

Department of Homeland Security **Office of Inspector General**

Independent Review of U.S. Immigration and
Customs Enforcement's Reporting of
FY 2012 Drug Control Obligations





OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

FEB 14 2013

MEMORANDUM FOR: Radha Sekar
Acting Executive Associate Director
Management and Administration
U.S. Immigration and Customs Enforcement

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Independent Review of U.S. Immigration and Customs
Enforcement's Reporting of FY 2012 Drug Control
Obligations*

Attached for your information is our revised report, *Independent Review of U.S. Immigration and Customs Enforcement's Reporting of FY 2012 Drug Control Obligations*. The original independent accountants' report contained a paragraph discussing an exhibit which was not included in the Immigration and Customs Enforcement's final submission to the Office of National Drug Control Policy. The independent accountant has removed the unnecessary paragraph. Please see the attached errata page for details.

U.S. Immigration and Customs Enforcement's management prepared the Table of Prior Year Drug Control Obligations and related disclosures to comply with the requirements of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007.

We contracted with the independent public accounting firm KPMG LLP to perform the review. KPMG LLP is responsible for the attached independent accountants' report, dated January 22, 2013, and the conclusions expressed in it. We do not express an opinion on the Table of Prior Year Drug Control Obligations or related disclosures. This report contains no recommendations.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate 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 Mark Bell, 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

Deputy Inspector General
U.S. Department of Homeland Security:

We have reviewed the accompanying Table of Prior Year Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) Immigration and Customs Enforcement (ICE) for the year ended September 30, 2012. We have also reviewed the accompanying management's assertions for the year ended September 30, 2012. ICE's management is responsible for the Table of Prior Year Drug Control Obligations, related disclosures, and the assertions.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and applicable standards 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 Table of Prior Year Drug Control Obligations, related disclosures, and management's assertions. Accordingly, we do not express such an opinion.

Management of ICE prepared the Table of Prior Year Drug Control Obligations, related disclosures, and management's assertions to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 (the Circular).

Based on our review, except as described in the paragraph below, nothing came to our attention that caused us to believe that (1) the Table of Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2012 are not presented, in all material respects, in conformity with the Circular, or that (2) management's assertions referred to above are not fairly stated, in all material respects, based on the criteria set forth in the Circular.

In the Table of Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2012, management utilized and disclosed a revised methodology for calculating the obligations related to both domestic and international intelligence operations that was not approved by ONDCP as required by section 6a(1)(b) of the Circular.

This report is intended solely for the information and use of the management of DHS and ICE, 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, 2013

Office of the Chief Financial Officer

U.S. Department of Homeland Security
500 12th Street, SW
Washington, D.C. 20536



**U.S. Immigration
and Customs
Enforcement**

January 22, 2013

Ms. Anne L. Richards
Assistant Inspector General for Audit
U.S. Department of Homeland Security
Office of the Inspector General
1120 Vermont Avenue NW, 10th Floor
Washington, DC 20005

Dear Ms. Richards,

In accordance with the Office of National Drug Control Policy circular, Drug Control Accounting, dated May 1, 2007, enclosed is Immigration and Customs Enforcement's report of FY 2012 drug obligations, drug control, methodology and assertions.

If you require further assistance on this information, please contact Jamie Sturgis at (202) 732-6188.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew McIlroy".

Andrew McIlroy
Deputy Director, Office of Budget and Program Performance
U.S. Immigration and Customs Enforcement

**U.S. Department of Homeland Security
U.S. Immigration and Customs Enforcement
Detailed Accounting Submission of Drug Control Funds during FY 2012**

**A. Table of Prior Year Drug Control Obligations
Drug Resources by Budget Decision Unit and Function:**

	FY 2012 Final (In Millions)
Salaries and Expense	
Domestic Investigations	\$476.918
International Affairs	\$7.216
Intelligence: Domestic	\$15.991
Intelligence: International	\$0.768
Total Salaries and Expense	\$500.893
Total Funding	\$500.893
High Intensity Drug Trafficking Area (HIDTA) Transfer	\$1.335

Disclosure No. 1: Drug Methodology

U.S. Immigration and Customs Enforcement (ICE) is a multi-mission bureau, and obligations are reported pursuant to an approved drug methodology. Separate calculations are made for the three ICE programs which undertake drug-related investigative activity: Domestic Investigations, International Affairs, and Intelligence.

Domestic Investigations

- The methodology for Domestic Investigations is based on investigative case hours recorded in ICE's automated Case Management System. ICE officers record the type of investigative work they perform in this system which interfaces with TECS, a system used to identify and report case hours coded to specific investigative categories. Following the close of the fiscal year, ICE uses TECS reports to identify and report the total investigative case hours that are coded as general narcotics cases and money laundering narcotics cases. A second TECS report shows investigative case hours logged. A percentage is derived by dividing the number of investigative case hours linked to drug control activities by the total number of investigative case hours. This percentage may fluctuate from year to year. For FY 2012, the actual percentage for Domestic Investigations was 28.2%. To calculate a dollar amount of obligations, this percentage was applied to actual obligations incurred by Domestic Investigations, excluding reimbursable authority. ICE uses the Federal Financial Management System (FFMS) to identify the obligations incurred.

International Affairs

- The methodology for International Affairs is based on investigative case hours recorded in ICE's automated Case Management System. ICE officers record the type of work they perform in this system, which interfaces with the TECS system. Following the close of the fiscal year, a TECS report is run showing investigative case hours that are coded as general narcotics cases and money laundering narcotics cases. A second report is run showing all investigative case hours logged. A percentage is derived by dividing the number of investigative case hours linked to drug control activities by the total number of investigative case hours. For International Affairs, the actual percentage of hours that were counter-narcotics related was 6.3% in FY 2012. To calculate a dollar amount of obligations, this percentage was applied to actual obligations incurred by International Affairs, excluding reimbursable authority. The FFMS is the system used to generate the actual obligations incurred.

Intelligence

- The methodology for Intelligence is based on intelligence case hours recorded in ICE's automated Case Management System. ICE intelligence officers record the type of work they perform in this system, which interfaces with the TECS system. Following the close of the fiscal year, a report in the TECS is run showing investigative case hours that are coded as general narcotics cases and money laundering narcotics cases. A second report is run showing all investigative case hours logged. A percentage is derived by dividing the number of investigative case hours linked to drug control activities by the total number of investigative case hours logged for Intelligence. For FY 2012, 22.0% of the total case hours for Intelligence were in support of drug control activities. To calculate a dollar amount of drug control obligations, this percentage was applied to actual obligations incurred by Intelligence, excluding reimbursable authority. The FFMS is the system used to generate the actual obligations incurred.

ICE officers provide intelligence services for Domestic Investigations and International Affairs to support criminal investigations aimed at disrupting and dismantling criminal organizations involved in transnational drug trade and associated money laundering crimes. Intelligence case hours recorded in TECS are not designated domestic or international, although Intelligence equally supports both transnational and domestic criminal investigations that are conducted by Domestic Investigations as well as International Affairs and both together. ICE takes the total investigative hours in TECS for agents overseas divided by the total investigative hours in TECS (both domestic and international) to obtain a percentage of the total investigative hours that are international. The resulting percentage is used to determine the amount of work that Intelligence does for international activities (4.58 %) and domestic activities (95.42%) The respective percentages are applied to the total Intelligence drug related obligations as determined above to identify the relative international and domestic obligations expended by Intelligence for drug control activities.

Disclosure No. 2: Methodology Modifications

In FY 2012, ICE revised the method for determining Intelligence obligations that are domestic and international. The previous method was based on the ratio of Requests for Information (RFI) prepared for International Affairs and Domestic Investigations that were recorded in the Intelligence Information Management System (IIMS). Beginning in FY 2012, ICE revised the process and criteria for designating RFI to align with the DHS Intelligence Enterprise Policy Directive 8310 (DHS PD8310). As a result, the scope of intelligence products that meet the RFI criteria specified by DHS PD8310 changed, and henceforth, fewer RFI were recorded in IIMS. Additionally, ICE found the international/domestic ratio of RFI requests recorded in IIMS no longer reflected Intelligence products nor workload that were international or domestic. Consequently, ICE revised the methodology used to identify Intelligence drug related obligations that are domestic or international. The new method uses the relative TECS investigative case hours that are domestic or international. ICE has initiated discussion to obtain ONDCP approval of the change to the methodology.

Disclosure No. 3: Material Weaknesses or Other Findings

In the Fiscal Year 2012 Financial Statement Audit, ICE contributed to material weaknesses at the Department of Homeland Security consolidated financial statement level.

During FY 2012, ICE continued to have issues with the validity of undelivered orders (UDO). Verification and validation (V&V) reviews performed by ICE financial managers indicate reliance on responses from field office personnel to determine the validity of open obligations which are sometimes inaccurate, or do not provide sufficient information for the ICE financial managers to make an informed decision about the balance, rendering the V&V process ineffective. ICE's verification and validation process was not adequate to identify invalid UDOS, which resulted in the overstatement of undelivered orders, as obligations are not closed out in a timely manner. Additionally, ICE does not have an effective process to match advances to obligations at the transaction level. In FY 2013, ICE is identifying immediate steps to review the Open Document File for all undelivered orders, and close out and deobligate any invalid UDOS. Additionally, a longer-term solution will involve the end-to-end review the obligations management process, determine improvement areas, and identify long-term solutions.

The contributions to material weaknesses identified above did not impair ICE's ability to report complete and accurate obligation data in the Table of Prior Year Drug Control Obligations.

Disclosure No. 4: Reprogrammings or Transfers

No Reprogrammings or Transfers of drug-related budget resources occurred during FY 2012.

Disclosure No. 5: Other Disclosures

There are no other disclosures, which we feel are necessary to clarify any issues regarding the data reported.

B. Assertions

Assertion No. 1: Obligations by Budget Decision Unit

Not Applicable - As a multi-mission agency, ICE is exempt from reporting under this section as noted in the Office of National Drug Control Policy (ONDCP) *Drug Control Accounting, Section 6 (b) (1)*.

Assertion No. 2: Drug Methodology

The methodology used to calculate obligations of prior year budgetary resources by budget decision unit and function is reasonable and accurate in regard to the workload data employed and the estimation methods used. The workload data is derived from the TECS system discussed in the methodology section above and is based on work performed between October 1, 2011 and September 30, 2012. There are no other estimation methods used. The financial system used to calculate the drug-related budget obligations is the FFMS which is capable of yielding data that fairly presents, in all material respects, aggregate obligations.

ICE revised the methodology used to determine overseas and domestic intelligence drug obligations to maintain conformance to ONDCP circular requirements. ICE did not obtain advance ONDCP approval of the revised methodology, but we have initiated contact with ONDCP to discuss and obtain their approval.

Assertion No. 3: Application of Drug Methodology

The methodology disclosed in section A, Disclosure No. 1 was the actual methodology used to generate the Table of Prior Year Drug Control Obligations.

Assertion No. 4: Reprogrammings or Transfers

No reprogrammings or transfers of drug-related budget resources occurred during FY 2012. The data presented are associated with obligations against a financial plan that was sent to ONDCP in FY 2012.

Assertion No. 5: Fund Control Notices

No Fund Control Notice was issued by the ONDCP Director under 21 U.S.C. section 1703(f) and Section 8 of the ONDCP Circular, *Budget Execution*, to ICE in FY 2012.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix A
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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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