

OFFICE OF INSPECTOR GENERAL

Review of U.S. Coast Guard's Fiscal Year 2015 Drug Control Performance Summary Report



Homeland
Security

**January 27, 2016
OIG-16-28**



DHS OIG HIGHLIGHTS

Review of U.S. Coast Guard's Fiscal Year 2015 Drug Control Performance Summary Report

January 27, 2016

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 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 2015 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*, dated January 18, 2013 (Circular). Based on its review, nothing came to KPMG LLP's attention that caused it to believe that the Coast Guard's FY 2015 Performance Summary Report is not presented 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 27 2016

MEMORANDUM FOR: 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 Fiscal Year 2015 Drug Control Performance Summary Report*

Attached for your information is our final report, *Review of U.S. Coast Guard's Fiscal Year 2015 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, dated January 20, 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 Performance Summary Report of the U.S. Department of Homeland Security's (DHS) United States Coast Guard (USCG) for the year ended September 30, 2015. USCG'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 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 USCG 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, 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 management of DHS and USCG, 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, 2016

U.S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

2703 Martin Luther King Jr. Ave SE
Washington, DC 20583-7318
Staff Symbol: DCD- 1
Phone: (202) 372-2884
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16012
January 20, 2016

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 2015 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 "W. J. Burns III".

W. J. BURNS III
Captain, U.S. Coast Guard
Chief, Office of Performance Management &
Assessment

Enclosure (1) FY 2015 Performance Summary Report

Copy: DHS Budget Office

Enclosure (1) to letter dated January 20, 2016

Drug Budget

United States Department of Homeland Security

United States Coast Guard

Performance Summary Report FY 2015

I. PERFORMANCE INFORMATION

NOTE: *Although the United States Coast Guard (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 United States (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 U.S. Customs and Border Patrol (CBP). In carrying out this mission, the Coast Guard receives assistance from a variety of international and domestic partners including the U.S. Department of Defense (DoD), the Drug Enforcement Administration (DEA) and Immigration and Customs Enforcement (ICE). 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. removed by the Coast Guard, the less 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.

| Year: | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
|---------|---------|---------|---------|---------|---------|---------|
| Target: | 15.5% | 16.5% | 14.1% | 13.9% | 13.8% | 13.7% |
| Actual: | 11.6% | 13.4% | 15.3% | 9.6% | 11.5% | N/A |

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

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 (Table 2).

| Year: | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|----------|---------|---------|---------|---------|---------|
| Flow: | 652 | 796 | 577 | 945 | 1254 |
| Removed: | 75.5 | 107.0 | 88.4 | 91.0 | 144.8 |

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

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).

According to the CCDB, the known cocaine flow through the Transit Zone via non-commercial means increased in FY 2015 to 1,254 metric tons from 945 metric tons in FY 2014. The Coast Guard removed 144.8 metric tons of cocaine from the Transit Zone in FY 2015 equating to an 11.5% removal rate for non-commercial maritime cocaine flow. While the Coast Guard did not meet its performance target of removing 13.8% of non-commercial maritime cocaine flow, the Coast Guard removed more tonnage of cocaine in FY 2015 than it did in FY 2014. The higher level of maritime flow of cocaine had a greater impact on the missed FY 2015 target than did the level of effort provided by the Coast Guard and its partners.

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 embark 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).

In addition to the factors listed above, the Coast Guard considers the level of effort it will provide to the drug interdiction mission when setting cocaine removal targets. In FY 2015, the Coast Guard dedicated additional focus and assets to transit zone interdiction operations above the level originally planned during target setting. The Coast Guard met its planned ship deployments target of 2,251 major cutter days. Coast Guard Maritime Patrol Aircraft (MPA) support to Joint Interagency Task Force South (JIATF-S) was within 3% of the 4,400 hour commitment. Airborne Use of Force (AUF) helicopter deployed days met the 1,460 day commitment and Coast Guard LEBETs met all requests for deployments.

At least annually, the Coast Guard's Maritime Law Enforcement Program and Deputy Commandant for Operations' Office of Performance Management and Assessment review assumptions that factor into the establishment of out-year cocaine removal targets, making adjustments as necessary. Revisions to the targets are reported via the DHS' Future Year Homeland Security Program (FYHSP) database. The Maritime Law Enforcement Program last updated its out-year performance targets in July 2015 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 U.S. Navy in the near future, the Coast Guard's removal rate target for FY 2016 has been lowered to 13.7%. This represents an aggressive, yet achievable, performance target with available resources.

Quality of Performance Data

The Coast Guard continues to use the CCDB as its source for tracking cocaine movement estimates. The CCDB is the U.S. government's authoritative database for illicit drug movement in the Western Hemisphere. The Coast Guard and other federal government agencies use the CCDB to capture all known and suspected drug movement. During quarterly interagency conferences, CCDB partners develop and reconcile information about the quantity of cocaine seized during drug interdiction operations. CCDB estimates permit the Coast Guard to objectively evaluate its performance.

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, as detailed within this report, 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 2015 performance target. The explanations offered for failing to meet the target and revision to the future target are reasonable. The Coast Guard's FY 2015 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.



OFFICE OF INSPECTOR GENERAL
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Appendix A
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