

**Review of U.S. Customs and
Border Protection's
Fiscal Year 2017 Detailed
Accounting Submission for
Drug Control Funds**





DHS OIG HIGHLIGHTS

Review of U.S. Customs and Border Protection's Fiscal Year 2017 Detailed Accounting Submission for Drug Control Funds

January 30, 2018

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 (FY).

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

Williams Adley & Company –DC, LLP (Williams Adley), 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 2017 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 drug control methodology used for estimating the percentages of obligations allocated 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 2017 Drug Control Obligations presented in the DAS. As a result, Williams Adley was unable to complete review procedures related to assessing the reasonableness and accuracy of the methodologies used.

Except as noted above, nothing came to Williams Adley's attention that caused it to believe that the FY 2017 Detailed Accounting Submission is not presented in conformity with the criteria in the ONDCP Circular.



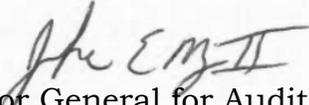
OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

JAN 30 2018

MEMORANDUM FOR: Samuel D. Grable
Chief Financial Officer
U.S. Customs and Border Protection

FROM: John E. McCoy II 
Assistant Inspector General for Audits

SUBJECT: *Review of U.S. Customs and Border Protection's Fiscal Year 2017 Detailed Accounting Submission for Drug Control Funds*

Attached for your information is our final report, *Review of U.S. Customs and Border Protection's Fiscal Year 2017 Detailed Accounting Submission for Drug Control Funds*. U.S. Customs and Border Protection's (CBP) management prepared the Table of FY 2017 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 Williams, Adley & Company –DC, LLP (Williams Adley) to review CBP's Detailed Accounting Submission. Williams Adley is responsible for the attached Independent Accountants' Report, dated January 16, 2018, and the conclusions expressed in it. The 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



Independent Accountant's Report

Inspector General
United States Department of Homeland Security

We have reviewed management's assertions related to 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, 2017. CBP management is responsible for the preparation of the DAS 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). Our responsibility is to express a conclusion about management's assertions.

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. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the DAS or DAS assertions in order for them to be in accordance with the Circular. 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.

ONDCP Circular: Budget Formulation requires CBP to utilize a drug control methodology for presenting their National Drug Control Budget by drug control functions. This Circular also states that the methodology must provide a reasonable basis for consistent estimation. Based on our testing, we noted that CBP Management was unable to provide supporting documentation for the drug control methodology used for estimating the percentages of obligations allocated 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 2017 Drug Control Obligations presented in the DAS.

As a result, we were not able to complete our review procedures related to assessing the reasonableness and accuracy of the methodologies used.

Based on our review, except for the matter described above, we are not aware of any material modifications that should be made to the DAS or the DAS assertions for the year ended September 30, 2017 in order for them to be in conformity with the requirements set forth in the Circular.

Williams, Adley & Company-DC, LLP
Washington, District of Columbia
January 16, 2018

WILLIAMS, ADLEY & COMPANY-DC, LLP

Certified Public Accountants / Management Consultants

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

Mr. Richard J. Baum
Acting Director, Office of National Drug Control Policy
Executive Office of the President
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Baum:

Enclosed is the U.S. Customs and Border Protection (CBP) Fiscal Year (FY) 2017 Detailed Accounting Submission on National Drug Control Funding. In FY 2017, CBP reported direct obligations of approximately \$2,581.790 million.

If you have any questions or would like additional information, please contact me at (202) 325-2254.

A handwritten signature in blue ink that reads "Samuel D. Grable".

for
Samuel D. Grable
Chief Financial Officer
U.S. Customs and Border Protection
Department of Homeland Security

Enclosure

**U.S. DEPARTMENT OF HOMELAND SECURITY
U.S. CUSTOMS AND BORDER PROTECTION
Detailed Accounting Submission of Fiscal Year 2017 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

A. Table of Fiscal Year (FY) 2017 Drug Control Obligations

Drug Resources by Budget Decision Unit	FY 2017 Final (In Millions)
Operations and Support (O&S)	\$2,460.250
Procurement, Construction, and Improvements (PC&I)	\$121.540
Total Resources by Drug Control Unit	\$2,581.790
Drug Resources by Drug Control Function	
Intelligence	
United States Border Patrol	\$19.551
Office of Field Operations	\$242.621
Office of Information and Technology	\$9.217
Office of Training and Development	\$1.026
Air and Marine Operations	\$147.283
Intelligence - Total	\$419.698
Interdiction	
United States Border Patrol	\$554.614
Office of Field Operations	\$1,061.353
Office of Information and Technology	\$5.859
Office of Training and Development	\$30.916
Office of Acquisition	\$8.380
Air and Marine Operations	\$500.970
Interdiction - Total	\$2,162.092
Total Resources by Drug Control Function	\$2,581.790
Total Obligations	\$2,581.790
High Intensity Drug Trafficking Area (HIDTA)	\$0.157

Note: Drug resources broken down by unit and function as reflected in the budget structure enacted in the FY 2017 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 2017. 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 and water borders between ports of entry with Canada and Mexico, and nearly 2,100 miles of coastal waters surrounding the Florida Peninsula, Puerto Rico, and the United States Virgin Islands. There were 19,437 Border Patrol agents, as of September 30, 2017, 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 Operations and Support (O&S); and Procurement, Construction, and Improvements (PC&I) appropriations. Within those appropriations, 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.

Of the 15 percent of Fund 17,500 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. Also, historically, the 15 percent of Fund 17,530/17,560 obligations are related to drug interdiction only. These activities include staffing permanent border traffic checkpoints nationwide, including 900 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.

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) prior year appropriation provided multi-year funding for the CBP program office, USBP, tasked with developing and installing technology and tactical infrastructure solutions, enabling a more effective and efficient method for controlling border security.

CBP initially anticipated receiving the BSFIT appropriation in FY 2017, however with a change to the Common Appropriations Structure (CAS), BSFIT was not appropriated. Therefore, there has been a drastic reduction in anticipated BSFIT dollars being used for ONDCP. The CAS structure replaced BSFIT and all anticipated and actual obligations for ONDCP will now be accounted for under the US Border Patrol. FY 2017 BSFIT Interdiction obligations were captured using the standard 15% against all BSFIT obligations.

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 2017. 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 22,901 CBPOs in FY 2017, 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.

On October 26, 2017, the Administration announced a National Health Emergency to combat the Opioid crisis. Seizures of illicit fentanyl have risen substantially in the last 3 years. Despite

increased enforcement actions, there has been a dramatic and disturbing increase in overdose deaths attributable to illicit fentanyl and other synthetic drugs. In response to this rise, OFO has begun to procure, deploy, and train employees in an effort to improve the agency's capability to detect and interdict fentanyl and other opioids. Those resources were accounted for in this analysis. CBP has a limited number of narcotic detection devices deployed to its largest POE along the Southwest Border.

CBP also uses three types of canine teams: narcotics/human, drug, and currency. CBP has 520 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 38.9 percent is spent on drug interdiction and 61.1 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 the same rate as the NTP course delivery which is 19.61% for interdiction and .65% for intelligence for FY 2017. These percentages are applied to OTD's overall operating budgets and payroll to identify the projected amounts attributable to drug enforcement activities for both interdiction and intelligence. These percentages vary during the year of execution depending upon actual course delivery obligation rates.

OFFICE OF ACQUISITION (OA)

All funds associated with border security technology programs, with the exception of the support contracts, belong with USBP. OA currently uses support contracts to assist in the development, deployment, operations, and maintenance of border technology which is part of an SLA providing support to the Program Management Office during the two-year transition phase to US Border Patrol. OA applies a 15 percent ratio to this funding, which matches the USBP counter narcotics methodology.

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 2017, AMO P-3 aircraft flew 6,118 hours in drug control efforts, which represent 76 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 163,482 pounds of cocaine in the Source and Transit zones. This equates to 26.8 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.

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 80 percent of the budget resources that support AMO are considered to be drug-related. Of the total flight hours flown by AMO, 23 percent were related to intelligence and 77 percent were related to interdiction in FY 2017.

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 2017 remained the same as the methodology used in FY 2016 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 2017 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 2017, CBP had reprogrammings, but no 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 2017, the Department determined there were no reprogrammings or transfers that materially impacted CBP's drug-related obligations reported in the Table of FY 2017 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 2017 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. The Department determined there was no material impact to drug-related obligations and there were no reprogrammings or transfers that materially impacted CBP's drug-related obligations reported in the Table of FY 2017 Drug Control Obligations

5. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2017.



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Appendix A
Report Distribution

Department of Homeland Security

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