

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

Independent Review of U.S. Customs and
Border Protection's Reporting of FY 2012
Drug Control Obligations





OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

JAN 31 2013

MEMORANDUM FOR: Eugene H. Schied
Assistant Commissioner
U.S. Customs and Border Protection

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

SUBJECT: *Independent Review of U.S. Customs and Border
Protection's Reporting of FY 2012 Drug Control Obligations*

Attached for your information is our final report, *Independent Review of U.S. Customs and Border Protection's Reporting of FY 2012 Drug Control Obligations*. U.S. Customs and Border Protection's management prepared the Table of FY 2012 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.

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 22, 2013, and the conclusions expressed in it. We do not express an opinion on the Table of FY 2012 Drug Control Obligations and related disclosures. 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 Table of FY 2012 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, 2012. We have also reviewed the accompanying management's assertions for the year ended September 30, 2012. CBP's management is responsible for the preparation of the Table of FY 2012 Drug Control Obligations, related disclosures, and the assertions.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Table of FY 2012 Drug Control Obligations, related disclosures, and management's assertions. Accordingly, we do not express such an opinion.

Management of CBP prepared the Table of FY 2012 Drug Control Obligations, 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 (the Circular).

Based on our review, except as described in the paragraph below, nothing came to our attention that caused us to believe that (1) the Table of FY 2012 Drug Control Obligations and related disclosures for the year ended September 30, 2012, are 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.

In the accompanying management's assertions for the year ended September 30, 2012, management did not assert that the assumptions used in the estimation methods for determining obligations by drug control decision were subjected to periodic review to confirm their continued validity as required by section 6b(b) of the Circular. Additionally, management did not provide supporting documentation evidencing the periodic review of those assumptions.

This report is intended solely for the information and use of the management of DHS and CBP, 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 22, 2013



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

JAN 22 2013

Mr. 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:

Enclosed is the U.S. Customs and Border Protection (CBP) Fiscal Year (FY) 2012 Detailed Accounting Submission on National Drug Control Funding. In FY 2012, CBP reported direct obligations of approximately \$2,249 million.

If you have any questions or would like additional information, please contact me at (202) 344-2300, or a member of your staff may contact Mr. Sean Mildrew, Executive Director, Budget Directorate, at (202) 344-2210.

A handwritten signature in cursive script that reads "Deborah J. Schilling".

Deborah J. Schilling
Chief Financial Officer

Enclosure

**U.S. DEPARTMENT OF HOMELAND SECURITY
U.S. CUSTOMS AND BORDER PROTECTION
Detailed Accounting Submission of FY 2012 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2012 Drug Control Obligations

| (Dollars in Millions) | |
|---|--------------------|
| | FY 2012 |
| Drug Resources by Budget Decision Unit and Function | |
| Salaries & Expenses | |
| Intelligence | \$239.980 |
| Interdiction | \$1,565.583 |
| Total, Salaries and Expenses | \$1,805.563 |
| Air & Marine Operations | |
| Intelligence | \$71.258 |
| Interdiction | \$319.409 |
| Total, Air & Marine Operations | \$390.667 |
| Border Security Fence Infrastructure & Technology (BSFIT) | |
| Interdiction | \$52.947 |
| Total, Border Security Fence Infrastructure & Technology | \$52.947 |
| Total Obligations | \$2,249.177 |
| High Intensity Drug Traffic Area (HIDTA) | |
| Intelligence | \$0.009 |
| Interdiction | \$0.237 |
| Total, High Intensity Drug Traffic Area (HIDTA) | \$0.246 |

1. Drug Methodology

U.S. Customs and Border Protection (CBP) is a multi-mission bureau that calculates obligations, by budget decision unit and function, pursuant to an approved drug methodology. On the basis of past practice, six organizations within CBP, the Offices of: Border Patrol (OBP); Field Operations (OFO); Information Technology (OIT); Training and Development (OTD); Office of Technology Innovation & Acquisition (OTIA), and Air and Marine (OAM) were provided with guidance on preparing submissions for the FY 2012 annual reporting of drug control obligations. OBP, OAM, OIT, OTD, OTIA, and OFO were asked to estimate what portion of their activities is related to drug enforcement. The aforementioned portions are based on the expert opinions of operational and programmatic staff from the offices.

All six organizations identified resources in their financial plans that support the drug enforcement mission of the agency. OIT, OFO, OBP, and OAM attribute their resources to both intelligence and interdiction functions; while OTIA and OTD attribute their resources solely to interdiction.

OFFICE OF BORDER PATROL

OBP 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 21,165, Border Patrol agents as of September 22, 2012, 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. This percentage was determined based on a review of the hours worked by agents, K9 officers, and core personnel at various border check-points with narcotic-intensive 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 35 permanent border traffic checkpoints nationwide including 950 canine units trained in the detection of humans and certain illegal drugs that are concealed within cargo containers, truck trailers, passenger vehicles, and boats. In addition, agents perform line watch functions in targeted border areas that are frequent entry points for the smuggling of drugs and people into the United States.

OFFICE OF FIELD OPERATIONS

The Office of Cargo Conveyance and Security/Non-Intrusive Inspection Division of the OFO estimates that, as of September 2012, there were 4,214 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. CBP estimates that 69 percent of the A-TCET is devoted to drug enforcement. This estimation was made by experts in the field who used best estimates to determine the amount of time officers and Agriculture Specialists spent in the field on activities devoted to narcotics seizures like cargo and passenger inspections. The smuggling methodologies and their indicators are similar for both narcotics and anti-terrorism activities.

As of September 2012, there were 680 Canine Enforcement Officers with assigned dogs. Among the dogs paired with an officer, 112 were Narcotics Detection Teams, 52 Currency Firearms Detection Teams, and 355 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 115 Agricultural Teams and 46 K-9 Trainers and Field Advisors.

Eight 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 2012, there were also 16,827 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

OIT supports the drug enforcement mission through the acquisition, and support and maintenance of technology, such as non-intrusive inspection (NII) systems and mission critical targeting software systems. Of OIT's spending, 30 percent of the Enforcement Technology Center (based on NII technology deployed); 25 percent of Automated Targeting Systems (Passenger, Narcotics, and Anti-Terrorism) software costs; 10 percent of the Treasury Enforcement Communications System (TECS); and 10 percent of data center operations costs is estimated in support of the drug mission. Of the percent of OIT's resources related to drug activities, 36 percent is related to intelligence and 64 percent are related to drug interdiction.

OFFICE OF TRAINING AND DEVELOPMENT

OTD provides training courses 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. These specific training programs provided by OTD are related to drug interdiction activities and not intelligence activities. 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 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 TECHNOLOGY INNOVATION & ACQUISITION

CBP is the lead agency within Department of Homeland Security for the development and deployment of border technology and tactical infrastructure to secure America's borders. OTIA's Border Security, Fencing, Infrastructure, and Technology (BSFIT) programs deliver detection and surveillance technology systems to both the southwest and northern borders. These technologies increase situational awareness and assist law enforcement personnel in identifying and resolving illegal activity. For this drug control estimate, based on the nature of these expenditures, OTIA is applying the Border Patrol ratio of 15 percent to the entire account. OTIA funding is solely related to drug interdiction activities as OTIA does not provide intelligence support.

OFFICE OF AIR & MARINE OPERATIONS

OAM's core competencies are air and marine interdiction, air and marine law enforcement, and air domain security. In this capacity, the OAM targets the conveyances that illegally transport narcotics, arms, and aliens across our borders and in the Source, Transit and Arrival Zones. In past support of Source and Transit Zone interdiction operations, the 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 Service Life Extension Program (SLEP) and wing replacement program in Fiscal Year (FY) 2012, the P-3's flew over 5,500 flight hours accounting for 129,849 pounds of illegal drugs disrupted or seized. Successful completion of the SLEP program will add 15,000 flight hours to the service life of each OAM P-3 aircraft. The first set of wings was delivered to Lockheed Martin in November 2009, where the initial wing installation was completed. The aircraft was returned to service in September 2010. As of September 2012, 5 of the 14 P-3s have completed the rewinging and have returned to service. The installation of the last set of wings and tails are scheduled for 2016, increasing the total service life of the CBP P-3 fleet to 210,000 flight hours. 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.

Since September 11, 2001, OAM 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, OAM is dedicating significant assets and personnel in support of Operation Halcon—a U.S. / Mexico interdiction initiative, and support to the OBP in southwest border illegal alien intervention.

Using flight hours spent performing drug related activities, OAM has determined that 81.83 percent of the budget resources that support OAM are considered to be drug-related. Of the total flight hours flown by OAM, 18.2 percent were related to intelligence.

2. Methodology Modifications

The drug control methodology for obligations used in FY 2012 remained the same as the methodology used in FY 2011 for the previously reported offices. In FY 2012 CBP, added the decision unit for the BSFIT appropriation because its programs and activities support OBP's drug control efforts.

3. Material Weaknesses or Other Findings

Pursuant to CBP's FY 2012 Internal Control Assurance Statement, the following financial weaknesses, reportable conditions, or non-conformance could affect the reporting of drug control budget obligations.

Reporting Pursuant to Federal Managers' Financial Integrity Act Section 4. 31 U.S.C. 3512 (d) (2)(B):

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

The DHS Office of the Inspector General (OIG) has noted that there continues to be Information Technology (IT) general and application control weaknesses at CBP. During FY 2012, CBP completed remediation work on 15 of the 36 findings issued in the FY 2011 Financial Statement Audit. CBP had 25 new findings during FY 2012. CBP reviewed the procedural changes and concluded that the weaknesses had been remediated. CBP will continue to remediate IT findings in FY 2013.

4. Reprogrammings or Transfers

CBP submitted pay shortfall reprogrammings/transfers for the OBP and OFO in FY 2012. The reprogrammings were approved by ONDCP.

5. Other Disclosures

There are no other disclosures that CBP has determined are necessary to clarify any issues regarding the data reported under ONDCP Circular, Drug Control Accounting, dated May 1, 2007, Section (6)(b)(1).

B. Assertions

1. Obligations by Budget Decision Unit

Not Applicable - As a multi-mission agency, CBP is exempt from reporting under this section as noted in the ONDCP Circular, Drug Control Accounting, Section 6(b)(1), dated May 1, 2007.

2. Drug Methodology

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

a. Data

The estimate of drug enforcement related obligations 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 were calculated by expert opinion. During FY 2012, CBP did not conduct periodic reviews of our drug budget methodologies; however, CBP intends to revisit the methodologies of all program offices in FY 2013.

c. Financial Systems

Despite the IT general and application control weaknesses noted in section A.3, CBP's financial systems 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.

3. Application of Drug Methodology

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

4. Reprogrammings or Transfers

Pursuant to 21 U.S.C. 1703 (c) (4) (A), the 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 without obtaining prior approval from the Director of National Drug Control Policy. CBP submitted reprogrammings / transfers that affected the drug control budget during FY 2012.

Reprogrammings and transfers made to the OBP and OFO in FY 2012 were approved by ONDCP's Acting Associate Director for Performance and Budget on July 16, 2012 and August 14, 2012.

5. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2012.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix A
Report Distribution

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
Deputy Chief of Staff
General Counsel
Executive Secretary
Director, GAO/OIG Liaison Office
Assistant Secretary for Office of Policy
Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs
Acting Chief Privacy Officer

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Office of National Drug Control Policy

Associate Director for Planning and Budget

U.S. Customs and Border Protection

Commissioner
Chief Financial Officer
Audit Liaison

Congress

Congressional Oversight and Appropriations Committees, as appropriate

ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this document, please call us at (202) 254-4100, fax your request to (202) 254-4305, or e-mail your request to our Office of Inspector General (OIG) Office of Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

For additional information, visit our website at: www.oig.dhs.gov, or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).

OIG HOTLINE

To expedite the reporting of alleged fraud, waste, abuse or mismanagement, or any other kinds of criminal or noncriminal misconduct relative to Department of Homeland Security (DHS) programs and operations, please visit our website at www.oig.dhs.gov and click on the red tab titled "Hotline" to report. You will be directed to complete and submit an automated DHS OIG Investigative Referral Submission Form. Submission through our website ensures that your complaint will be promptly received and reviewed by DHS OIG.

Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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