



Department of Homeland Security Office of Inspector General

Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2009 Drug Control Obligations





**Homeland
Security**

JAN 27 2010

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 Prior Year Drug Control Obligations and related disclosures of the U.S. Customs and Border Protection for the fiscal year ending September 30, 2009, 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 Prior Year 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. U.S. Customs and Border Protection was unable to assert that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those revisions. U.S. Customs and Border Protection also could not assert that any reprogrammings or transfers that occurred in excess of \$1 million were approved by the Office of National Drug Control Policy as required by the Circular. As a result, KPMG limited its review to the Table of FY 2009 Drug Control Obligations and related disclosures and was unable to report on management's assertions pursuant to the requirements of the Office of National Drug Control Policy Circular. Nothing else came to the independent accountants' attention that caused them to believe that the Table of FY 2009 Drug Control Obligations and related disclosures for the year ending September 30, 2009, was not presented, in all material respects, in conformity with the Office of National Drug Control Policy's Circular. KPMG LLP is responsible for the attached report dated January 20, 2010, and the conclusions expressed in it. We do not express an opinion on the Table of Prior Year Drug Control Obligations and related disclosures.

We trust this report will result in more 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 2009 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, 2009. We were engaged to review the accompanying management's assertions for the year ended September 30, 2009. CBP's management is responsible for the preparation of the Table of FY 2009 Drug Control Obligations and related disclosures, and the assertions for compliance 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 2009 Drug Control Obligations and related disclosures. Management was unable to 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 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, since management was unable to make an assertion that is required by the ONDCP Circular, we limited our review procedures to the Table of FY 2009 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 Table of FY 2009 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 2009 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 Table of FY 2009 Drug Control Obligations and related disclosures for the year ended September 30, 2009 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

January 20, 2010



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

JAN 20 2010

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:

The attached represents U.S. Customs and Border Protection's (CBP) Fiscal Year (FY) 2009 Detailed Accounting Report on National Drug Control Funding. In FY 2009, CBP reported an expenditure amount against direct obligations of approximately \$1,910.692 million.

If you have any questions regarding this submission, please feel free to contact me at (202) 344-2300, or a member of your staff may contact Mrs. Halima Blower at (202) 344-3361.

A handwritten signature in black ink, appearing to read "E. Schied".

Eugene H. Schied

Attachments

DEPARTMENT OF HOMELAND SECURITY
 CUSTOMS AND BORDER PROTECTION
 Annual Reporting of FY 2009 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2009 Drug Control Obligations

	FY 2009 Final
Drug Resources by Budget Decision Unit and Function	
Salaries & Expenses	
Intelligence	210.277
Interdiction	1,280.618
Total, Salaries and Expenses	1,490.895
Air & Marine Operations	
Intelligence	88.157
Interdiction	331.640
Total, Air & Marine Operations	419.797
Total Obligations	1,910.692
HIDTA Transfer	0.264

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 (OBP); Field Operations (OFO); Information Technology (OIT); Training and Development (OTD); and Air and Marine (OAM) were provided with guidance on preparing estimates for the FY 2009 annual reporting of drug control funds. The percentages for OBP, OAM, OIT, OTD, and OFO are based on the expert opinions of the program offices. These offices were asked to estimate 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 were 20,119 Border Patrol agents as of September 26, 2009, 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. 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 34 permanent border traffic checkpoints nationwide including 689 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 2009, there were 3,941 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. Although the primary mission of A-TCET teams is anti-terrorism, they also focus on all types of contraband, including narcotics. CBP estimates that 69 percent of the A-TCET is devoted to drug enforcement. The smuggling methodologies and their indicators are similar for both narcotics and anti-terrorism activities.

As of September 2009, there were 544 Canine Enforcement Officers with assigned dogs. Among the dogs paired with an officer, 208 were Narcotics Detection Teams, 32 Currency Firearms Detection Teams and 208 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 96 Agricultural Teams. Twenty-three 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 2009, there were also 16,573 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

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 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) provides courses which are 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. 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 AIR & MARINE OPERATIONS

CBP Air and Marine'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. Although OAM's P-3 fleet continued its SLEP and wing replacement program in Fiscal Year 2009, the P-3's flew over 7,700 flight hours. CBP OAM P-3 are expected to meet or exceed flight hour commitments to JITF-South during FY 2010 and provide additional surveillance support along the northern border. Successful completion of the SLEP program will add 15,000 flight hours to the service life of the CBP OAM 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

The Office of Border Patrol (OBP) attributes 15 percent of their total budget to drug control resources. In FY 2009, the percentage allocation between drug intelligence and drug interdiction was revised to more accurately report resources between the functions. Therefore, the revised methodology for OBP states that of the drug control funds, 3.5 percent is for drug intelligence and 96.5 percent is for drug interdiction. FY 2008 intelligence and interdiction splits, when applying the FY 2009 methodology, result in \$9.254 million for intelligence and \$255.136 million for interdiction (as opposed to \$39.659 for intelligence and \$224.732 million for interdiction which was reported in FY 2008). Total drug control obligations for FY 2008 remained the same.

3. Material Weaknesses or Other Findings

Pursuant to CBP's Amended Fiscal Year 2009 CBP Internal Control Assurance Statement, the following financial weaknesses, reportable conditions or non-conformance could effect the reporting of drug control budget obligations.

Reporting Pursuant to the DHS Financial Accountability Act. P.L. 108-330:

b. Financial Reporting—*Material Weakness*

CBP did not conduct a thorough review of the year-end financial statements which initially resulted in misstatements to the year-end financial statements. CBP Management will update their policies and procedures for assembling the financial statements to include standard reviews, approvals and edit checks.

d. Budgetary Accounting---*Reportable Condition*

CBP implemented policies and procedures requiring the timely review and deobligations of funds when the contracts have expired or are complete. However, results of testing

showed CBP was ineffective in monitoring compliance in a timely manner. Based on planned corrective actions, we anticipate these controls will be operating effectively by the end of FY 2010.

Reporting Pursuant to FMFIA Section 4. 31 U.S.C.3512 (d)(2)(B):

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

CBP reported a Financial Systems Security weakness with respect to Information Technology General Controls. The Department requires each Component's information technology (IT) systems identified as CFO-Designated Systems to comply with the 27 key internal controls detailed in the DHS Management Directive 4300.1 DHS Sensitive Systems Policy Directive 4300A, DHS 4300A Sensitive Systems Handbook (SSH), and its Attachment R, Compliance Framework for CFO Designated Financial Systems. During the FY 2009 A-123 assessment of Information Technology General Controls, it was noted that 3 of 7 CBP Chief Financial Officer-Designated Financial Systems have IT internal control weaknesses with user account management. Additionally, the assessment noted weaknesses with IT security logging and monitoring, system software, and segregation of duties, thereby limiting management's assurance on the internal controls over these systems.

4. Reprogrammings or Transfers

Within fiscal Year (FY) 2009, there were two reprogramming requests that affected the drug budget exceeding the \$1 million dollar threshold: a reprogramming to combat southwest border violence and a reprogramming to address the shortfalls in user fee collections.

- The reprogramming action for Southwest Border Violence to the Inspection, Trade and Travel Facilitation at Ports of Entry program project and activity (PPA) from CBP no-year appropriations resulted in a \$5.67 million dollar increase to the Drug Control Budget for FY 2009.
- The reprogramming action for the user fee shortfall to the Inspection, Trade and Travel Facilitation at Ports of Entry PPA from the Customs-Trade Partnership Against Terrorism (C-TPAT) PPA, the Air and Marine Salaries and Benefits PPA and the Border Security and Control PPA resulted in an increase in the drug control budget by \$1.020 million.

In total, the cumulative impact of both of the above reprogrammings to the drug control budget was an increase of \$6.69 million in FY 2009.

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 sent a letter to ONDCP dated August 19, 2009 concerning the reprogramming actions affecting the drug control budget. At the time the letter was sent the reprogramming action for southwest border violence was approved by the House May 22 and the Senate May 21, 2009. The reprogramming to address the user fee shortfall was approved by the House July 23, 2009 and was pending Senate approval (subsequently thereafter approved). Within the August 19 letter to ONDCP, CBP acknowledged that it must submit notification requests to ONDCP prior to obtaining Congressional approval. CBP overlooked this requirement due to exigent circumstances and a compelling fiscal need, but intends to be in full compliance when preparing all future reprogramming or transfer requests. Budget has implemented corrective actions to assure that future notifications will take place in a timely manner.

4. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2009. 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*.

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