

OFFICE OF INSPECTOR GENERAL

Review of U.S. Customs and Border Protection's Fiscal Year 2015 Detailed Accounting Submission



Homeland
Security

January 27, 2016
OIG-16-27



DHS OIG HIGHLIGHTS

Review of U.S. Customs and Border Protection's Fiscal Year 2015 Detailed Accounting Submission

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Why We Did This Review

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 agency's submission and provide a conclusion about the reliability of each assertion 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 U.S. Customs and Border Protection's (CBP) Detailed Accounting Submission. CBP's management prepared the Table of FY 2015 Drug Control Obligations and related disclosures to comply with the requirements of the ONDCP Circular, *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013 (Circular). CBP management was unable to provide supporting documentation for the underlying assumptions used to calculate the total obligations reported in the Table for all Drug Resources by Budget Decision Unit and Function assumptions. As a result, KPMG was unable to complete their review procedures over those assumptions.

Except as noted above, nothing came to KPMG's attention that caused them to believe that the FY 2015 Detailed Accounting Submission is not presented in conformity with the criteria set forth in the Circular.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

JAN 27 2016

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

FROM: Mark Bell *Mark Bell*
Assistant Inspector General for Audits

SUBJECT: *Review of U.S. Customs and Border Protection's Fiscal Year 2015 Detailed Accounting Submission*

Attached for your information is our final report, *Review of U.S. Customs and Border Protection's Fiscal Year 2015 Detailed Accounting Submission*. U.S. Customs and Border Protection's (CBP) management prepared the Table of FY 2015 Drug Control Obligations 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 CBP's Detailed Accounting Submission. KPMG is responsible for the attached Independent Accountants' Report, dated January 22, 2016, 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 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 Maureen Duddy, 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

Assistant Inspector General for Audits
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, 2015. 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 the standards applicable to attestation engagements 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 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).

Management of CBP used assumptions to compute obligations by Drug Control Decision Units, as presented in the Table of FY 2015 Drug Control Obligations (the Table). CBP management was unable to provide supporting documentation for the underlying assumptions used to calculate the total obligations reported in the Table for all Drug Resources by Budget Decision Unit and Function assumptions. As a result, we were unable to complete our review procedures over those assumptions.

Based on our review, except as noted above, nothing came to our attention that caused us to believe that the Detailed Accounting Submission for the year ended September 30, 2015, 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 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.

KPMG LLP

January 22, 2016

JAN 22 2016



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

Mr. Michael Botticelli
Director, Office of National Drug Control Policy
Executive Office of the President
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Botticelli:

Enclosed is the U.S. Customs and Border Protection (CBP) Fiscal Year (FY) 2015 Detailed Accounting Submission on National Drug Control Funding. In FY 2015, CBP reported direct obligations of approximately \$2,463.504 million.

If you have any questions or would like additional information, please contact me at (202) 344-2300.

A handwritten signature in black ink, appearing to read "Jaye Williams", written over a horizontal line.

Jaye M. Williams
Chief Financial Officer

Enclosure

U.S. DEPARTMENT OF HOMELAND SECURITY S
U.S. CUSTOMS AND BORDER PROTECTION S
Detailed Accounting Submission of Fiscal Year 2015 Drug Control Funds S

DETAILED ACCOUNTING SUBMISSION T

A. T Table of Fiscal Year (FY) 2015 Drug Control Obligations

| (Dollars in Millions) | |
|---|--------------------|
| | FY 2015 |
| Drug Resources by Budget Decision Unit and Function S | |
| Salaries & Expenses T | |
| Intelligence T | \$233.494 9 |
| <i>Border Security Inspection and Trade Facilitation i</i> | \$214.972 9 |
| <i>Border Security and Control between Ports Of Entry i</i> | \$18.522 9 |
| Interdiction T | \$1,491.084 9 |
| <i>Border Security Inspection and Trade Facilitation i</i> | \$943.676 9 |
| <i>Border Security and Control between Ports Of Entry i</i> | \$510.675 9 |
| <i>Headquarters Management & Administration i</i> | \$36.733 9 |
| Total, Salaries and Expenses S | \$1,724.578 |
| Air & Marine Interdiction T | |
| Intelligence T | \$118.842 9 |
| Interdiction T | \$507.962 9 |
| Total, Air & Marine Interdiction S | \$626.804 |
| Automation Modernization T | |
| Intelligence T | \$10.160 9 |
| Interdiction T | \$7.080 9 |
| Total, Automation Modernization S | \$17.240 |
| Border Security Fencing Infrastructure & Technology (BSFIT) T | |
| Interdiction T | \$94.882 9 |
| Total, Border Security Fencing Infrastructure & Technology | \$94.882 |
| Total Obligations | \$2,463.504 |
| High Intensity Drug Traffic Area (HIDTA) T | \$0.253 9 |
| Total, High Intensity Drug Traffic Area S | \$0.253 |

Note: Drug resources broken down by unit and function as reflected in the budget structure T enacted in the FY 2015 Department of Homeland Security (DHS) appropriation bill. T

I. 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 (USBP), Field Operations (OFO), Information and Technology (OIT), Training and Development (OTD), Technology Innovation & Acquisition (OTIA), and Air and Marine (AMO), were provided with guidance on preparing submissions for FY 2015 annual reporting of drug control obligations. USBP, OFO, OIT, OTD, OTIA, and AMO were asked to estimate what portions of their activities are related to drug enforcement. These estimates are based on the expert opinions of operational and programmatic staff from the six offices. OIT, OFO, USBP, and AMO 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 in Data Processing (SAP). SAP is a fully integrated Enterprise Resource Planning (ERP) 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 by its actual total obligations to calculate drug control obligations.

U.S. BORDER PATROL (USBP)

USBP 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 19,907 Border Patrol agents, at the close of FY 2015, 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, canine officers, and core personnel at various border check-points with narcotic-intensive activities. Resources for USBP come from the S&E appropriation. Within the S&E appropriation, the resources for USBP 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 permanent border traffic checkpoints nationwide, including 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)

OFO estimates that for FY 2015, there were 3,352¹ CBP officer (CBPO) full-time equivalents related to drug enforcement on enforcement teams. Anti-Terrorism Contraband Enforcement Teams (A-TCET) 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 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.

OFO had 22,737 CBPOs in FY 2015, 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, Bureau of Alcohol, Tobacco, Firearms, and Explosives, and 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. The FY 2015 enacted budget also supports the funding for 2,000 additional CBPO's that were funded in the FY 2014 budget with two year funding.

CBP uses a variety of Non-Intrusive Inspection (NII) systems and Radiation Detection Equipment (RDE) systems as part of its layered inspection strategy to achieve its primary mission of securing the Nation's borders and protecting America from the entry of dangerous people and goods while, at the same time, facilitating the flow of legitimate trade and travel across U.S. borders. It is estimated that 77 percent of the funding for NII is associated with general contraband detection, which would include narcotics. Multiple types of NII systems and RDE are used to thoroughly and quickly inspect sea containers, rail cars, trucks, automobiles, pallets, and various packages and parcels for the presence of contraband without damaging the conveyance or its contents and without having to resort to more intrusive and time-consuming manual inspections, such as unloading, drilling and dismantling. Significant numbers of NII equipment are in use at 328 land border ports, airports, seaports, Border Patrol checkpoints, and international locations. NII technologies are viewed as force multipliers that enable CBP officers to examine or scan a larger portion of the stream of traffic while facilitating the flow of legitimate trade, cargo, and passengers.

OFFICE OF INFORMATION AND TECHNOLOGY (OIT)

OIT's budget supports the drug enforcement mission through the acquisition, support, and maintenance of technology, and mission critical targeting application systems. Of OIT's spending, it is estimated that 10 percent each of Automated Targeting Systems (Passenger, Narcotics, and Anti-Terrorism) software application costs; TECS; and data center operations costs are in support of the drug mission.

OFFICE OF TRAINING AND DEVELOPMENT (OTD)

OTD calculates the portion of their budget attributable to drug control funding by issuing an annual data call for all projected National Training Plan (NTP) funded training courses to assess if courses contain any items related to drug enforcement material and activities. The curriculum of each course is reviewed and subject matter experts determine course hours delivered related to drug enforcement for this task. If specific courses offered through the NTP contain drug enforcement related material, a specific percentage

¹ Based upon a Field survey conducted in 2014.

for that course is defined (hours related to drug enforcement training divided by the total number of course hours). Specific training programs identified include the canine training programs and basic, specialized, and advanced training for CBP officers and agents. OTD's day-to-day operational resources are attributed to drug enforcement activities at a rate of 20 percent. OTD evaluated each office's mission statement and training development/delivery functions to determine the total weighted percentage of its drug enforcement activities.

OFFICE OF TECHNOLOGY INNOVATION & ACQUISITION – BORDER SECURITY FENCING, INFRASTRUCTURE, AND TECHNOLOGY (OTIA) (BSFIT)

Under OTIA, CBP is the lead agency within DHS for the development and deployment of border technology and tactical infrastructure to secure America's borders. This appropriation provides continued funding for the CBP Program Offices tasked with developing and installing technology and tactical infrastructure solutions, enabling a more effective and efficient method for controlling border security.

TARS are fixed site, aerostat-based radar systems that provide air surveillance across the entire U.S.-Mexico border. They are designed to detect compliant low-altitude aircraft and non-compliant low-altitude aircraft attempting to smuggle narcotics or other contraband into the U.S. The TARS program has assisted CBP with interdicting suspect aircraft for and is a critical component of CBP's bi-national narcotics and contraband interdiction operations with Mexico. For this drug control estimate, BSFIT is using 98 percent of the Tethered Aerostat Radar System (TARS) program funding, 15 percent of the funding from Development and Deployment, and 15 percent of remaining funding from Operations and Maintenance (minus TARS funding). This funding will be used on border technology and other technology systems that support drug control activities.

OFFICE OF AIR & MARINE OPERATIONS

AMO's core competencies are air and marine interdiction, air and marine law enforcement, and air domain security. In this capacity, AMO targets the conveyances that illegally transport narcotics, arms, and aliens across our borders and in the Source, Transit, and Arrival Zones. In FY 2015, AMO P-3s flew 6,069.3 hours in drug control efforts which represent 81.6 percent of all AMO P-3 hours. These hours were in support of Joint Interagency Task Force-South (JIATF-S) in the Source and Transit Zones. AMO P-3's participated in the interdiction of 200,533 pounds of cocaine. This equates to 33 pounds of cocaine for every counternarcotic hour flown. CBP continues to deploy proven, effective surveillance technology tailored to the operational requirements along the highest trafficked areas of the southwest border. During FY 2015, in support of the Joint Field Command and the South Texas Campaign Initiative, the Unmanned Aircraft Systems flew more than 5,502 hours in FY 2015 contributing to the seizure of more than 74,273 pounds of narcotics with an estimated wholesale value of over \$543 million.

Since September 11, 2001, AMO 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. AMO is dedicating significant assets and personnel in support of U.S./Mexico interdiction initiative, and in support of OBP's southwest border illegal alien intervention.

Using flight hours spent performing drug-related activities, AMO has determined that 84.3 percent of the budget resources that support AMO are considered to be drug-related. Of the total flight hours flown by AMO, 19 percent were related to intelligence in FY 2015.

2. Methodology Modifications

The drug control methodology for obligations used in FY 2015 remained the same as the methodology used in FY 2014 for the previously reported organizations.

3. Material Weaknesses or Other Findings

CBP contributed to the Departmental material weaknesses in the internal control area of IT Controls and System Functionality and to the Department significant deficiencies in the internal control areas of Budgetary Accounting, Entity-Level Controls (ELCs) and Custodial Revenue and Refunds and Drawback. We note the material weakness in IT and significant deficiencies in ELCs and Custodial Revenue and Refunds and Drawback are not relevant with respect to information contained in this report, as there is no information presented that is reliant upon information related to custodial revenues and refunds and drawback, or within the scope of the IT and ELCs testwork performed. In FY 2015, the Department remediated the Budgetary Accounting material weakness to a significant deficiency, as a result of DHS' progress in remediating control deficiencies identified across all components of the Department. The Budgetary Accounting significant deficiency assessed for DHS in FY 2015 was primarily driven by deficiencies in controls over quarterly validation of Undelivered Order balances identified across all components. However, based upon the specific conditions cited in the report, we determined the aforementioned material weaknesses and significant deficiencies do not have a significant effect on the presentation of the FY 2015 drug-related obligations data, as none of the findings related to issues surrounding accuracy of obligations and expenditures.

4. Reprogrammings or Transfers

During FY 2015, CBP had reports of transfers or reprogramming actions. However, these actions did not result in modification to the National Drug Control Program Budget.

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

I. 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.

During FY 2015, CBP had reports of transfers or reprogramming actions. However, these actions did not result in modification to the National Drug Control Program Budget.

5. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2015.



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Department of Homeland Security

Appendix A
Report Distribution

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