



U.S. DEPARTMENT OF HOMELAND SECURITY **OFFICE OF INSPECTOR GENERAL**

OIG-25-11

January 27, 2025

FINAL REPORT

Review of United States Coast Guard's Fiscal Year 2024 Detailed Accounting Report for Drug Control Funds





OFFICE OF INSPECTOR GENERAL

U.S. Department of Homeland Security

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

January 27, 2025

MEMORANDUM FOR: The Honorable Admiral Kevin E. Lunday
Acting Commandant
United States Coast Guard

FROM: Joseph V. Cuffari, Ph.D. **JOSEPH V
CUFFARI** Digitally signed by
Inspector General JOSEPH V CUFFARI
Date: 2025.01.27
14:49:48 -05'00'

SUBJECT: *Review of United States Coast Guard's Fiscal Year 2024 Detailed Accounting Report for Drug Control Funds*

Attached for your information is our final report, *Review of United States Coast Guard's Fiscal Year 2024 Detailed Accounting Report for Drug Control Funds*. United States Coast Guard's (Coast Guard) management prepared the Detailed Accounting Report and the related assertions to comply with the requirements of the Office of National Drug Control Policy Circular, *National Drug Control Program Agency Compliance Reviews*, dated September 9, 2021.

We contracted with the independent accounting firm Williams, Adley & Company – DC, LLP (Williams Adley) to review Coast Guard's Detailed Accounting Report. Williams Adley is responsible for the attached Independent Accountant's Review Report, dated January 23, 2025, and the conclusions expressed in it. The report contains no recommendations.

Consistent with our responsibility under *the Inspector General Act*, we will provide copies of our report to 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 contact me with any questions, or your staff may contact Kristen Bernard, Deputy Inspector General for Audits, at (202) 981-6000.

Attachment



DHS OIG HIGHLIGHTS

Review of United States Coast Guard's Fiscal Year 2024 Detailed Accounting Report for Drug Control Funds

January 27, 2025

Why We Did This Review

The Office of National Drug Control Policy (ONDCP) Circular, *National Drug Control Program Agency Compliance Reviews*, requires National Drug Control Program agencies to submit to the ONDCP Director by February 1 of each year a detailed accounting of all funds expended for National Drug Control Program activities during the previous fiscal year.

At least every 3 years, the Office of Inspector General is required to review the report and provide a conclusion about the reliability of each assertion made in the report.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at:

DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

What We Found

Williams, Adley & Company – DC, LLP (Williams Adley), under contract with the Department of Homeland Security Office of Inspector General, issued an Independent Accountant's Review Report on the United States Coast Guard (Coast Guard) Detailed Accounting Report for Drug Control Funds. Coast Guard's management prepared the Table of FY 2024 Drug Control Obligations and related assertions to comply with the requirements of the ONDCP Circular, *National Drug Control Program Agency Compliance Reviews*, dated September 9, 2021.

Based on its review, nothing came to Williams Adley's attention that caused it to believe that Coast Guard's FY 2024 Detailed Accounting Report and related assertions are not presented in conformity with criteria in the Circular. Williams Adley did not make any recommendations.



Independent Accountant's Review Report

Inspector General
United States Department of Homeland Security

We have reviewed the accompanying Detailed Accounting Report (DAR) of the U.S. Department of Homeland Security's (DHS) United States Coast Guard (USCG) for the year ended September 30, 2024. USCG's management is responsible for the preparation of the DAR in conformity with the requirements of the Office of National Drug Control Policy Circular: *National Drug Control Program Agency Compliance Reviews*, dated September 9, 2021 (the Circular). Our responsibility is to express a conclusion about management's assertions based on our review.

We conducted our review in accordance with the attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the DAR or related assertions in order for them to be in accordance with the Circular. The procedures performed in a review vary in nature and timing from and are substantially less in extent than an examination, the objective of which is to obtain reasonable assurance about whether USCG's DAR and related assertions are in accordance with the Circular, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of the assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

Based on our review, we are not aware of any material modifications that should be made to the DAR or related assertions for the year ended September 30, 2024, in order for them to be in conformity with the requirements set forth in the Circular.

The purpose of this report is to authenticate the DAR as required by the Circular based on our review and is not suitable for any other purpose. This report is intended solely for the information and use of DHS Office of Inspector General, USCG, and the Office of National Drug Control Policy, and is not intended to be, and should not be, used by anyone other than the specified parties.

Williams, Adley & Company - DC, LLP

Washington, D.C.
January 23, 2025

U.S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

2703 Martin Luther King Jr. Ave. SE
Washington, DC 20593
Staff Symbol: CG-821
Phone: (202) 372-2307

7110
January 16, 2025

Dr. Rahul Gupta
Director
Office of National Drug Control Policy
750 17th Street, NW
Washington, DC 20503

Dear Dr. Gupta,

In accordance with the Office of National Drug Control Policy Circular: *National Drug Control Program Agency Compliance Reviews*, dated September 9, 2021, enclosed is the Coast Guard's FY 2024 Detailed Accounting Report.

If there are any questions, please contact my Drug Budget Coordinator, LCDR Jonathan Kelly, (202) 372-3558.

Sincerely,

A handwritten signature in blue ink, appearing to read "LRPetersen", with a long horizontal line extending to the right.

L. R. Petersen
Captain, U.S. Coast Guard
Deputy, Office of Budget and Programs

Enclosures: (1) USCG FY 2024 Detailed Accounting Report

Copy: Department of Homeland Security, Office of the Chief Financial Officer, Budget
Division

**DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
Detailed Accounting Report of FY 2024 Drug Control Funds**

DETAILED ACCOUNTING REPORT

1. Table of FY 2024 Drug Control Obligations

RESOURCE SUMMARY (Dollars in Millions)	2024 Actual Obligations
Drug Resources by Drug Control Function:	
• Interdiction	\$2,046.241
• Research and Development	\$.817
Total Resources by Function	\$2,047.058
Drug Resources by Budget Decision Unit:	
• Operations and Support (O&S)	\$1,642.592
• Procurement, Construction, and Improvements (PC&I)	\$403.649
• Research and Development (R&D)	\$.817
Total Drug Control Obligations	\$2,047.058

2. Drug Methodology

In fiscal year (FY) 2000, a methodology known as the Mission Cost Model (MCM) was developed to present the United States Coast Guard (USCG) missions using activity-based cost accounting principles. The MCM is an estimate of operational mission costs allocated across the Coast Guard's eleven missions/programs consisting of: Drug Interdiction; Migrant Interdiction; Ports, Waterways and Coastal Security; Other Law Enforcement; Defense Readiness; Search and Rescue; Marine Safety; Ice Operations; Marine Environmental Protection; Living Marine Resources; and Aids to Navigation. The MCM output estimated to Drug Interdiction is allocated to the Office of National Drug Control Policy (ONDCP) Drug Control Function 'Interdiction' for all decision units with the exception of R&D. R&D is allocated to ONDCP Control Function 'Research and Development'. The information reported is timely and derived from an allocation process involving the Coast Guard's financial statement information and operational employment data. The operating hour allocation, or baseline, is developed and modified based upon budget line item requests and operational priorities.

The USCG is required to report its drug control funding to the ONDCP in three appropriations, categorically called decision units. The Coast Guard's drug control funding estimates are computed by examining the decision units that are comprised of: Operations and Support (O&S); Procurement, Construction, and Improvement (PC&I); and Research and Development, (R&D). Each decision unit contains its own unique spending authority and methodology. For

example, PC&I includes funding that remains available for obligation up to five years after appropriation, and R&D includes funding that remains available for obligation up to three years after appropriation. Unless stipulated by law, O&S funding must be spent in the fiscal year it is appropriated. The mechanics of the MCM methodology used to derive the drug control information for each decision unit's drug control data is derived as follows.

Mission Cost Allocations

O&S funds are used to operate Coast Guard facilities, maintain capital equipment, improve management effectiveness, and recruit, train, sustain, and compensate an active duty military and civilian workforce. The Coast Guard tracks resource hours spent on each of its eleven statutory missions. Obligations within the drug interdiction program are derived by allocating a share of the actual obligations of assets and activities based upon the reported percentage of time aircraft, cutters, and boats spent conducting drug interdiction activities.

The two chief input drivers to the MCM are:

- The Coast Guard's Expense Allocation Model (EAM) – The EAM model development, formerly known as the Standard Rate and User Fee Model, uses the SAS[®] Activity Based Model (ABM) and Enterprise Guide (EG) software solutions. The model inputs include expenditure data captured by the Coast Guard's three general ledgers: Financial System Modernization Solution (FSMS), Naval and Electronics Supply System (NESSS), and Aircraft Logistics Information Management System (ALMIS). As such, this model calculates the total cost, including direct, support, and overhead, to operate the Coast Guard's assets, as well as missions or services that the Coast Guard performs, but does not have related standard rates or user fees.
- Abstract of Operations (AOPS) and ALMIS – The Coast Guard tracks resource hours incurred for each of the eleven Coast Guard statutory missions using AOPS and ALMIS. This data is used to determine the amount of time each asset class is employed conducting each Coast Guard mission as a ratio of total resource hours incurred on all missions.

Using data recorded in the three general ledgers (FSMS, NESSS, and ALMIS) in combination with asset activity data recorded in AOPS and ALMIS, the Coast Guard allocates O&S costs to each of the eleven statutory missions. By design, the MCM is based on the O&S decision unit. PC&I and R&D decision units must be calculated separately, due to the structure of the PC&I and R&D decision units, which are presented as individual projects in the Coast Guard's budget submission. Within PC&I and R&D, individual projects are allocated to missions based on an established profile (largely based on utilization). The drug interdiction attributions of each of these projects are then combined to determine the total contribution to the drug interdiction mission.

As previously discussed, because the USCG budgets through congressionally established appropriations (rather than individual missions), the organization must rely on information contained within the activity based MCM. USCG uses this MCM data to determine financial obligations specifically related to statutory missions, including Drug Interdiction. This appropriation structure supports multi-mission requirements by allowing the service to surge

and shift resources across all missions. This level of resource flexibility is critical to successful mission execution in our dynamic, operational environment. However, such a structure makes it difficult to precisely determine the cost of a particular mission or the “level of effort” expended in carrying out each mission. The MCM provides the USCG with a reliable, repeatable system that forecasts future year spending and estimates previous year obligations by mission.

3. Methodology Modifications

The methodology described above is consistent with the previous year.

4. Material Weaknesses or Other Findings

In FY 2024, USCG contributed to three of the Departmental material weaknesses: Information Technology Controls and Information Systems, Financial Reporting, and Seized and Forfeited Property Other than Monetary Instruments. However, DHS determined deficiencies in Seized and Forfeited Property Other than Monetary Instruments did not meet the threshold of a material weakness. The USCG’s control deficiencies did not impair USCG’s ability to report complete and accurate obligation data in the Table of FY 2024 Drug Control Obligations. Also, during FY 2024, USCG joined other DHS components in continuing to make significant improvements in remediating areas of material weaknesses.

- a) Information Technology Controls and Information Systems:
 - i. Insufficient design and implementation of controls in accordance with the DHS information System Security program, Sensitive Systems policy and federal information security requirements.
 - ii. Ineffective internal control related to service organizations, including the monitoring of Information Technology.
 - iii. General Controls (ITGC) for external systems to ensure adequate reliance. Insufficient evaluation and documentation of service organizations roles, performing effective reviews of Service Organization Controls (SOC) reports, and addressing service provider risk in absence of SOC reports.
 - iv. Ineffective IT security control and inadequate application / functionality controls impact the ability for management to fully rely on system generated data and reports without putting the processes utilizing this information at risk.
- b) Financial Reporting:
 - i. Ineffective monitoring over information utilized in DHS internal control over financial reporting processes and control activities.
 - ii. Process deficiencies related to monitoring of external service providers to include; adequately assessing and responding to service provider introduced risks, and obtaining and reviewing Service Organization Control (SOC) reports related to financial services.
 - iii. Deficiencies aggregated to substantiate inclusion into this area of material weakness: Journal entries, Statement of Federal Financial Accounting (SFFAS) No. 54 Lease Accounting and Reporting, suspense account balances, construction

in progress (CIP) reporting, carry-forward challenges associated with the Financial System Modernization transition.

- c) Seized and Forfeited Property Other than Monetary Instruments

5. Reprogrammings or Transfers

During FY 2024, the USCG had reprogrammings and transfers. As a component of DHS, the USCG submits all reprogramming and transfer requests through the Department for approval, and the impact of these changes to funding is assessed by the Department. In FY 2024, there were no reprogrammings or transfers that materially impacted USCG's drug-related obligations reported in the Table of FY 2024 Drug Control Obligations.

6. Other Disclosures

The following provides a synopsis of the USCG's FY 2024 Drug Control Funds reporting which describes:

1. The agency's overall mission and the role of drug interdiction efforts within the USCG's multi-mission structure; and
2. The USCG's Drug Budget Submission.

Coast Guard Missions

The USCG is a military service with mandated national security and national defense responsibilities, and is the United States' leading maritime law enforcement agency with broad, multi-faceted jurisdictional authority. Due to the multi-mission nature of the USCG and the necessity to allocate the effort of a finite amount of assets, there is a considerable degree of asset "cross-over" between missions. This cross-over contributes to the complexities the USCG faces when reporting costs for its mission areas.

Coast Guard's Drug Budget Submission

In the annual National Drug Control Strategy (NDCS) Budget Summary, all agencies present their drug control resources broken out by function and decision unit. The presentation by decision unit is the one that corresponds most closely to the USCG's congressional budget submissions and appropriations. It should be noted and emphasized the USCG does not have a specific appropriation for drug interdiction activities. As such, there are no financial accounting lines for each of the USCG's eleven statutory missions. All drug interdiction operations, capital improvements, and research and development efforts are funded through general USCG appropriations.

The USCG's drug control budget is generally an accurate reflection of the USCG's overall budget. The USCG's O&S appropriation budget request is incremental, focusing on the changes from the prior year base brought forward. The USCG continues to present supplementary budget information through the use of the MCM, which allocates base funding and incremental requests by mission.

This general purpose MCM serves as the basis for developing drug control budget estimates for the O&S appropriations and provides allocation percentages used to develop the drug control estimates for the PC&I and R&D appropriations and the process is repeatable. Similarly, this is the same methodology used to complete the USCG's annual submission to ONDCP.

Assertions

1) Obligations by Budget Decision Unit

The obligations reported by budget decision unit are consistent with the application of the approved methodology, as required by ONDCP Circular: *Budget Formulation*, Section 7, issued September 9, 2021, for calculating drug control funds against the Coast Guard's accounting system of record.

2) Drug Methodology

The methodology used to produce the drug interdiction funding in this report is reasonable and accurate. This methodology is consistently used by the USCG to develop annual budget year submissions and mission related reports. The criteria associated to this assertion are as follows:

- a) Data – The percentage allocation results derived from its MCM methodology are based on the FY 2024 financial and AOPS/ALMIS data, as presented in the USCG's FY 2024 enacted budget submission.
- b) Financial Systems – The MCM uses costs from three general ledgers (GL). These include; the FSMS GL, the NESSS GL, and the ALMIS GL. These financial systems yield data that fairly presents, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.

3) Application of Drug Methodology

The methodology disclosed in this section was the actual methodology used to generate the drug control obligation funding table required by ONDCP Circular: *National Drug Control Program Agency Compliance Review*, issued September 9, 2021. Documentation on each decision unit is provided.

4) Material Weakness or other findings

All material weaknesses 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 as required by section 7.a(4) have been disclosed.

5) Methodology Modifications

No modifications were made to the methodology for reporting drug control resources for the previous year's reporting.

6) Reprogrammings or Transfers

During FY 2024, the Coast Guard had no reports of transfers or reprogramming actions affecting drug related budget resources, individually or in aggregate, exceeding \$5 million or 10 percent of a specific program or account included in the National Drug Control Budget (21 U.S.C. 1703(c)(4)(A)).

7) Fund Control Notices

ONDCP did not issue the Coast Guard a Fund Control Notice for FY 2024.



OFFICE OF INSPECTOR GENERAL

U.S. Department of Homeland Security

Appendix A: Report Distribution

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