

Review of U.S. Coast Guard's Fiscal Year 2016 Drug Control Performance Summary Report





DHS OIG HIGHLIGHTS

Review of U.S. Coast Guard's Fiscal Year 2016 Drug Control Performance Summary Report

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 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 (KPMG), under contract with the Department of Homeland Security OIG, issued an Independent Accountants' Report on the U.S. Coast Guard's (Coast Guard) FY 2016 Drug Control Performance Summary Report. Coast Guard's management prepared the Performance Summary Report and the related disclosures in accordance 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's attention that caused it to believe that the Coast Guard's FY 2016 Performance Summary Report is not presented in conformity with the criteria in the ONDCP Circular. KPMG 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

February 1, 2017

MEMORANDUM FOR: Rear Admiral Andrew J. Tiongson
Chief Financial Officer
U.S. Coast Guard

FROM: John V. Kelly 
Deputy Inspector General

SUBJECT: *Review of U.S. Coast Guard's Fiscal Year 2016 Drug Control Performance Summary Report*

Attached for your information is our final report, *Review of U.S. Coast Guard's Fiscal Year 2016 Drug Control Performance Summary Report*. Coast Guard's 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 Coast Guard'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 Performance Summary Report of the U.S. Department of Homeland Security's (DHS) U.S. Coast Guard (USCG) 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). USCG 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.

Based on our review, 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



16012
January 18, 2017

Mr. John Kelly
Deputy Inspector General
Department of Homeland Security
Office of the Inspector General

Dear Mr. Kelly,

In compliance with the Office of National Drug Control Policy (ONDCP) Circular: *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013, U.S. Coast Guard (Coast Guard) submits its enclosed Performance Summary Report to ONDCP. The report contains the results of the Coast Guard's Fiscal Year (FY) 2016 performance in support of the *National Drug Control Strategy*.

Coast Guard Management makes the following assertions:

(1) Performance reporting system is appropriate and applied – The Coast Guard utilizes the interagency Consolidated Counterdrug Database (CCDB) to provide data for the Coast Guard performance reporting system. This performance reporting system, as detailed within the enclosed report, is appropriate and applied. It was reviewed in the most recently available 2007 Independent Program Evaluation by the Center for Naval Analyses and a 2007 Office of Management and Budget (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 – The Coast Guard did not meet its FY 2016 performance target. The explanations offered for failing to meet the target are reasonable.

(3) Methodology to establish performance targets is reasonable and consistently applied – The Coast Guard methodology to establish performance targets is reasonable and consistently 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 Department of Homeland Security (DHS) Office of Program Analysis and Evaluation, prior to entry into budget documents and the DHS Future Years Homeland Security Program (FYHSP) database.

(4) Adequate performance measures exist for all significant drug control activities – The Coast Guard has established one acceptable performance measure that covers all four budget decision units (Operating Expenses; Reserve Training; Acquisition, Construction, and

Improvements; and Research, Development, Test and Evaluation). The metric was most recently subject to review by the DHS Office of the Inspector General (OIG) in FY 2016, as documented per OIG Report 17-09, *DHS Drug Interdiction Efforts Need Improvement*, issued on November 8, 2016. The OIG report noted the Coast Guard's performance measure was adequate, but could be expanded to include other drug types removed. The Coast Guard is considering these suggested changes. However, the Coast Guard has determined the FY 2016 performance measure does not require material modification.

If you require further assistance on this information, please contact LCDR Kristopher Ensley, 202-372-1001.

Sincerely,



MICHAEL W. CRIBBS
Captain, U.S. Coast Guard
Chief, Office of Performance Management
& Assessment

Enclosure (1) FY 2016 Performance Summary Report

Copy: DHS Office of Program Analysis and Evaluation

Drug Budget

United States Department of Homeland Security

United States Coast Guard

Performance Summary Report FY 2016

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. Thus, the Coast Guard received permission from the Office of National Drug Control Policy (ONDCP) to present one metric for all four decision unit lines.*

This section is based on Coast Guard data and DHS 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 Protection (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, the 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 source¹ and transit² 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 President's National Drug Control Strategy and ONDCP's National Interdiction Command and Control Plan, 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 performance 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.

¹ The source zone includes the principal drug producing countries of Bolivia, Columbia, and Peru.

² The transit zone encompasses Central America, Mexico, the Caribbean Sea, the Gulf of Mexico, and the eastern Pacific Ocean.

Performance Measure

Cocaine Removal Rate: Removal rate for cocaine from non-commercial vessels in the maritime Transit Zone.

NOTE: In accordance with ONDCP Circular: *Accounting of Drug Control Funding and Performance Summary* the below table presents the performance information for the previous four fiscal years (FY 2013 – 2016) compared to the target level. The table additionally presents the target established for the current fiscal year (FY 2017).

Year:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target:	14.1%	13.9%	13.8%	11.5%	11.5%
Actual:	15.3%	9.6%	11.5%	7.1%	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 2013	FY 2014	FY 2015	FY 2016
Flow:	577	945	1,254	2,834
Removed:	88.4	91.0	144.8	201.3

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 2016 to 2,834 metric tons from 1,254 metric tons in FY 2015. The Coast Guard removed 201.3 metric tons of cocaine from the Transit Zone in FY 2016 equating to a 7.1% removal rate for non-commercial maritime cocaine flow. While the Coast Guard did not meet its performance target of removing 11.5% of non-commercial maritime cocaine flow, the Coast Guard removed more tonnage of cocaine in FY 2016 than it did in FY 2015 or in any fiscal year prior. Although the known cocaine flow increased by 1,580 metric tons in FY 2016, there was not a matching increase in available interdiction resources (i.e. an increase in cutter days/hours). The higher level of maritime flow of cocaine had a greater impact on the missed FY 2016 target than did the level of effort provided by the Coast Guard and its partners.

The Coast Guard 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 and total known non-commercial maritime flow include, but are not limited to:

- The production capacity and supply of cocaine generated in source countries by TCOs;
- 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 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; and 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 2016, the Coast Guard dedicated additional focus and assets to transit zone interdiction operations above historical levels. The Coast Guard was within 2% of its planned ship deployments target of 2,238 major cutter days. Coast Guard Maritime Patrol Aircraft (MPA) support to Joint Interagency Task Force South (JIATF-S) was within 4% of the 3,181 hour commitment. Airborne Use of Force (AUF) helicopter deployed days met the 1,460 day commitment and Coast Guard LEDETs 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 April 2016 in conjunction with normal target setting timelines.

Due to a reduction in the level of ship and aircraft support provided to JIATF-S by the USN in the near future, the Coast Guard's removal rate target for FY 2016 was lowered to 11.5%. The FY 2016 target was not met. The FY 2017 target was set at 11.5%. Due to increases in the capabilities provided by new Coast Guard assets and the gradual improvement in intelligence and targeting this is an aggressive, yet achievable performance target.

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 flows and removals during drug interdiction operations. CCDB estimates permit the Coast Guard to objectively evaluate its performance.



OFFICE OF INSPECTOR GENERAL

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Appendix A **Report Distribution**

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