

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

Independent Review of U.S. Coast Guard's Reporting
of FY 2012 Drug Control Performance Summary Report





OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

JAN 29 2013

MEMORANDUM FOR: Rear Admiral Stephen P. Metruck
Chief Financial Officer
U.S. Coast Guard

FROM: Anne L. Richards *Anne L. Richards*
Assistant Inspector General for Audits

SUBJECT: *Independent Review of U.S. Coast Guard's Reporting of
FY 2012 Drug Control Performance Summary Report*

Attached for your information is our final report, *Independent Review of U.S. Coast Guard's Reporting of FY 2012 Drug Control Performance Summary Report*. U.S. Coast Guard's management prepared the Performance Summary Report and management assertions to comply with the requirements of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007.

We contracted with the independent public accounting firm KPMG LLP to perform the review. KPMG LLP is responsible for the attached independent accountants' report, dated January 18, 2013, and the conclusions expressed in it. We do not express an opinion on the Performance Summary Report and management's assertions. This report contains no recommendations.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Mark Bell, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Accountants' Report

Deputy Inspector General
U.S. Department of Homeland Security

We have reviewed the accompanying Performance Summary Report of the U.S. Department of Homeland Security's (DHS) United States Coast Guard (USCG) for the year ended September 30, 2012. We have also reviewed the accompanying management's assertions for the year ended September 30, 2012. USCG's management is responsible for the Performance Summary Report and the assertions.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Performance Summary Report and management's assertions. Accordingly, we do not express such an opinion.

Management of USCG prepared the Performance Summary Report and management's assertions to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 (the Circular).

Based on our review, nothing came to our attention that caused us to believe that (1) the Performance Summary Report for the year ended September 30, 2012, is not presented, in all material respects, in conformity with the Circular, or that (2) management's assertions referred to above are not fairly stated, in all material respects, based on the criteria set forth in the Circular.

This report is intended solely for the information and use of management of DHS and USCG, the DHS Inspector General, the ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 18, 2013

U.S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

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7110
January 18, 2013

Ms. Sandra John
Department of Homeland Security
Director of Financial Management
Office of the Inspector General

Dear Ms. John,

In accordance with the Office of National Drug Control Policy Circular: *Annual Accounting of Drug Control Funds* dated May 1, 2007, enclosed is the Coast Guard's final FY 2012 Performance Summary Report.

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

Sincerely,

H. L. Morrison, CDG, USCG

H. L. MORRISON
Commander, U.S. Coast Guard
Acting Chief, Office of Performance Management
& Assessment

Enclosure (1) FY 2012 Performance Summary Report

Copy: DHS Budget Office

Drug Budget

United States Department of Homeland Security

United States Coast Guard

Performance Summary Report FY 2012

I. PERFORMANCE INFORMATION

Decision Units: Primary Outcome Measure

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

The Coast Guard's drug interdiction performance is best summarized by the lead outcome measure of the program. This measure is the central focus of its Performance Summary Report. The Coast Guard Maritime Law Enforcement Program has a suite of metrics that support the lead outcome measure. The lead outcome measure and its supporting metrics suite were validated during a 2007 Office of Management and Budget (OMB) Program Assessment and Rating Tool (PART) Evaluation. The Coast Guard uses the Consolidated Counterdrug Database (CCDB) as the authoritative source for estimating illicit drug flow through the transit zone. Use of the CCDB permits the Coast Guard to evaluate its performance on a quarterly basis. It should be noted that CCDB cocaine movement estimates include all confidence maritime flow, which translates to a lower performance result for cocaine removal rate. DHS leadership reviewed and approved this metric as a Coast Guard Management metric in 2010. This metric is included as part of the Coast Guard's annual budget submission.

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

Table 1: Cocaine Removal Rate

FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2012 Target	FY 2013 Target
13.2%	15.0%	13.5%	11.6%	13.4%	16.5%	14.1%

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

The goal of the Coast Guard's Drug Interdiction program is to reduce the supply of illegal drugs within the United States by denying smugglers the use of air and maritime routes by projecting an effective law enforcement presence in and over the six million square mile transit zone of the Caribbean Sea, the Gulf of Mexico and the Eastern Pacific Ocean. The Coast Guard's primary outcome measure, the Cocaine Removal Rate, indicates how

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

effective the program is at disrupting the flow of cocaine traveling via non-commercial maritime means toward the United States. The more cocaine bound for the United States that the Coast Guard removes, the less supply of cocaine available within the United States. The cocaine removal rate is calculated by dividing the total amount of cocaine removed (drugs interdicted, jettisoned, scuttled) by the Coast Guard by the total estimated non-commercial maritime movement of cocaine towards the United States. Both of these assessments are captured and validated in the CCDB.

The 2012 *National Drug Control Strategy* maintains the interagency, transit zone removal rate goal for cocaine at 40% by 2015; a goal originally set in the 2007 *National Drug Control Strategy*. With over 80% of the cocaine moving through the transit zone via non-commercial maritime means, the national goal is achievable with a higher Coast Guard cocaine removal rate, assuming no decrease in domestic and international partner agency performance to achieve that 40% goal. Maritime Law Enforcement program managers monitor the cocaine removal rate, watching for both changes in Coast Guard removals as well as increases or decreases in flow. Any changes are diagnosed to determine the cause and to develop strategies and tactics to continue to increase the removal rate. Factors that can impact the removal rate include, but are not limited to, changing modes, tactics and routes by the transnational criminal organizations (TCOs); increased or decreased patrol effort by the Coast Guard or its drug interdiction partner agencies/nations; the availability, quality and timeliness of tactical intelligence; new or upgraded diplomatic and legal tools; and the fielding of new capabilities (National Security Cutter, Fast Response Cutter and HC-144A aircraft, for example).

(2) Provide narrative that examines the FY 2012 actual performance results with the FY 2012 target, as well as prior year actual results. If the performance target was not achieved for FY 2012, the agency should explain why this is the case. If the agency has concluded it is not possible to achieve the established target with available resources, the agency should include recommendations on revising or eliminating the target.

In FY 2012, there was an observed increase in cocaine flow being smuggled through the transit zone via non-commercial maritime means—796 Metric Tons (MT) in FY 2012 compared to 652 MT in FY 2011. Of the FY 2012 non-commercial maritime flow, the Coast Guard removed 107 MT of cocaine, up from its FY 2011 total of 75.5 MT. Relative to the total estimated movement of non-commercial maritime cocaine destined for the United States in FY 2012 captured in the CCDB, the Coast Guard removed 13.4% of this estimated flow, falling short of its target of 16.5%. Comparatively, the Coast Guard's cocaine removal rate was 11.6% in FY 2011. The total number of Coast Guard removal events increased in FY 2012 (129 in FY 2011 to 162 in FY 2012), as did the number of Coast Guard cocaine removal events in FY 2012 (90 in FY 2011 to 108 in FY 2012).

Reduced availability and reliability of air and surface (detection and interdiction) assets continued to hinder counter-drug mission performance in the drug transit zone. The advancing age of the Coast Guard's cutter fleet led to increased unscheduled maintenance days and casualties, reducing the number of deployable assets available to support Joint Interagency Task Force South (JIATF-S). Through the 2012 Department of Homeland Security (DHS) Statement of Intent, the Coast Guard planned to provide 2,190 cutter days, 1,460 Aviation Use of Force (AUF) deployed days at seas (DDAS), and 4,700 Maritime

Enclosure (1) to letter dated January 18, 2013

Patrol Aircraft (MPA) hours to JIATF-S, but was only able to provide 1,947 cutter days, 1,046 AUF DDAS, and 3,834 MPA hours for FY 2012 or approximately 89% of intended cutter days, 72% of AUF days, and 82% of intended MPA hours.

Since FY 2011, the Coast Guard has decommissioned four of its twelve 378' high endurance cutters (WHEC), yet only two operational national security cutters (NSC) and less capable medium endurance cutters are available to fill the resulting transit zone patrol hour gap. Prior to the NSC, WHECs were historically the Coast Guard's most effective surface asset for cocaine removals due to their greater endurance and more robust command and control suite compared to other Coast Guard surface platforms. Cutter endurance is a key contributor to countering the maritime cocaine threat in the remote, vast Eastern Pacific transit zone vector. The reduction in WHEC available cutter days reduced the opportunity for additional cocaine removals and may have contributed to the Coast Guard missing its FY 2012 Cocaine Removal Rate target. As more capable NSCs continue to replace the aging WHEC fleet and close the major cutter patrol hour gap, it is expected that cocaine removal rate performance will increase.

In addition to reduced asset and resource availability, the following also contributed to the Coast Guard missing its FY 2012 Cocaine Removal Rate target:

- Increased flow of cocaine smuggled through the transit zone with no corresponding increase in Coast Guard assets on scene for detection and interdiction;
- Reduced maritime domain awareness throughout the JIATF-S operating area; and
- Increasingly sophisticated and evolving Transnational Criminal Organization tactics (e.g. greater use of self-propelled semi- and fully-submersibles).

(3) The agency should describe the performance target for FY 2013 and how the agency plans to meet this target. If the target in FY 2012 was not achieved, this explanation should detail how the agency plans to overcome prior year challenges to meet targets in FY 2013.

The Coast Guard's target for FY 2013 is to remove 14.1% percent of the cocaine moving via non-commercial maritime means towards the United States. This target was developed by examining historical trends, as well as forecasting asset and resource availability along with the estimated flow of cocaine. The Coast Guard works cooperatively with other federal agencies to carry out the National Drug Control Strategy, including support for the JIATF-S counter drug detection and monitoring mission. To increase interdiction capacity and capability, the Coast Guard has several initiatives which are expected to come to fruition in FY 2013. A third National Security Cutter (STRATTON) will be available for deployment to the JIATF-S Area of Responsibility. The Coast Guard will continue to deploy surface and aviation assets and law enforcement teams in support of SOUTHCOM's OP MARTILLO, designed to push drug traffickers out of the littorals and farther off shore where they are more vulnerable to interdiction and prosecution in the United States. The Coast Guard and the U.S. Navy (USN) will continue to pursue expansion of Airborne Use of Force capability with the USN expecting to deploy AUF helicopters capable of nighttime operations in FY 2013 to improve the interdiction and "end game" prosecution of drug traffickers using go-fast vessels. The Coast Guard will continue its counter drug hidden compartment detection course at the Maritime Law Enforcement Academy in FY 2013, increasing the number of specially trained boarding

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team personnel able to investigate, search, locate and access hidden compartments on suspect vessels. With go-fast type vessels remaining the primary means of conveyance by TCOs operating in and around the littorals, the Coast Guard will continue to strengthen international partnerships through bilateral agreements, as well as provide training programs and engage in professional exchanges to enhance partner nation capability and to support Theater Security Cooperation initiatives. Such engagement strengthens ties with source and transit zone partner nations and increases their maritime law enforcement competency and capability throughout the transit zone. Based on its baseline of performance and the expanded capabilities mentioned, the Coast Guard expects that it can achieve its FY 2013 target.

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

The data used to calculate the Cocaine Removal Rate is drawn from the interagency-validated CCDB. The amount of cocaine removed by the Coast Guard is the sum of all cocaine that is physically seized by Coast Guard personnel² and all cocaine lost to the TCOs due to the Coast Guard's actions. The latter amount is, at times, an intelligence-based estimate of the quantity of cocaine onboard a given vessel that is burned, jettisoned, or scuttled in an attempt to destroy evidence when Coast Guard presence is detected. Cocaine removals are drawn from the CCDB. Data entered into the CCDB is validated through a quarterly, interagency vetting process. The estimated non-commercial maritime flow of cocaine towards the United States is extracted from the CCDB. All data contained in the CCDB are deemed to be as accurate, complete and unbiased in presentation and substance as possible.

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

The Maritime Law Enforcement Program last updated its out-year performance targets in March 2012 in conjunction with normal target setting timelines. The key factors that drive the target setting process are the estimated out-year cocaine flow, the projected availability of Coast Guard resources (major cutters, long range MPA, Law Enforcement Detachments (LEDET) and Airborne Use of Force (AUF) helicopters), and any anticipated changes in Coast Guard capabilities, authorities, or partnerships that may impact cocaine removals.

II. MANAGEMENT'S ASSERTIONS

The following assertions, supported by the information presented above, satisfy the data, estimation methods, and reporting systems criteria outlined in paragraph 7.b. of the ONDCP Drug Budget Accounting Circular dated May 1, 2007:

² The final amount is determined by the receiving Organized Crime Drug Enforcement Task Forces agency.

(1) Performance reporting system is appropriate and applied – The agency has a system to capture performance information accurately and that system was properly applied to generate the performance data.

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

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

The Coast Guard did not meet its FY12 performance target. The explanations offered for failing to meet the target are reasonable. The Coast Guard's FY 2012 performance target satisfied OMB Circular A-11 guidance for establishing targets.

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

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

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

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

The agency has established one acceptable performance measure that covers all four budget decision units for which a significant amount of obligations (\$1,000,000 or 50 percent of the agency drug budget, whichever is less) were incurred in the previous fiscal year. The metric was also reviewed and approved by DHS leadership in 2010.



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Appendix A
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