

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

Independent Review of U.S. Coast Guard's Reporting of FY 2013 Drug Control Performance Summary Report



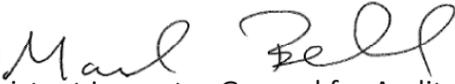


OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

FEB 11 2014

MEMORANDUM FOR: Rear Admiral Stephen P. Metruck
Chief Financial Officer
U.S. Coast Guard

FROM: Mark Bell 
Acting Assistant Inspector General for Audits

SUBJECT: *Independent Review of U.S. Coast Guard's Reporting of
FY 2013 Drug Control Performance Summary Report*

Attached for your information is our final report, *Independent Review of U.S. Coast Guard's Reporting of FY 2013 Drug Control Performance Summary Report*. U.S. Coast Guard's management prepared the Performance Summary Report to comply with the requirements of the Office of National Drug Control Policy Circular, *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013.

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 February 04, 2014, and the conclusions expressed in it. We do not express an opinion on the Performance Summary Report. This report contains no recommendation.

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 Sandra John, Acting 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 Performance Summary Report of the U.S. Department of Homeland Security's (DHS) U.S. Coast Guard (USCG) for the year ended September 30, 2013. 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 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 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, 2013, referred to above, is not fairly stated 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

February 4, 2014

U.S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

2703 Martin Luther King Ave SE
Washington, DC 20593-7318
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Phone: (202) 372-2684
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16012
February 04, 2014

Ms. Anne L. Richards
Assistant Inspector General for Audits
Department of Homeland Security
Office of the Inspector General

Dear Ms. Richards,

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 2013 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, appearing to read "A. E. Roth", written over the typed name.

A. E. ROTH
Captain, U.S. Coast Guard
Chief, Office of Performance Management &
Assessment

Enclosure (1) FY 2013 Performance Summary Report

Copy: DHS Budget Office

Drug Budget

United States Department of Homeland Security

United States Coast Guard

Performance Summary Report FY 2013

I. PERFORMANCE INFORMATION

NOTE: *Although the 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 goal of the Coast Guard’s Drug Interdiction program is to reduce the supply of illegal drugs within the United States by denying smugglers the use of air and maritime routes and by projecting an effective law enforcement presence in and over the six million square mile drug Transit Zone of the Caribbean Sea, the Gulf of Mexico and the Eastern Pacific Ocean. The Coast Guard deploys major cutters and aviation assets to the Transit Zone in support of Joint Interagency Task Force South (JIATF-S) counterdrug efforts. In addition to its organic capacity, the Coast Guard leverages interagency/international partnerships to enhance presence and to expand interdiction opportunities by deploying LEDETs on USN and Allied (United Kingdom, The Netherlands, Canada) vessels.

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 United States. The more cocaine bound for the United States that the Coast Guard removes, the less the supply of cocaine available for consumption in the United States.

Performance Measure: Cocaine Removal Rate (Removal rate for cocaine from non-commercial vessels in the maritime Transit Zone). This represents the percent of Cocaine removed (seized by the U.S. Coast Guard, and jettisoned, scuttled, or destroyed as a result of U.S. Coast Guard law enforcement action) in relationship to the Non-Commercial Maritime Movement of cocaine. The Cocaine Removal Rate 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 United States. 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 United States is extracted from the interagency-validated Consolidated Counter Drug Database (CCDB).

Performance Targets and Results (Cocaine Removal Rate):

Year:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Target:	15.7%	18.5%	15.5%	16.5%	14.1%	13.9%
Actual:	15%	13.5%	11.6%	13.4%	15.3%	N/A

The 2012 *National Drug Control Strategy* maintains the interagency, Transit Zone removal rate goal for cocaine of 40% by 2015; a goal originally set in the 2007 *National Drug Control Strategy*. With over 80% of the cocaine moving through the Transit Zone via non-commercial maritime means, the national goal is achievable with a higher Coast Guard cocaine removal rate, assuming no decrease in domestic and international partner agency performance to achieve that 40% goal. 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 surface assets from the U.S. Navy (USN) and Allied nations to support Detection and Monitoring in the Transit Zone;
- Sufficient Coast Guard Law Enforcement Detachments (LEDETs) capacity to perform Interdiction and Apprehension activities from USN and Allied surface assets;
- 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).

As a result of sequestration, the Coast Guard reduced its strategic commitment to supporting Detection and Monitoring (D&M) on behalf of JIATF-S. Specifically, planned ship deployments fell by more than 30%, from an original FY 2013 target of 1,460 major cutter days to 986. The Coast Guard also reduced planned Maritime Patrol Aircraft (MPA) support to JIATF-S to 3,207 hours, from a FY 2013 target of 4,700 hours. USN surface combatants, with embarked Coast Guard LEDETs, stopped nearly all surface ship deployments in the last half of FY 2013 when sequestration was in effect.

Quality of Performance Data: The Coast Guard continues to use the CCDB as its source for tracking cocaine movement estimates. Data entered into the CCDB is validated through a quarterly, interagency vetting process. The CCDB event-based estimates are the best available authoritative source for estimating illicit drug flow through the Transit Zone. These estimates permit the Coast Guard to objectively evaluate its performance. All data contained in the CCDB are deemed to be as accurate, complete and unbiased in presentation and substance as possible.

According to CCDB, the known cocaine flow through the Transit Zone via non-commercial means decreased in FY 2013 to 577 MT from 796 MT in FY 2012. The Coast Guard removed 88.4 MT of cocaine from the Transit Zone in FY 2013 and had a 15.3% removal rate for non-commercial maritime cocaine flow. This constitutes a 17% reduction from the 106.9 MT of cocaine the Coast Guard removed in FY 2012. While the Coast Guard exceeded its performance target of removing 14.1% of non-commercial maritime cocaine flow, overall awareness of known non-commercial maritime flow was down compared to FY 2012).

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 drug interdiction targets, making adjustments as necessary. Revisions to the targets are reported via the Department of Homeland Security's Future Year Homeland Security Program (FYHSP) database. The Maritime Law Enforcement Program last updated its out-year performance targets in May 2013 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 Coast Guard and its partners in the near future, the Coast Guard's removal rate target for FY 2014 has been lowered to 13.9%. This represents an aggressive, yet achievable, performance target with available resources.

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 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 met its FY13 performance target. The Coast Guard's FY 2013 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 Future Year Homeland Security Program 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
Department of Homeland Security

Appendix A
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For further information or questions, please contact Office of Inspector General (OIG) Office of Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov, or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).”

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