



# Department of Homeland Security Office of Inspector General

## Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2008 Drug Control Obligations





Homeland  
Security

February 12, 2009

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 FY 2008 Drug Control Obligations and related disclosures of the U.S. Customs and Border Protection for the fiscal year ended September 30, 2008, 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 FY 2008 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. KPMG LLP is responsible for the attached independent accountants' report dated February 2, 2009, and the conclusions expressed in the report.

U.S. Customs and Border Protection's management reported that it cannot 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 [Office of National Drug Control Policy's] approval of reprogrammings or transfers affecting drug-related resources in excess of \$1 million." As a result, KPMG LLP was unable to complete its review and report on management's assertions on the Table of FY 2008 Drug Control Obligations pursuant to the requirements of the Office of National Drug Control Policy Circular. We do not express an opinion on the Table of FY 2008 Drug Control Obligations and related disclosures.

We trust the information in this report will continue to result in effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner  
Inspector General



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

## **Independent Accountants' Report**

Inspector General  
U.S. Department of Homeland Security

We have reviewed the accompanying Table of FY 2008 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, 2008. We were also engaged to review the accompanying management's assertions for the year ended September 30, 2008. CBP's management is responsible to prepare the Table of FY 2008 Drug Control Obligations and related disclosures and the assertions to comply 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 2008 Drug Control Obligations and related disclosures. Management reported that they can not assert that the "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, without a positive assertion provided by management we are unable to complete our review of management's assertions on the Table of FY 2008 Drug Control Obligations and related disclosures. Accordingly, our review procedures are limited to the subject matter of the Table of FY 2008 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 subject matter of the Table of FY 2008 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 2008 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 subject matter of the Table of FY 2008 Drug Control Obligations and related disclosures for the year ended September 30, 2008 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

February 2, 2009

DEPARTMENT OF HOMELAND SECURITY  
 CUSTOMS AND BORDER PROTECTION  
 Annual Reporting of FY 2008 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2008 Drug Control Obligations

(Dollars in Millions)	
	FY 2008 Final
<b>Drug Resources by Budget Decision Unit and Function</b>	
Salaries & Expenses	
Intelligence	215.459
Interdiction	1,033.217
<b>Total, Salaries and Expenses</b>	<b>1,248.676</b>
Air & Marine Operations	
Intelligence	\$62.169
Interdiction	\$233.875
<b>Total, Air &amp; Marine Operations</b>	<b>\$296.044</b>
<b>Total Obligations</b>	<b>\$1,544.720</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; Field Operations; Information Technology; Training and Development; and Air and Marine were provided with guidance on preparing estimates for the FY 2008 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.

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 are almost 17,500 Border Patrol agents as of September 27, 2008, 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 interdiction. Of the 15% related to drug interdiction, 15% of these efforts are related to intelligence. These activities include staffing 34 permanent border traffic checkpoints nationwide including 625 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 Office of Field Operations estimates that, as of September 2008, there were 3,941 CBP Officer positions that were related to drug enforcement called Enforcement Team Officers. In August 2003, CBP established a Consolidated National Inspectional Anti-Terrorism Contraband Enforcement Team (A-TCET) Policy. Under A-TCET, the former Contraband Enforcement Team (CET), Manifest Review Unit (MRU), Non-Intrusive Inspection, Canine, and Outbound teams were united to form a single enforcement team, A-TCET. 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 the A-TCET teams is anti-terrorism, A-TCETs also focus on all types of contraband, including narcotics. It is estimated that 69 percent of the A-TCET is devoted to drug enforcement. The smuggling methodologies and their indicators are believed to be similar for both narcotics and anti-terrorism activities.

As of September 2008, CBP had a total of 626 Canine Enforcement Officers on-board. Included in the total were 228 Narcotics Detection Teams, 15 Currency Detection Teams and 238 Narcotics/Concealed Human Detection Teams that were nearly 100 percent devoted to smuggling interdiction. Also included in the total, but not scored for narcotics enforcement is 115 Agricultural Teams, and 23 Explosive Detection Teams. Seven dog handlers did not have dogs at the time that this data was collected. This was due to recent canine retirements.

As of September 2008, the Office of Field Operations (OFO) also had oversight for 14,951 other CBP Officers that in addition to the interdiction of contraband and illegal drugs 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.

#### 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 base 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) arrived at its estimates by reviewing all courses conducted in FY 2008 to determine if the course contained drug enforcement related material. If the course was found to contain drug related material, the funding attributed to the course was then multiplied by the drug content percentage based on the drug budget methodology. Other resources were attributed to drug enforcement activities at a rate of 31 percent based on the diverse nature of OTD's programs such as anti-terrorism, career development, and transition training of the legacy workforce.

## OFFICE OF AIR & MARINE OPERATIONS

CBP Air'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. However, due to aging aircraft structural, fatigue, and stress issues over the service life of the fleet, three P-3s have reached the Total Life Index (TLI) limit and one other is nearing TLI. Several other P-3s are undergoing or are nearing completion of depot level sustainment inspection and repair. Therefore, A&M has not been able to meet this 7,200 minimum. However, CBP A&M flew in excess of 5900 hours with dramatically reduced fleet availability in FY 2007.

As sustainment inspections are completed, fleet availability is expected to increase throughout FY 2008. An extensive SLEP program is underway. CBP A&M conducted a full and open competition to acquire new wing assembly kits for the P-3s. In FY 2008, a contract for new wing kits was awarded. This effort will be followed by a wing installation initiative commencing in FY 2009. The completion of special depot inspections in FY 2008 will stage CBP A&M to meet or exceed flight hour commitments by the end of FY 2009. Successful completion of the SLEP program will add 15,000 flight hours to the service life of the CBP A&M 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

There were no methodology modifications since last year. As mentioned above the percentages are, in large part, based on expert opinion.

### 3. Material Weaknesses or Other Findings

Pursuant to CBP's FY 2008 Internal Control Assurance Statement, CBP reported an IT material weakness with respect to IT general and application controls. The Assurance Statement cited that the weakness limits CBP's ability to ensure that critical and operational data is maintained in such a manner to ensure confidentiality, integrity, and availability. SAP is the primary system CBP utilizes to support drug control obligation expenditures. The latest estimated completion date for correcting the material weakness is December 30, 2009.

### 4. Reprogrammings or Transfers

A reprogramming action dated September 9, 2008 from Border Security and Control Between (\$5.25 million) and At the Ports of Entry (\$2.1 million) Program Project and Activities (PPAs) to the Border Security Fencing Infrastructure and Technology (PPA) resulted in a (\$7.35) million dollar decrease to the Drug Control Budget for FY 2008. A June 25, 2008 reprogramming action from the Border Security and Control Between the Ports of Entry PPA to the Air and Marine Salaries PPA resulted in a \$13.26 million

increase to the drug control budget. The reprogramming actions in September and June cumulatively increased the FY 2008 drug control budget by approximately \$5.91 million.

#### 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:

##### 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 failed to notify ONDCP for approval before submitting FY 2008 reprogramming and transfer requests exceeding the threshold amount to the Congress on June 25, 2008 and September 9, 2008 per the ONDCP Circular dated May 1, 2007. Budget will implement corrective actions to assure that future notifications will take place.



#### 4. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2008. 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

---

### **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 Policy  
Assistant Secretary for Public Affairs  
Assistant Secretary for Legislative Affairs  
Under Secretary, Management  
Chief Financial Officer  
Deputy Chief Financial Officer  
Acting Director Office of Financial Management  
Chief Information Officer  
Chief Security Officer  
Chief Privacy Officer

### **Office of National Drug and Control Policy**

Associate Director for Planning and Budget

### **Customs and Border Protection**

Commissioner, Customs and Border Protection  
Chief Financial Officer  
Chief Information Officer

### **Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Program Examiner

### **Congress**

Congressional Oversight and Appropriations Committees, as appropriate



#### ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this report, please call the Office of Inspector General (OIG) at (202) 254-4199, fax your request to (202) 254-4305, or visit the OIG web site at [www.dhs.gov/oig](http://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 our Hotline at 1-800-323-8603;
- 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.