

# DEPARTMENT OF HOMELAND SECURITY

## Office of Inspector General

Letter Report:

Independent Review of The  
U.S. Customs and Border Protection's  
Reporting of FY 2005  
Drug Control Funds



Office of Audits

OIG-06-26


March 2006



Homeland  
Security

March 20, 2006

MEMORANDUM FOR: Deborah J. Spero  
Acting Commissioner  
U.S. 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 2005 Drug Control Funds*

The Office of National Drug Control Policy (ONDCP) requires U.S. Customs and Border Protection (CBP) to submit an annual Detailed Accounting Submission (Submission), as authorized by 21 U.S.C. § 1704(d) and ONDCP Circular, *Drug Control Accounting* (Circular), April 18, 2003, to ONDCP. The Submission is included in this report as Appendix A, and the Circular is included as Appendix B. The Submission is the responsibility of CBP's management.

We have reviewed the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources by function and by budget decision unit according to the criteria specified in Section 6(b) of the Circular; and whether the drug methodology disclosed in the Submission was the actual methodology used to generate the table required by Section 6(a) of the Circular. Drug methodology means the process by which CBP calculates its drug-related financial statistics according to ONDCP requirements.

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 reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources by function and by budget decision unit according to the criteria specified in Section 6(b) of the Circular; and whether the drug methodology disclosed in the Submission was the actual methodology used to generate the table required by Section 6(a) of the Circular. Accordingly, we do not express such an opinion.

Our review disclosed that, in its Submission, CBP reported using a factor of 90 percent to calculate the CBP Air and Marine's contribution to CBP's reported drug-related obligations. The factor used in CBP Air and Marine's actual calculation of drug-related obligations was 84 percent. The Submission also omitted a description of the methodology used by CBP Air and Marine to allocate its drug-related obligations between Intelligence and Interdiction functions. These two conditions deviate from the requirement that the drug methodology disclosed in the Submission was the actual methodology used to generate the table required by Section 6(a) of the Circular.

Our review disclosed that the *Independent Auditors' Report*<sup>1</sup> for CBP's balance sheet as of September 30, 2005, identified a material weakness related to information technology. The report said that the information technology control weaknesses limited "CBP's ability to ensure that critical financial and operational data is maintained in such a manner to ensure confidentiality, integrity, and availability." 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. 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 CBP's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. The material weakness related to information technology deviates from the criteria that 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.

We did not review, as required by the Circular, whether 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 \$5 million. Further, we did not review whether the data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices issued by the ONDCP Director under 21 U.S.C. § 1703(f) and Section 8 of the ONDCP Circular, *Budget Execution*. We did not review these matters because of incomplete criteria against which to evaluate the subject matter, in terms of measurability and applicability for multi-mission bureaus, of which CBP is one. We recommend that CBP, in conjunction with DHS, obtain formal guidance from ONDCP and legal counsel, as appropriate, on appropriate and suitable criteria to evaluate these matters for multi-mission bureaus.

Based on our review, except for the effects, if any, of the matters discussed in paragraphs four and five of this report, nothing came to our attention that caused us to believe that the drug methodology used to calculate obligations of prior year budgetary resources by function and by budget decision unit is not reasonable and accurate, in all material respects, in conformity with criteria specified in the Circular, and that the drug methodology disclosed in the Submission was not the actual methodology used to generate the table required by the Circular, in all material respects.

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<sup>1</sup> See DHS Office of Inspector General Report Number OIG-06-12, December 2005. KPMG LLP, an independent public accounting firm, performed the audit of CBP's balance sheet as of September 30, 2005.

We provided a copy of this report in draft to CBP. CBP concurred with the findings and agreed to implement the report's recommendation found in paragraph six.

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 David M. Zavada, Assistant Inspector General for Audits, at (202) 254-4100.

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Appendix A

U.S. Department of Homeland Security  
Washington, DC 20229



U.S. Customs and  
Border Protection

MAR 01 2006

TO: Director,  
Office of National Drug Control Policy

FROM: *for* Chief Financial Officer  
Customs and Border Protection *[Signature]*

SUBJECT: Fiscal Year 2005 National Drug Control Funds

Attached is the Customs and Border Protection Fiscal Year 2005 Report on the National Drug Control Funding. In FY 2005, Customs and Border Protection reported an expenditure against direct obligations of \$1,179.7 million.

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

Richard L. Balaban

Attachment

cc: Sunday Okurume

DEPARTMENT OF HOMELAND SECURITY  
 CUSTOMS AND BORDER PROTECTION  
 Annual Reporting of FY 2005 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2005 Drug Control Obligations

(Dollars in Millions)

|   |                  |
|---|------------------|
| <u>Drug Resources by Function:</u>      |                  |
| Intelligence                            | \$ 159.195       |
| <u>Interdiction</u>                     | <u>1,020.503</u> |
| TOTAL                                   | \$ 1,179.698     |
| <u>Drug Resources by Appropriation:</u> |                  |
| Salaries and Expenses                   | \$ 970.049       |
| <u>Air</u>                              | <u>209.649</u>   |
| TOTAL                                   | \$ 1,179.698     |

1. Drug Methodology

On the basis of past practice, five organizations within Customs and Border Protection (CBP), the Offices of: Border Patrol; Field Operations; Information Technology; Training and Development; and CBP Air were provided with guidance on preparing estimates for the FY 2005 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 2005.

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

OFFICE OF BORDER PATROL

There are over 11,200 Border Patrol agents that are assigned the mission of detecting and apprehending illegal entrants between the ports-of-entry along the 8,000 miles of the United States borders. 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 activities. These activities include staffing 26 permanent border traffic checkpoints nationwide including 526 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 there are currently 2,763 CBP Officer positions

that are 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 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 2005, there was a total of 646 Canine Enforcement Officers. Included in the total were 442 Narcotics Detection Teams, 17 Currency Detection Teams and 85 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 are 79 Agricultural Teams, 11 Chemical Detection Teams, and 12 Explosive Detection Teams.

There were 14,290 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.

#### 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 targeting systems. Of OIT's spending on NII, 50 percent of base resources, 50 percent of support and maintenance resources, and 50 percent of non-intrusive imaging acquisition resources support the anti-drug, as well as the anti-terrorism missions.

#### OFFICE OF TRAINING AND DEVELOPMENT

The Office of Training and Development (OTD) arrived at its estimates by reviewing all courses conducted 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.

#### CBP AIR and Marine

CBP Air's core competencies are air and marine interdiction, air and marine law enforcement, and air domain security. In this capacity, CBP Air 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 P-3 Program has dedicated a minimum of 7,200 hours a year in support of



Joint Interagency Task Force – South. This support has been instrumental in record seizures over the past two years.

Although ninety percent of the resources that support CBP Air are considered to be drug-related, since September 11, 2001, Air 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 is dedicating significant assets and personnel to National Capital Region security missions, support to Operation HALCON – a US/Mexico interdiction initiative, and support to the Office of Border Patrol in Southwest Border illegal alien intervention.

2. Methodology Modifications

(a) Last year's Office of Field Operations submission the functional split for Enforcement Team Officers was an 84/16 Interdiction/Intelligence split. In this submission, the functional split for these officers is an 85/15 Interdiction/Intelligence split. The functional splits for other CBP Officers, ATS (Inbound), ATS (Land Border) and the Customs-Trade Partnership Against Terrorism (C-TPAT) have been changed from an 88/12 to an 80/20 Interdiction/Intelligence split. This change reflects professional judgment gained through field training and does not change the overall amount of resources dedicated to drug enforcement. However, it does shift \$23.6 million from the interdiction function to the Intelligence function.

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 13, 2004.

## Appendix B

### ONDCP Circular: Drug Control Accounting

April 18, 2003

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#### TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

**SUBJECT:** Annual Accounting and Authentication of Drug Control Funds

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.
2. **Rescission.** This circular rescinds and replaces the ONDCP Circular, *Annual Accounting of Drug Control Funds*, dated May 30, 2002.
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 ONDCP to "... monitor implementation of the National Drug Control Program, including – (A) conducting program performance audits and evaluations; and (B) requesting assistance from 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 April 18, 2003. These terms include: *National Drug Control Program*, *National Drug Control Program Agency*, *Bureau*, *Drug Methodology*, *Drug Control Functions*, and *Budget Decision Units*. Further,

Drug Control Accounting

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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 April 18, 2003.

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 –Bureau of Customs and Border Protection, Coast Guard, Bureau of Immigration and Customs Enforcement, and the Veterans Health Administration (VHA) – obligations reported by Budget 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

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<sup>1</sup>Consistent with reporting requirements of the ONDCP Circular, *Budget Formulation*, dated April 18, 2003, resources received from the following accounts are excluded from obligation estimates: (1) ONDCP – High Intensity Drug Trafficking Areas (HIDTA) and (2) the Organized Crime Drug Enforcement Task Forces 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.

Units, as they are defined for the National Drug Control Budget. (See Attachment B of the ONDCP Circular, *Budget Formulation*, dated April 18, 2003.)

- (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 Bureau of Customs and Immigration Enforcement, Coast Guard, the Bureau of Immigration and Customs Enforcement, and VHA. The criteria associated with this assertion are as follows:

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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.

- (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 \$5 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. **Inspector General Authentication.** Each report defined in Section 6 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.

8. **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 report will be accompanied by statements from the CFO, or accountable senior level executive, and the agency Inspector General attesting that full compliance with this Circular would constitute an unreasonable reporting burden. In those 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.

**9. 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 Section 6, along with the IG's authentication(s) defined in Section 7, to the attention of the Associate Director for Planning 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 7 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

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