

**OFFICE OF INSPECTOR GENERAL**

# **Review of U.S. Customs and Border Protection's Fiscal Year 2016 Detailed Accounting Submission**



Homeland  
Security

**February 1, 2017**  
**OIG-17-29**



# DHS OIG HIGHLIGHTS

## *Review of U.S. Customs and Border Protection's Fiscal Year 2016 Detailed Accounting Submission*

**February 1, 2017**

### **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](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### **What We Found**

KPMG LLP (KPMG), 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 (DAS). CBP's management prepared the Table of FY 2016 Drug Control Obligations and related disclosures in accordance with the requirements of the ONDCP Circular, *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013 (Circular). CBP's management was unable to provide supporting documentation for the assumptions underlying its drug control obligation allocation methodology for estimating the percentages of obligations related to drug control activities, and the allocation of those funds between interdiction and intelligence. These percentages are used to derive the dollar-value of obligations reported as Drug Resources by Budget Decision Unit and Drug Control Function in the Table of FY 2016 Drug Control Obligations presented in the DAS. As a result, KPMG was unable to complete review procedures related to assessing the reasonableness and accuracy of those assumptions.

Except as noted above, nothing came to KPMG's attention that caused it to believe that the FY 2016 Detailed Accounting Submission is not presented in conformity with the criteria in the ONDCP Circular.




## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

February 1, 2017

MEMORANDUM FOR: Sean M. Mildrew  
Chief Accountability Officer  
U.S. Customs and Border Protection

FROM: John V. Kelly   
Deputy Inspector General

SUBJECT: *Review of U.S. Customs and Border Protection's Fiscal Year 2016 Drug Control Performance Summary Report*

Attached for your information is our final report, *Review of U.S. Customs and Border Protection's Fiscal Year 2016 Drug Control Performance Summary Report*. U.S. Customs and Border Protection's (CBP) management prepared the Performance Summary Report and the related disclosures in accordance 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 Drug Control Performance Summary Report. KPMG is responsible for the attached Independent Accountants' Report, dated January 18, 2017, 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 (617) 565-8723.

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 management's assertion that the Detailed Accounting Submission (DAS) of the U.S. Department of Homeland Security's (DHS) Customs and Border Protection (CBP) for the year ended September 30, 2016 was prepared in conformity with requirements of the Office of National Drug Control Policy Circular: *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013 (the Circular). CBP management is responsible for the assertion.

Our review was conducted in accordance with generally accepted government auditing standards, which incorporate the attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion.

CBP Management was unable to provide supporting documentation for the assumptions underlying its drug control obligation allocation methodology for estimating the percentages of obligations related to drug control activities, and the allocation of those funds between interdiction and intelligence. These percentages are used to derive the dollar-value of obligations reported as Drug Resources by Budget Decision Unit and Drug Control Function in the Table of FY 2016 Drug Control Obligations presented in the DAS. As a result, we were unable to complete our review procedures related to assessing the reasonableness and accuracy of those assumptions, which support management's applied drug control obligation allocation methodology.

Based on our review, except for the matter noted in the preceding paragraph, nothing came to our attention that caused us to believe that management's assertion referred to above, is not fairly stated, in all material respects, in conformity with the requirements set forth in the Circular.

**KPMG LLP**

January 18, 2017



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

JAN 18 2017

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) 2016 Detailed Accounting Submission on National Drug Control Funding. In FY 2016, CBP reported direct obligations of approximately \$2,583.091 million.

If you have any questions or would like additional information, please contact me at (202) 325-2163.

A handwritten signature in black ink that reads "Jay Williams". The signature is written in a cursive style with a long, sweeping tail.

Jaye M. Williams  
Assistant Commissioner, Office of Finance  
& Chief Financial Officer

Enclosure

**U.S. DEPARTMENT OF HOMELAND SECURITY  
U.S. CUSTOMS AND BORDER PROTECTION  
Detailed Accounting Submission of Fiscal Year 2016 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

**A. Table of Fiscal Year (FY) 2016 Drug Control Obligations**

<b>Drug Resources by Budget Decision Unit</b>	<b>FY 2016 Final (In Millions)</b>
Salaries and Expenses	\$1,838.261
Air and Marine Interdiction, Operations, Maintenance, and Procurement	\$670.650
Border Security, Fencing, Infrastructure, and Technology (BSFIT)	\$74.180
<b>Total Resources by Drug Control Unit</b>	<b>\$2,583.091</b>
<b>Drug Resources by Drug Control Function</b>	
<b>Intelligence</b>	
United States Border Patrol	\$18.747
Office of Field Operations	\$241.843
Office of Information and Technology	\$8.903
Air and Marine Operations	\$125.265
<b>Intelligence - Total</b>	<b>\$394.758</b>
<b>Interdiction</b>	
United States Border Patrol	\$516.882
Office of Field Operations	\$1,027.049
Office of Information and Technology	\$5.566
Office of Training and Development	\$33.740
Border Security, Fencing, Infrastructure, and Technology (OA)	\$74.180
Air and Marine Operations	\$530.916
<b>Interdiction - Total</b>	<b>\$2,188.333</b>
<b>Total Resources by Drug Control Function</b>	<b>\$2,583.091</b>
<b>Total Obligations</b>	<b>\$2,583.091</b>
<b>High Intensity Drug Trafficking Area (HIDTA)</b>	<b>\$0.194</b>

Note: Drug resources broken down by unit and function as reflected in the budget structure enacted in the FY 2016 Department of Homeland Security (DHS) 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 drug control function, pursuant to an approved drug control funds calculation methodology. There are six program offices within CBP that are tasked with drug-control responsibilities: the United States Border Patrol (USBP), the Offices of Field Operations (OFO), Information and Technology (OIT), Training and Development (OTD), Acquisition (OA), and Air and Marine (AMO)). In conformity with the requirements of ONDCP Circular: *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013, each program office has developed a drug methodology to estimate the percentage of its obligations related to drug enforcement. USBP, OFO, OIT,

and AMO attribute their resources to both intelligence and interdiction functions while OTD and OA attribute their resources solely to interdiction.

The Drug Control Obligations table is based on actual obligations for each decision unit and program office named above for FY 2016. The obligation reports are generated by data reported in CBP's Systems, Applications, and Products in Data Processing (SAP) system, which is a DHS-approved accounting system. SAP is a fully integrated Enterprise Resource Planning (ERP) system that CBP uses to record and report obligations. Each program office multiplies its drug control obligation percentages by its actual total obligations per SAP to estimate obligations related to drug enforcement activities. The drug methodology developed and applied by each program office is described below:

#### UNITED STATES BORDER PATROL (USBP)

The 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 19,534 Border Patrol agents, at the close of FY 2016, 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 USBP's activities are related to drug activities. This percentage was determined based on a historical study 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 Salaries and Expenses (S&E) appropriation. Within the S&E appropriation, the resources for USBP come from the Border Security and Control between the Ports of Entry Program, Project, and Activity (PPA). A PPA is an element within a budget account. Several PPAs comprise the entirety of the S&E appropriation.

Of the 15 percent of obligations related to drug enforcement activities, USBP determined through the historical study referred to in the above paragraph that 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 820 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.

This data comes from a historical study performed by USBP, which provides reliable source data for the drug methodology described above.

#### OFFICE OF FIELD OPERATIONS (OFO)

OFO estimates there were 3,333 CBP officer (CBPO) full-time equivalents related to drug enforcement on enforcement teams in FY 2016. 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. Of the funding that is devoted to enforcement teams, OFO estimates that 85 percent is dedicated to interdiction with 15 percent dedicated to intelligence.

OFO had 22,732 CBPOs in FY 2016, who, in addition to the interdiction of contraband and illegal drugs, enforce hundreds of laws and regulations on behalf 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 approximately 30 percent of these officers' time is devoted to drug-related activities. Of the funding that is devoted to general officer duties, OFO estimates that 80 percent is dedicated to interdiction with 20 percent dedicated to intelligence.

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. These systems are also used to facilitate 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. Of the total funding that is devoted to NII, OFO estimates that 70 percent is dedicated to interdiction with 30 percent dedicated to intelligence.

Multiple types of NII and RDE systems 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. These systems keep CBP officials from resorting to more intrusive and time-consuming manual inspections, such as unloading, drilling and dismantling. NII equipment is in use at 328 land border ports, airports, seaports, Border Patrol checkpoints, and international locations.

CBP also uses three types of canine teams: narcotics/human, drug, and currency. CBP has 492 canine officers in the field. Of the funding devoted to these canine teams, 100 percent of their time is devoted to drug interdiction. CBP has established and deployed a world-class detector dog program to augment existing technology while establishing cutting edge detection capabilities. CBPOs use specially trained detector dogs in interdiction and to support specialized programs aimed at combating the terrorist threat at the Nation's borders, international airports, and seaports.

This data comes from the Cost Management Information System (CMIS) and an internal CBP Canine Tracking System (Canine TS), which provide reliable source data for the drug methodology described above.

#### 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 of Automated Targeting Systems software application costs; TECS; and data center operations costs are in support of the drug mission. Of OIT's funding, it is estimated 38.5 percent is spent on drug interdiction and 61.5 percent is devoted to intelligence. The determinations surrounding the percentage of OIT spending that related to drug enforcement activities, specifically interdiction and intelligence, was determined through



professional judgment, which provides reliable source data for the drug methodology described above.

#### 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 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 19.26 percent. OTD evaluated each office's mission statement and training development/delivery functions to determine the total weighted percentage of its drug enforcement activities. Of the funding available, OTD determined all of the drug enforcement courses related to drug interdiction. This data, obtained through a data call, is maintained in an ACCESS database, which provides reliable source data for the drug methodology described above.

#### OFFICE OF ACQUISITION (OA)

CBP is the lead agency within DHS for the development and deployment of border technology and tactical infrastructure to secure America's borders. The Border Security Fencing, Infrastructure, and Technology (BSFIT) appropriation provides continued funding for the CBP program office, OA, tasked with developing and installing technology and tactical infrastructure solutions, enabling a more effective and efficient method for controlling border security.

Tethered Aerostat Radar System (TARS) is a fixed site, aerostat-based radar system that provide air surveillance across the entire U.S.-Mexico border. They are designed to detect non-compliant low-altitude aircraft attempting to smuggle narcotics or other contraband into the U.S. TARS 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, OA is using 97 percent of the TARS program funding, a subset within the Operations and Maintenance 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. The purpose of these systems is to detect, identify, classify, and track Items of Interest so CBP agents and officers can interdict the threats. As such, all of OA's funding is devoted to drug interdiction.

This data comes from AMOC Integrated Information Database, a local-only system, which provides reliable source data for the drug methodology described above.

#### 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 2016, AMO P-3 aircraft flew 6,172.8 hours in drug control efforts, which represent 84 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 193,197 pounds of cocaine in the Source and Transit zones. This equates to 31.3 pounds of cocaine for every counternarcotic hour flown. CBP continues to deploy surveillance technology tailored to the operational requirements along the highest trafficked areas of the southwest border. During FY 2016, the Unmanned Aircraft Systems flew 5,540 hours, contributing to the seizure of 29,972 pounds of narcotics.

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 USBP's southwest border illegal alien intervention.

Using flight hours spent performing drug-related activities, AMO has determined that 81.6 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 and 81 percent were related to interdiction in FY 2016.

The source data for the financial information/flight hour information is retrieved from Air and Marine's official system of record, TOMIS. TOMIS has undergone a verification and validation by DHS and has been referenced in several GAO and OIG reviews, which provides reliable source data for the drug methodology described above.

## **2. Methodology Modifications**

The drug control methodology for obligations used in FY 2016 remained the same as the methodology used in FY 2015 for the reported program offices.

## **3. Material Weaknesses or Other Findings**

CBP contributed to the Departmental material weaknesses in Information Technology Controls and Financial System Functionality and Financial Reporting. We note CBP's control deficiencies that contributed to the Department-level material weakness did not impair CBP's ability to report complete and accurate obligation data in the Table of FY 2016 Drug Control Obligations. While control deficiencies surrounding CBP's accounting system, SAP, contributed to the Information Technology Controls material weakness, the weakness was due to access controls and CBP had sufficient compensating controls to ensure accounting records were accurate.

CBP also contributed to the Department significant deficiencies in Entity-Level Controls and Custodial Revenue and Refunds and Drawbacks. The deficiencies are not relevant with respect to information contained in this report, as there is not information presented that is significantly reliant upon Financial Reporting or Entity-Level Controls, or information related to custodial revenues and refunds and drawback.

#### **4. Reprogrammings or Transfers**

During FY 2016, CBP had reprogrammings and transfers. As a component of DHS, CBP submits all reprogramming and transfer requests through the Department for approval, and the impact of these changes is assessed by the Department. In FY 2016, the Department determined there were no reprogrammings or transfers that materially impacted CBP's drug-related obligations reported in the Table of FY 2016 Drug Control Obligations.

#### **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. This drug methodology, and the systems used to support this methodology, such as TOMIS, CMIS, and the AMOC Integrated Information Database, present a fair and accurate picture of the CBP drug enforcement mission.

###### **b. Financial Systems Security**

CBP's financial system, SAP, yields data that fairly presents, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.

As stated in the IT general and application control weaknesses noted in section A.3, CBP's financial systems issues related to SAP are based on access control and CBP has compensating controls to ensure CBP is 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 generate the Table of FY 2016 Drug Control Obligations

### **4. Reprogrammings or Transfers**

The data presented are associated with obligations against a financial plan that properly reflects all changes in drug-related budgetary resources that occurred during the fiscal year, including reprogrammings or transfers. Although the Department determined there was no material impact to drug-related obligations, the ONDCP approved all reprogrammings or transfers in excess of \$1 million in FY 2016.

### **5. Fund Control Notices**

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2016.



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

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

**Department of Homeland Security**

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