

# Department of Homeland Security **Office of Inspector General**

## **Independent Review of U.S. Customs and Border Protection's Reporting of FY 2013 Detailed Accounting Submission**



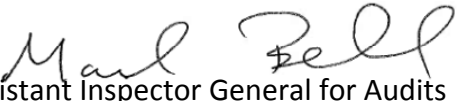


**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

FEB 14 2014

MEMORANDUM FOR: Eugene H. Schied  
Assistant Commissioner  
U.S. Customs and Border Protection

FROM: Mark Bell   
Acting Assistant Inspector General for Audits

SUBJECT: *Independent Review of U.S. Customs and Border  
Protection's Reporting of FY 2013 Detailed Accounting  
Submission*

Attached for your information is our final report, *Independent Review of U.S. Customs and Border Protection's Reporting of FY 2013 Detailed Accounting Submission*. U.S. Customs and Border Protection's management prepared the Detailed Accounting Submission and related disclosures to comply with the requirements of the Office of National Drug Control Policy Circular, *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013.

We contracted with the independent public accounting firm KPMG LLP to perform the review. KPMG LLP is responsible for the attached independent accountants' report, dated February 10, 2014, and the conclusions expressed in it. We do not express an opinion on the Detailed Accounting Submission and related disclosures. This report contains no recommendations.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate 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 call me with any questions, or your staff may contact Sandra John, Acting Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Accountants' Report

Deputy Inspector General  
U.S. Department of Homeland Security:

We have reviewed the accompanying Detailed Accounting Submission of the U.S. Department of Homeland Security's (DHS) Customs and Border Protection (CBP) for the year ended September 30, 2013. CBP's management is responsible for the Detailed Accounting Submission.

Our review 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 Detailed Accounting Submission. Accordingly, we do not express such an opinion.

Management of CBP prepared the Detailed Accounting Submission to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Accounting of Drug Control and Performance Summary*, dated January 18, 2013 (the Circular).

Based on our review, except as noted below, nothing came to our attention that caused us to believe that the Detailed Accounting Submission for the year ended September 30, 2013, referred to above, is not fairly stated, in all material respects, in conformity with the criteria set forth in the Circular.

Management of CBP has used assumptions to compute obligations by Drug Control Decision Units, as presented in the Table of FY 2013 Drug Control Obligations (the Table). Some assumptions are based on surveys complete in prior years. While CBP management has represented that the assumptions used continue to be valid for purposes of computing obligations presented in the Table, we were unable to perform review procedures supporting that representation.

This report is intended solely for the information and use of the management of DHS and CBP, the DHS 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.

February 10, 2014



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

**FEB 10 2014**

Mr. 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:

Enclosed is the U.S. Customs and Border Protection (CBP) Fiscal Year (FY) 2013 Detailed Accounting Submission on National Drug Control Funding. In FY 2013, CBP reported direct obligations of approximately \$2,234 million.

If you have any questions or would like additional information, please contact me at (202) 344-2300, or a member of your staff may contact Mr. Sean Mildrew, Executive Director, Budget Directorate, at (202) 344-2210.

A handwritten signature in blue ink that reads "Deborah J. Schilling".

Deborah J. Schilling  
Chief Financial Officer

Enclosure

**U.S. DEPARTMENT OF HOMELAND SECURITY  
U.S. CUSTOMS AND BORDER PROTECTION  
Detailed Accounting Submission of Fiscal Year (FY) 2013 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

**A. Table of Fiscal Year 2013 Drug Control Obligations**

(Dollars in Millions)	
	FY 2013
<b>Drug Resources by Budget Decision Unit and Function</b>	
Salaries & Expenses	
Intelligence	\$186.146
<i>Border Security Inspection and Trade Facilitation</i>	\$168.022
<i>Border Security and Control between Ports Of Entry</i>	\$18.124
Interdiction	\$1,332.955
<i>Border Security Inspection and Trade Facilitation</i>	\$803.401
<i>Border Security and Control between Ports Of Entry</i>	\$499.694
<i>Headquarters Management &amp; Administration</i>	\$29.860
<b>Total, Salaries and Expenses</b>	<b>\$1,519.101</b>
Air & Marine Interdiction	
Intelligence	\$141.410
Interdiction	\$500.486
<b>Total, Air &amp; Marine Interdiction</b>	<b>\$641.896</b>
Automation Modernization	
Intelligence	\$11.670
Interdiction	\$27.294
<b>Total, Automation Modernization</b>	<b>\$38.964</b>
Border Security Fencing Infrastructure & Technology (BSFIT)	
Interdiction	\$34.322
<b>Total, Border Security Fencing Infrastructure &amp; Technology</b>	<b>\$34.322</b>
<b>Total Obligations</b>	<b>\$2,234.282</b>
High Intensity Drug Traffic Area (HIDTA)	
Intelligence	\$0.008
Interdiction	\$0.221
<b>Total, High Intensity Drug Traffic Area</b>	<b>\$0.229</b>

Note: Drug resources broken down by unit and function as reflected in new budget structure enacted in FY 2013 Department of Homeland Security appropriation bill.

## 1. Drug Methodology

U.S. Customs and Border Protection (CBP) is a multi-mission agency that calculates obligations by budget decision unit and function, pursuant to an approved drug control funds calculation methodology. On the basis of past practice, six organizations within CBP, the Offices of Border Patrol (OBP), Field Operations (OFO), Information Technology (OIT), Training and Development (OTD), Technology Innovation & Acquisition (OTIA), and Air and Marine (OAM), were provided with guidance on preparing submissions for the Fiscal Year 2013 annual reporting of drug control obligations. OBP, OFO, OIT, OTD, OTIA, and OAM were asked to estimate what portion of their activities is related to drug enforcement. The estimates are based on the expert opinions of operational and programmatic staff from the offices. OIT, OFO, OBP, and OAM attribute their resources to both intelligence and interdiction functions while OTIA and OTD attribute their resources solely to interdiction.

The Drug Control Obligations table is based on actual obligations for each decision unit and organization named above. The obligation reports are generated by data reported in CBP's DHS approved accounting system, Systems Applications and Products (SAP). SAP is a fully integrated Enterprise Resource Planning system that CBP uses to record and report obligations. Each organization uses SAP to report their actual annual obligations. All six organizations have specific missions and develop their own methodology for calculating their drug control activities and resources. Each organization multiplies its drug control percentages to its actual total obligations to calculate drug control obligations.

In the FY 2013 Department of Homeland Security appropriation, Congress enacted substantial changes to CBP's Program, Project, and Activity (PPA) structure within the Salaries and Expenses (S&E), Automation Modernization, and Air and Marine appropriations. This new PPA structure was not included in CBP's FY 2013 Congressional Justification. This new structure altered the appropriation source of funding for many of CBP's organizations. For example, drug control funding for OIT previously came from the Salaries & Expenses (S&E) appropriation. It now comes from the Automation and Modernization appropriation, which did not contribute drug control resources before the PPA restructure. CBP's drug control obligations table provides a breakout of FY 2013 funding by this new PPA structure.

### OFFICE OF BORDER PATROL

OBP is responsible for controlling almost 6,000 miles of land borders between ports of entry with Canada and Mexico, and nearly 2,100 miles of coastal waters surrounding the Florida Peninsula and Puerto Rico. There were 21,191 Border Patrol agents, as of September 2013, assigned to the mission of detecting and apprehending illegal entrants between the ports-of-entry. These illegal entries include aliens, drug smugglers, potential terrorists, wanted criminals, and persons seeking to avoid inspection at the designated ports of entry due to their undocumented status. It has been determined that 15 percent of the total agent time nationwide is related to drug activities. This percentage was determined based on a review of the hours worked by agents, K9

officers, and core personnel at various border check-points with narcotic-intensive activities. Resources for OBP come from the S&E appropriation. Within the S&E appropriation, the resources for OBP come from the Border Security and Control between the Ports of Entry PPA.

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 35 permanent border traffic checkpoints nationwide, including 924 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

OFO estimates as of September 2013, 3,543 CBP Officer positions were related to drug enforcement on Anti-Terrorism Contraband Enforcement Teams (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. CBP estimates that 69 percent of the A-TCET is devoted to drug enforcement. This estimation was made by experts in the field who used best estimates to determine the amount of time CBP officers and agriculture specialists spent in the field on activities devoted to narcotics seizures like cargo and passenger inspections. The smuggling methodologies and their indicators are similar for both narcotics and anti-terrorism activities. Drug control resources for OFO come from the S&E appropriation. Within S&E, resources for OFO come from the Border Security Inspection and Trade Facilitation PPA.

As of September 2013, there were 676 Canine Enforcement officers with assigned dogs. Of this amount, there are 501 canine teams whose efforts are nearly 100 percent devoted to smuggling operations. Among the dogs paired with a CBP officer, 125 are Narcotics Detection Teams, 50 Currency and Firearms Detection Teams, and 326 Narcotics/Human Smuggling Detection Teams. Also included in the total, but not scored for narcotics enforcement were 119 Agricultural Teams and 56 K-9 Trainers and Field Advisors. Thirteen 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 2013, there were also 17,562 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 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 CBP officers' time is devoted to drug-related activities. Of the percent of OFO's resources related to drug activities, 17.3 percent is related to intelligence and 82.7 percent is related to drug interdiction. Resources for OFO come from the S&E appropriation. Within the S&E appropriation, the resources for OFO come from the Border Security Inspection and Trade Facilitation PPA.

### OFFICE OF INFORMATION TECHNOLOGY

OIT supports the drug enforcement mission through the acquisition, and support and maintenance, of technology such as non-intrusive inspection (NII) systems and mission critical targeting software systems. Of OIT's spending, 30 percent of the Enforcement Technology Center (based on NII technology deployed), 25 percent of Automated Targeting Systems (Passenger, Narcotics, and Anti-Terrorism) software costs, 50 percent of the Treasury Enforcement Communications System (TECS), and 10 percent of data center operations costs is estimated to be in support of the drug mission. Of the percent of OIT's resources related to drug activities, 30 percent is related to intelligence and 70 percent is related to drug interdiction. Resources for OIT come from the Automation Modernization appropriation.

### OFFICE OF TRAINING AND DEVELOPMENT

OTD provides training courses funded via the National Training Plan. Specific training programs involving drug control activities include the canine training programs and basic, specialized, and advanced training for CBP officers. These specific training programs provided by OTD are related to drug interdiction activities, not for drug intelligence activities. 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 NTP. For each course, it compares drug interdiction course hours against total course hours to determine the percentage for drug interdiction. Resources for OTD come from the S&E appropriation, specifically the Headquarters Management & Administration PPA.

### OFFICE OF TECHNOLOGY INNOVATION & ACQUISITION

CBP is the lead agency within DHS for the development and deployment of border technology and tactical infrastructure to secure America's borders. OTIA's programs deliver detection and surveillance technology systems to both the southwest and northern borders. These technologies increase situational awareness and assist law enforcement personnel in identifying and resolving illegal activity. For this drug control estimate, based on the nature of these expenditures, OTIA is applying the Border Patrol ratio of 15 percent to the entire account. OTIA funding is solely related to drug interdiction activities. Resources for OTIA come from the Border Security Fencing, Infrastructure, & Technology (BSFIT) appropriation.

### OFFICE OF AIR & MARINE OPERATIONS

OAM's core competencies are air and marine interdiction, air and marine law enforcement, and air domain security. In this capacity, OAM targets the conveyances that illegally transport narcotics, arms, and aliens across our borders and in the Source, Transit, and Arrival Zones. In FY 2013, OAM P-3s flew 6,050 hours in drug control efforts which represent 91 percent of all



OAM P-3 hours. These hours were in support of Joint Interagency Task Force-South in the Source and Transit Zones. OAM P-3's participated in the interdiction of 119,195 pounds of cocaine. This equates to 19.7 pounds of cocaine for every counternarcotic hour flown. Since September 11, 2001, OAM has steadily increased its support to counter-terrorism by developing a more cohesive and integrated response to national security needs, as well as placing more emphasis on illegal immigration. Currently, OAM is dedicating significant assets and personnel in support of Operation Halcon, a U.S./Mexico interdiction initiative, and in support of OBP's southwest border illegal alien intervention.

Using flight hours spent performing drug-related activities, OAM has determined that 85.62 percent of the budget resources that support OAM are considered to be drug-related. Of the total flight hours flown by OAM, 22.03 percent were related to intelligence.

## 2. Methodology Modifications

The drug control methodology for obligations used in FY 2013 remained the same as the methodology used in FY 2012 for the previously reported organizations. The only change that occurred in FY 2013 was as a result of Congress' realignment of CBP's accounting structure. The realignment moved OIT's funding from S&E appropriation to the Automation Modernization appropriation which added this account as a source of drug control resources. While CBP's methodology did not change, the appropriation source for some offices did and has been noted in the Drug Methodology section.

## 3. Material Weaknesses or Other Findings

Pursuant to CBP's FY 2013 Internal Control Assurance Statement, the following financial weaknesses, reportable conditions, or non-conformance could affect the reporting of drug control budget obligations.

Reporting Pursuant to Federal Managers' Financial Integrity Act Section 4. 31 U.S.C. 3512 (d) (2) (B):

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

The DHS Office of the Inspector General (OIG) continues to identify Information Technology (IT) general and application control weaknesses at CBP. While auditors have closed out 29 of the FY 2012 IT findings, 12 new findings have been identified during the FY 2013 financial statement audit. CBP will continue to remediate these findings in FY 2014. This weakness did not affect CBP's ability to report complete and accurate obligation data in the Table of Drug Control Obligations.

## 4. Reprogrammings or Transfers

Due to the FY 2013 sequestration, CBP submitted reprogramming and transfer requests, in part, to ensure that Border Patrol Agent and CBP Officer staffing levels and associated payroll

requirements could be fully funded. The reprogrammings were approved by both Congress and the Office of National Drug Control Policy (ONDCP).

## 5. Other Disclosures

There are no other disclosures that CBP has determined are necessary to clarify any issues regarding the data reported under ONDCP Circular, Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013.

### B. Assertions

#### 1. Obligations by Budget Decision Unit

Not Applicable - As a multi-mission agency, CBP is exempt from reporting under this section as noted in the ONDCP Circular, Accounting of Drug Control Funding and Performance Summary, Section 6(b)(1), dated January 18, 2013.

#### 2. Drug Methodology

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

##### a. Data

The estimate of drug enforcement related obligations 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. Financial Systems Security

Despite the IT general and application control weaknesses noted in section A.3, CBP's financial systems are capable of providing data that fairly represent, 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.

#### 3. Application of Drug Methodology

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

#### 4. Reprogrammings or Transfers

Pursuant to 21 U.S.C. 1703 (c) (4) (A), the ONDCP Circular on Budget Execution (revised January 18, 2013) 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 without obtaining prior approval from the Director of National Drug Control Policy. CBP submitted reprogrammings/transfers that affected the drug control budget during FY 2013.

Reprogrammings and transfers made to CBP in FY 2013 were approved by ONDCP's Acting Associate Director for Performance and Budget on May 17, 2013 and July 8, 2013.

#### 5. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2013.



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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**Appendix A**  
**Report Distribution**

**Department of Homeland Security**

Secretary  
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