

OFFICE OF INSPECTOR GENERAL

Review of U.S. Coast Guard's FY 2014 Drug Control Performance Summary Report



Homeland
Security

January 26, 2015
OIG-15-27



HIGHLIGHTS

Review of U.S. Coast Guard's FY 2014 Drug Control Performance Summary Report

January 26, 2015

Why We Did This

The Office of National Drug Control Policy's (ONDCP) Circular, *Accounting of Drug Control Funding and Performance Summary*, requires National Drug Control Program agencies to submit to the ONDCP Director, not later than February 1 of each year, a detailed accounting of all funds expended for National Drug Control Program activities during the previous fiscal year. The Office of Inspector General (OIG) is required to conduct a review of 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) 254-4100, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

KPMG LLP, under contract with the Department of Homeland Security OIG, issued an Independent Accountants' Report on the U.S. Coast Guard's (Coast Guard) fiscal year 2014 Drug Control Performance Summary Report. Coast Guard management prepared the Performance Summary Report and related disclosures to comply with the requirements of the ONDCP Circular, *Accounting of Drug Control Funding and Performance Summary* (Circular), dated January 18, 2013. Based on its review, nothing came to KPMG LLP's attention that caused it to believe that the Performance Summary Report for the year ended September 30, 2014, is not presented, in all material respects, in conformity with the criteria in the ONDCP Circular. KPMG LLP did not make any recommendations as a result of its review.



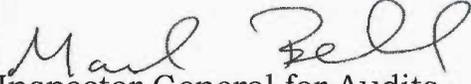
OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

JAN 26 2015

TO: Rear Admiral Todd A. Sokalzuk
Chief Financial Officer
U.S. Coast Guard

FROM: Mark Bell 
Assistant Inspector General for Audits

SUBJECT: *Review of U.S. Coast Guard's FY 2014 Drug Control Performance Summary Report, Report Number OIG-15-27*

Attached for your information is our final report, *Review of U.S. Coast Guard's FY 2014 Drug Control Performance Summary Report*. Coast Guard management prepared the Performance Summary Report and related disclosures to comply with the requirements of the Office of National Drug Control Policy's circular, *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013.

We contracted with the independent public accounting firm, KPMG LLP (KPMG), to review Coast Guard's Drug Control Performance Summary Report. KPMG is responsible for the attached Independent Accountants' Report of its review, dated January 20, 2015, and the conclusions expressed in it. KPMG's 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 Don Bumgardner, 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

Inspector General
U.S. Department of Homeland Security:

We have reviewed the accompanying Performance Summary Report of the U.S. Department of Homeland Security's (DHS) United States Coast Guard (Coast Guard) for the year ended September 30, 2014. Coast Guard's management is responsible for the Performance Summary Report.

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 Performance Summary Report. Accordingly, we do not express such an opinion.

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

Based on our review, nothing came to our attention that caused us to believe that the Performance Summary Report for the year ended September 30, 2014, referred to above, is not presented, in all material respects, in conformity with the criteria set forth in the Circular.

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

KPMG LLP

January 20, 2015

U.S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

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Washington, DC 20593-7318
Staff Symbol: DCO-81
Phone: (202) 372-2684
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16012
January 20, 2015

Mr. Mark Bell
Assistant Inspector General for Audits
Department of Homeland Security
Office of the Inspector General

Dear Mr. Bell,

In accordance with the Office of National Drug Control Policy Circular: *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013, enclosed is the Coast Guard's final FY 2014 Performance Summary Report.

If you require further assistance on this information, please contact LCDR Devin Townsend, 202-372-2684.

Sincerely,

A handwritten signature in blue ink that reads "A. M. Sanders".

A. M. SANDERS
Commander, U.S. Coast Guard
Chief, Office of Performance Management &
Assessment

Enclosure (1) FY 2014 Performance Summary Report

Copy: DHS Budget Office

Drug Budget
United States Department of Homeland Security
United States Coast Guard
Performance Summary Report FY 2014

I. PERFORMANCE INFORMATION

NOTE: *Although the Coast Guard appropriation is apportioned along budget decision unit lines (i.e., Acquisitions, Construction & Improvements (AC&I), Operating Expenses (OE), Research Development Testing and Evaluation (RDT&E), and Reserve Training (RT)), the Coast Guard does not manage performance along decision unit lines. This is impractical due to the multi-mission performance of our assets, which transcends budget decision units.*

This section is based on Coast Guard data and agency Government Performance and Results Act (GPRA) documents.

The Coast Guard's Drug Interdiction mission supports national and international strategies to deter and disrupt the market for illegal drugs, dismantle Transnational Criminal Organizations (TCOs) and prevent transnational threats from reaching the U.S. The Coast Guard is the lead federal agency for drug interdiction on the high seas, and shares the lead in U.S. territorial seas with CBP. In carrying out this mission, the Coast Guard receives assistance from a variety of international and domestic partners including U.S. Department of Defense, Drug Enforcement Administration and Immigration and Customs Enforcement. The objectives of the Coast Guard strategy are to: (1) maintain a strong interdiction presence to deny smugglers access to maritime routes and deter trafficking activity; (2) strengthen ties with source and transit zone nations to increase their willingness and ability to reduce the production and trafficking of illicit drugs within their sovereign boundaries, including territorial seas; and (3) support interagency and international efforts to combat drug smuggling through increased cooperation and coordination. Coast Guard operations align with the National Drug Control Strategy and the National Interdiction Command and Control Plan (NICCP), which target the flow of cocaine and other illicit drugs toward the U.S.

The Coast Guard's drug interdiction performance is best summarized by the program's primary outcome measure, the Cocaine Removal Rate. This measure indicates how effective the program is at disrupting the flow of cocaine traveling via non-commercial maritime means toward the U.S. The more cocaine bound for the U.S. that the Coast Guard removes, the less the supply of cocaine available for consumption in the U.S.

Performance Measure

Cocaine Removal Rate (Removal rate for cocaine from non-commercial vessels in the maritime Transit Zone). This represents the percent of Cocaine removed (seized by the Coast Guard, and jettisoned, scuttled, or destroyed as a result of Coast Guard law enforcement action) in relationship to the non-commercial maritime movement of cocaine. The Cocaine Removal Rate (Table 1) is calculated by dividing the total amount of cocaine removed by the Coast Guard by the total estimated non-commercial maritime movement of cocaine towards the U.S. The amount of cocaine removed by the Coast Guard is the sum of all cocaine that is physically seized by Coast Guard personnel and all cocaine lost by the transnational criminal organizations (TCOs) due to the Coast Guard's actions. The latter amount is, at times, an intelligence-based estimate of the quantity of cocaine onboard a given vessel that is burned, jettisoned, or scuttled in an attempt to destroy evidence when Coast Guard presence is detected. The estimated non-

commercial maritime flow of cocaine towards the U.S. is extracted from the interagency-validated Consolidated Counter Drug Database (CCDB).

Table 1: Performance Targets and Results (Cocaine Removal Rate)

Year:	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target:	18.5%	15.5%	16.5%	14.1%	13.9%	13.8%
Actual:	13.5%	11.6%	13.4%	15.3%	9.6%	N/A

Maritime Law Enforcement program managers monitor the cocaine removal rate, watching for both changes in Coast Guard removals as well as increases or decreases in flow. Any changes are diagnosed to determine the cause and to develop strategies and tactics to continue to increase the removal rate. Factors that can impact the Coast Guard's removal rate include, but are not limited to:

- Continuously changing modes, tactics and routes by TCOs (e.g. use of submersible type vessels and logistic support vessels);
- The advancing age and deteriorating condition of the Coast Guard's cutter fleet;
- The availability of aviation assets from U.S. Customs and Border Protection (CBP), U.S. Navy (USN) and Allied nations to support Detection and Monitoring in the Transit Zone;
- The availability of surface assets from the USN and Allied nations to support Detection and Monitoring in the Transit Zone;
- The availability of Coast Guard, USN, and Allied surface assets to support embarked Coast Guard Law Enforcement Detachments (LEDETs) to perform Interdiction and Apprehension activities;
- The availability, quality and timeliness of tactical intelligence; new or upgraded diplomatic and legal tools;
- The fielding of new capabilities (e.g. National Security Cutter, Fast Response Cutter, and Maritime Patrol Aircraft).

At the start of FY 2014, the Coast Guard operated under a Continuing Resolution based on FY 2013 enacted budget levels. In response the Coast Guard reduced its programmed operating hours, limiting the Coast Guard's scheduled deployment of assets into the Transit Zone. Once the Coast Guard received full budget authority under the FY 2014 Consolidated Appropriation, the service ramped up operations to close the gap between the reduced scheduling and FY 2014 strategic commitment levels. The Coast Guard met its FY 2014 planned ship deployments target of 1,460 major cutter days. Coast Guard Maritime Patrol Aircraft (MPA) support to Joint Interagency Task Force South (JIATF-S) was within 7% of the 3,595 hour commitment. Airborne Use of Force (AUF) helicopter deployed days were within 10% of the 1,460 day commitment and Coast Guard LEDETs met all requests for deployments. The Coast Guard's reduced program operating hours referenced above directly contributed to the Coast Guard not meeting its commitments for AUF deployed days and MPA flight hours. Additionally, 127 MPA flight hours were repurposed to the Coast Guard International Ice Patrol mission in response to the severe FY 2014 iceberg season.

Quality of Performance Data

The Coast Guard continues to use the CCDB as its source for tracking cocaine movement

estimates. Data entered into the CCDB is validated through a quarterly, interagency vetting process. The CCDB event-based estimates are the best available authoritative source for estimating illicit drug flow through the Transit Zone. These estimates permit the Coast Guard to objectively evaluate its performance. All data contained in the CCDB is deemed to be as accurate, complete and unbiased in presentation and substance as possible.

Table 2: Non-Commercial Maritime Cocaine Flow and Tonnage Removed (in Metric Tons)

Year:	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Flow:	682	652	796	577	945	N/A
Removed:	91.8	75.5	107.0	88.4	91.0	N/A

According to CCDB, the cocaine flow through the Transit Zone via non-commercial means increased in FY 2014 to 945 Metric Tons from 577 Metric Tons in FY 2013. The Coast Guard removed 91.0 Metric Tons of cocaine from the Transit Zone in FY 2014 equating to a 9.6% removal rate for non-commercial maritime cocaine flow. While the Coast Guard did not meet its performance target of removing 13.9% of non-commercial maritime cocaine flow, the Coast Guard increased the tonnage of cocaine removed over FY 2013. The higher level of maritime flow of cocaine had a greater impact on the missed FY 2014 target than did the level of effort provided by the Coast Guard and its partners.

At least annually, the Coast Guard’s Maritime Law Enforcement Program and Deputy Commandant for Operations’ Office of Performance Management and Assessment review historical information, observed trends, linear regression and future drivers for each mission area, as well as changes from budget impacts that may affect mission performance, and factor these into the establishment of out-year drug interdiction targets, making adjustments as necessary. Revisions to the targets are reported via the Department of Homeland Security’s Future Years Homeland Security Program (FYHSP) database. The Maritime Law Enforcement Program last updated its out-year performance targets in July 2014 in conjunction with normal target setting timelines.

Due to a forecasted reduction in the level of ship and aircraft support provided to JIATF-S by the USN in the near future, along with the Transnational Criminal Organizations use of increasingly more sophisticated smuggling modes and routes, and distributing their risk more by moving smaller cocaine load sizes, the Coast Guard’s removal rate target for FY 2015 has been lowered to 13.8%. This represents an aggressive, yet achievable, performance target with available resources.

II. MANAGEMENT’S ASSERTIONS

The following assertions, supported by the information presented above, satisfy the data, estimation methods, and reporting systems criteria outlined in paragraph 7.b. of the ONDCP Circular: *Accounting of Drug Control Funding and Performance Summary* (January 18, 2013):

(1) **Performance reporting system is appropriate and applied** – The agency has a system to capture performance information accurately and that system was properly applied to generate the

performance data.

The Coast Guard performance reporting system is appropriate and applied. It was reviewed in a 2007 Independent Program Evaluation by the Center for Naval Analyses and a 2007 OMB Program Assessment Rating Tool (PART) evaluation. Both reviews verified the appropriateness and application of the performance reporting system, and the Coast Guard has made all significant changes recommended to ensure continued validity.

(2) Explanations for not meeting performance targets are reasonable – An assertion shall be made regarding the reasonableness of any explanation offered for failing to meet a performance target and for any recommendations concerning plans and schedules for meeting future targets or for revising targets or eliminating performance measures.

The Coast Guard did not meet its FY 2014 performance target. The explanations offered for failing to meet the target are reasonable. The Coast Guard's FY 2014 performance target satisfied OMB Circular A-11 guidance for establishing targets.

(3) Methodology to establish performance targets is reasonable and consistently applied – The methodology described above to establish performance targets for the current year is reasonable given past performance and available resources.

The Coast Guard methodology to establish performance targets is reasonable and applied. The Coast Guard uses a quantitative and qualitative process that reviews intelligence, logistics, strategic and operational policy, capability, emerging trends, past performance, and capacity variables impacting mission performance to establish performance targets. Targets generated by the program manager are reviewed independently by performance and budget oversight offices at Coast Guard Headquarters, as well as the DHS Office of Program Analysis and Evaluation, prior to entry into budget documents and the DHS FYHSP database.

(4) Adequate performance measures exist for all significant drug control activities – Each Report shall include an assertion that the agency has established at least one acceptable performance measure for each Drug Control Budget Decision Unit identified in reports required by section 6a(1)(A) for which a significant amount of obligations (\$1,000,000 or 50 percent of the agency drug budget, whichever is less) were incurred in the previous fiscal year. Each performance measure must reflect the intended purpose of the relevant National Drug Control Program activity.

The 2007 OMB PART of the Coast Guard Drug Interdiction Program and 2007 Independent Program Evaluation by the Center for Naval Analyses validated the adequacy of Coast Guard performance measures.

The agency has established one acceptable performance measure that covers all four budget decision units for which a significant amount of obligations (\$1,000,000 or 50 percent of the agency drug budget, whichever is less) were incurred in the previous fiscal year. The metric was also reviewed and approved by DHS leadership in 2010.



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Appendix A Report Distribution

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