

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Independent Review of the U.S. Customs
and Border Protection's (CBP) Reporting of
FY2004 Drug Control Funds**



Office of Audits

OIG-05-14

March 2005



Homeland Security

March 10, 2005

MEMORANDUM FOR: Robert C. Bonner
Commissioner
U.S. Customs and Border Protection

FROM: *Richard L. Skinner*
Richard L. Skinner
Acting Inspector General

SUBJECT: *Independent Review of the U.S. Customs and Border Protection's
Reporting of FY 2004 Drug Control Funds – Audit Report No. OIG-
05-14*

We have reviewed management's assertions in Section B of the accompanying U.S. Customs and Border Protection's (CBP) annual report of FY 2004 drug control funds (Submission). The Submission, including the assertions made is required by 21 U.S.C § 1704(d) and Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting* (Circular), and is the responsibility of CBP's management.

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 the assertions in Section B of the Submission. Accordingly, we do not express such an opinion.

The *Independent Auditors' Report* for the FY 2004 financial statements of the Department of Homeland Security (DHS), of which CBP is a part, identified a material weakness related to financial systems functionality and technology. Reportable conditions are matters coming to the auditors' attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in the auditors' judgment, could adversely affect DHS' ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Based on our review, except for the effects, if any, of the material weaknesses, as described in the preceding paragraph, nothing came to our attention that caused us to believe that management's assertions included in Section B of the accompanying Submission 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 CBP, DHS, ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Should you have any questions concerning this review, please call me, or your staff may contact J. Richard Berman, Assistant Inspector General for Audits, at (202) 254-4100.

Attachment

**cc: General Counsel
Under Secretary, Border and Transportation Security
DHS Chief Financial Officer
Customs and Border Protection, Chief Financial Officer
DHS OIG Liaison
CBP Audit Liaison
Office of Security**



U.S. Customs and
Border Protection

FEB - 7 2005

MEMORANDUM FOR CHIEF FINANCIAL OFFICER
DEPARTMENT OF HOMELAND SECURITY

FROM: Chief Financial Officer
Office of Finance

SUBJECT: Fiscal Year 2004 National Drug Control Funds

Attached you will find Customs and Border Protection's Fiscal Year (FY) 2004 Report on the National Drug Control Funding. Please transmit this information to the Office of National Drug Control Policy. In FY 2004, Customs and Border Protection reported an expenditure against direct obligations of \$795.2 million.

To address any questions you may have regarding this submission, you may contact Mr. Thierry Curtis, Office of Budget, on (202) 344-1256.

A handwritten signature in cursive script that reads "R. Balaban".

Richard L. Balaban

Attachment

cc: Sunday Okurume, Office of Inspector General
David Nicholson, Border and Transportation Security

Department of Homeland Security
Office of Inspector General
Review of Detailed Accounting Submissions to ONDCP - FY 2004
Bureau of Customs and Border Protection (CBP)
A-05-08

**DEPARTMENT OF HOMELAND SECURITY
CUSTOMS AND BORDER PROTECTION
Annual Reporting of FY 2004 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2004 Drug Control Obligations

(Dollars in Millions)

<u>Drug Resources by Function:</u>	
Intelligence	\$ 70.694
<u>Interdiction</u>	<u>724.470</u>
TOTAL	\$ 795.164
<u>Drug Resources by Appropriation:</u>	
<u>Salaries and Expenses</u>	\$ 795.164
TOTAL	\$ 795.164

1. Drug Methodology

On the basis of past practice, four organizations within Customs and Border Protection (CBP), the Office of Field Operations, the Office of Information Technology, the Office of Training and Development, and Border Patrol were provided with guidance on preparing estimates for the FY 2004 annual reporting of drug control funds. These offices were asked to estimate, on the basis of their expert opinion, what portion of their activities is related to drug enforcement. In addition, these organizations were also asked to only provide data for obligations against budget authority that became available in FY 2004.

All four organizations identified resources in their financial plans that support the drug enforcement mission of the agency.

OFFICE OF FIELD OPERATIONS

The Interdiction and Security Division of the Office of Field Operations has identified 2,512 CBP Officer positions that are currently related to drug enforcement. In August 2003, CBP established a Consolidated National Inspectional Anti-Terrorism Contraband Enforcement Team Policy (A-TCET). Under A-TCET, the former Contraband Enforcement Team (CET), Manifest Review Unit (MRU), Non-Intrusive Inspection, Canine, and Outbound teams will be united to form a single enforcement team, A-TCET. The A-TCET teams also work closely with the Passenger Enforcement Rover Team (PERT) and Passenger Analytical Unit (PAU) teams to coordinate all enforcement activities. Although the primary mission of the A-TCET teams is anti-terrorism, they will also focus on all types of contraband, including narcotics. In the past, 100 percent of CET Inspector time has been devoted to drug enforcement. Since the primary focus of A-TCET is anti-terrorism, it is estimated that 85 percent of their time is devoted to drug

enforcement. Although the primary focus of CET enforcement teams has changed, there is only a slight decrease in time devoted to drug enforcement due to similarities in function. The smuggling methodologies and their indicators are believed to be similar for both narcotics and anti-terrorism activities.

By the end of FY 2004, there were almost 700 Canine Enforcement Officers, including 17 Currency Canine Enforcement Officers, that were nearly 100 percent devoted to smuggling interdiction.

There were more than 14,000 other CBP Officers that, in addition to the interdiction of contraband and illegal drugs also enforce hundreds of laws and regulations of many other Federal government agencies. For example, these agencies include 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.

The Intelligence and Interdiction functional split estimates are based on prior year TECS-generated SAS Reports relating to narcotics seizures. Activities were generated as a result of prior information received from sources such as Customs, DEA, NCIC, TECS, and other intelligence, or as a direct result of the narcotics interdiction efforts of CBP Officers. Additionally, the Automated Targeting System (ATS) is an automated tool that permits CBP to process advance information and focus its inspection efforts on potentially high-risk transactions and travelers. The ATS is a flexible, evolving system that integrates information from enforcement and commercial databases. In the cargo environment, ATS analyzes electronic data related to the individual shipments to profile and rank them in order of risk based on the application of algorithms and rules prior to arrival. The scores are divided into thresholds associated with further action by CBP such as document review and inspection using non-intrusive inspection technology.

ATS accesses and analyzes entry data when it is submitted electronically. Entry data is some of the most detailed and accurate information available for targeting.

Staffing data was derived as follows: Enforcement Team Officer numbers were based on results of a prior survey of ports and field operations offices on the number and types of employees dedicated to enforcement; the remainder are based on Human Resources Management data. Average salaries and benefits for personnel are based on HRDS/AIMS data.

OFFICE OF TRAINING AND DEVELOPMENT

The Office of Training and Development's mission support, while vital to Customs and Border Protection is not entirely drug related.

Training arrived at its estimates by reviewing all courses conducted in FY 2004 to determine if the course contained drug enforcement related material. If the course was found to contain drug related material, it was then categorized by interdiction, intelligence, or investigation. In addition, the percentage of drug related material was identified and the total cost for the course was then multiplied by the drug content percentage.

The costs associated with training delivery were broken out by, drug resources by appropriation, as well as, drug resources by function. Estimates were derived based on classes conducted, instructors, and support personnel. Firearms training was deemed

100 percent drug related in its mission and headquarters personnel were denoted as a support function to all field representatives.

Total drug resources for the Office of Training and Development are further broken down into a 98/2-percentage split between the Interdiction and Intelligence functions based upon professional judgment.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology supports the drug enforcement mission through the acquisition, support and maintenance of technology, such as non-intrusive inspection systems, through its Applied Technology Division (ATD). In addition, we maintain several automated targeting systems. Approximately 50 percent of program support resources and targeting system resources, 36 percent of acquisition resources, and 50 percent of support and maintenance resources are dedicated to drug enforcement.

BORDER PATROL

There are approximately 11,000 Border Patrol agents that are assigned the mission of detecting and apprehending any illegal entrants between the ports-of-entry along the 8,000 miles of the United States borders. These illegal entries include alien 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 legal entry. It has been determined that 15% of the total agent time nationwide is related to drug interdiction activities. These activities include staffing 26 permanent border traffic checkpoints nationwide including over 398 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 linewatch functions in targeted border areas that are frequent entry points for the smuggling of drugs and people into the United States. A fleet of over 100 fixed and rotary wing aircraft are operated along the borders and perform a multitude of missions that results in the interdiction of narcotics being smuggled into the United States. CBP aircraft are currently responsible for \$ 3,200 in seized narcotics for every flight hour flown. Border Patrol pilots fly nearly 50,000 hours annually in patrolling the borders.

2. Methodology Modifications

- (a) Last year's Office of Information and Technology submission used 50% of base resources, 43% of research and development resources, 50% of acquisition resources, and 50% of support and maintenance resources were dedicated to drug enforcement. In this submission, these percentages have been adjusted to 50% of program support resources and targeting system resources, 36% of acquisition resources, and 50% of support and maintenance resources are dedicated to drug enforcement. If last year's percentages had been used, Customs obligation estimate would have increased by \$14 million.

Overall, these changes decrease the CBP obligation estimates in this submission by \$14 million. We believe that this estimate fairly characterizes our efforts and provides a better point for comparison against past estimates.

3. Material Weakness or Other Findings

None

4. Reprogramming or Transfers

None

5. Other Disclosures

None

B. Assertions

1. Drug Methodology

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

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 Estimate Methods

None

c. Financial Systems

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.

2. Application of Methodology

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

3. Reprogramming or Transfers

No changes were made to CBP's Financial Plan that required ONDCP approval per the ONDCP Circular dated April 18, 2003.

4. Fund Control Notices

The data presented are associated with obligations against the financial plan that fully complied with the fund control notice issued by the Director of The Office of National Drug Control Policy on September 19, 2004.

Additional Information and Copies

To obtain additional copies of this report, call the Office of Inspector General (OIG) at (202) 254-4100, fax your request to (202) 254-4285, or visit the OIG web site at www.dhs.gov/oig.

OIG Hotline

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to department programs or operations, call the OIG Hotline at 1-800-323-8603; write to DHS Office of Inspector General/MAIL STOP 2600, Attention: Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410, Washington, DC 20528, or email DHSOIGHOTLINE@dhs.gov. The OIG seeks to protect the identity of each writer and caller.