate estimates against historical costs; and
  - c. Ensure that detailed cost data is maintained and reconciled to the general ledger.

**I-F Budgetary Accounting**

*Background:* Budgetary accounts are a category of general ledger accounts where transactions related to the receipt, obligation, and disbursement of appropriations and other authorities to obligate and spend agency resources are recorded. Each Treasury Account Fund Symbol (TAFS) with separate budgetary accounts must be maintained in accordance with OMB and Treasury guidance. The Coast Guard has over 90 TAFS covering a broad spectrum of budget authority, including annual, multi-year, and no-year appropriations; and several revolving, special, and trust funds.

*Conditions:* We noted the following internal control weaknesses related to budgetary accounting, many of which were repeated from our FY 2008 report. The Coast Guard has not:

- Fully implemented policies, procedures, and internal controls over the Coast Guard's process for validation and verification of undelivered order (UDO) balances that are operating effectively. Recorded obligations and UDO balances were not always complete, valid, accurate, and proper approvals and supporting documentation are not always maintained;

**Independent Auditors' Report**

**Exhibit I – Material Weaknesses in Internal Control – U.S. Coast Guard**

- Finalized and implemented policies and procedures to monitor unobligated commitment activity in CAS throughout the fiscal year. Currently, the Coast Guard performs only a year-end review to reverse commitments that are now longer valid;
- Designed and implemented effective procedures, processes, and internal controls to verify the completeness and accuracy of the year-end obligation "pipeline", which are obligations executed on or before September 30 but not recorded in the Coast Guard's CAS, and to record all executed obligations. These deficiencies affected the completeness, existence, and accuracy of the year-end "pipeline" adjustment that was made to record obligations executed before year end; and
- Established adequate internal controls to ensure that procurement transactions are processed only by individuals who have the appropriate warrant authority, e.g., those with expired warrant authority are unable to process transactions.

*Cause Effect:* Several of the Coast Guard's budgetary control weaknesses can be corrected by modifications or improvements to the financial accounting system, process improvements, and strengthened policies and internal controls. Weak controls in budgetary accounting, and associated contracting practices increase the risk that the Coast Guard could violate the *Anti-deficiency Act* and overspend its budget authority. The financial statements are also at greater risk of misstatement. Reliable accounting processes surrounding obligations, UDOs, and disbursements are key to the accurate reporting of accounts payable in the DHS consolidated financial statements. The untimely release of commitments may prevent funds from being used timely for other purposes.

*Criteria:* According to the Office of Federal Financial Management's *Core Financial System Requirements*, dated January 2006, an agency's core financial management system must ensure that an agency does not obligate or disburse funds in excess of those appropriated or authorized, and "the Budgetary Resource Management Function must support agency policies on internal funds allocation methods and controls." The *Federal Acquisition Regulation (FAR)* Section 1.602 addresses the authorities and responsibilities granted to contracting officers. Treasury's USSGI guidance at TFM S2 09-02 (dated August 2009) specifies the accounting entries related to budgetary transactions.

FFMIA Section 803(a) requires that each Agency implement and maintain a system that complies substantially with Federal financial management system requirements. OMB Circular No. A-127 sets forth the standards for federal financial management systems.

*Recommendations:* We recommend that the Coast Guard:

1. Improve policies, procedures, and the design and effectiveness of controls related to processing obligation transactions, including periodic review and validation of UDOs. Emphasize to all fund managers the need to perform effective reviews of open obligations, obtain proper approvals, and retain supporting documentation;
2. Finalize policies and procedures to periodically review commitments, and make appropriate adjustments in the financial system;
3. Improve procedures, processes, and internal controls to verify the completeness and accuracy of the year-end obligation "pipeline" adjustment to record all executed obligations for financial reporting; and
4. Establish automated system controls to ensure that procurement transactions can be processed only by those with appropriate/valid warrant authority.

# FY2009 Accounting of Drug Control Funds

Dear Secretary Napolitano:

In accordance with your delegation of responsibilities to me, I have directed an evaluation of the internal control at the United States Coast Guard in effect during the fiscal year ended September 30, 2009. This evaluation was conducted in accordance with OMB Circular No. A-123, *Management's Responsibility for Internal Control*, Revised December 21, 2004. Based on the results of this evaluation, the United States Coast Guard provides the following assurance statements.

## **Reporting Pursuant to FMFIA Section 2. 31 U.S.C.3512 (d)(2)**

The United States Coast Guard provides reasonable assurance that internal controls are achieving their intended objectives, with the exception of the following material weaknesses:

- **Compliance with Laws and Regulations**

As previously reported in my 2008 Assurance Statement, USCG identified a prior year (2007 and earlier) Anti-Deficiency Act (ADA) issue. During the past year, we have closely collaborated with the Department and adhered to DHS policy with regards to resolving this issue. Actions taken to improve the policy and internal controls in this area should prevent a recurrence. In addition, the USCG is developing enterprise-wide policies and procedures for assessing risk, testing effectiveness of controls and monitoring to more fully align with the Department's internal control program.

- **Internal Controls over Financial Reporting as detailed under the DHS FAA below**

### **Resolution of Prior Year Reportable Condition - Deepwater**

During FY08, multiple control deficiencies were noted for the Deepwater program, which resulted in a reportable condition. Over the course of FY09, significant remediation efforts have resolved the major deficiencies identified in external audits and reports so that Deepwater is no longer identified as a reportable condition.

## **Reporting Pursuant to the DHS Financial Accountability Act. P.L. 108-330**

The scope of the United States Coast Guard's Fiscal Year 2009 assessment of internal control over financial reporting was limited to performing tests of design and test of operational effectiveness over the following processes that generate balance sheet and statement of custodial activity accounts:

- Federal Employment Compensation Act
- Contingent Legal Liabilities
- Investments

These tests identified multiple successful controls with limited remaining control deficiencies for each sub-process, and resulted in the assessment of these sub-processes at the reportable condition level as detailed in the General Ledger Management section, below.

As in the prior year, the United States Coast Guard is unable to provide reasonable assurance that internal control over financial reporting is operating effectively. Management implemented remediation plans in accordance with the ICOFR Playbook for FY 2009 and is updating Mission Action Plans to aggressively remediate remaining key deficiencies. These plans will be published in the Fiscal Year 2010 update to the Coast Guard Financial Strategy for Transformation and Audit Readiness. The following material weaknesses have been identified:

## FY2009 Accounting of Drug Control Funds

- **Entity Level Controls (ELC):** In 2009, the USCG conducted an assessment of internal controls at the entity level using the Government Accountability Office (GAO) Internal Control Management and Evaluation Tool. Deficiencies were identified in the following areas: risk assessment; insufficient monitoring/review; and limited documented policies and procedures. Ongoing remediation efforts, including the proposed establishment of a Coast Guard Comptroller, will address remaining ELC deficiencies.
- **Fund Balance with Treasury:** The USCG is unable to fully reconcile its FBwT accounts. USCG cannot produce complete and accurate populations of suspense account transactions, nor distinguish posting from clearing transactions in suspense.
- **Human Resources & Payroll:** Although we have established compensating controls that will enable us to reconcile military payroll, the Joint Uniform Military Payroll System (JUMPS) does not directly provide the required accounting information to reconcile Treasury, payroll and general ledger details. The Post Retirement Benefits sub-process has a lack of controls which are being addressed and corrective actions are in process to ensure data integrity for the actuarial liability.
- **Property Management:** Documented policies and procedures related to property management sub-processes and related systems are being developed during this reporting period. Ongoing remediation efforts include developing adequate controls in Construction-in-Progress, Operating Material and Supplies, Personal and Real property. However, significant system limitations and inadequate costing processes remain. Progress with Property Management continues through improved valuation of previously unsubstantiated cost of assets and construction in progress.
- **General Ledger (GL) Management Function: Financial Reporting:** The three primary USCG general ledgers are not fully compliant with the USSGL and contain improper posting logic codes. Limitations of the GL systems, timing issues, and the use of multiple GL systems with different GL accounts, contribute to the inappropriate recording of transactions and a significant number of on-top adjustments at month's end.

The scope of USCG remediation efforts for the following GL sub-processes focused on executing corrective actions to design and implement internal controls. As a result, the following are noted as reportable conditions:

- **Contingent Legal Liabilities**
- **FECA**
- **Investments**
- **Budgetary Resources Management:** The three general ledger systems are not fully compliant with the USSGL at the transaction level. Two of the three do not interface with the Core Accounting System, except for Treasury Information Executive Repository (TIER) reporting at the summary GL level. The primary budgetary resource management system is not designed to manage and maintain complete budgetary accounting data and does not permit the necessary level of funds control, creating the risk of Anti-Deficiency Act violations.
- **Receivables Management:** USCG does not record certain balances in the general ledger in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB). In addition to systems limitations, this is due in large part to the lack of policies and procedures in several key sub-process areas related to accounts receivable.
- **Revenue Management:** USCG does not record certain balances in the general ledger in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB). There is no documented standard operating



# FY2009 Accounting of Drug Control Funds

procedure in place to ensure that all reimbursable agreements are closed-out appropriately with all bills and refunds generated as needed.

- **Environmental Liabilities:** USCG has no documented policies and procedures for Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) cases. USCG does not have sufficient support related to Environmental Liabilities resulting in potentially unrecorded and unidentified liabilities.
- **Information Systems:** GAO Tool assessments indicate that internal controls over financial systems are inadequate to detect or prevent material errors in the financial statements. A number of non-conformances are a root cause that will limit the USCG's ability to fully remediate material weaknesses in many financial reporting processes. Accordingly, this condition also represents a material weakness in internal control over financial reporting.

## **Reporting Pursuant to FMFIA Section 4. 31 U.S.C. 3512 (d)(2)(B)**

The United States Coast Guard's financial management systems do not conform with government-wide requirements. The areas of non-conformance listed below were documented. Management is continuing to execute, and update as appropriate, Mission Action Plans to remediate the following:

- **U.S. Standard General Ledger**  
The designs of the USCG's financial and mixed systems do not reflect financial information classification structures that are consistent with the U.S. Standard General Ledger and provide for tracking of specific program expenditures.
- **Integration of Financial and Mixed Systems**  
The lack of integration of the USCG's financial and mixed systems precludes the use of common data elements to meet reporting requirements, and to collect, store, and retrieve financial information. Similar kinds of transactions are not processed throughout the systems using common processes, which could result in data redundancy and inconsistency.
- **Financial Reporting and Budgets**  
The USCG's financial and mixed systems do not allow for financial statements and budgets to be prepared, executed, and reported in accordance with the requirements prescribed by OMB, e.g., OMB Circular A-11, preparation and submission of budget estimates, those prescribed by the U.S. Department of Treasury, and/or the Federal Accounting Standards Advisory Board (FASAB).
- **Laws and regulations**  
The USCG's financial and mixed systems do not include a system of internal controls that ensure: resource use and financial reporting are consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; reliable data is obtained, maintained, and disclosed in reports; and transactions are processed in accordance with Generally Accepted Accounting Principles (GAAP)
- **System Adaptability**  
The USCG does not evaluate how effectively and efficiently the financial and mixed systems support the USCG's changing business practices and make appropriate modifications to its information systems.
- **Risk assessment and security**  
The Coast Guard has legacy financial and mixed systems that were developed without the benefit of today's security practice requirements. Because USCG lacks modern security evaluation software, intensive manual intervention is required to ensure proper security controls, oversight and auditing occurs to meet OMB and DHS security policies. Some of the legacy financial and mixed systems

## FY2009 Accounting of Drug Control Funds

were developed prior to the implementation of some of these regulations and are therefore, not designed to comply with them. Vessel Logistics System (VLS) and Core Accounting System (CAS) Suite are on the OMB high risk list.

- **Documentation and support**  
Adequate technical systems documentation, training, and user support is not consistently available to enable the users of all of the financial and mixed systems to understand, maintain, and operate the systems in an effective and efficient manner.
- **Physical and logical controls**  
The USCG's financial and mixed systems contain weaknesses in the standardization of physical and logical controls, and segregation of duties.
- **Software Development**  
The USCG does not consistently apply a defined software development and change control process to software changes and development efforts for all financial and mixed systems. USCG does not perform complete monitoring of the access to, the use of, nor the control changes to, systems software. Furthermore, CG financial management and mixed systems do not conform to existing applicable functional requirements.

### **Reporting Pursuant to the Reports Consolidation Act. Section 3516(e)**

In FY09, the USCG completed DHS sponsored independent verification and validation (V&V) of GPRA performance measure data. The Waterways Management: Aids to Navigation mission performance measure "5-year average collisions, allisions and groundings" was chosen for review. The review examined policies and procedures in this area and determined that they are adequate. The USCG's performance data used in the Performance and Accountability Report are complete and reliable, except for the following material inadequacy:

- **Financial Reporting:** The USCG does not have documentation and adequate controls to support the process to validate that the full cost by strategic goal, as presented in the notes to the consolidated financial statements, is materially consistent with actual costs incurred.



T. M. Allen  
Commandant,  
United States Coast Guard

**Report Distribution**

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## FY2009 Accounting of Drug Control Funds



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245 Murray Drive, SW, Building 410,  
Washington, DC 20528.

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

# FY2009 Accounting of Drug Control Funds

Office of Inspector General


U.S. Department of Homeland Security  
Washington, DC 20528



## Homeland Security

JAN 27 2010

MEMORANDUM FOR: David V. Aguilar  
Acting Deputy Commissioner  
United States Customs and Border Protection

From:   
Richard L. Skinner  
Inspector General

Subject: *Independent Review of the U.S. Customs and Border Protection's  
Reporting of FY 2009 Drug Control Obligations*

Attached for your information is our report, *Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2009 Drug Control Obligations*. We contracted with the independent public accounting firm KPMG LLP to perform the review. The review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

As required by the Office of National Drug Control Policy's Circular, *Drug Control Accounting*, dated May 1, 2007, U.S. Customs and Border Protection was unable to assert that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those revisions. U.S. Customs and Border Protection also could not assert that any reprogrammings or transfers that occurred in excess of \$1 million were approved by the Office of National Drug Control Policy as required. As a result, in accordance with professional standards, KPMG was required to limit its review to the Table of FY 2009 Drug Control Obligations and related disclosures and was unable to report on management's assertions pursuant to the requirements of the Office of National Drug Control Policy Circular. Nothing else came to the independent accountants' attention that caused them to believe that the Table of FY 2009 Drug Control Obligations and related disclosures for the year ending September 30, 2009, was not presented, in all material respects, in conformity with the Office of National Drug Control Policy's Circular. As such, this report contains no recommendations.

Should you have any questions, please call me, or your staff may contact Anne L. Richards, Assistant Inspector General for Audits, at 202-254-4100.

Attachment



# Department of Homeland Security Office of Inspector General

## Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2009 Drug Control Obligations



OIG-10-43

January 2010

# FY2009 Accounting of Drug Control Funds

Office of Inspector General

U.S. Department of Homeland Security  
Washington, DC 20528



**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 and related disclosures of the U.S. Customs and Border Protection for the fiscal year ending 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. Customs and Border Protection's management prepared the Table of Prior Year Drug Control Obligations and related disclosures to comply with the requirements of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007. U.S. Customs and Border Protection was unable to assert that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those revisions. U.S. Customs and Border Protection also could not assert that any reprogrammings or transfers that occurred in excess of \$1 million were approved by the Office of National Drug Control Policy as required by the Circular. As a result, KPMG limited its review to the Table of FY 2009 Drug Control Obligations and related disclosures and was unable to report on management's assertions pursuant to the requirements of the Office of National Drug Control Policy Circular. Nothing else came to the independent accountants' attention that caused them to believe that the Table of FY 2009 Drug Control Obligations and related disclosures for the year ending September 30, 2009, was not presented, in all material respects, in conformity with the Office of National Drug Control Policy's Circular. KPMG LLP is responsible for the attached 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

# FY2009 Accounting of Drug Control Funds



**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 2009 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, 2009. We were engaged to review the accompanying management's assertions for the year ended September 30, 2009. CBP's management is responsible for the preparation of the Table of FY 2009 Drug Control Obligations and related disclosures, and the assertions for compliance with the requirements of the Office of National Drug Control Policy (ONDCP) Circular: *Drug Control Accounting* dated May 1, 2007 (ONDCP Circular).

The ONDCP Circular requires management to make certain assertions related to the accuracy and completeness of the Table of FY 2009 Drug Control Obligations and related disclosures. Management was unable to assert that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$1 million, as required by the ONDCP Circular.

In accordance with applicable professional standards, since management was unable to make an assertion that is required by the ONDCP Circular, we limited our review procedures to the Table of FY 2009 Drug Control Obligations and related disclosures only, and we are unable to report on management's assertions pursuant to the requirements of the ONDCP Circular.

Our review of the Table of FY 2009 Drug Control Obligations and related disclosures 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 2009 Drug Control Obligations and related disclosures. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the Table of FY 2009 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.

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**

January 20, 2010

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.



FY2009 Accounting of Drug Control Funds

1300 Pennsylvania Avenue NW  
Washington, DC 20229



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

≡ **JAN 20** 2010

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 attached represents U.S. Customs and Border Protection's (CBP) Fiscal Year (FY) 2009 Detailed Accounting Report on National Drug Control Funding. In FY 2009, CBP reported an expenditure amount against direct obligations of approximately \$1,910.692 million.

If you have any questions regarding this submission, please feel free to contact me at (202) 344-2300, or a member of your staff may contact Mrs. Halima Blower at (202) 344-3361.

A handwritten signature in black ink, appearing to read "E. Schied".

Eugene H. Schied

Attachments

# FY2009 Accounting of Drug Control Funds

## DEPARTMENT OF HOMELAND SECURITY CUSTOMS AND BORDER PROTECTION Annual Reporting of FY 2009 Drug Control Funds

### DETAILED ACCOUNTING SUBMISSION

#### A. Table of FY 2009 Drug Control Obligations

	FY 2009 Final
<b>Drug Resources by Budget Decision Unit and Function</b>	
Salaries & Expenses	
Intelligence	210.277
Interdiction	1,280.618
<b>Total, Salaries and Expenses</b>	<b>1,490.895</b>
Air & Marine Operations	
Intelligence	88.157
Interdiction	331.640
<b>Total, Air &amp; Marine Operations</b>	<b>419.797</b>
<b>Total Obligations</b>	<b>1,910.692</b>
<b>HIDTA Transfer</b>	<b>0.264</b>

#### 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 (OBP); Field Operations (OFO); Information Technology (OIT); Training and Development (OTD); and Air and Marine (OAM) were provided with guidance on preparing estimates for the FY 2009 annual reporting of drug control funds. The percentages for OBP, OAM, OIT, OTD, and OFO are based on the expert opinions of the program offices. These offices were asked to estimate what portion of their activities is related to drug enforcement.

All five organizations identified resources in their financial plans that support the drug enforcement mission of the agency. The Office of Information Technology, the Office of Field Operations and the Office of Air and Marine attribute their resources to both intelligence and interdiction functions; while the Office of Training and Development and the Office of Border Patrol attribute their resources solely to interdiction.

#### OFFICE OF BORDER PATROL

The Office of Border Patrol 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. There were 20,119 Border Patrol agents as of September 26, 2009, 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, thus preventing their illegal entry. It has been determined that 15 percent of the total agent time nationwide 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. These activities include staffing 34 permanent border traffic checkpoints nationwide including 689 canine units trained in the detection of humans and certain illegal drugs that are concealed within cargo containers, truck

## FY2009 Accounting of Drug Control Funds

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 2009, there were 3,941 CBP officer positions related to drug enforcement on Anti-Terrorism Contraband Enforcement Teams (A-TCET). CBP established these teams in 2003, uniting the former Contraband Enforcement Teams (CET), Manifest Review Units (MRU), Non-Intrusive Inspection, Canine, and Outbound teams to form a single A-TCET enforcement team. 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. CBP estimates that 69 percent of the A-TCET is devoted to drug enforcement. The smuggling methodologies and their indicators are similar for both narcotics and anti-terrorism activities.

As of September 2009, there were 544 Canine Enforcement Officers with assigned dogs. Among the dogs paired with an officer, 208 were Narcotics Detection Teams, 32 Currency Firearms Detection Teams and 208 Narcotics/Human Smuggling Detection Teams that were nearly 100 percent devoted to smuggling interdiction. Also included in the total, but not scored for narcotics enforcement were 96 Agricultural Teams. Twenty-three dog handlers did not have dogs at the time that this data was collected. This was due to recent canine retirements and extended leave/light duty assignments.

As of September 2009, there were also 16,573 other CBP officers, who, in addition to the interdiction of contraband and illegal drugs, enforce hundreds of laws and regulations of many other Federal government agencies. The other Federal Agencies include, for example, 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 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) 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

# FY2009 Accounting of Drug Control Funds

the National Training Plan 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

CBP Air and Marine'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. Although OAM's P-3 fleet continued its SLEP and wing replacement program in Fiscal Year 2009, the P-3's flew over 7,700 flight hours. CBP OAM P-3 are expected to meet or exceed flight hour commitments to JITF-South during FY 2010 and provide additional surveillance support along the northern border. Successful completion of the SLEP program will add 15,000 flight hours to the service life of the CBP OAM P-3 fleet. The P-3 fleet will continue to play a significant role in interdiction, law enforcement, and air domain security in Source, Transit and Arrival Zones through FY 2027.

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

The Office of Border Patrol (OBP) attributes 15 percent of their total budget to drug control resources. In FY 2009, the percentage allocation between drug intelligence and drug interdiction was revised to more accurately report resources between the functions. Therefore, the revised methodology for OBP states that of the drug control funds, 3.5 percent is for drug intelligence and 96.5 percent is for drug interdiction. FY 2008 intelligence and interdiction splits, when applying the FY 2009 methodology, result in \$9.254 million for intelligence and \$255.136 million for interdiction (as opposed to \$39.659 for intelligence and \$224.732 million for interdiction which was reported in FY 2008). Total drug control obligations for FY 2008 remained the same.

### 3. Material Weaknesses or Other Findings

Pursuant to CBP's Amended Fiscal Year 2009 CBP Internal Control Assurance Statement, the following financial weaknesses, reportable conditions or non-conformance could effect the reporting of drug control budget obligations.

#### **Reporting Pursuant to the DHS Financial Accountability Act. P.L. 108-330:**

##### b. Financial Reporting—*Material Weakness*

CBP did not conduct a thorough review of the year-end financial statements which initially resulted in misstatements to the year-end financial statements. CBP Management will update their policies and procedures for assembling the financial statements to include standard reviews, approvals and edit checks.

##### d. Budgetary Accounting---*Reportable Condition*

CBP implemented policies and procedures requiring the timely review and deobligations of funds when the contracts have expired or are complete. However, results of testing

## FY2009 Accounting of Drug Control Funds

showed CBP was ineffective in monitoring compliance in a timely manner. Based on planned corrective actions, we anticipate these controls will be operating effectively by the end of FY 2010.

### **Reporting Pursuant to FMFIA Section 4. 31 U.S.C.3512 (d)(2)(B):**

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

CBP reported a Financial Systems Security weakness with respect to Information Technology General Controls. The Department requires each Component's information technology (IT) systems identified as CFO-Designated Systems to comply with the 27 key internal controls detailed in the DHS Management Directive 4300.1 DHS Sensitive Systems Policy Directive 4300A, DHS 4300A Sensitive Systems Handbook (SSH), and its Attachment R, Compliance Framework for CFO Designated Financial Systems. During the FY 2009 A-123 assessment of Information Technology General Controls, it was noted that 3 of 7 CBP Chief Financial Officer-Designated Financial Systems have IT internal control weaknesses with user account management. Additionally, the assessment noted weaknesses with IT security logging and monitoring, system software, and segregation of duties, thereby limiting management's assurance on the internal controls over these systems.

#### 4. Reprogrammings or Transfers

Within fiscal Year (FY) 2009, there were two reprogramming requests that affected the drug budget exceeding the \$1 million dollar threshold: a reprogramming to combat southwest border violence and a reprogramming to address the shortfalls in user fee collections.

- The reprogramming action for Southwest Border Violence to the Inspection, Trade and Travel Facilitation at Ports of Entry program project and activity (PPA) from CBP no-year appropriations resulted in a \$5.67 million dollar increase to the Drug Control Budget for FY 2009.
- The reprogramming action for the user fee shortfall to the Inspection, Trade and Travel Facilitation at Ports of Entry PPA from the Customs-Trade Partnership Against Terrorism (C-TPAT) PPA, the Air and Marine Salaries and Benefits PPA and the Border Security and Control PPA resulted in an increase in the drug control budget by \$1.020 million.

In total, the cumulative impact of both of the above reprogrammings to the drug control budget was an increase of \$6.69 million in FY 2009.

#### 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 Full Time Equivalent (FTE) utilization is reasonable and accurate. The criteria associated with this assertion are as follows:

# FY2009 Accounting of Drug Control Funds

## 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 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 was calculated by expert opinion.

## 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. Reprogrammings or Transfers

Pursuant to 21 U.S.C. 1703 (c)(4)(A), the Office of National Drug Control Policy (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. CBP sent a letter to ONDCP dated August 19, 2009 concerning the reprogramming actions affecting the drug control budget. At the time the letter was sent the reprogramming action for southwest border violence was approved by the House May 22 and the Senate May 21, 2009. The reprogramming to address the user fee shortfall was approved by the House July 23, 2009 and was pending Senate approval (subsequently thereafter approved). Within the August 19 letter to ONDCP, CBP acknowledged that it must submit notification requests to ONDCP prior to obtaining Congressional approval. CBP overlooked this requirement due to exigent circumstances and a compelling fiscal need, but intends to be in full compliance when preparing all future reprogramming or transfer requests. Budget has implemented corrective actions to assure that future notifications will take place in a timely manner.

## 4. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2009. The data presented is associated with obligations against a financial plan that fully complies with all Fund Control Notices issued by the Director under 21 U.S.C. § 1703(f) and Section 8 of the ONDCP Circular, *Budget Execution*.

**Report Distribution**

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DHS OIG Program Examiner

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## FY2009 Accounting of Drug Control Funds



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- Fax the complaint directly to us at (202) 254-4292;
- Email us at [DHSOIGHOTLINE@dhs.gov](mailto:DHSOIGHOTLINE@dhs.gov); or
- Write to us at:  
DHS Office of Inspector General/MAIL STOP 2600,  
Attention: Office of Investigations - Hotline,  
245 Murray Drive, SW, Building 410,  
Washington, DC 20528.

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



FY2009 Accounting of Drug Control Funds

*Office of Inspector General*

**U.S. Department of Homeland Security**  
Washington, DC 20528



**Homeland  
Security**

JAN 27 2010

MEMORANDUM FOR: The Honorable John T. Morton  
Assistant Secretary  
United States Immigration and Customs Enforcement

From: *Richard L. Skinner*  
Richard L. Skinner  
Inspector General

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

Attached for your information is our report, *Independent Review of U.S. Immigration and Customs Enforcement's Reporting of FY 2009 Drug Control Obligations*. We contracted with the independent public accounting firm KPMG LLP to perform the review. This report contains no recommendations.

Should you have any questions, please call me, or your staff may contact Anne L. Richards, Assistant Inspector General for Audits, at 202-254-4100.

Attachment



# 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



OIG-10-46

January 2010

# FY2009 Accounting of Drug Control Funds

Office of Inspector General

U.S. Department of Homeland Security  
Washington, DC 20528



**Homeland  
Security**

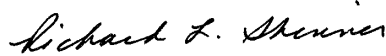
JAN 27 2010

## 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.

  
Richard L. Skinner  
Inspector General

# FY2009 Accounting of Drug Control Funds



**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

# FY2009 Accounting of Drug Control Funds

## 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) <b>FY2009 Final</b>
<b>Drug Resources by Budget Decision Unit and Function:</b>	
<b>Salaries and Expense</b>	
Investigations	\$426.122
International	\$4.687
Intelligence: Domestic Law	\$5.972
Intelligence: International	\$0.314
<b>Total Salaries and Expense</b>	<b>\$437.095</b>
<b>Total Funding</b>	<b>\$437.095</b>
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.

**Report Distribution**

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**Office of National Drug and Control Policy**

Associate Director for Planning and Budget

**Immigration and Customs Enforcement**

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## FY2009 Accounting of Drug Control Funds



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- Write to us at:  
DHS Office of Inspector General/MAIL STOP 2600,  
Attention: Office of Investigations - Hotline,  
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Washington, DC 20528.

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# Tab E

## Department of the Interior

# FY2009 Accounting of Drug Control Funds



## OFFICE OF INSPECTOR GENERAL U.S. DEPARTMENT OF THE INTERIOR

MAY 10 2010

### Memorandum

To: Grayford Payne  
Chief Financial Officer — Indian Affairs

From: Kimberly Elmore *Kimberly Elmore*  
Assistant Inspector General, Audits, Inspections and Evaluations

Subject: Office of Inspector General's Independent Report on the Office of National Drug Control Policy (ONDCP) 2009 Accounting Report — Indian Affairs (Report No. ER-IN-BIA-0002-2010)

The Office of Inspector General reviewed the ONDCP 2009 Accounting Report — Indian Affairs (Report) signed March 4, 2010 and the assertion contained therein and provided to us on April 21, 2010 (attachment). Indian Affairs (IA) management is responsible for the Report and presented it in place of the Detailed Accounting Submission required by ONDCP Circular: Drug Control Accounting dated May 1, 2007.

The Circular allows this alternative reporting method when prior-year drug control obligations are less than \$50 million and full compliance with the Circular would constitute an unreasonable burden. IA management asserted that full compliance would be an unreasonable burden and that the obligations reported constitute the statutorily required detailed accounting.

We reviewed management's assertion that full compliance with the requirements of the Circular would constitute an unreasonable burden. We did so in accordance with generally accepted government auditing standards applicable to attestations that incorporate American Institute of Certified Public Accountants attestation standards. Our procedures were limited to inquiries and analysis appropriate for a review engagement, which is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions.

Accordingly, we do not express opinions or conclusions on whether the Report was fairly stated. During our review, however, nothing came to our attention that caused us to disbelieve management's assertion that full compliance with the Circular would constitute an unreasonable burden.

## FY2009 Accounting of Drug Control Funds

We did note, however, items, which while not affecting management's assertion of an unreasonable burden, should be brought to the attention of users of the Report. Specifically:

- the Report was not provided to us until after the February 1, 2010 submission deadline;
- IA has not provided us with related Performance Summary Report; and
- IA has reported budget authority rather than obligations.

Our report is intended solely for the information and use of IA management, ONDCP, and the U.S. Congress. We do not intend it to be and it should not be used by anyone other than these specified parties. The distribution of the report, however, is not limited.

Should you have any comments or questions regarding this report, please do not hesitate to contact me at 202-208-5512.

Attachment

Office of Audits, Inspections, and Evaluations | Washington, DC

FY2009 Accounting of Drug Control Funds




United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, D.C. 20240

APR 21 2010

MEMORRANDUM

To: Kimberly Elmore  
Assistant Inspector General for Audits, Inspections, and Evaluations

From: Chief Financial Officer – Indian Affairs 

Subject: Office of Inspector General's Independent Report on the Office of National Drug Control Policy (ONDCP) 2009 Accounting Report – Indian Affairs

Attached for your review and response is the ONDCP 2009 Accounting Report for Indian Affairs. As required by the ONDCP Circular: Drug Control Accounting dated May 1, 2007, the report shows that Indian Affairs prior-year drug control obligations are less than \$50 million and is in full compliance with the requirements of the Circular and constitutes an unreasonable burden.

If you have any questions, please contact the Office of Justice Services, Mr. Charles Addington, Acting Associate Director, Drug Enforcement, at (202) 208-5787 or my office at (202) 208-7163.

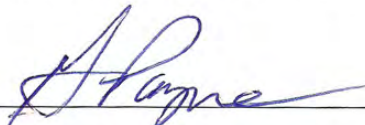
Attachment

**ONDCP 2009 Accounting Report – Indian Affairs**

**Resource Summary**

<b>Prior Year Drug Control Obligations</b>		<b>FY 2009</b>
<b>Function: Prevention</b>		
<b>J33</b>	<b>Special Initiatives</b>	<b>6,338,000</b>
	Substance Abuse- Meth Initiative	6,338,000
	<b>Total ALL Functions</b>	<b>6,338,000</b>
	<b>Total FTE (Direct Only)</b>	<b>33</b>

Full compliance with this Circular constitutes an unreasonable reporting burden. Obligations reported under this section constitute the statutorily required detailed accounting.

  
 \_\_\_\_\_  
 Chief Financial Officer, Indian Affairs

  
 \_\_\_\_\_  
 Date



# Tab F

## Department of Justice

Bureau of Prisons

Drug Enforcement Administration

Organized Crime Drug Enforcement Task Force

Office of Justice Programs

FY2009 Accounting of Drug Control Funds



U. S. Department of Justice

Office of the Inspector General

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January 28, 2010

Mr. Jon Rice  
Associate Director  
Office of Performance and Budget  
Office of National Drug Control Policy  
Washington, D.C. 20503

Dear Mr. Rice:

This letter transmits the fiscal year 2009 attestation review reports from the U.S. Department of Justice. The attestation review reports, the annual detailed accounting of funds expended by each drug control program agency, and performance summary is required by 21 U.S.C. § 1704(d), as implemented by the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007.

If you have any questions, please contact me at (202) 514-3435 or Mark L. Hayes, Director, Financial Statement Audit Office, at (202) 616-4660.

Sincerely,

A handwritten signature in blue ink, appearing to read "Glenn A. Fine".

Glenn A. Fine  
Inspector General

---

Enclosure



## FY2009 Accounting of Drug Control Funds

cc: Lee J. Lofthus  
Assistant Attorney General  
for Administration  
Chief Financial Officer  
Justice Management Division

Mikki Atsatt  
Deputy Director of Programs  
and Performance  
Budget Staff  
Justice Management Division

Jeffrey Sutton  
Assistant Director, Budget Staff  
Law Enforcement and Corrections Group  
Justice Management Division

Jill R. Meldon  
Assistant Director, Budget Staff  
Planning and Performance Group  
Justice Management Division

Melinda B. Morgan  
Director, Finance Staff  
Justice Management Division



# **ANNUAL ACCOUNTING AND AUTHENTICATION OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE FISCAL YEAR 2009**

U.S. Department of Justice  
Office of the Inspector General  
Audit Division

Audit Report 10-15  
January 2010

**ANNUAL ACCOUNTING AND AUTHENTICATION OF  
DRUG CONTROL FUNDS AND RELATED PERFORMANCE  
FISCAL YEAR 2009**

**OFFICE OF THE INSPECTOR GENERAL  
COMMENTARY AND SUMMARY**

This report contains the fiscal year 2009 attestation review reports of the Federal Bureau of Prisons, Drug Enforcement Administration, Organized Crime Drug Enforcement Task Forces Program, and Office of Justice Programs annual accounting and authentication of drug control funds and related performance. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the attestation reviews. The report and annual detailed accounting of funds expended by each drug control program agency is required by 21 U.S.C. § 1704(d), as implemented by the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007.

KPMG LLP prepared the reports in accordance with the Attestation Standards issued by the American Institute of Certified Public Accountants (AICPA). Each of the reports was properly addressed, titled, and contained the elements required by the AICPA Statements on Standards for Attestation Engagements, AT Section 101.89. An attestation review is less in scope than an examination and therefore does not result in the expression of an opinion. However, KPMG LLP reported that nothing came to its attention that caused it to believe the submissions were not presented in all material respects in accordance with the requirements of the ONDCP circular.

The OIG reviewed KPMG LLP's reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an attestation engagement in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion or conclusions on the annual accounting and authentication of drug control funds and related performance. KPMG LLP is responsible for the attached accountants' reports dated January 25, 2010, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with U.S. generally accepted government auditing standards.

**ANNUAL ACCOUNTING AND AUTHENTICATION OF  
DRUG CONTROL FUNDS AND RELATED PERFORMANCE  
FISCAL YEAR 2009**

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# FY2009 Accounting of Drug Control Funds



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

## **Independent Accountants' Report**

Inspector General  
U.S. Department of Justice

Director  
Federal Bureau of Prisons  
U.S. Department of Justice

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the U.S. Department of Justice's Federal Bureau of Prisons (BOP) for the year ended September 30, 2009. We have also reviewed the accompanying Management's Assertion Statement for the year ended September 30, 2009. The BOP's management is responsible for the Table of Drug Control Obligations, related disclosures, and Management's Assertion Statement.

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 Drug Control Obligations, related disclosures, and Management's Assertion Statement. Accordingly, we do not express such an opinion.

Management of the BOP prepared the Table of Drug Control Obligations, related disclosures, and Management's Assertion Statement 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 Drug Control Obligations and related disclosures for the year ended September 30, 2009, are not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007, or that (2) the Management's Assertion Statement referred to above is not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007.

This report is intended solely for the information and use of the management of the BOP, the U.S. Department of Justice Office of 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 25, 2010

# FY2009 Accounting of Drug Control Funds



U.S. Department of Justice

Federal Bureau of Prisons

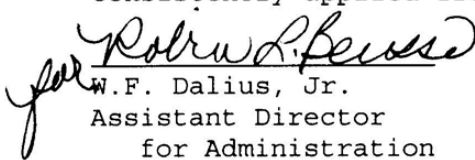
Washington, DC 20534

**U.S. Department of Justice  
Bureau of Prisons  
Detailed Accounting Submission  
Management's Assertion Statement  
For Fiscal Year Ended September 30, 2009**

On the basis of the Bureau of Prisons (BOP) management control program, we assert that the BOP system of accounting, use of estimates, and system of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from the BOP's accounting system of record for these budget decision units.
2. The methodology used by the BOP to calculate obligations of budgetary resources by function is reasonable and accurate in all material aspects.
3. The methodology disclosed in this statement was the actual methodology used to generate the Table of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that did not require revision for reprogrammings or transfers during the fiscal year.
5. BOP did not have any Office of National Drug Control Policy (ONDCP) Fund Control Notices issued in FY 2009.

We have documented the methodology used by BOP to identify and accumulate FY 2009 drug control obligations in the Table of Drug Control Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007. The BOP drug control methodology has been consistently applied from the previous year.

  
W.F. Dalius, Jr.  
Assistant Director  
for Administration

01/25/10  
Date

# FY2009 Accounting of Drug Control Funds

U.S. Department of Justice  
Bureau of Prisons  
Table of Drug Control Obligations  
For Fiscal Year Ended September 30, 2009  
(Dollars in millions)

FY 2009 Actual Obligations

Drug Obligations by Budget Decision Unit and Function:

Decision Unit: Inmate Care and Programs

Treatment	<u>\$79.683</u>
Total, Inmate Care and Programs	<u>\$79.683</u>

Total Obligations	<u>\$79.683</u>
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## FY2009 Accounting of Drug Control Funds

### Disclosure No 1. Drug Control Methodology

The mission of the Bureau of Prisons (BOP) is to protect society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, and which provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

The BOP's drug resources are dedicated one hundred percent to the Drug Treatment Program. The Drug Treatment Program includes: Drug Program Screening and Assessment; Drug Abuse Education; Non-Residential Drug Abuse Treatment; Residential Drug Abuse Treatment; and Community Transitional Drug Abuse Treatment. All drug-related resources support the National Drug Control Strategy, policy goal of "Improve the public health and public safety of the American people by reducing the consequences of drug use".

The Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control Policy (ONDCP) circular, *Drug Control Accounting*, dated May 1, 2007 and ONDCP's memorandum, *Current Budget Issues*, dated September 3, 2008. The table represents obligations incurred by the BOP for drug control purposes. The amounts are net of all reimbursable agreements. The BOP receives drug control funds solely for the purpose of drug treatment.

Data - All accounting information for the BOP is derived from the Department of Justice (DOJ) Financial Management Information System (FMIS). FY 2009 actual obligations for Drug Treatment Programs are reported as Drug Control Obligations since the entire focus is drug related.

Financial Systems - The FMIS is the DOJ financial system that provides BOP obligation data. Obligations in this system can also be reconciled with the enacted appropriation and carryover balances.

### Disclosure No 2. Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been changed from the prior year (FY 2008). Only direct obligations associated with Drug Treatment Programs in the Table of Drug Control Obligations are reported.



## FY2009 Accounting of Drug Control Funds

### Disclosure No 3. Material Weaknesses and Other Findings

The independent audit of BOP's FY 2009 financial statements resulted in an unqualified or "clean" audit opinion with no material weaknesses in the Independent Auditors' Report on Internal Control over Financial Reporting and no findings in the Independent Auditors' Report on Compliance and Other Matters. However, in the Independent Auditors' Report on Internal Control Over Financial Reporting the auditors identified certain deficiencies in internal control over financial reporting that the auditors considered to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During the FY 2009 audit, auditors evaluated the general control environment. General controls are the structure, policies, and procedures that apply to the BOP's overall computer operations. They also performed a review of the DOJ consolidated information systems general controls environment that provides general control support for several DOJ components' financial applications, one of which is the BOP. The evaluation was performed using the U.S. Government Accountability Office's (GAO) Federal Information System Controls Audit Manual (FISCAM) and National Institute of Standards and Technology (NIST), Special Publication (SP) 800-53, *Recommended Security Controls for Federal Information Systems*; and as established by Office of Management and Budget Circular A-130, *Management of Federal Information Resources*.

The auditors noted weaknesses in the following FISCAM general control areas: access controls and configuration management. The BOP has implemented corrective action plans to specifically address each recommendation found in the Independent Auditors' Report on Internal Control over Financial Reporting. The corrective action plans are reviewed and updated quarterly, at a minimum, and provided to the auditors for review and discussion.

Sources reviewed include: (a) the FY 2009 Independent Auditors' Report on Financial Statements, Independent Auditors' Report on Internal Control over Financial Reporting, and the Independent Auditors' Report on Compliance and Other Matters; and (b) the DOJ Performance and Accountability Report.

## FY2009 Accounting of Drug Control Funds

### Disclosure No 4. Reprogrammings or Transfers

There were no drug related reprogrammings or transfers during FY 2009.

### Disclosure No 5. Public Health Service (PHS) Funding

The BOP allocates funds to the PHS. The PHS provides a portion of the drug treatment for federal inmates. In FY 2009, \$650,000 was transferred from the BOP to PHS, and was designated and expended for current year obligations of PHS staff salaries, benefits, and applicable relocation expenses relating to six PHS FTEs related to drug treatment during FY 2009. Therefore, the transferred obligations and PHS Full Time Equivalent positions (FTEs) were included in BOP's Table of Drug Control Obligations.

### Disclosure No 6. Other Disclosures

The BOP did not have any ONDCP Fund Control Notices issued in FY 2009.

# FY2009 Accounting of Drug Control Funds



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

## **Independent Accountants' Report**

Inspector General  
U.S. Department of Justice

Acting Administrator  
Drug Enforcement Administration  
U.S. Department of Justice

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the U.S. Department of Justice's Drug Enforcement Administration (DEA) for the year ended September 30, 2009. We have also reviewed the accompanying Management's Assertion Statement for the year ended September 30, 2009. The DEA's management is responsible for the Table of Drug Control Obligations, related disclosures, and Management's Assertion Statement.

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 Drug Control Obligations, related disclosures, and Management's Assertion Statement. Accordingly, we do not express such an opinion.

Management of the DEA prepared the Table of Drug Control Obligations, related disclosures, and Management's Assertion Statement 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 Drug Control Obligations and related disclosures for the year ended September 30, 2009, are not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007, or that (2) the Management's Assertion Statement referred to above is not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007.

This report is intended solely for the information and use of the management of the DEA, the U.S. Department of Justice Office of 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 25, 2010



**U. S. Department of Justice**  
Drug Enforcement Administration

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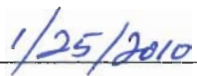
**U.S. Department of Justice**  
**Drug Enforcement Administration**  
**Detailed Accounting Submission**  
**Management's Assertion Statement**  
**For Fiscal Year Ended September 30, 2009**

On the basis of the Drug Enforcement Administration's (DEA) management control program, we assert that the DEA system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from the DEA's accounting system of record for these budget decision units.
2. The methodology used by the DEA to calculate obligations of budgetary resources by function is reasonable and accurate in all material aspects.
3. The methodology disclosed in this statement was the actual methodology used to generate the Table of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that was revised during the fiscal year to properly reflect the changes, including Office of National Drug Control Policy's (ONDCP) approval of reprogrammings and transfers in excess of \$1 million, affecting drug-related resources.
5. DEA did not have any ONDCP Fund Control Notices issued in FY 2009.

We have documented the methodology used by the DEA to identify and accumulate FY 2009 drug control obligations in the Table of Drug Control Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007. The DEA drug control methodology has been consistently applied from the previous year.

  
\_\_\_\_\_  
Frank M. Kalder, Chief Financial Officer

  
\_\_\_\_\_  
Date

# FY2009 Accounting of Drug Control Funds

**U.S. Department of Justice**  
**Drug Enforcement Administration**  
**Table of Drug Control Obligations**  
**For Fiscal Year Ended September 30, 2009**  
**(Dollars in Millions)**

	<b>FY 2009 Actual Obligations</b>
<b>Drug Obligations by Account/Budget Decision Unit and Function:</b>	
<b>Diversion Control Fee Account</b>	
Investigations	\$ 216.246
<b>Total Diversion Control Fee Account</b>	<b>\$ 216.246</b>
 <b>Domestic Enforcement</b>	
Investigations	\$ 1,519.544
Intelligence: Domestic Law Enforcement	118.546
Prevention	1.280
<b>Total Domestic Enforcement</b>	<b>\$ 1,639.370</b>
 <b>International Enforcement</b>	
Investigations	\$ 409.168
Intelligence	19.321
<b>Total International Enforcement</b>	<b>\$ 428.489</b>
 <b>State and Local Assistance</b>	
State and Local Assistance	\$ 4.539
<b>Total State and Local Assistance</b>	<b>\$ 4.539</b>
 <b>Total Obligations</b>	<b>\$ 2,288.644 *</b>
High-Intensity Drug Trafficking Area (HIDTA) obligations	\$15.868

\* Includes obligations of carryover unobligated balances

## FY2009 Accounting of Drug Control Funds

### Disclosure 1: Drug Control Methodology

The mission of the Drug Enforcement Administration (DEA) is to enforce the controlled substances laws and regulations of the United States and to bring to the criminal and civil justice system of the United States or any other competent jurisdiction, those organizations, and principal members of organizations, involved in the growing, manufacture, or distribution of controlled substances appearing in or destined for illicit traffic in the United States; and to recommend and support non-enforcement programs aimed at reducing the availability of illicit controlled substances on the domestic and international markets. In carrying out its mission, the DEA is the lead agency responsible for the development of the overall Federal drug enforcement strategy, programs, planning, and evaluation. The DEA's primary responsibilities include:

- Investigation and preparation for prosecution of major violators of controlled substances laws operating at interstate and international levels;
- Management of a national drug intelligence system in cooperation with Federal, state, local, and foreign officials to collect, analyze, and disseminate strategic and operational drug intelligence information;
- Seizure and forfeiture of assets derived from, traceable to, or intended to be used for illicit drug trafficking;
- Enforcement of the provisions of the Controlled Substances Act and the Chemical Diversion and Trafficking Act (CDTA) as they pertain to the manufacture, distribution, and dispensing of legally produced controlled substances and chemicals;
- Coordination and cooperation with Federal, state and local law enforcement officials on mutual drug enforcement efforts and enhancement of such efforts through exploitation of potential interstate and international investigations beyond local or limited Federal jurisdictions and resources;
- Coordination and cooperation with other Federal, state, and local agencies, and with foreign governments, in programs designed to reduce the availability of illicit abuse-type drugs on the United States market through non-enforcement methods such as crop eradication, crop substitution, and training of foreign officials;
- Responsibility, under the policy guidance of the Secretary of State and U.S. Ambassadors, for all programs associated with drug law enforcement counterparts in foreign countries;
- Liaison with the United Nations, Interpol, and other organizations on matters relating to international drug control programs; and
- Supporting and augmenting U.S. efforts against terrorism by denying drug trafficking and/or money laundering routes to foreign terrorist organizations, as well as the use of illicit drugs as barter for munitions to support terrorism.

## FY2009 Accounting of Drug Control Funds

The accompanying Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 and a September 3, 2008 updated memo showing function and decision unit. The table represents obligations incurred by the DEA for drug control purposes and reflects 100 percent of the DEA's mission.

Since the DEA's accounting systems, the Federal Financial System (FFS) and Unified Financial Management System (UFMS), do not track obligation and expenditure data by ONDCP's drug functions, the DEA uses Managerial Cost Accounting (MCA), a methodology approved by ONDCP to allocate obligations tracked in DEA's appropriated account/decision units to ONDCP's drug functions.

Data: All accounting data for the DEA are maintained in FFS and UFMS. FFS and UFMS track obligation and expenditure data by a variety of attributes, including fund type, allowance center, decision unit and object class. In the first quarter of FY 2009, FFS was phased out and UFMS was implemented. One hundred percent of the DEA's efforts are related to drug enforcement.

Other Estimation Methods: None.

Financial Systems: FFS and UFMS are the information systems the DEA uses to track obligations and expenditures. Obligations derived from these systems can also be reconciled against enacted appropriations and carryover balances.

Managerial Cost Accounting: The DEA uses allocation percentages generated by MCA to allocate resources associated with the DEA's three decision units to ONDCP's drug functions. The MCA model using an activity-based costing methodology provides the full cost of the DEA's mission outputs (performance costs). The table below shows the allocation percentages based on the DEA's MCA data.

<b>The DEA Account/Decision Unit</b>	<b>Allocation</b>	<b>ONDCP Function</b>
Diversions Control Fee Account	100.00%	<b>Investigations</b>
Domestic Enforcement	92.69%	
Domestic Enforcement	7.23%	<b>Intelligence: Domestic Law Enforcement</b>
International Enforcement	4.51%	<b>Intelligence: International</b>
International Enforcement	95.49%	<b>International</b>
State and Local Assistance	100.00%	<b>State and Local Assistance</b>
Domestic Enforcement	0.08%	<b>Prevention</b>

The DEA's financial system began recording obligations in the appropriated three decision units and the Diversions Control Fee Account in FY 2008.

Decision Units: One hundred percent of the DEA's total obligations by decision unit were associated with drug enforcement. This total is reported and tracked in FFS and UFMS.

## FY2009 Accounting of Drug Control Funds

Full Time Equivalents (FTE): One hundred percent of the DEA FTEs are dedicated to drug enforcement efforts. The DEA's Direct FTE total for FY 2009, including Salaries & Expenses (S&E) and Diversion Control Fee Account (DCFA) appropriations, was 7,936 through pay period 19, ending September 26, 2009.

Transfers and Reimbursements: High Intensity Drug Trafficking Area (HIDTA) transfers and reimbursable obligations are excluded from the DEA's Table of Drug Control Obligations since they are reported by other sources.

### Disclosure 2: Methodology Modification of Drug Enforcement Accounting Method

The DEA's method for tracking drug enforcement resources has not been modified from the method approved in FY 2005. The DEA uses current MCA data to allocate FY 2009 obligations from three decision units to ONDCP's drug functions.

### Disclosure 3: Material Weaknesses and Other Findings

The results of the DEA's FY 2009 financial statement audit revealed no material weaknesses that affect the presentation of drug related obligations data. However, there was a significant deficiency identified during FY 2009 noting improvements were needed to strengthen the financial management controls to ensure the timely deobligation of funds that are no longer needed. In conjunction with the implementation of a new financial system, the Unified Financial Management System (UFMS), DEA has taken/will be taking actions to strengthen the control over fiscal and operational processes, including manager and senior executive manager training; the monitoring and validating of undelivered orders; regular communication with program offices regarding financial management policies and procedures; and communication of the FY 2009 audit results to DEA personnel, together with the development of a Corrective Action Plan (CAP) to address all issues identified during the course of the audit.

### Disclosure 4: Reprogrammings and Transfers

There was no reprogramming in FY 2009.

However, the DEA had several transfers during FY 2009 (see the attached Table of FY 2009 Reprogrammings and Transfers). The DEA had 14 transfers into its S&E account - one transfer from the Spectrum Relocation Fund, Executive Office of the President totaling \$55,687,000, four transfers from ONDCP's High Intensity Drug Trafficking Area (HIDTA) program totaling \$15,612,353, one transfer from Department of State totaling \$91,590,000, and eight internal transfers from expired FY 2005/FY 2006/FY 2007/FY 2008 S&E funds of \$45,160,489. Also, the DEA had 17 transfers out of its S&E account - one transfer to the Department of Justice's Wire Management Office totaling \$1,458,166, seven transfers to DOJ's Working Capital Fund totaling \$2,664,277, one transfer to ONDCP's (HIDTA) program totaling \$300,384, and eight internal transfers from expired FY 2005/FY 2006/FY 2007/FY 2008 S&E funds of \$45,160,489 to the DEA's S&E No-Year funds.



## FY2009 Accounting of Drug Control Funds

Transfers under the Drug Resources by Function section in the Table of FY 2009 Reprogrammings and Transfers are based on the same MCA allocation percentages as the Table of Drug Control Obligations.

### Disclosure 5: Other Disclosures

The DEA did not have any ONDCP Fund Control Notices issued in FY 2009.

FY2009 Accounting of Drug Control Funds

Department of Justice  
 Drug Enforcement Administration  
 Table of Reprogrammings and Transfers  
 For Fiscal Year Ended September 30, 2009  
 (Dollars in Millions)

	Reprogrammings	Transfers In	Transfers Out	Total
<b>Drug Resources by Account/Budget Decision Units and Function:</b>				
Diversion Control Fee Account	-	-	-	-
Investigations	-	-	-	-
Diversion Control Fee Account	-	-	-	-
<b>Domestic Enforcement</b>				
Investigations	\$ -	\$ 93,476	\$ (45,681)	\$ 47,795
Intelligence	-	7,292	(3,564)	3,728
Prevention	-	0,079	(0,038)	0,041
<b>Domestic Total</b>	<b>-</b>	<b>100,847</b>	<b>(49,283)</b>	<b>51,564</b>
<b>International Enforcement</b>				
International	-	87,460	-	87,460
Intelligence	-	4,130	-	4,130
<b>International Total</b>	<b>-</b>	<b>91,590</b>	<b>-</b>	<b>91,590</b>
<b>State &amp; Local Assistance</b>				
State & Local Assistance	-	-	-	-
<b>State &amp; Local Assistance Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ -</b>	<b>\$ 192,437</b>	<b>\$ (49,283)</b>	<b>\$ 143,154</b>
HIDTA Transfers		15,612	(0,300)	15,312

# FY2009 Accounting of Drug Control Funds



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

## **Independent Accountants' Report**

Inspector General  
U.S. Department of Justice

Director  
Executive Office for the Organized Crime  
Drug Enforcement Task Forces  
U.S. Department of Justice

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the U.S. Department of Justice's Organized Crime Drug Enforcement Task Forces (OCDETF) Program for the year ended September 30, 2009. We have also reviewed the accompanying Management's Assertion Statement for the year ended September 30, 2009. The OCDETF Program's management is responsible for the Table of Drug Control Obligations, related disclosures, and Management's Assertion Statement.

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 Drug Control Obligations, related disclosures, and Management's Assertion Statement. Accordingly, we do not express such an opinion.

Management of the OCDETF Program prepared the Table of Drug Control Obligations, related disclosures, and Management's Assertion Statement 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 Drug Control Obligations and related disclosures for the year ended September 30, 2009, are not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007, or that (2) the Management's Assertion Statement referred to above is not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007.

This report is intended solely for the information and use of the management of the OCDETF, the U.S. Department of Justice Office of 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 25, 2010

# FY2009 Accounting of Drug Control Funds



U.S. Department of Justice

Criminal Division

*Executive Office for the Organized Crime Drug  
Enforcement Task Forces*

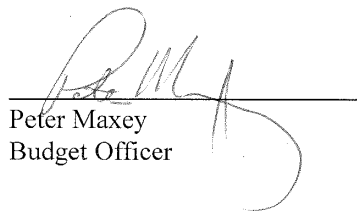
Washington, DC 20530

**U.S. Department of Justice  
Organized Crime Drug Enforcement Task Forces (OCDETF) Program  
Detailed Accounting Submission  
Management's Assertion Statement  
For Fiscal Year Ended September 30, 2009**

On the basis of OCDETF's management control program, we assert that the Organized Crime Drug Enforcement Task Force (OCDETF) Program's system of accounting, use of estimates, and systems of internal controls provides reasonable assurance that:

1. Obligations reported by budget decision units are the actual obligations from the OCDETF Program's accounting system of record;
2. The methodology used by OCDETF to calculate obligations of budgetary resources by function is reasonable and accurate in all material aspects;
3. The methodology disclosed in this statement was the actual methodology used to generate the Table of Drug Control Obligations;
4. The data presented are associated with obligations against a financial plan that was revised during the fiscal year to properly reflect the changes including the Office of National Drug Control Policy's (ONDCP) approval of reprogramming and transfers in excess of \$1 million affecting drug-related resources; and
5. The OCDETF Program did not have any ONDCP Fund Control Notices issued in FY 2009.

We have documented the methodology used by OCDETF to identify and accumulate FY 2009 drug control obligations in the Table of Drug Control Obligations and accompanying disclosures in accordance with the guidance of ONDCP's Circular *Drug Control Accounting*, dated May 1, 2007. The OCDETF Program's drug control methodology has been consistently applied from the previous year.

  
Peter Maxey  
Budget Officer

1/25/10  
Date

# FY2009 Accounting of Drug Control Funds

**U.S. Department of Justice  
Organized Crime Drug Enforcement Task Forces (OCDETF) Program  
Table of Drug Control Obligations  
For Fiscal Year Ended September 30, 2009**

Actual 2009 Obligations Dollars in Millions Decision Unit Crosswalk					
	Appropriated Funds	OCDETF Executive Office	Subtotal	No-Year Reallowed Funds 2/	Total FY 2009 Actual Obligations
<b>Drug Obligations by Decision Unit and Function</b>					
<b>Investigations:</b>					
Drug Enforcement Administration (DEA)	\$185.809	\$1.053	\$186.862	\$2.826	\$189.688
Federal Bureau of Investigation (FBI)	116.844	0.662	117.506	0.000	117.506
U.S. Marshals Service (USMS)	8.338	0.047	8.385	2.308	10.693
Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)	11.436	0.065	11.501	0.000	11.501
United States Coast Guard (USCG)	0.000	0.000	0.000	0.300	0.300
Subtotal Investigations	322.427	1.827	324.254	5.434	329.688
<b>Drug Intelligence:</b>					
DEA <sup>1/</sup>	8.594	0.049	8.643	0.000	8.643
FBI	20.624	0.117	20.741	0.000	20.741
OCDETF Fusion Center (OFC)	11.776	0.000	11.776	0.000	11.776
Subtotal Drug Intelligence	40.994	0.166	41.160	0.000	41.160
<b>TOTAL INVESTIGATIVE DECISION UNIT</b>	<b>363.421</b>	<b>1.993</b>	<b>365.414</b>	<b>5.434</b>	<b>370.848</b>
<b>Prosecutions:</b>					
U.S. Attorneys (USA)	139.439	3.450	142.889	0.555	143.444
Criminal Division	2.808	0.049	2.857	0.000	2.857
Tax Division	0.327	0.005	0.332	0.000	0.332
<b>TOTAL PROSECUTORIAL DECISION UNIT</b>	<b>142.574</b>	<b>3.504</b>	<b>146.078</b>	<b>0.555</b>	<b>146.633</b>
<b>Administrative Support:</b>					
OCDETF Executive Office	5.498 4/	(5.498)	0.000	0.000	0.000
Total Obligations	\$511.492	\$0.000	\$511.492	\$5.989	\$517.481
					517.481
				Reimbursable	0.150 3/
Total Agency Obligations	\$511.492		\$511.492		\$517.631
Drug Percentage	100%		100%		100%

1/Includes four intelligence analysts from Financial Crimes Enforcement, Internal Revenue Service, Bureau of Alcohol, Tobacco, Firearms and Explosives, and the United States Marshals Service.

2/Total obligated balance available includes reprogrammed/reallowances of carryover funds in the amount of \$5.989.

3/Represents collections received from U.S. Immigration and Customs Enforcement (ICE) to outfit the new Boston Strike Force.

4/Amount includes the National Drug Intelligence Center detail, totalling \$0.083 million.

No-Year (15X0323):	Amount	DEA	USMS	USA	USCG
Boston Strike Force Build out	\$2.250	\$0.000	\$2.250	\$0.000	\$0.000
Financial Training	0.500	0.000	0.000	0.500	0.000
United States Coast Guard Travel	0.300	0.000	0.000	0.000	0.300
USMS Conference Security	0.058	0.000	0.058	0.000	0.000
El Paso Strike Force	0.344	0.344	0.000	0.000	0.000
PanEx Strike Force	0.400	0.400	0.000	0.000	0.000
Atlanta Strike Force	0.277	0.222	0.000	0.055	0.000
Caribbean Corridor Initiative Strike Force	0.248	0.248	0.000	0.000	0.000
Houston Strike Force	0.300	0.300	0.000	0.000	0.000
New York Strike Force	0.400	0.400	0.000	0.000	0.000
Phoenix Strike Force	0.429	0.429	0.000	0.000	0.000
San Diego Strike Force	0.300	0.300	0.000	0.000	0.000
Boston Strike Force	0.183	0.183	0.000	0.000	0.000
Total	\$5.989	\$2.826	\$2.308	\$0.555	\$0.300

# FY2009 Accounting of Drug Control Funds



## U.S. Department of Justice

*Criminal Division  
Executive Office for the Organized Crime Drug  
Enforcement Task Forces*

*Washington, DC 20530*

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### U.S. Department of Justice Organized Crime Drug Enforcement Task Forces Program Management's Disclosure Statement For Fiscal Year Ended September 30, 2009

#### Disclosure No 1. - Drug Control Methodology

The Organized Crime Drug Enforcement Task Forces (OCDETF) Program is comprised of member agencies from three different Departments: the Department of Justice (DOJ), the Department of Treasury (Treasury), and the Department of Homeland Security (DHS). Beginning in FY 1998 and continuing through FY 2003, OCDETF member agencies were funded through separate appropriations. (Prior to the creation of DHS, which involved the transfer of the U.S. Coast Guard to DHS from the Department of Transportation, OCDETF was funded in DOJ, Treasury and Transportation appropriations.)

During FY 2004 and FY 2005, the DOJ's Interagency Crime and Drug Enforcement (ICDE) appropriation included funding to reimburse agencies in the DOJ, Treasury and DHS for their participation in the OCDETF Program. The availability of a consolidated budget has been critical to OCDETF's ability both to ensure the proper and strategic use of OCDETF resources and to effectively monitor Program performance across all Departments and participating agencies. However, Congress repeatedly expressed concern with funding non-DOJ agencies via a DOJ appropriations account, and in FY 2005, Congress decreased base funding for non-DOJ program participants.

Recognizing that uncertainty surrounding funding levels for non-DOJ participants posed great difficulties for OCDETF in terms of program planning and administration, the Administration has not submitted a consolidated budget for the program since FY 2007. Instead, funding for OCDETF's non-DOJ partners was requested through direct appropriations for Treasury and DHS. Currently, only DOJ OCDETF appropriated funding comes from the ICDE account.

OCDETF is directly charged with carrying out the DOJ drug supply reduction strategy, and all of its activities are aimed at achieving a measurable reduction in the availability of drugs in this country. The disruption and dismantlement of drug trafficking networks operating regionally, nationally, and internationally is a critical component of the supply reduction effort. In particular, OCDETF requires that in *each* OCDETF case investigators identify and target the financial infrastructure that permits the drug organization to operate. As such, all of OCDETF's efforts support Priority III of the President's National Drug Control Strategy: "Disrupting the Market – Attacking the Economic Base of the Drug Trade" and all of the Program's ICDE resources are

## FY2009 Accounting of Drug Control Funds

considered to be 100 percent drug-related.

The Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 and ONDCP's memorandum, *Current Budget Issues*, dated September 3, 2008. The Table represents obligations from the ICDE account incurred by OCDETF for drug control purposes. All amounts are net of reimbursable agreements.

Data - All accounting information for OCDETF is derived from DOJ's Financial Management Information System 2 (FMIS2). ICDE resources are reported as 100 percent drug-related because the entire focus of the OCDETF Program is drug control.

Financial Systems - FMIS2 is the financial system used to provide all ICDE obligation data. Obligations that are derived by this system reconcile with the enacted appropriations and carryover balances.

OCDETF Decision Units are divided according to the four major activities of the Task Force -- Investigations, Drug Intelligence, Prosecutions, and Administration Support -- and reflect the amount of reimbursable ICDE resources appropriated for each participating agency. With respect to the Table of Drug Control Obligations, the calculated amounts were derived from the FMIS2 system as follows:

- a. Investigations Function - This decision unit includes the reimbursable resources that support investigative activities of the following participating agencies: the Drug Enforcement Administration; Federal Bureau of Investigation; the Bureau of Alcohol, Tobacco, Firearms and Explosives; and the U.S. Marshals Service. The methodology applies 100 percent of the resources that support OCDETF investigative activities.
- b. Drug Intelligence Function - This decision unit includes the reimbursable resources that support intelligence activities of the following participating agencies: the Drug Enforcement Administration and the Federal Bureau of Investigation, including the operational costs associated with the OCDETF Fusion Center. The methodology applies 100 percent of the resources that support OCDETF intelligence activities.
- c. Prosecution Function - This decision unit includes the reimbursable prosecution resources for the following participating DOJ agencies: the U.S. Attorneys and the Criminal and Tax Divisions of the DOJ. The methodology applies the total of 100 percent of OCDETF's Prosecution resources to the Prosecution Decision Unit.
- d. Administrative Support Function - This decision unit includes funding for the OCDETF Executive Office for program oversight and support activities, as well as reimbursable resources to provide financial investigative training for member agencies. The methodology applies 100 percent of the resources that support OCDETF administrative support activities.

## FY2009 Accounting of Drug Control Funds

### Disclosure No 2. - Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified in the Table of Drug Control Obligations. However, the Administration's request for OCDETF reflects a restructuring that collapses the OCDETF Program's four areas - Investigations, Drug Intelligence, Prosecution, and Administrative Support- into two decision units- Investigations and Prosecutions. Under this methodology, Law Enforcement is reported under Investigations and the Administrative Support of the OCDETF Executive Office is pro rated among decision units based on the percentage of appropriated ICDE Program funding.

### Disclosure No 3. - Material Weaknesses or Other Findings

The DOJ Offices, Boards and Divisions (OBDs) FY 2009 Independent Auditors' Report on Internal Control over Financial Reporting revealed no material weaknesses.

Although no material weaknesses were noted in the FY 2009 OBDs audit report on internal controls, one significant deficiency was reported. The deficiency was identified in the failure to update the Audited Financial Statements (AFS) funding analysis journal entry related to the misuse of earmarked funding between appropriated and reimbursable sources to reflect the significant reduction in reimbursable revenue received; thus the financial statements submitted for external audit contained an error. This finding, while not a material weakness, nor specifically directed to OCDETF, is being reported by OCDETF as an "other finding" because it has an undetermined impact on the presentation of drug related obligations.

The DOJ Justice Management Division (JMD) Finance Director, Quality Control and Compliance Group (QCCG) and component program managers as well as their respective Budget Officers who are affected, will develop a proactive corrective action plan to address the significant deficiency. The DOJ JMD Finance Director will validate this plan. In addition, the DOJ's JMD Finance Director and program managers will ensure that all weaknesses identified in prior year audits are addressed and that enhancements in policies, processes, and workflow are implemented to provide the best possible support for financial reporting.

### Disclosure No 4. - Reprogrammings/Reallowances or Transfers

Total availability consists of enacted budget authority for FY 2009, plus unobligated balances and recoveries brought forward from prior years. OCDETF's FY 2009 obligations include all reallocated carryover funds and transfers. In FY 2009, OCDETF re-allowed \$5,989,000 from its no-year account (15X0323) as follows: \$2,250,000 for the Boston Strike Force Build out; \$300,000 for United States Coast Guard; \$58,000 for USMS Conference Security; \$500,000 for Financial Investigative Training; \$344,000 for the El Paso Strike Force; \$400,000 for the Panama Express Strike Force; \$277,000 for the Atlanta Strike Force; \$248,000 for the Caribbean Corridor Initiative Strike Force; \$300,000 for the Houston Strike Force; \$400,000 for the New York Strike Force; \$429,000 for the Phoenix Strike Force; \$300,000 for the San Diego Strike Force; and \$183,000 for the Boston Strike. Finally, OCDETF also transferred radio resources amounting to \$555,624 to the DOJ Wireless Law Enforcement Communications Account as required by P.L. 111-8. See the attached Reprogramming and Transfers Schedule.



## FY2009 Accounting of Drug Control Funds

### Disclosure No 5. - Obligations From Carryover Funds

In FY 2009, \$11,905,176 in unobligated balances and prior year recoveries was brought forward from FY 2008 and available for new obligations. Of this amount, \$5,989,000, as reported under Disclosure No 4., was established as new obligations during FY 2009.

### Disclosure No 6. - Other Disclosures

OCDETF asserts that the information presented in the Table of Drug Control Obligations fairly presents the drug control obligations for OCDETF. OCDETF did not have any ONDCP Fund Control Notices in FY 2009.

# FY2009 Accounting of Drug Control Funds

<b>U.S. Department of Justice                      Organized Crime Drug Enforcement Task Forces (OCDETF) Program                      Reprogrammings and Transfers                      For the Fiscal Year Ended September 30, 2009                      (Dollars in Millions)</b>						
Line Item	Unobligated Balances and Recoveries	Enacted Budget Authority	Reprogramming Reallowances 1/	Offsetting Collections 2/	Transfer 3/	Total Availability
<b>Drug Resources by Decision Unit and Function</b>						
<b>Investigations:</b>						
Drug Enforcement Administration (DEA)	\$0.000	\$187.871	\$2.826	\$0.000	-\$0.555	\$190.142
Federal Bureau of Investigation (FBI)	0.000	117.498	0.000	0.000	0.000	117.498
U.S. Marshals Service (USMS)	0.000	8.542	2.308	0.150	0.000	11.000
Alcohol, Tobacco, Firearms and Explosives (ATF)	0.000	11.500	0.000	0.000	0.000	11.500
U.S. Coast Guard (USCG)	0.000	0.000	0.300	0.000	0.000	0.300
Subtotal Investigations	0.000	325.411	5.434	0.150	(0.555)	330.440
<b>Drug Intelligence:</b>						
Drug Enforcement Administration (DEA)	0.000	11.421	0.000	0.000	0.000	11.421
Federal Bureau of Investigation (FBI)	0.000	20.739	0.000	0.000	0.000	20.739
OCDETF Fusion Center Support (OFC)	0.000	11.776	0.000	0.000	0.000	11.776
Subtotal Intelligence	0.000	43.936	0.000	0.000	0.000	43.936
<b>TOTAL INVESTIGATIONS DECISION UNIT</b>	<b>0.000</b>	<b>369.347</b>	<b>5.434</b>	<b>0.150</b>	<b>(0.555)</b>	<b>374.376</b>
<b>Prosecutions:</b>						
U.S. Attorneys (USAs)	0.000	142.446	0.555	0.000	0.000	143.001
Criminal Division (CRM)	0.000	2.877	0.000	0.000	0.000	2.877
Tax Division (TAX)	0.000	0.330	0.000	0.000	0.000	0.330
<b>TOTAL PROSECUTIONS DECISION UNIT</b>	<b>0.000</b>	<b>145.653</b>	<b>0.555</b>	<b>0.000</b>	<b>0.000</b>	<b>146.208</b>
Total Distributed	0.000	515.000	5.989	0.150	(0.555)	520.584
Undistributed	11.905	0.000	(5.989)	0.000	0.000	5.916
Total Obligations	<b>\$11.905</b>	<b>\$515.000</b>	<b>\$0.000</b>	<b>\$0.150</b>	<b>(\$0.555)</b>	<b>\$526.500</b>

<sup>1/</sup>Includes realigned carryover funds as follows: No-year funding of \$5.989 M (\$2.250 M for the Boston Strike Force Build out; \$3.00 M for United States Coast Guard; \$.058 M for United States Marshals Service Conference Security; \$.500 M for Financial Investigative Training; \$.344 M for the El Paso Strike Force; \$.400 M for the Panama Express Strike Force; \$.277 for the Atlanta Strike Force; \$.248 M for the Caribbean Corridor Initiative Str ke Force; \$.300 M for the Houston Strike Force; \$.400 M for the New York Str ke Force; \$.429 M for the Phoenix Strike Force; \$.300 M for the San Diego Str ke Force; and \$.183 M for the Boston Strike Force.

<sup>2/</sup>Represents funds collected from Immigration and Customs Enforcement (ICE) to outfit the Boston Strike Force Build out

<sup>3/</sup>Represents radio resources transferred to the DOJ Wireless Law Enforcement Communications Account as required by the FY 2009 DOJ Appropriations Act (P.L. 111-8)

# FY2009 Accounting of Drug Control Funds



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

## **Independent Accountants' Report**

Inspector General  
U.S. Department of Justice

Assistant Attorney General  
Office of Justice Programs  
U.S. Department of Justice

We have reviewed the accompanying Table of Drug Control Obligations and related disclosures of the U.S. Department of Justice's Office of Justice Programs (OJP) for the year ended September 30, 2009. We have also reviewed the accompanying Management's Assertion Statement for the year ended September 30, 2009. OJP's management is responsible for the Table of Drug Control Obligations, related disclosures, and Management's Assertion Statement.

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 Drug Control Obligations, related disclosures, and Management's Assertion Statement. Accordingly, we do not express such an opinion.

Management of the OJP prepared the Table of Drug Control Obligations, related disclosures, and Management's Assertion Statement 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 Drug Control Obligations and related disclosures for the year ended September 30, 2009, are not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007, or that (2) the Management's Assertion Statement referred to above is not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007.

This report is intended solely for the information and use of the management of the OJP, the U.S. Department of Justice Office of 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 25, 2010

# FY2009 Accounting of Drug Control Funds

**U.S. Department of Justice  
Office of Justice Programs  
Detailed Accounting Submission  
Management's Assertion Statement  
For Fiscal Year Ended September 30, 2009**

On the basis of the Office of Justice Programs (OJP) management control program, we assert that the OJP system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from OJP's accounting system of record for these budget decision units.
2. The methodology used by OJP to calculate obligations of budgetary resources by function is reasonable and accurate in all material aspects.
3. The methodology disclosed in this statement was the actual methodology used to generate the Table of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that was revised during the fiscal year (FY) to properly reflect transfers which affected drug-related resources.
5. OJP did not have any Office of National Drug Control Policy (ONDCP) Fund Control Notices issued in FY 2009.

We have documented the methodology used by OJP to identify and accumulate FY 2009 drug control obligations in the Table of Drug Control Obligations and accompanying disclosures, in accordance with the guidance of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. OJP's drug control methodology has been consistently applied from the previous year.



\_\_\_\_\_  
Ralph E. Martin, Associate Chief Financial Officer  
Office of the Chief Financial Officer  
Budget, Planning, and Performance Division  
OJP Official Responsible for Assertion

1/25/10  
\_\_\_\_\_  
Date

# FY2009 Accounting of Drug Control Funds

**U.S. Department of Justice**  
**Office of Justice Programs**  
**Table of Drug Control Obligations**  
**By Budget Decision Unit and Function**  
**For Fiscal Year Ended September 30, 2009**  
 (Dollars in Millions)

	<b>FY 2009 Actual Obligations<sup>1/</sup></b>
<b>Drug Obligations by Budget Decision Unit and Function:</b>	
<b>Regional Information Sharing System</b>	
State and Local Assistance	\$45.082
<b>Weed and Seed Program</b>	
State and Local Assistance	27.790
Prevention	<u>3.088</u>
Total Weed and Seed Program	30.878
<b>Enforcing Underage Drinking Laws</b>	
Prevention	25.353
<b>Drug Court Program</b>	
Treatment	41.423
<b>Residential Substance Abuse Treatment Program</b>	
Treatment	10.987
<b>Prescription Drug Monitoring Program</b>	
State and Local Assistance	6.637
<b>Southwest Border Prosecution Initiative</b>	
State and Local Assistance	30.030
<b>Northern Border Prosecution Initiative</b>	
State and Local Assistance	5.444
<b>Second Chance Act<sup>2/</sup></b>	
State and Local Assistance	7.375
<b>Drug Prevention Demonstration Program</b>	
Prevention	<u>0.242</u>
<b>Total</b>	<b><u>\$203.451</u></b>
<b>Methamphetamine Enforcement and Lab Cleanup<sup>3/</sup></b>	<b>5.000</b>

<sup>1/</sup> Program obligations reflect direct program obligations plus estimated direct and support management and administrative costs. Therefore, obligations reflected above may exceed the budget authority shown on the Reprogramming and Transfers Schedule.

<sup>2/</sup> Actual obligations reported for the Second Chance Act reflect only 30% of total obligations for this decision unit, as directed by the Office of Management and Budget and Office of National Drug Control Policy.

<sup>3/</sup> Funding for the Methamphetamine Enforcement and Lab Cleanup Program is transferred from the Office of Community Oriented Policing Services (COPS) to the Drug Enforcement Administration for program administration; therefore, obligations are not tracked by the Office of Justice Programs (OJP). FY 2009 total obligations for the program were reported to OJP by the COPS budget office. See Disclosure 1 for additional information.

# FY2009 Accounting of Drug Control Funds

## **Disclosure 1: Drug Control Methodology**

The mission of the Office of Justice Programs (OJP) is to provide federal leadership in developing the Nation's capacity to prevent and control crime, administer justice, and assist crime victims. As such, OJP's resources are primarily targeted to providing assistance to state, local, and tribal governments. In executing its mission, OJP dedicates a significant level of resources to drug-related program activities, which focus on breaking the cycle of drug abuse and crime including: drug testing and treatment, provision of graduated sanctions, drug prevention and education, and research and statistics.

The Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 and ONDCP's memorandum, *Current Budget Issues*, dated September 3, 2008.

OJP's Office of the Chief Financial Officer, Budget Planning and Performance Division is responsible for the development and presentation of the annual OJP ONDCP Budget. OJP fiscal year (FY) 2009 Table of Drug Control Obligations includes total obligations associated with 11 budget decision units identified for the National Drug Control Budget. However, funds for 10 of these decision units are directly appropriated to OJP. Funding for the Methamphetamine Enforcement and Lab Cleanup Program is appropriated to the Office of Community Oriented Policing Services (COPS), an office within the Department of Justice's (DOJ's) Offices, Boards, and Divisions (OBDs), and transferred to the Drug Enforcement Administration (DEA) for administration. Because the obligations related to the COPS program are reported in the financial statements of the OBDs, they are not included in the FY 2009 actual obligations total on OJP's Table of Drug Control Obligations. Decision units include the following:

- Regional Information Sharing System
- Weed and Seed Program
- Enforcing Underage Drinking Laws
- Drug Court Program
- Residential Substance Abuse Treatment Program
- Prescription Drug Monitoring Program
- Southwest Border Prosecution Initiative
- Northern Border Prosecution Initiative
- Second Chance Act
- Drug Prevention Demonstration Program
- Methamphetamine Enforcement and Lab Cleanup (COPS Program)

In determining the level of resources used in support of 10 of these budget decision units (excluding Methamphetamine Enforcement and Lab Cleanup), OJP used the following methodology:

## FY2009 Accounting of Drug Control Funds

Drug Program Obligations by Decision Unit: Data on obligations, as of September 30, 2009, were gathered from OJP's Financial Management Information System 2 (FMIS2). The total obligations presented for OJP are net of reimbursements and funds obligated under the Crime Victims Fund, Public Safety Officers Benefit Program, and the Office on Violence Against Women.

Salaries and Expenses Data. In FY 2009, Congress established a new Salaries and Expenses (S&E) account for OJP. S&E obligations were gathered from OJP's FMIS2. The obligation amounts were allocated by applying the relative percentage of Full-Time Equivalent (FTE) assigned to 10 drug-related decision units to total S&E obligations for OJP. There were no S&E obligations associated with the Methamphetamine Enforcement and Lab Cleanup program, as this program is not administered by OJP.

Overall, OJP program activities support all three goals of the National Drug Control Strategy: (1) Stopping Use Before it Starts; (2) Intervening and Healing America's Drug Users; and (3) Disrupting the Market. Functionally, OJP program activities fall under the following categories: prevention, state and local assistance, and treatment. The method used to allocate OJP funds to ONDCP functions was derived through an analysis of individual program missions and by surveying program staff. A deliberate effort was made to accurately account for program activities, which resulted in one program's (Weed and Seed) obligations falling under multiple functions. The Table of Drug Control Obligations shows FY 2009 obligations for the 10 programs, categorized by function and decision unit, which are reported by OJP.

For the Table of Drug Control Obligations, amounts were calculated as follows:

Function:	The appropriate drug-related percentage was applied to each program/decision unit line item and totaled by function.
Decision Unit:	In accordance with the ONDCP circulars, 100 percent of the actual obligations for 10 of the 11 budget decision units is included, with the exception of the Second Chance Act program. Thirty percent of the actual obligations for the Second Chance Act program are reflected for this decision unit.
Full-Time Equivalent:	FTE data originates from the U.S. Department of Agriculture's National Finance Center, and is obtained by OJP through the DOJ, Justice Management Division Data Center. The same percentage that is applied to calculate FTE, was also applied to the S&E obligations.

# FY2009 Accounting of Drug Control Funds

## **Disclosure 2: Modifications to Drug Control Methodology**

As specified in the ONDCP Circular, *Budget Formulation*, dated May 1, 2007, in FY 2009, OJP is reporting 100 percent of the actual obligations related to 10 budget decision units included in the National Drug Control Budget, with the exception of the Second Chance Act. In April 2009, it was determined after discussions between ONDCP and the Office of Management and Budget (OMB) that some of the activities under the Second Chance Act (a new OJP program in FY 2009) were deemed drug-related in nature, therefore OJP would report 30 percent of the obligations associated with this decision unit in the Table of Drug Control Obligations.

## **Disclosure 3: Material Weaknesses and Other Findings**

The FY 2009 Independent Auditors' Report on Internal Control Over Financial Reporting cited no material weaknesses. However, one significant deficiency was identified during the audit and is noted below, along with the recommendation and OJP management response.

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### **IMPROVEMENTS ARE NEEDED IN THE SYSTEM AND CONTROLS OVER BUDGETARY UPWARD AND DOWNWARD ADJUSTMENTS**

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OJP's Financial Management Information System 2 (FMIS2) is not configured to immediately record upward and downward adjustments when changes are made to prior year obligations. As a result, OJP developed a process to record its upward and downward adjustments at a program level. Quarterly, OJP runs a system query to identify those transactions that are potentially upward and downward adjustments to undelivered orders (UDO). The transactions are then downloaded into an Access database and OJP performs a review to determine the valid upward and downward adjustments. OJP then prepares a journal entry to record the upward and downward adjustments to UDOs in the general ledger. OJP's "Recoveries of Prior Year Obligations Unpaid" line item on the Statement of Budgetary Resources was tested and identified recording errors that totaled approximately \$71 million. Of the \$71 million, \$52 million was related to correcting transactions that were misclassified as upward and downward adjustments. The remaining \$19 million was related to re-postings of grant activity from one program to another or from direct to reimbursable funding. The upward and downward adjustments for these items should have been eliminated. Additionally, these errors were not detected during supervisory review.

U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1) states, "Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes." GAO's *Standards for Internal Control in the*



## FY2009 Accounting of Drug Control Funds

*Federal Government* also provides examples of control activities, which include “reviews by management at the functional or activity level.”

As a result of these errors, “Recoveries of Prior Year Obligations Unpaid” and the “Obligations Incurred” line items on the FY 2009 Statement of Budgetary Resources were each potentially overstated by approximately \$71 million. OJP confirmed and recorded an adjusting journal entry to correct \$52 million of the overstatement and the remaining \$19 million was recorded as an immaterial unadjusted audit difference.

### **Recommendation:**

1. Enhance the review of upward and downward adjustment transactions in the Access database and related journal entries to ensure only valid recoveries and de-obligations are recorded, as defined by OMB.

### **Management Response:**

OJP concurs with the recommendation. While OJP has internal controls in place to verify entries into the accounting system are accurate, in FY 2010, OJP will strengthen its controls over the upward and downward review process. It should be noted that the errors illustrated in the auditor’s report are limited in scope and duration.

### **Disclosure 4: Reprogrammings or Transfers**

In accordance with the ONDCP’s Circular, *Drug Control Accounting*, dated May 1, 2007, in FY 2009, OJP made \$3.0 million in reprogrammings and \$5.7 million in drug-related transfers-in. The reprogramming amount reflects reallocations of funding from the decision units to the Salaries and Expenses account. The transfers-in amount reflects OJP FY 2009 recoveries associated with the reported decision units. See the attached Reprogrammings and Transfers Schedule.

### **Disclosure 5: Other Disclosures**

- In FY 2009, OJP received no ONDCP Fund Control Notices.
- Of the total FY 2009 actual obligations amount, \$41.3 million are a result of carryover unobligated resources. See the attached Reprogrammings and Transfers Schedule.

# FY2009 Accounting of Drug Control Funds

**U.S. Department of Justice**  
**Office of Justice Programs**  
**Reprogrammings and Transfers Schedule**  
**For the Fiscal Year Ended September 30, 2009**  
(Dollars in Millions)

Table Line Item	Unobligated Balances Forward	Enacted BA	Rescission	Reprogrammings <sup>1/</sup>	Transfers <sup>2/</sup>		Total Availability
					In	Out	
<b>Drug Obligations by Function:</b>							
Regional Information Sharing System State and Local Assistance	0.000	45.000	0.000	(0.119)	0	0.000	44.881
Weed and Seed Program							
State and Local Assistance	2.261	22.500	(0.459)	(0.068)	0.486	0.000	24.720
Prevention	<u>0.251</u>	<u>2.500</u>	<u>(0.051)</u>	<u>(0.008)</u>	<u>0.054</u>	<u>0.000</u>	<u>2.746</u>
Total Weed and Seed Program	2.512	25.000	(0.510)	(0.076)	0.540	0.000	27.466
Enforcing Underage Drinking Laws Prevention	0.891	25.000	(0.858)	(0.057)	---	0.000	24.976
Drug Court Program Treatment	4.457	42.500	(8.598)	(0.539)	3.500	0.000	41.320
Residential Substance Abuse Treatment Program Treatment	1.032	10.000	(1.415)	(0.056)	0.858	0.000	10.419
Prescription Drug Monitoring Program State and Local Assistance	1.613	7.000	(1.954)	(0.145)	0.296	0.000	6.810
Southwest Border Prosecution Initiative State and Local Assistance	27.857	31.000	(13.196)	(1.769)	0.485	0.000	44.377
Northern Border Prosecution Initiative State and Local Assistance	2.656	3.000	---	(0.122)	0.000	0.000	5.534
Second Chance Act <sup>3/</sup> State and Local Assistance	---	7.500	---	(0.158)	0.000	0.000	7.343
Drug Prevention Demonstration Program Prevention	<u>0.291</u>	<u>0.000</u>	<u>(0.108)</u>	<u>0.000</u>	<u>0.000</u>	<u>(0.055)</u>	<u>0.128</u>
<b>Total.....</b>	<b>41.309</b>	<b>196.000</b>	<b>(26.639)</b>	<b>(3.041)</b>	<b>5.679</b>	<b>(0.055)</b>	<b>213.254</b>
Methamphetamine Enforcement and Lab Cleanup <sup>4/</sup>	---	5.000	---	---	---	---	5.000

<sup>1/</sup> Reprogrammings reflect transfer amounts to the Salaries and Expenses account.

<sup>2/</sup> Transfers In reflect FY 2009 recoveries.

<sup>3/</sup> Actual obligations reported for the Second Chance Act reflect only 30% of total obligations for this decision unit, as directed by the Office of Management and Budget and Office of National Drug Control Policy.

<sup>4/</sup> Funding for the Methamphetamine Lab Cleanup Program is transferred from COPS to DEA for program administration; therefore, obligations are not tracked by OJP. FY 2009 total obligations for the program were reported to OJP by the COPS budget office.



# Tab G

# Department of State

Bureau of International Narcotics and Law  
Enforcement Affairs

United States Agency for International  
Development

FY2009 Accounting of Drug Control Funds



**United States Department of State**

*Assistant Secretary of State  
for International Narcotics and  
Law Enforcement Affairs*

*Washington, D.C. 20520*

February 23, 2010

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007, the Department of State is submitting its Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report. The Inspector General's attestation report is enclosed.

If you would like to address any questions associated with our submission, please call Bob Byrnes on (202) 776-8720.

Sincerely,

A handwritten signature in blue ink, appearing to read "David T. Johnson".

David T. Johnson

Enclosures:

1. Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report
2. Department of State Office of Inspector General Attestation Report

Mr. Jon E. Rice

Associate Director for Performance and Budget,  
Office of National Drug Control Policy,  
750 17<sup>th</sup> Street, N.W.,  
Washington, D.C. 20503.

# FY2009 Accounting of Drug Control Funds



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

## Independent Review of the U.S. Department of State's Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report (AUD/FM-10-17)

The Office of Inspector General (OIG) has reviewed the accompanying management assertions included in the Bureau of International Narcotics and Law Enforcement Affairs *Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report*. This report was prepared in accordance with the Office of National Drug Control Policy's (ONDCP) *Drug Control Accounting* circular, dated May 1, 2007. Department of State (Department) management is responsible for the assertions included in the report.

OIG's review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

Based on our review, OIG cannot attest to the reliability of the following assertions made by Department management in the accompanying report:

- [T]he drug methodology used to calculate obligations of prior year budgetary resources is reasonable, that the data presented is complete, and that the financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregated obligations from which the drug-related obligations are derived.
- [A]ll the information presented for the Bureau for International Narcotics and Law Enforcement Affairs is true and correct.

The obligation information included in the report is obtained from the Department's accounting system. During the audit of the Department's FY 2009 financial statements, an independent public accountant identified a material weakness related to the Department's financial reporting processes. For instance, the auditor reported that the Department lacked a budgetary financial reporting system that is integrated with the financial management system, which forces the Department to use a manual, labor-intensive process to develop the statement of budgetary resources. During the compilation process, multiple manual

## FY2009 Accounting of Drug Control Funds

adjustments are required to be posted. The auditor also identified a significant deficiency related to controls over unliquidated obligations. Specifically, the auditor reported that the Department's internal controls were not sufficient to ensure that unliquidated obligations are consistently and systematically evaluated for validity.

Except for the issues noted above, nothing came to OIG's attention that caused it to believe that the other management assertions included in the report were not fairly stated, in all material respects, based upon the ONDCP *Drug Control Accounting* circular.

The OIG report is intended solely for the information and use of Department management, ONDCP, and the U.S. Congress, and it is not intended to be and should not be used by anyone other than these specified parties.



Harold W. Geisel  
Deputy Inspector General

# FY2009 Accounting of Drug Control Funds

## **U.S. Department of State Bureau for International Narcotics and Law Enforcement Affairs**

### **Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report**

*Reference: ONDCP Circular: Drug Control Accounting (May 1, 2007)*

#### **SECTION 6a Reporting – Drug Control Obligations**

#### **DISCLOSURES**

##### **Obligations, Reprogramming, and Transfers**

The Department is providing detailed financial information on the drug control program obligations of the Bureau for International Narcotics and Law Enforcement Affairs (INL) in accordance with Section 6a of the ONDCP Circular, *Drug Control Accounting*. The obligation information is provided in a comparative format to show Department's performance on the INL drug control program for FY 2008 and FY 2009. There were no reprogramming or transfers that affected FY 2009 drug-related budgetary resources.

FY2009 Accounting of Drug Control Funds

Table 1:

<b>Bureau for International Narcotics and Law Enforcement Affairs</b>			
<b>Drug Control Obligations (\$ in Millions):</b>			
		<b>FY 2008</b>	<b>FY 2009</b>
		<u>Actual</u>	<u>Actual</u>
<b>Drug Resources by Drug Control Function</b>			
Interdiction		12.053	125.914
International		501.150	345.235
	Total	<u>513.203</u>	<u>471.149</u>
<b>Drug Resources by Decision Unit</b>			
International Narcotics Control and Law Enforcement (INCLE)		299.315	412.721
Andean Counterdrug Program (ACP) *		213.888	58.428
	Total	<u>513.203</u>	<u>471.149</u>
<b>Drug Resources by Function and Decision Unit</b>			
Interdiction: INCLE		11.197	125.914
Interdiction: ACP		0.856	0.000
International: INCLE		288.117	286.807
International: ACP		213.033	58.428
	Total	<u>513.203</u>	<u>471.149</u>
<b>Drug Resources Personnel Summary</b>			
Drug-Related FTEs (Direct Only)		161	164
Total FTEs (Direct Only)		258	283
<b>Information</b>			
Total Agency Budget **		<u>1,276.553</u>	<u>1,876.500</u>

\* ACP obligations in FY 2009 are significantly lower than in FY 2008 due to delays the Department experienced in finalizing the ACP spending plan. As a result of these delays, the spending plan was not submitted to the Congress until September 15, 2009.

\*\* Total Agency Budget includes all funding appropriated for INCLE and ACP programs in FY 2008 and FY 2009, including FY 2008 Supplemental INCLE funding of \$215.5M for Mexico (Merida Initiative), \$24.8M for Central America (Merida Initiative), \$2.5M for the Dominican Republic, \$2.5M for Haiti, \$85M for Iraq, \$35M for Afghanistan, \$25M for West Bank/Gaza, and \$10M for Sudan; and FY 2009 Bridge Supplemental funding of \$50M for West Bank/Gaza, \$101M for Afghanistan, and \$48M for Mexico; and FY 2009 Spring Supplemental funding of \$20M for Iraq, \$109M for West Bank/Gaza, \$133M for Afghanistan, \$65.5M for Pakistan, and \$160M for Mexico.



### **Reprogramming and Transfers**

There were no reprogramming or transfers that affected FY 2009 drug-related budgetary resources.

### **Drug Methodology and Other Disclosures**

The mission of the Bureau for International Narcotics and Law Enforcement Affairs (INL) is to develop, implement and monitor U.S. international counternarcotics strategies and foreign assistance programs in support of the President's National Drug Control Strategy.

To help achieve this goal, INL targets drugs at the source and in transit. Bureau goals include reducing drug cultivation through enforcement, eradication, and alternative development programs; strengthening the capacity of law enforcement institutions to investigate and prosecute major drug trafficking organizations and to block and seize their assets; improving the capacity of host national police and military forces to attack narcotics production and trafficking centers; and fostering regional and global cooperation against drug trafficking. INL functions include foreign policy formulation and coordination, program management and diplomatic initiatives.

All obligations presented in the INL table of drug control obligations are 100 percent drug-related. Obligations for program funding for the Caribbean, Central America, and Mexico directed at interdiction, intelligence and law enforcement activities are reported under the Interdiction drug control function. All other drug control obligations are reported under the International drug control function. Funding under the Andean Counterdrug Program (ACP) appropriation started in FY 2002. This addition resulted in INL funding being divided between the ACP and International Narcotics Control and Law Enforcement (INCLE) decision units. There were no changes in the drug methodology between FY 2008 and FY 2009.

### **ASSERTIONS**

#### **Drug Control Obligations**

I assert that the drug methodology used to calculate obligations of prior year budgetary resources is reasonable, that the data presented is complete, and that the financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregated obligations from which the drug-related obligations are derived.

I assert that all Department of State INL programs, except those appropriated for international anticrime activities, are scored as 100 percent drug-related. The Department's accounting system tracks the international anticrime obligations separately from those of drug control programs through a combination of the appropriation point limitation and the allotment. This arrangement separates all the drug control obligations being reported from other funds managed by INL. Only obligations recorded under the drug control point limitations and allotments are included in the drug control obligation figures in this report.

### **Application of Methodology**

I assert that the drug methodology for the Department of State INL drug control program has not been modified over the past year. The underlying decision criteria, information sources, and management processes for managing drug programs and reporting obligation amounts remain unchanged.

I assert that the methodology disclosed in this report was the actual methodology used to generate the tables included here.

### **FY 2009 CFO Audit**

I believe the information for the Department of State (Department) in this submission is reliable and accurate. The Department's Independent Auditor (IA) issued an unqualified opinion for FY 2008 for all of the Department's principal financial statements, and cited no material weaknesses in internal controls. During FY 2009, the Department engaged a new audit firm to conduct our annual audit. The new IA issued an unqualified opinion on the Consolidated Statement of Net Cost and qualified opinions on the Consolidated Balance Sheet and Consolidated Statement of Changes in Net Position. The qualified opinions were based on their inability to satisfy themselves that property and equipment was free of material misstatement as of September 30, 2009.

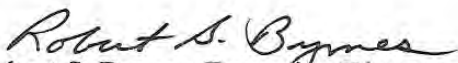
Because the Department was not able to provide timely and competent evidential material, the new IA could not complete their audit procedures, or perform other auditing procedures to satisfy itself, as to whether the FY 2009 Statement of Budgetary Resources was free of material misstatement in time to meet the December 15, 2009 deadline imposed by OMB for issuing the report. Therefore, since the scope of their work was not sufficient to enable them to express an opinion, the IA issued a disclaimer of opinion on the Statement of Budgetary Resources as of, and for the year ended, September 30, 2009. In

addition, the new IA identified issues related to the systems, processes, and internal controls supporting financial reporting and related process, as well as key account balances.

In their Report on Internal Control, both the previous and new IA reported the validity and accuracy of unliquidated obligations (ULO) as a significant deficiency. The new IA found that the Department's internal controls are not sufficient to ensure that unliquidated obligations are consistently and systematically evaluated for validity and deobligation. The current internal control structure is not operating effectively to comply with internal policies or to facilitate the accurate reporting of ULO balances recorded in the financial statements. The current process is not systematically and timely identifying open obligations that require deobligation. The FY 2009 and FY 2008 audit processes identified adjustments outside of the operation of the internal control structure of approximately \$171 million and \$198 million, respectively, related to ULOs for all Department accounts that required deobligation. The Department recorded these audit adjustments in the financial statements.

The Department appreciates that the IA reported material weaknesses related to the accounting for property and financial reporting. The Department, in our assessments and evaluations of internal controls, identified similar weaknesses but classified them as significant deficiencies versus material weaknesses. Management did complete review procedures over the property balances and the Statement of Budgetary Resources and supporting schedules and believe they were materially correct. As such, the Secretary issued an unqualified statement of assurance on internal controls for the Department as a whole in the annual report submitted to OMB on December 15, 2009. The Department will continue to work with the new IA and the Office of the Inspector General to resolve these issues in FY 2010 and beyond.

For purposes of Section 6a reporting, I certify that all the information presented for the Bureau for International Narcotics and Law Enforcement Affairs (INL) is true and correct and concur with all assertions associated with INL.

  
Robert S. Byrnes, Executive Director  
Bureau for International Narcotics and Law Enforcement Affairs

# FY2009 Accounting of Drug Control Funds



*Office of Inspector General*

Attestation Review of  
Annual Accounting of Drug Control Funds  
and Performance Summary by  
U.S. Agency for International Development  
for FY 2009

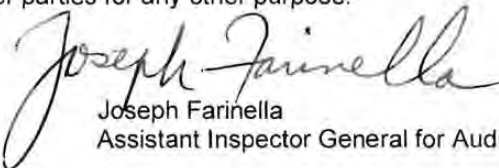
April 5, 2010

The Office of Inspector General (OIG) reviewed the accompanying Accounting and Authentication of Drug Control Funds and Related Performance Report (the submission) of the U.S. Agency for International Development (USAID) for the fiscal year ended September 30, 2009. This submission is the responsibility of USAID. Management of USAID prepared the submission and management's assertions to comply with the requirements of the Office of National Drug Control Program (ONDCP) Circular, Drug Control Accounting, dated May 1, 2007.

OIG's review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountant, as specified in section 8 of the ONDCP Circular. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the submission. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that USAID's submission did not, in all material respects, reliably represent its FY 2009 obligation and performance targets and results for fiscal year ended September 30, 2009 and comply with ONDCP criteria.

This review is intended solely for the information and use of ONDCP in meeting its statutory obligation to provide an accounting of prior year drug control funds and performance. It should not be used by other parties for any other purpose.

  
Joseph Farinella  
Assistant Inspector General for Audit

U.S. Agency for International Development  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523  
<http://www.usaid.gov>

FY2009 Accounting of Drug Control Funds



**USAID**  
FROM THE AMERICAN PEOPLE

Jon E. Rice  
Associate Director for Performance and Budget  
Office of National Drug Control Policy  
Washington, D.C. 20503

MAR 29 2010 3

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy Circular, Drug Control Accounting, dated May 1, 2007, the United States Agency for International Development (USAID) is submitting its Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report. The Inspector General's attestation report is enclosed.

For the purposes of Section 6 financial disclosures and assertions in the attached report, I certify that all the information presented for the USAID is true and correct and I concur with all assertions associated with USAID in Section 6. For the purposes of Section 7 program performance disclosures and assertions, I cannot certify to them, but they seem reasonable to me and I have no reason to object to the certifications given by others.

If you would like to address any questions associated with our submission, please call me on (202) 712- 0988.

Sincerely,

A handwritten signature in black ink, appearing to read "David Ostermeyer". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Ostermeyer  
Chief Financial Officer

Enclosures:

- 1) Accounting and Authentication of Drug Control Funds and Related Performance Report
- 2) USAID Inspector General Attestation Report

U.S. Agency for International Development  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523  
www.usaid.gov

# FY2009 Accounting of Drug Control Funds

## Agency for International Development

### Accounting and Authentication of Drug Control Funds and Related Performance Report for 2009

*Reference: ONDCP Circular: Drug Control Accounting (May 1, 2007)*

#### 6. Detailed Accounting Submission

##### 6. a. Table of Prior Year Drug Control Obligations

**Table 1 2009**  
Agency for International Development

**Drug Control Obligations:**

		\$ In Millions FY 2009 Actual
<b>Drug Resources by Drug Control Function</b>		
International		259.8
	Total	259.8
<b>Drug Resources by Decision Unit</b>		
Alternative Development and Alternative Livelihoods-Afghanistan		105.8
Alternative Development and Alternative Livelihoods-Andean Region		154.0
	Total	259.8
<b>Drug Resources by Function and Decision Unit</b>		
International-Alternative Development and Alternative Livelihoods-Afghanistan		105.8
International-Alternative Development and Alternative Livelihoods-Andean Region		154.0
	Total	259.8
<b>Information</b>		
Total Agency Budget*		12,264.9
Drug Related Percentage**		2%

\* USAID 2009 Agency-wide Appropriations per 2009 Statement of Budgetary Resources

\*\* Total Drug Control Obligations divided by Total Agency Budget

##### 6. a. (1) Drug Methodology

All obligations provided in Table 1 were made from funds appropriated in FY 2009 and are classified in USAID's accounting system of record in program area 1.4.2 - Alternative Development and Alternative Livelihood". USAID incurred these obligations during FY 2009.

At the request of ONDCP we also report herein that during FY 2009 USAID obligated \$0.5 Million in the Andean Region from funds appropriated prior to FY 2009. This amount is not included in Table 1, above.

# FY2009 Accounting of Drug Control Funds

## **6. a. (1) (a) Obligations by Drug Control Function**

Table 1 shows Obligations by Drug Control Function. All of the reported obligations supported programs whose function is best described as “International” as defined in the 2008 version of Attachment D of the ONDCP Circular: Budget Formulation, May 1, 2007.

## **6. a. (1) (b) Obligations by Budget Decision Unit**

Table 1 shows Obligations by Decision Unit. All of the reported obligations supported programs in the decision units as defined for USAID in the 2008 version of Attachment B of the ONDCP Circular: Budget Formulation, May 1, 2007.

## **6. a. (2) Methodology Modifications**

The drug methodology for 2009 has not been modified from the previous year, 2008.

## **6. a. (3) Material Weaknesses or Other Findings**

CFO does not know of any material weakness or other finding by independent sources or other known weaknesses, including those identified in the Agency’s Annual Statement of Assurance, which affects the presentation of prior year drug related obligations data.

## **6. a. (4) Reprogrammings or Transfers**

USAID did not submit any reprogrammings or transfers to ONDCP in FY 2009

## **6. a. (5) Other Disclosures**

None.

## **6. b. Assertions**

### **6. b. (1) Obligations by Budget Decision Unit**

The Obligations reported by budget decision unit are the actual obligations from USAID’s accounting system of record for the stated Budget Decision Units.

### **6. b. (2) Drug Methodology**

The drug methodology used to calculate obligations of prior year budgetary resources by function and by budget decision unit is reasonable and accurate based on criterion (c) Financial Systems. The financial systems at USAID that support the drug methodology

## FY2009 Accounting of Drug Control Funds

yield data that fairly presents, in all material respects, aggregate obligations from which the drug-related obligation amounts were derived.

### 6. b. (3) Application of Drug Methodology

The drug methodology disclosed in section 6 a. (1) Drug Methodology, above, was the actual methodology used to generate Table 1, above.

### 6. b. (4) Reprogrammings or Transfers

The data presented in Table 1, above, are associated with 2009 obligations against a financial plan. Also, as stated above in section 6. a. (4) **Reprogrammings or Transfers** USAID did not submit any reprogrammings or transfers to ONDCP in FY 2009.

The financial plan against which the obligations in Table 1, above, are associated is USAID's FY 2009 Operational Plan. USAID Drug Related activities in that plan are identified as part of Strategic Objective 1.4.2 (Alternative Development and Alternative Livelihoods). Funds in Program Area 1.4.2 are posted in USAID's accounting system at the Activity level using Program Element A016 (Alternative Development and Alternative Livelihoods).

### 6. b. (5) Fund Control Notices

Not applicable. ONDCP did not issue any Fund Control Notices to USAID in FY 2009.

## 7. Performance Summary Report

### Decision Unit: The Andean Region

### ANDEAN PERFORMANCE SECTION OF THE FY 2009 ACCOUNTING REPORT

**Measure I:** Hectares devoted to licit agricultural, forestry plantation and/or natural forest management activities that are developed or expanded in areas receiving USAID assistance (Measured cumulatively).

**Table 1: Measure I**

FY 2006 Actual	FY2007 Actual	FY2008 Target	FY 2008 Actual	FY 2009 Target	FY 2009 Actual	FY 2010 Target
1,166,253*	1,327,598	1,283,712	1,572,053	1,368,768	1,639,142	1,797,998**

\* This result was entered incorrectly in last year's report as 394,247 which only included agricultural lands. The current report includes all lands that received AD assistance.

\*\* This target may be adjusted during preparation of the FY 2010 operational plans.



## FY2009 Accounting of Drug Control Funds

### **8. Inspector General Authentication**

See OIG Report, attached.

### **9. Unreasonable Burden**

Not applicable. USAID's obligations exceed the \$50 million threshold level for simplified reporting.



# Tab H

# Department of Transportation

**INSPECTOR GENERAL REVIEW OF  
FISCAL YEAR 2009 DRUG CONTROL  
FUNDS AND PERFORMANCE SUMMARY  
REPORTING**

*National Highway Traffic Safety Administration*

*Report Number: FI-2010-040*

*Date Issued: February 01, 2010*

# FY2009 Accounting of Drug Control Funds



**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation

Office of Inspector General  
Washington, DC 20590

February 1, 2010

Mr. Jon E. Rice  
Associate Director for Performance and Budget  
Office of National Drug Control Policy  
Washington, DC 20503

Dear Mr. Rice:

This report presents the results of our independent review of the U.S. Department of Transportation, National Highway Traffic Safety Administration's (NHTSA) fiscal year 2009 Drug Control Obligation Summary and Performance Summary reports, both dated January 21, 2010, to the Office of National Drug Control Policy (ONDCP). The reports and our review are required by 21 U.S.C. §1704 (d).

The objective of our review is to provide assurance that no information came to our attention that would reverse management's assertions that the reports presented complied with ONDCP Circular, Drug Control Accounting, requirements,<sup>1</sup> in all material respects. This review was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards prescribed by the Comptroller General of the United States. A review is substantially more limited in scope than an examination; the objective of an examination is to express an opinion on the accuracy of NHTSA's Drug Control Obligation Summary and Performance Summary reports to ONDCP. Accordingly, we do not express such an opinion.

## **Drug Control Obligations Summary**

We performed review procedures on the accompanying report (Enclosure 1), NHTSA's submission (6a), Table of Prior Year Drug Control Obligations. In general, our review was limited to inquiries and analytical procedures appropriate for an attestation review based upon criteria specified in the ONDCP Circular. Specifically, we tested the procedures described in the Internal Control Questionnaire to ensure drug control funds are properly identified in the accounting system. We traced the \$2.7 million identified in the report to the

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<sup>1</sup> May 1, 2007.

**Report Number FI-2010-040**

Department's accounting system. We also verified that four major drug control obligations in the accounting system were supported by contracts.

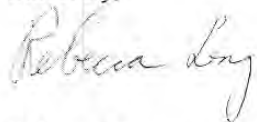
During our review, no information came to our attention that the accompanying NHTSA's fiscal year 2009 Drug Control Obligation Summary to ONDCP was not presented in conformity with the ONDCP Circular. Since NHTSA is reporting \$2.7 million in drug control obligations, which is below the \$50 million threshold for full reporting in accordance with the ONDCP Circular, we attest that full compliance with this Circular would constitute an unreasonable reporting burden.

### **Performance Reporting Summary and Assertions**

We performed review procedures on the accompanying report (Enclosure 2), NHTSA's fiscal year 2009 Performance Summary Report, and management's assertions. NHTSA's fiscal year 2009 performance target was to develop roadside detection methods for at least five illegal drugs. NHTSA reported that this performance target was not achieved. The report further stated that an expert group outside of DOT concluded that the roadside detection technology was not feasible for use in the near future. Therefore, new performance targets for fiscal years 2010 and 2011 were developed, including (1) completing a study design of the crash risk of drug-impaired drivers and (2) collecting data from 1,250 crashes.

In general, our review processes were limited to inquiries and analytical procedures appropriate for an attestation review based upon the criteria specified in the ONDCP Circular. Specifically, we reviewed the expert group meeting notes to support the conclusions stated in the Performance Summary Report. In addition, we reviewed major drug control contracts to support the performance measure for significant drug control activities. During our review, no information came to our attention that the accompanying NHTSA fiscal year 2009 Performance Summary Report is not presented in conformity with the ONDCP Circular.

Sincerely,



Rebecca C. Leng  
Assistant Inspector General for  
Financial and Information Technology Audits

Enclosure(s)

cc: Senior Associate Administrator for Policy and Operations, NHTSA

**Report Number FI-2010-040**

FY2009 Accounting of Drug Control Funds

Enclosure 1

Page 1 of 2



U.S. Department  
of Transportation  
**National Highway  
Traffic Safety  
Administration**

1200 New Jersey Avenue SE  
Washington, DC 20590

January 21, 2010

Mr. Jon E. Rice  
Associate Director for Performance and Budget  
Office of National Drug Control Policy  
Washington, DC 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy Circular: Drug Control Accounting issued May 1, 2007, the National Highway Traffic Safety Administration's (NHTSA) Fiscal Year 2009 Drug Control Obligation Summary is enclosed. NHTSA's obligations for drug-related activities fall below the reporting threshold of \$50 million; therefore, only a limited report is required to satisfy the statutory requirement.

NHTSA's point of contact for this report is Melanie O'Donnell. She can be reached at (202) 366-0498, if further assistance is required.

Sincerely yours,

A handwritten signature in black ink that reads "G. Walter".

Gregory A. Walter  
Senior Associate Administrator  
Office of Policy and Operations

Enclosure



**NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION  
FISCAL YEAR 2009 DRUG CONTROL OBLIGATIONS SUMMARY  
(\$MILLIONS)  
FY 2009  
Estimate**

**Drug Methodology:**

The Drug Impaired Driving Program provides technical support for Drug Recognition Expert training. In addition, the program focuses on greater consistency in enforcement, prosecution, adjudication, prevention, education, drug testing and treatment. This program also currently supports drug impaired driving research as required under SAFETEA-LU.

**Drug Resources by Drug Control Function:**

Research & Development	\$2.7
Total	\$2.7

**Drug Resources by Budget Unit:**

Highway Safety Program-Drug Recognition Expert Program	\$1.5
SAFETEA-LU	\$1.2
Total	\$2.7

**Note:** Full compliance with circular: Please see our responses to the Review of NHTSA's Controls for Drug Control Funds that were submitted on January 4, 2010 to the Internal Control Questionnaire.



# Tab I

## Department of the Treasury



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*TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION*



*Attestation Review of the Internal Revenue  
Service's Fiscal Year 2009 Annual  
Accounting of Drug Control Funds and  
Related Performance*

**January 29, 2010**

**Reference Number: 2010-10-022**

This report remains the property of the Treasury Inspector General for Tax Administration (TIGTA) and may not be disseminated beyond the Internal Revenue Service without the permission of the TIGTA.

---

*Phone Number* | 202-622-6500  
*Email Address* | [inquiries@tigta.treas.gov](mailto:inquiries@tigta.treas.gov)  
*Web Site* | <http://www.tigta.gov>

# FY2009 Accounting of Drug Control Funds



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

January 29, 2010

**MEMORANDUM FOR** CHIEF FINANCIAL OFFICER  
CHIEF, CRIMINAL INVESTIGATION DIVISION

*Michael R. Phillips*

**FROM:** Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Attestation Review of the Internal Revenue Service’s Fiscal Year 2009 Annual Accounting of Drug Control Funds and Related Performance (Audit # 200910025)

This report presents the results of our attestation review of the Internal Revenue Service’s (IRS) Fiscal Year (FY) 2009 Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission and Performance Summary Report (the Report). The purpose of this review was to express a conclusion about the reliability of each assertion made in the Report. This review was part of our FY 2010 Annual Audit Plan and addressed the major management challenge regarding Leveraging Data to Improve Program Effectiveness and Reduce Costs.

## *Impact on the Taxpayer*

The IRS reported that it expended \$60.6 million on ONDCP-related activities and participated in 462 ONDCP-related cases that resulted in convictions in FY 2009. Based on our review, nothing came to our attention that caused us to believe that the assertions in the Report are not presented in all material respects in accordance with ONDCP-established criteria. Complete and reliable financial and performance information is critical to the IRS’ ability to accurately report on the results of its operations to both internal and external stakeholders, including taxpayers.

## *Synopsis*

Based on our review, nothing came to our attention that caused us to believe that the assertions in the Report are not presented in all material respects in accordance with ONDCP-established criteria. The IRS reported that it expended \$60.6 million on ONDCP-related activities and



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completed 652 ONDCP-related investigations in FY 2009. For FY 2009, the IRS also reported it participated in 462 ONDCP-related cases that resulted in convictions.

In addition, based on a recommendation in our FY 2008 attestation report,<sup>1</sup> the IRS informed us that it adjusted its year-end performance information for FY 2009 to include only cases that occurred in FY 2009. Our review of the IRS' Performance Summary Report for FY 2009 did not identify any cases reported that did not occur in FY 2009.

*Management's Response*

We made no recommendations in this report as a result of our work performed during this review. IRS management agreed with the facts and conclusions presented in this report. Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the IRS managers affected by the report results. Please contact me at (202) 622-6510 if you have questions or Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations), at (202) 622-8500.

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<sup>1</sup> *Attestation Review of the Internal Revenue Service's Fiscal Year 2008 Annual Accounting of Drug Control Funds and Related Performance* (Reference Number 2009-10-040, dated January 30, 2009).



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*Abbreviations*

FY	Fiscal Year
IRS	Internal Revenue Service
ONDCP	Office of National Drug Control Policy



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## *Background*

The Anti-Drug Abuse Act of 1988<sup>1</sup> establishes as a policy goal the creation of a drug-free America. A key provision of the Act is the establishment of the Office of National Drug Control Policy (ONDCP) to set priorities, implement a national strategy, and certify Federal Government drug control budgets. The Internal Revenue Service (IRS) supports the National Drug Control Strategy through continued support of the Organized Crime Drug Enforcement Task Force. The mission of the Criminal Investigation Division in Federal law enforcement's anti-drug efforts is to reduce or eliminate the financial gains (profits) of major narcotics trafficking and money laundering organizations through the use of its unique financial investigative expertise and statutory jurisdiction.

***National Drug Control Program agencies are required to submit to the Director of the ONDCP, not later than February 1 of each year, a detailed accounting of all funds expended during the previous fiscal year.***

This review was conducted as required by the ONDCP<sup>2</sup> and the ONDCP Circular: *Drug Control Accounting*, dated May 1, 2007. The National Drug Control Program agencies<sup>3</sup> are required to submit to the Director of the ONDCP, not later than February 1 of each year, a detailed accounting of all funds expended (the ONDCP Circular requires amounts obligated) during the previous fiscal year. Agencies also need to identify and document performance measure(s) that justify the results associated with these expenditures. The Chief Financial Officer, or another accountable senior level executive, of each agency for which a Detailed Accounting Submission is required, shall provide a Performance Summary Report to the Director of the ONDCP. Further, the Circular requires that each report be provided to the agency's Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the report prior to its submission. Beginning in Fiscal Year (FY) 2006, ONDCP funding became a part of the IRS budget. In prior years, IRS-related ONDCP funds expended were reimbursed by the Department of Justice.

We conducted our fieldwork in the IRS Headquarters offices of the Chief Financial Officer and Chief, Criminal Investigation Division, in Washington, D.C., during the period September 2009 through January 2010. Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an

<sup>1</sup> Pub. L. No. 100-690, 102 Stat. 4181 (1988).

<sup>2</sup> 21 U.S.C. Section 1704 (d) (1998).

<sup>3</sup> A National Drug Control Program agency is defined as any agency that is responsible for implementing any aspect of the National Drug Control Strategy.



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opinion on the ONDCP Detailed Accounting Submission and Performance Summary Report. Accordingly, we do not express such an opinion. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to this report are listed in Appendix II.



*Attestation Review of the Internal Revenue Service's  
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*Results of Review*

***Summary of the Attestation Review of the Fiscal Year 2009 Office of National Drug Control Policy Detailed Accounting Submission and Performance Summary Report***

We reviewed the IRS' ONDCP Detailed Accounting Submission and Performance Summary Report (the Report) for FY 2009, which ended September 30, 2009 (see Appendix IV). This Report was prepared pursuant to 21 U.S.C. Section 1704(d) and the ONDCP Circular: *Drug Control Accounting*, dated May 1, 2007. The IRS is responsible for preparing the report.

The Report assertions, as required by Section 6.b. of the ONDCP Circular, include statements that the methodology used is reasonable and accurate, including explanations and documentation of estimation assumptions used; the methodology disclosed was the actual methodology used; and the data presented are associated with obligations against a financial plan that reflects changes, if made. The assertions, as required by Section 7.b. of the ONDCP Circular, also include statements that the performance reporting system is appropriate and applied, explanations for not meeting any performance targets are reasonable, and the methodology used to establish performance targets is reasonable and correctly applied. ONDCP-established criteria require well-documented sources of data, documented and explained calculations, and complete and fair presentation of data from financial systems.

Based on our review, nothing came to our attention that caused us to believe that the assertions in the Report are not presented in all material respects in accordance with ONDCP-established criteria. The IRS reported that it expended \$60.6 million on ONDCP-related activities and completed 652 ONDCP-related investigations in FY 2009. For FY 2009, the IRS also reported it participated in 462 ONDCP-related cases that resulted in convictions.

***Corrective Actions Were Implemented to Adjust Year-End Performance Information***

In our prior review<sup>4</sup> of the FY 2008 Report, we found that 18 of the 478 convictions reported actually occurred prior to FY 2008. We similarly found that 3 of the 827 ONDCP-related investigations reported as completed were actually completed prior to FY 2008. In addition, we identified 18 cases among the cases the IRS reported as recommended for prosecution but

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<sup>4</sup> *Attestation Review of the Internal Revenue Service's Fiscal Year 2008 Annual Accounting of Drug Control Funds and Related Performance* (Reference Number 2009-10-040, dated January 30, 2009).





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*Attestation Review of the Internal Revenue Service's  
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ultimately resulted in acquittal or dismissal that occurred prior to FY 2008. We recommended that the IRS adjust its year-end performance information to reflect timing differences caused by late case postings.

Based on the recommendation in our FY 2008 attestation report, the IRS informed us that it adjusted its year-end performance information for FY 2009 to include only cases that occurred in FY 2009. Our review of the IRS' Performance Summary Report for FY 2009 did not identify any cases reported that did not occur in FY 2009.

While this report is an unrestricted public document, the information it contains is intended solely for the use of the IRS, the United States Department of the Treasury, the ONDCP, and Congress. It is not intended to be, and should not be, used by anyone other than these specified parties.



*Attestation Review of the Internal Revenue Service's  
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**Appendix I**

*Detailed Objective, Scope, and Methodology*

The overall objective of this review was to perform an attestation review of the IRS' reporting of Fiscal Year 2009 ONDCP expenditures and related performance for the purpose of expressing a conclusion about the reliability of each assertion made in the Detailed Accounting Submission and Performance Summary Report. To accomplish our objective, we:

- I. Obtained an understanding of the process used to prepare the FY 2009 Detailed Accounting Submission and Performance Summary Report.
  - A. Discussed the process used to record and report ONDCP expenditures and performance information with responsible IRS personnel.
  - B. Obtained documents such as written procedures and supporting worksheets that evidence the methodology used.
- II. Evaluated the reasonableness of the drug methodology process for detailed accounting submissions.
  - A. Reviewed data supporting the Detailed Accounting Submission to establish its relationship to the amounts being reported.
  - B. Reviewed the estimation methods for consistency with reported amounts.
- III. Performed sufficient verifications of reported obligations for detailed accounting submissions to support our conclusion on the reliability of the assertions.
  - A. Verified that the Detailed Accounting Submission included all of the elements specified in Section 6 of the ONDCP Circular: *Drug Control Accounting*.
  - B. Verified that the drug control budget submitted to the ONDCP was consistent with the Detailed Accounting Submission.
  - C. Verified the mathematical accuracy of the obligations presented in the Table of FY 2009 Drug Control Obligations.
  - D. Traced the information contained in the Table of FY 2009 Drug Control Obligations to the supporting documentation.
- IV. Evaluated the reasonableness of the methodology used to report performance information for National Drug Control Program activities.
  - A. Reviewed data supporting the Performance Summary Report to establish its relationship to the National Drug Control program activities being reported.



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- V. Performed sufficient verifications of reported performance information to support our conclusion of the reliability of the assertions.
  - A. Verified that the Performance Summary Report included all of the elements specified in Section 7 of the ONDCP Circular: *Drug Control Accounting*.
  - B. Verified the mathematical accuracy of the performance information presented.
  - C. Traced the performance information presented to the supporting documentation.
  - D. Reviewed the supporting documentation for reasonableness.
- VI. Evaluated any corrective actions implemented by the IRS in response to the FY 2008 audit finding regarding the ONDCP reporting process.



*Attestation Review of the Internal Revenue Service's  
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**Appendix II**

*Major Contributors to This Report*

Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations)

Jeffrey M. Jones, Director

Anthony J. Choma, Audit Manager

Angela Garner, Lead Auditor

Joseph P. Smith, Senior Auditor

Rashme Sawhney, Auditor



*Attestation Review of the Internal Revenue Service's  
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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Commissioner for Operations Support OS  
Deputy Commissioner for Services and Enforcement SE  
Deputy Chief, Criminal Investigation Division SE:CI  
Deputy Chief Financial Officer OS:CFO  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaisons:  
    Chief, Criminal Investigation Division SE:CI  
    Chief Financial Officer OS:CFO

FY2009 Accounting of Drug Control Funds



Attestation Review of the Internal Revenue Service's  
Fiscal Year 2009 Annual Accounting of  
Drug Control Funds and Related Performance

Appendix IV

Internal Revenue Service Fiscal Year 2009  
Detailed Accounting Submission and  
Related Performance Summary Report



CHIEF FINANCIAL OFFICER

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

RECEIVED  
DEC 28 2009

BY: *DAS*

December 28, 2009

MEMORANDUM FOR MICHAEL PHILLIPS  
DEPUTY INSPECTOR GENERAL FOR AUDIT  
FROM: *Alison L. Doorfe*  
Alison L. Doorfe  
Chief Financial Officer  
SUBJECT: Internal Revenue Service (IRS) Fiscal Year (FY) 2009  
Detailed Accounting Submission of Drug Control Funds

The IRS is resubmitting its Detailed Accounting Submission of Drug Control Funds to the Treasury Inspector General for Tax Administration (TIGTA) in compliance with Section 8, *Inspector General Authentication*, of the Office of National Drug Control Policy (ONDCP) Circular: Drug Control Accounting, dated May 1, 2007. This resubmission reflects the minor changes to the report agreed upon at the December 22, 2009 meeting by the IRS Chief Financial Officer, Criminal Investigation, and TIGTA staff. This circular requires TIGTA to perform an attestation review before the IRS submits this document to the ONDCP. After the IRS receives TIGTA's conclusion as to the reliability of each assertion, I will forward the document to the ONDCP.

If you have any questions, please contact me at (202) 622-6400, or have a member of your staff contact Ursula Gillis, Acting Associate Chief Financial Officer for Corporate Budget, at (202) 622-8770.

Attachments

# FY2009 Accounting of Drug Control Funds



## Attestation Review of the Internal Revenue Service's Fiscal Year 2009 Annual Accounting of Drug Control Funds and Related Performance

Attachment 1

### INTERNAL REVENUE SERVICE Annual Accounting and Authentication of Drug Control Funds and Related Performance

#### DETAILED ACCOUNTING SUBMISSION

#### A. Table of FY 2009 Drug Control Obligations

Drug Resources by Function	(\$000)
Investigations	\$60,627
Total	\$60,627
Drug Resources by Decision Unit	
Narcotics Crimes	\$60,627
Total	\$60,627

#### 1) Drug Methodology

- All Drug Control Obligations (the resources appropriated and available for these activities) are reported under one Drug Control Function and one Budget Decision Unit, as shown in the above chart.
- The Internal Revenue Service (IRS) Drug Control Budget encompasses the Criminal Investigation (CI) Narcotics-related program. The Office of National Drug Control Policy (ONDCP) requires CI to only report on the Organized Crime and Drug Enforcement Task Force (OCDETF) portion of the Narcotics program. CI's overall Direct Investigative Time (DIT) applied to narcotics cases for FY 2009 was 11.5 percent of total DIT. The OCDETF sub-component of this program was 10.6 percent of total DIT or 92 percent of the total narcotics DIT.
- The methodology for computing the resources appropriated and realized for the OCDETF program is the application of the DIT attributable to OCDETF cases and applying the DIT percentage to the total realized appropriated resources, reduced by reimbursable funds and Earned Income Tax Credit (EITC) resources, for the year for which the resources are being reported. The result is determined to be the amount of resources expended on OCDETF cases. This methodology has been approved by CI, the IRS Chief Financial Officer, and the Treasury Inspector General for Tax Administration (TIGTA) during the

# FY2009 Accounting of Drug Control Funds



## *Attestation Review of the Internal Revenue Service's Fiscal Year 2009 Annual Accounting of Drug Control Funds and Related Performance*

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### Attachment 1

FY 2006 ONDCP attestation review. The FY 2006 Annual Accounting of Drug Control Funds was submitted after the attestation review.

- Fiscal Year 2006 was the first year OCDETF funding became a permanent part of the CI's budget. In the past, OCDETF was a reimbursable program administered by the Department of Justice (DOJ).

#### **2) Methodology Modifications**

None

#### **3) Material Weaknesses or Other Findings**

None

#### **4) Reprogramming or Transfers**

None

#### **5) Other Disclosures**

None

### **B. Assertions**

#### **1) Obligations by Budget Decision Unit**

Obligations reported by the Budget Decision Unit are a result of applying DIT data derived from CIMIS to the total CI Financial Plan, less reimbursements and EITC funds.

#### **2) Drug Methodology**

The methodology used to calculate obligations of prior year budgetary resources is reasonable and accurate.

##### **(a) Data**

Data is derived from CIMIS to determine the DIT applied to the OCDETF activities. Each special agent submits CIMIS time reports monthly detailing their activities relating to specific investigations. Each investigation is associated with a specific program and sub-program area. The percentage of DIT applied to each program area is calculated monthly with a final annual percentage determined after the close of the fiscal year. The annual percentage of DIT relating to



# FY2009 Accounting of Drug Control Funds



## *Attestation Review of the Internal Revenue Service's Fiscal Year 2009 Annual Accounting of Drug Control Funds and Related Performance*

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### Attachment 1

OCDETF sub-program area items is applied to the total resources expended for FY 2009 in the CI budget (excluding reimbursables and EITC). These OCDETF percentages include High Intensity/OCDETF, OCDETF, and Terrorism/OCDETF program areas. These OCDETF DIT percentages are used to determine the total resources expended on the OCDETF program.

#### **(b) Other Estimation Methods**

None

#### **(c) Financial Systems**

The IRS Integrated Financial System (IFS) is the final authority for the IRS resource obligations.

#### **3) Application of Drug Methodology**

The methodology disclosed in this section meets all requirements described in section 6 of the ONDCP Circular: Drug Control Accounting. Calculations made using this methodology are sufficiently documented to independently reproduce all data and ensure consistency between reporting years.

#### **4) Reprogramming or Transfers**

The data presented is associated with obligations against a financial plan and properly reflects any revisions occurring during the fiscal year.

#### **5) Fund Control Notices**

CI asserts the data presented is associated with obligations against a financial plan that fully complied with all fund control notices issued by the Director under 21 U.S.C. section 1703(f) and Section 8 of the ONDCP Circular, Budget Execution.



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**Appendix V**

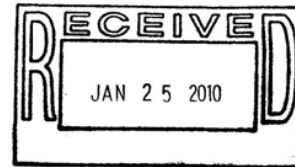
*Management's Response to the Draft Report*



CHIEF FINANCIAL OFFICER

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

January 22, 2010



MEMORANDUM FOR MICHAEL PHILLIPS  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:   
Alison L. Doone  
Chief Financial Officer

SUBJECT: Response to Draft Audit Report – Attestation Review of the  
Internal Revenue Service's (IRS) Fiscal Year (FY) 2009  
Annual Accounting of Drug Control Funds and Related  
Performance Summary Report (Audit #200910025)

Thank you for the opportunity to comment on the Treasury Inspector General for Tax Administration's (TIGTA) discussion draft report titled "Attestation Review of the Internal Revenue Service's Fiscal Year 2009 Annual Accounting of Drug Control Funds".

I am pleased there were no findings in FY 2009. We appreciate the recognition of our adjustment to year-end performance information based on TIGTA's FY 2008 Attestation Report recommendation.

If you have any questions, please contact me at (202) 622-6400, or have a member of your staff contact Ursula Gillis, Acting Associate Chief Financial Officer for Corporate Budget, at (202) 622-8770.



# Tab J

## Department of Veterans Affairs

**Department of  
Veteran Affairs**

**Memorandum**

**Date:** March 4, 2010  
**From:** Assistant Inspector General for Audits and Evaluations (52)  
**Subject:** Final Report – Independent Review of VA’s Fiscal Year 2009 Detailed Accounting Submission to the Office of National Drug Control Policy  
**To:** Chief Financial Officer, Veterans Health Administration (17)

1. The Office of National Drug Control Policy (ONDCP) requires the Department of Veterans Affairs (VA) to submit an annual Detailed Accounting Submission (Submission), as authorized by 21 U.S.C. §1704(d) and ONDCP Circular, *Drug Control Accounting* (Circular), date May 1, 2007, to ONDCP. The Submission, including the assertions made, is the responsibility of VA’s management and it is included in this report as Attachment A. The Circular is included as Attachment B.
2. We reviewed VA management’s assertions as required by the Circular concerning its drug methodology, reprogrammings and transfers, and fund control notices. The assertions are found in the Submission on page 7.
3. Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertions in the Submission. Accordingly, we do not express such an opinion.
4. Our report, *Audit of VA’s Consolidated Financial Statements for Fiscal Years 2009 and 2008* (Report No. 09-00976-25, November 16, 2009), identified four material weaknesses. Three of the four material weaknesses were repeat conditions from the prior year audit and identified as (i) financial management system functionality,

## FY2009 Accounting of Drug Control Funds

(ii) information technology security controls and (iii) financial management oversight. The fourth material weakness, compensation, pension, and burial liabilities, was identified during the fiscal year 2009 audit.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

5. Based upon our review, except for the effects, if any, of the material weaknesses discussed in the fourth paragraph of this report, nothing came to our attention that caused us to believe that management's assertions included in the accompanying Submission of this report are not fairly stated in all material respects based on the criteria set forth in the Circular.

6. We provided you our draft report for review. You concurred with our report without further comments.

7. This report is intended solely for the information and use of the U.S. Congress, the ONDCP, and VA management. This report is not intended to be and should not be used by anyone other than these specified parties.

*(original signed by:)*  
Belinda J. Finn

Attachments

# FY2009 Accounting of Drug Control Funds

Independent Review of VA's Fiscal Year 2009 Detailed Accounting Submission  
to the Office of National Drug Control Policy

## Attachment A

### **Statement of Disclosures and Assertions for FY 2009 Drug Control Expenditures Submitted to Office of National Drug Control Policy (ONDCP) for FY Ending September 30, 2009**

In accordance with ONDCP's Circular, Drug Control Accounting, dated May 1, 2007, the Veterans Health Administration asserts that the VHA system of accounting, use of actuals, and systems of internal controls provide reasonable assurance that:

Expenditures and Obligations are based upon the actual expenditures as reported by the Decision Support System (DSS).

The methodology used to calculate expenditures of budgetary resources is reasonable and accurate in all material respects and as described herein was the actual methodology used to generate the costs.

Accounting changes are as shown in the disclosures that follow.

# FY2009 Accounting of Drug Control Funds

Independent Review of VA's Fiscal Year 2009 Detailed Accounting Submission  
to the Office of National Drug Control Policy

## Attachment A

DEPARTMENT OF VETERANS AFFAIRS  
VETERANS HEALTH ADMINISTRATION  
Annual Reporting of FY 2009 Drug Control Funds

### DETAILED ACCOUNTING SUBMISSION

#### A. Table of FY 2009 Drug Control Obligations

(In Millions)	
Description	FY 2009 Final
<b>Drug Control Resources by Function:</b>	
Treatment.....	\$377.751
Research & Development.....	\$15.034
Total.....	\$392.785
<b>Drug Control Resources by Budget Decision Unit:</b>	
Medical Care.....	\$377.751
Research & Development.....	\$15.034
Total.....	\$392.785

#### 1. Drug Control Methodology

##### Decision Support System

The 2009 actuals are based on costs using the Decision Support System (DSS) which is the official Managerial Cost Accounting System for VA. DSS maps cost to departments, which are then assigned to one of 56,000 intermediate products using Relative Value Units (RVU). Relative Value Units are defined as the determining factor of how much resources it takes to produce an intermediate product. Each Cost Category, for example Fixed Direct Labor or Variable Labor, has an RVU for each intermediate product. All intermediate products are assigned to an actual patient encounter, either inpatient or outpatient, using the patient care data bases. In DSS, the costs are not averaged; rather they are reported by the total of the encounters and can be drilled down to a specific patient. Also, DSS includes all overhead costs assigned to a facility to include Headquarters, National programs and Network Costs. DSS does not include the costs of capital expenditures; however, it does account for depreciation costs.

VHA has in place a national system of performance monitoring that uses social, professional, and financial incentives to encourage facilities to provide the highest quality health care. This system incorporates performance measures related to substance use disorder treatment.

Efforts to assist programs experiencing difficulty in achieving their performance goals continue through the Centers of Excellence in Substance Abuse Treatment and Education, the Program Evaluation and Research Center and the Office of the Associate Chief Consultant for Addictive Disorders.

# FY2009 Accounting of Drug Control Funds

Independent Review of VA's Fiscal Year 2009 Detailed Accounting Submission  
to the Office of National Drug Control Policy

## Attachment A

According to the 2008 *Drug and Alcohol Program Survey* (DAPS) at the end of Fiscal Year 2008, the Department of Veterans Affairs operated a national network of 260 substance use disorder treatment programs located in the Department's medical centers, mental health residential rehabilitation treatment programs and outpatient clinics. Current programs consist of 2 medical inpatient programs, 73 residential rehabilitation programs, 112 intensive outpatient programs, and 73 standard outpatient programs. (It should be noted that identification of these programs involves a "roll up" procedure. Lower intensity programs are not counted separately from a higher intensity level program if the lower level intensity program functions as an integrated component of the higher intensity program.) Based on on-going assessment activities, as of the end of 2009, 12 additional intensive outpatient substance use disorder programs have been added since the 2008 DAPS.

VA provides three types of 24 hour a day care to patients having particularly severe substance use disorders. Two inpatient programs offer acute care, detoxification, and initial stabilization services. Such specialized inpatient treatment for substance use disorders has become rare in VA, just as it has in other parts of the healthcare system, and the remaining substance use disorder inpatient programs in the VA are currently in the process of transitioning into residential rehabilitation programs. These join the large set of 24 hour care settings already classified as residential rehabilitation treatment programs. Finally, 24 hour care is provided for detoxification in numerous inpatient medical and general mental health units throughout the VA system.

Most Veterans with substance use disorders are treated in outpatient programs. Intensive substance use disorder outpatient programs provide more than three hours of service per day to each patient, and patients attend them three or more days per week. Standard outpatient programs typically treat patients for an hour or two per treatment day, and patients attend one or two days a week.

In keeping with modern medical practice, the Veterans Health Administration (VHA) continues to improve service delivery and efficiency by integrating services for mental health disorders, including substance use disorder, into primary care settings. Likewise, treatment of substance use disorders has been coordinated more closely with treatment of other mental health conditions. For example, substance use disorders specialist positions have been funded to directly augment care for patients receiving care through post traumatic stress disorder teams or services at each of the VA medical centers.

VA has implemented a major initiative to create primary care-oriented buprenorphine clinics to increase access to care for opiate-dependent veterans and is implementing initiatives to expand access to intensive outpatient services and to include substance use disorder specialists in large community based outpatient clinics, mental health residential rehabilitation programs, and services for homeless Veterans.

The VA investment in health care and specialized treatment of veterans with drug abuse problems, funded by the resources in Medical Care appropriation, helps avoid future health, welfare and crime costs associated with illegal drug use.

In FY 2009, VHA provided specialty substance abuse treatment to 114,457 veterans who had a diagnosed problem with illicit drugs, a substantial increase over FY 2008. The most prevalent drug used was cocaine, followed by heroin, cannabis and amphetamines, respectively. About two-thirds of VA drug abuse patients were in Means Test Category A, reflecting very low income. About one-fourth of these patients had a service-connected disability (the term



# FY2009 Accounting of Drug Control Funds

Independent Review of VA's Fiscal Year 2009 Detailed Accounting Submission  
to the Office of National Drug Control Policy

## Attachment A

"service-connected" refers to injuries sustained in military service, especially those injuries occurring as a result of military action).

The accompanying Department of Veterans Affairs Resource Summary was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Annual Accounting of Drug Control Funds, dated May 1, 2007, (b) Budget Instructions and Certification Procedures, dated May 1, 2007, and (c) Budget Execution, dated May 1, 2007. In accordance with the guidance provided in the Office of National Drug Control Policy's letter of September 7, 2004, VA's methodology only incorporates Specialized Treatment costs.

VA considers substance abuse to include both alcohol abuse and drug abuse. Both conditions are treated in VA substance abuse clinics. ONDCP has requested that VA provide information only on drug abuse patients. To that end, VA has determined the percentage of patients treated in substance abuse settings for residential rehabilitation and treatment substance abuse programs, inpatient treatments in specialized substance abuse programs, and outpatient substance abuse clinics.

VA considers Special Treatment costs to be all costs generated by the treatment of patients with drug use disorders treated in specialized substance abuse treatment programs. For the specialized substance abuse treatment programs and clinics, VA used Decision Support System (DSS) data.

Specialized Treatment	Obligations (Millions)	Drug Control Related Percent	FTE
Inpatient	\$15.537	61.9% <sup>1</sup>	67
Residential Rehabilitation & Treatment	\$137.384	65.4% <sup>2</sup>	1,085
Outpatient	\$224.830	89.2% <sup>3</sup>	1,612
<b>Total</b>	<b>\$377.751</b>		<b>2,764</b>

DSS data is used to determine costs in various bed sections and clinical settings. All expenses for specialized inpatient, outpatient care, and extended care are incorporated in the spending model.

VA does not track obligations and expenditures by ONDCP function. In the absence of such capability, actuals have been furnished, as indicated.

<sup>1</sup> Percent of all Substance Use Disorder Inpatients seen in a Specialized Substance Use Disorder Unit with a drug diagnosis.

<sup>2</sup> Percent of all Substance Use Disorder Extended Care Patients seen in a Specialized Substance Use Disorder Unit with a drug diagnosis.

<sup>3</sup> Percent of all Substance Use Disorder Clinic Stops made by drug patients

# FY2009 Accounting of Drug Control Funds

Independent Review of VA's Fiscal Year 2009 Detailed Accounting Submission  
to the Office of National Drug Control Policy

## Attachment A

### RESEARCH & DEVELOPMENT

The dollars expended in VHA research help to acquire new knowledge to improve the prevention, diagnosis and treatment of disease, and generate new knowledge to improve the effectiveness, efficiency, accessibility and quality of veterans' health care.

Specialized Function	Obligations (Millions)	Drug Control Related Percent	FTE
Research & Development	\$15.034	N/A	N/A

- 2. Methodology Modifications** – In accordance with the guidance provided in the Office of National Drug Control Policy's letter of September 7, 2004, VA's methodology only incorporates Specialized Treatment costs and no longer takes into consideration Other Related Treatment costs. Drug control methodology detailed in A.1 was the actual methodology used to generate the Resource Summary.
- 3. Material Weaknesses or Other Findings** – Deloitte and Touche LLP provided an unqualified opinion on VA's fiscal year 2009 and 2008 consolidated financial statements. They also identified four material weaknesses. Three of the four material weaknesses are repeat conditions from the prior year audit and identified as (i) financial management system functionality (ii) information technology security controls and (iii) financial management oversight. The fourth material weakness, compensation, pension, and burial liabilities, was identified during the fiscal year 2009 audit. There were no material weaknesses or other findings by independent sources, or other known weaknesses, which may affect the presentation of prior year drug-related obligations data.
- 4. Reprogrammings or Transfers** – There was no reprogramming of funds or transfers that adjusted drug control-related funding because drug control expenditures are reported on the basis of patients served in various VA clinical settings for specialized substance abuse treatment programs.
- 5. Other Disclosures** – This budget accounts for drug control-related costs for VHA Medical Care and Research. It does not include all drug-related costs for the agency. VA incurs costs related to accounting and security of narcotics and other controlled substances and costs of law enforcement related to illegal drug activity; however, these costs are assumed to be relatively small and would not have a material effect on the reported costs.

### B. Assertions

- 1. Drug Methodology** – VA asserts that the methodology used to estimate FY 2009 drug control obligations by function and budget decision unit is reasonable and accurate based on the criteria set forth in the ONDCP Circular dated May 1, 2007.
- 2. Application of Methodology** – The methodology described in Section A.1 above was used to prepare the estimates contained in this report.
- 3. Reprogrammings or Transfers** – No changes were made to VA'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 a financial plan that was based upon a methodology in accordance with all Fund Control

# FY2009 Accounting of Drug Control Funds

Independent Review of VA's Fiscal Year 2009 Detailed Accounting Submission  
to the Office of National Drug Control Policy

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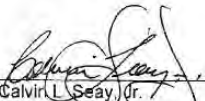
## Attachment A

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Notices issued by the Director under 21 U.S.C., § 1703 (f) and Section 8 of the ONDCP  
Circular, Budget Execution.

  
\_\_\_\_\_  
Mark W. Yow  
Associate Chief Financial Officer  
Resource Management Office (172)

\_\_\_\_\_  
February 4, 2010  
Date

  
\_\_\_\_\_  
Calvin L. Seay, Jr.  
Director of Budget Services  
Resource Management Office (172)

\_\_\_\_\_  
February 4, 2010  
Date

# FY2009 Accounting of Drug Control Funds

Independent Review of VA's Fiscal Year 2009 Detailed Accounting Submission  
to the Office of National Drug Control Policy

## Attachment A

Department of Veterans Affairs  
Resource Summary  
Obligations (In Millions)

	2009 Final
<b>Medical Care:</b>	
Specialized Treatment	
Residential Rehabilitation & Treatment.....	\$137.384
Inpatient.....	\$15.537
Outpatient.....	\$224.830
Specialized Treatment.....	\$377.751
Research & Development.....	\$15.034
Drug Control Resources by Function & Decision Unit, Total.....	<u>\$392.785</u>
<b>Drug Control Resources Personnel Summary</b>	
Total FTE.....	2,764
Total Enacted Appropriations.....	\$99,793.085
Drug Control Percentage.....	0.39%



Tab K  
Small Business  
Administration

FY2009 Accounting of Drug Control Funds



U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, D.C. 20416

February 26, 2010


Jon E. Rice  
Associate Director for Performance and Budget  
Office Of National Drug Control  
750 17<sup>th</sup> St., NW  
5<sup>th</sup> Floor  
Washington, DC 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy Circular (ONDCP), *Drug Control Accounting*, we reviewed the Small Business Administration's (SBA) *fiscal year (FY) 2009 Annual Accounting of Drug Control Funds and Related Performance Report* and supporting documentation. A report summarizing the results of our review is attached. We concur with SBA's decision to provide an alternative report because, as provided under Section 9 of the ONDCP circular, SBA's annual Drug Free Workplace Program budget is below \$50 million, and its full compliance with reporting requirements would constitute an unreasonable burden.

In preparing its alternative report, SBA disclosed that it relied on the honesty and integrity of grantees to ensure that performance data was accurate, complete and unbiased in presentation and substance. Therefore, we compared SBA's FY 2009 alternative report to accounting and performance data submissions from the grant recipients of SBA's Drug-Free Workplace Program, and determined that the information provided in SBA's report matched the data reported by grantees.

Sincerely,

  
Peggy E. Gustafson  
Inspector General

Attachment

FY2009 Accounting of Drug Control Funds



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

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FEB 25 2010

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Mr. Jon Rice  
Associate Director for Performance and Budget  
Office of National Drug Control Policy  
750 17<sup>th</sup> St., NW  
5<sup>th</sup> Floor  
Washington, DC 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy's Drug Control Accounting Circular, the Small Business Administration submits its Accounting of FY 2009 Drug Control Funds and Performance Summary Report with the accompanying IG authentication.

If you have any additional questions or comments, please call me directly.

Sincerely yours,

Antonio Doss  
Director, Office of Small Business Development Centers

Enclosure

## FY2009 Accounting of Drug Control Funds

- (b) The actual goal of 2009 was underestimated because the number of small businesses implementing a drug free workplace program varies widely from year to year due to the fact that the grantees cannot force a small business to implement such a program. The grantee can only encourage the small business by showing the benefits of the implementation.
- (c) The goal for FY 2010 is 200 which is slightly higher than in FY 2009 in hope that more small businesses will see the benefits of implementing a drug-free workplace program. The agency determines the goals based on the number of grantees and whether previous goals were reached.
- (d) The agency depends on the honesty and integrity of the DFWP grantees to ensure performance data for this measure are accurate, complete, and unbiased in presentation and substance.

### II. RESOURCE SUMMARY

	FY2009 <u>Final BA</u>
Prevention and Education Drug Free Workplace Grants	<b>\$1M</b>
<b>Drug Resources Personnel Summary</b>	
Total FTEs (direct only)	<b>0</b>
<b>Information</b>	
Total Agency Budget*	<b>\$598,493</b>
Drug Percentage	<b>0.17%</b>

*\*Does not include Disaster Assistance Program or the Office of the Inspector General.*

GRANTEE	DATE	PO AMOUNT
Peer Assistance Services, Inc.	9/24/09	250,000.00
Premier Integrity Solutions, Inc.	8/12/09	250,000.00
Drug Free Idaho	9/22/09	186,576.00
River Region Human Services, Inc.	9/30/09	250,000.00
Worker's Assistance Program	9/24/09	60,000.00
<b>Total</b>		<b>996,576.00</b>





Tab L  
ONDCP Circular:  
Annual Accounting  
of Drug Control Funds

# FY2009 Accounting of Drug Control Funds



## EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF NATIONAL DRUG CONTROL POLICY Washington, D.C. 20503

### ONDCP Circular: Drug Control Accounting

May 1, 2007

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#### TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

**SUBJECT:** Annual Accounting and Authentication of Drug Control Funds and Related Performance

1. **Purpose.** This circular provides the polices and procedures to be used by National Drug Control Program agencies in conducting a detailed accounting and authentication of all funds expended on National Drug Control Program activities and the performance measures, targets, and results associated with those activities.
2. **Rescission.** This circular rescinds and replaces the ONDCP Circular, *Annual Accounting of Drug Control Funds*, dated April 18, 2003.
3. **Authority.**
  - a. 21 U.S.C. § 1704(d) provides: "The Director [ONDCP] shall –
    - (A) require the National Drug Control Program agencies to submit to the Director not later than February 1 of each year a detailed accounting of all funds expended by the agencies for National Drug Control Program activities during the previous fiscal year, and require such accounting to be authenticated by the Inspector General of each agency prior to submission to the Director; and
    - (B) submit to Congress not later than April 1 of each year the information submitted to the Director under subparagraph (A)."
  - b. 21 U.S.C. § 1703(d)(7) authorizes the Director of National Drug Control Policy to "... monitor implementation of the National Drug Control Program, including – (A) conducting program and performance audits and evaluations; and (B) requesting assistance of the Inspector General of the relevant agency in such audits and evaluations ..."
4. **Definitions.** As used in this circular, key terms related to the National Drug Control Program and budget are defined in Section 4 of the ONDCP Circular, *Budget Formulation*, dated May 1, 2007. These terms include: *National Drug Control Program*, *National Drug Control Program*

## FY2009 Accounting of Drug Control Funds

*agency, Bureau, Drug Methodology, Drug Control Functions, and Budget Decision Units.*

Further, Reprogrammings and Fund Control Notices referenced in Section 6 of this circular are defined in Section 6 and Section 8 of the ONDCP Circular, *Budget Execution*, dated May 1, 2007.

5. **Coverage.** The provisions of this circular apply to all National Drug Control Program agencies.

6. **Detailed Accounting Submission.** The Chief Financial Officer (CFO) of each agency, or other accountable senior level senior executive, shall prepare a Detailed Accounting Submission to the Director, ONDCP. For agencies with no bureaus, this submission shall be a single report, as defined by this section. For agencies with bureaus, the Detailed Accounting Submission shall consist of reports, as defined by this section, from the agency's bureaus. The CFO of each bureau, or accountable senior level executive, shall prepare reports. Each report must include (a) a table highlighting prior year drug control obligations data, and (b) a narrative section making assertions regarding the prior year obligations data. Report elements are further detailed below:

a. **Table of Prior Year Drug Control Obligations** – For the most recently completed fiscal year, each report shall include a table of obligations of drug control budgetary resources appropriated and available during the year being reported.<sup>1</sup> Such table shall present obligations by Drug Control Function and Budget Decision Unit, as these categories are displayed for the agency or bureau in the *National Drug Control Strategy Budget Summary*. Further, this table shall be accompanied by the following disclosures:

(1) **Drug Methodology** – The drug methodology shall be specified in a separate exhibit. For obligations calculated pursuant to a drug methodology, this presentation shall include sufficient detail to explain fully the derivation of all obligations data presented in the table.

(a) **Obligations by Drug Control Function** – All bureaus employ a drug methodology to report obligations by Drug Control Function.

(b) **Obligations by Budget Decision Unit** – For certain multi-mission bureaus – Customs and Border Protection (CBP), Coast Guard, Immigration and Customs Enforcement (ICE), Indian Health Service (IHS), Bureau of Indian Affairs (BIA), and the Veterans Health Administration (VHA) – obligations reported by Budget

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<sup>1</sup>Consistent with reporting requirements of the ONDCP Circular, *Budget Formulation*, dated May 1, 2007, resources received from the following accounts are excluded from obligation estimates: (1) ONDCP – High Intensity Drug Trafficking Areas (HIDTA) and (2) DOJ – Organized Crime Drug Enforcement Task Force Program. Obligations against these resources shall be excluded from the table required by this section but shall be reported on a consolidated basis by these bureaus. Generally, to prevent double-counting agencies should not report obligations against budget resources received as a reimbursement. An agency that is the source of the budget authority for such reimbursements shall be the reporting entity under this circular.

## FY2009 Accounting of Drug Control Funds

Decision Unit shall be calculated pursuant to an approved drug methodology. For all other bureaus, drug control obligations reported by Budget Decision Unit shall represent 100 percent of the actual obligations of the bureau for those Budget Decision Units, as they are defined for the National Drug Control Budget. (See Attachment B of the ONDCP Circular, *Budget Formulation*, dated May 1, 2007.)

- (2) **Methodology Modifications** – Consistent with ONDCP’s prior approval, if the drug methodology has been modified from the previous year, then the changes, their purpose, and the quantitative differences in the amount(s) reported using the new method versus the amount(s) that would have been reported under the old method shall be disclosed.<sup>2</sup>
  - (3) **Material Weaknesses or Other Findings** – Any material weakness or other findings by independent sources, or other known weaknesses, including those identified in the Agency’s Annual Statement of Assurance, which may affect the presentation of prior year drug-related obligations data, shall be highlighted. This may be accomplished by either providing a brief written summary, or by referencing and attaching relevant portions of existing assurance reports. For each material weakness or other finding, corrective actions currently underway or contemplated shall be identified.
  - (4) **Reprogrammings or Transfers** – All prior year reprogrammings or transfers that affected drug-related budgetary resources shall be identified; for each such reprogramming or transfer, the effect on drug-related obligations reported in the table required by this section also shall be identified.
  - (5) **Other Disclosures** – Agencies may make such other disclosures as they feel are necessary to clarify any issues regarding the data reported under this circular.
- b. **Assertions** – At a minimum, each report shall include a narrative section where the following assertions are made regarding the obligation data presented in the table required by Section 6a:
- (1) **Obligations by Budget Decision Unit** – With the exception of the multi-mission bureaus noted in Section 6a(1)(b), reports under this section shall include an assertion that obligations reported by budget decision unit are the actual obligations from the bureau’s accounting system of record for these Budget Decision Units.
  - (2) **Drug Methodology** – An assertion shall be made regarding the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources by function for all bureaus and by budget decision unit for the

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<sup>2</sup>For changes that did not receive prior approval, the agency or bureau shall submit such changes to ONDCP for approval under separate cover.

## FY2009 Accounting of Drug Control Funds

CBP, Coast Guard, ICE, IHS, BIA, and VHA. The criteria associated with this assertion are as follows:

- (a) **Data** – If workload or other statistical information supports the drug methodology, then the source of these data and the current connection to drug control obligations should be well documented. If these data are periodically collected, then the data used in the drug methodology must be clearly identified and will be the most recently available.
  - (b) **Other Estimation Methods** – If professional judgment or other estimation methods are used as part of the drug methodology, then the association between these assumptions and the drug control obligations being estimated must be thoroughly explained and documented. These assumptions should be subjected to periodic review, in order to confirm their continued validity.
  - (c) **Financial Systems** – Financial systems supporting the drug methodology should yield data that fairly present, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.
- (3) **Application of Drug Methodology** – Each report shall include an assertion that the drug methodology disclosed in this section was the actual methodology used to generate the table required by Section 6a. Calculations must be sufficiently well documented to independently reproduce these data. Calculations should also provide a means to ensure consistency of data between reporting years.
- (4) **Reprogrammings or Transfers** – Further, each report shall include an assertion that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$1 million.
- (5) **Fund Control Notices** – Each report shall also include an assertion that the data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21 U.S.C. § 1703(f) and Section 8 of the ONDCP Circular, *Budget Execution*.

7. **Performance Summary Report.** The CFO, or other accountable senior level senior executive, of each agency for which a Detailed Accounting Submission is required, shall provide a Performance Summary Report to the Director of National Drug Control Policy. Each report must include performance-related information for National Drug Control Program activities, and the official is required to make certain assertions regarding that information. The required elements of the report are detailed below.

## FY2009 Accounting of Drug Control Funds

- a. **Performance Reporting-** The agency's Performance Summary Report must include each of the following components:
- (1) **Performance Measures** – The report must describe the performance measures used by the agency to assess the National Drug Control Program activities it carried out in the most recently completed fiscal year and provide a clear justification for why those measures are appropriate for the associated National Drug Control Program activities. The performance report must explain how the measures: reflect the purpose of the program; contribute to the National Drug Control Strategy; and are used in the management of the program. The description must include sufficient detail to permit non-experts to understand what is being measured and why it is relevant to those activities.
  - (2) **Prior Years Performance Targets and Results** – For each performance measure, the report must provide actual performance information for the previous four fiscal years and compare the results of the most recent fiscal year with the projected (target) levels of performance established in the agency's annual performance budget for that year. If any performance target for the most recently completed fiscal year was not met, the report must explain why that target was not met and describe the agency's plans and schedules for meeting future targets. Alternatively, if the agency has concluded it is not possible to achieve the established target with available resources, the report should include recommendations concerning revising or eliminating the target.
  - (3) **Current Year Performance Targets** – Each report must specify the performance targets established for National Drug Control Program activities in the agency's performance budget for the current fiscal year and describe the methodology used to establish those targets.
  - (4) **Quality of Performance Data** – The agency must state the procedures used to ensure the performance data described in this report are accurate, complete, and unbiased in presentation and substance.
- (b) **Assertions** – Each report shall include a letter in which an accountable agency official makes the following assertions are made regarding the information presented in Section 7a:
- (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.
  - (2) **Explanations for not meeting performance targets are reasonable** – An assertion shall be made regarding the reasonableness of any explanation offered for failing to meet a performance target and for any recommendations concerning plans and

## FY2009 Accounting of Drug Control Funds

schedules for meeting future targets or for revising or eliminating performance targets.

- (3) **Methodology to establish performance targets is reasonable and applied** – An assertion that the methodology described above to establish performance targets for the current year is reasonable given past performance and available resources.
- (4) **Adequate performance measures exist for all significant drug control activities** - Each Report shall include an assertion that the agency has established at least one acceptable performance measure for each Drug Control Decision Unit identified in reports required by section 6a(1)(A) 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. Each performance measure must consider the intended purpose of the National Drug Control Program activity.

The criteria associated with these assertions are as follows:

- (a) **Data** – If workload, participant, or other quantitative information supports these assertions, the sources of these data should be well documented. If these data are periodically collected, the data used in the report must be clearly identified and will be the most recently available.
- (b) **Other Estimation Methods** – If professional judgment or other estimation methods are used to make these assertions, the objectivity and strength of these estimation methods must be thoroughly explained and documented. These estimation methods should be subjected to periodic review to confirm their continued validity.
- (c) **Reporting Systems** – Reporting systems supporting the assertions should be current, reliable, and an integral part of the agency's budget and management processes.

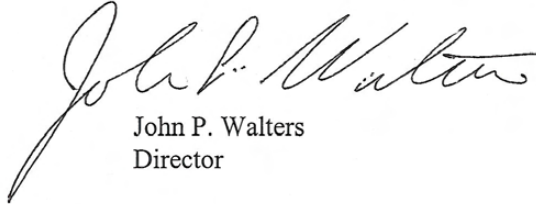
**8. Inspector General Authentication.** Each report defined in Sections 6 and 7 shall be provided to the agency's Inspector General (IG) for the purpose of expressing a conclusion about the reliability of each assertion made in the report. ONDCP anticipates that this engagement will be an attestation review, consistent with the *Statements for Standards of Attestation Engagements*, promulgated by the American Institute of Certified Public Accountants.

**9. Unreasonable Burden.** Unless a detailed report, as specified in Section 6, is specifically requested by ONDCP, an agency or bureau included in the National Drug Control Budget with prior year drug-related obligations of less than \$50 million may submit through its CFO, or its accountable senior level executive, an alternative report to ONDCP, consisting of only the table highlighted in Section 6a., omitting all other disclosures. Such a report will be accompanied by statements from the CFO, or accountable senior level executive, and the agency IG attesting that full compliance with this Circular would constitute an unreasonable reporting burden. In those

## FY2009 Accounting of Drug Control Funds

instances, obligations reported under this section will be considered as constituting the statutorily required detailed accounting, unless ONDCP notifies the agency that greater detail is required.

**10. Point of Contact and Due Dates.** Each agency CFO, or accountable senior level executive, shall transmit a Detailed Accounting Submission, consisting of the report(s) defined in Sections 6 and 7, along with the IG's authentication(s) defined in Section 8, to the attention of the Associate Director for Performance and Budget, Office of National Drug Control Policy, Washington, DC 20503. Detailed Accounting Submissions, with the accompanying IG authentication(s), are due to ONDCP by February 1 of each year. Agency management must submit reports to their Office of Inspector General (OIG) in sufficient time to allow for review and IG authentication under Section 8 of this Circular. ONDCP recommends a 31 December due date for agencies to provide their respective OIG with the required reports and information.



John P. Walters  
Director