

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

## **Independent Review of U.S. Immigration and Customs Enforcement's Reporting of FY 2013 Detailed Accounting Submission**





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

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

FEB 13 2014

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

FROM: Mark Bell   
Acting Assistant Inspector General for Audits

SUBJECT: *Independent Review of U.S. Immigration and Customs  
Enforcement's Reporting of FY 2013 Detailed Accounting  
Submission*

Attached for your information is our final report, *Independent Review of U.S. Immigration and Customs Enforcement's Reporting of FY 2013 Detailed Accounting Submission*. U.S. Immigration and Customs Enforcement's management prepared the Detailed Accounting Submission and related disclosures 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 Detailed Accounting Submission and related disclosures. 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 Detailed Accounting Submission of the U.S. Department of Homeland Security's (DHS) Immigration and Customs Enforcement (ICE) for the year ended September 30, 2013. ICE's management is responsible for the Detailed Accounting Submission.

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 Detailed Accounting Submission. Accordingly, we do not express such an opinion.

Management of ICE prepared the Detailed Accounting Submission to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Accounting of Drug Control 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 Detailed Accounting Submission 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 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**

February 4, 2014

*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**

February 4, 2014

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

Dear Ms. Richards,

In accordance with the Office of the National Drug Control Policy circular, Drug Control Accounting, dated January 18, 2013, enclosed is Immigration and Customs Enforcement's report of FY 2013 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 cursive script that reads "Sabrina Jones".

Sabrina Jones

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 2013**

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

<b>Drug Resource by Function</b>	FY 2013 Final (In Millions)
Domestic Investigations	\$449.515
International Affairs	\$8.570
Intelligence: Domestic	\$16.355
Intelligence: International	\$0.222
<b>Total</b>	<b>\$474.662</b>
<b>Drug Resources by Decision Unit</b>	
Salaries and Expenses – Immigration Enforcement	
<b>Total</b>	<b>\$474.662</b>
High Intensity Drug Trafficking Area (HIDTA) Transfer	\$1.207

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 Treasury Enforcement Communications System (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 2013, the actual percentage for Domestic Investigations was 28.17%. 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 8.11% in FY 2013. 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 2013, 24.68% 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 captures both domestic and international drug-related activity. ICE Intelligence calculates the total percentage of case hours that support Domestic and International drug enforcement activity by adding the end of the year total number of Intel Domestic and Intel Office of International Affairs (OIA) drug-controlled investigative hours in TECS and dividing these totals by the total number of Domestic drug-controlled investigative hours and OIA drug-controlled investigative hours. The resulting percentage is used to determine the amount of work that Intelligence does for international activities (1.34%) and domestic activities (98.66%). 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 2013, ICE revised the method for determining Intelligence obligations that are domestic and international. The previous method did not require agents to categorically record Intelligence case hours related to drug enforcement investigations in the TECS system. This method limited the program's ability to provide transparency relating to Domestic and International Intelligence activity. As a result, there was not sufficient data to develop percentages that support Domestic and International Intelligence activity, respectively.

In FY 2013, ICE Intelligence revised the process to capture Domestic and International drug-controlled activities in the TECS system. Intelligence Research Specialists' case hours in support of drug-controlled activities (the hours spent on Homeland Security Intelligence Reports and Intelligence Information Reports) are now being captured in the data and are used to determine the total number percentage of case hours by the Intelligence program area. ICE uses this methodology to identify Intelligence obligations in support of drug controlled activities as domestic or OIA, by using the percentage of domestic hours versus OIA hours worked per TECS and applying these percentages to the total of all drug related Intelligence obligations. ICE intelligence supports all of Homeland Security Investigations (HSI). Applying the percentages to the overall Intelligence effort is the best methodology to estimate Intelligence support to both the Domestic and International components of HSI. ICE has obtained ONDCP approval of the change to the methodology.

#### Disclosure No. 3: Material Weaknesses or Other Findings

In the Fiscal Year 2013 financial statement audit, ICE contributed to material weaknesses at the Department of Homeland Security consolidated financial statement level in the areas of financial reporting, budgetary accounting, and information technology.

ICE recognizes weaknesses in the obligations management process with timely recordings in the general ledger of obligations and expenses transactions, lack of IT systems controls to ensure expenditures are within budgetary limits and ensuring that inactive contracts with outstanding funds are de-obligated appropriately. ICE must improve the financial reporting processes to ensure that sufficient reviews and validation of data is occurring prior to recording. Additionally, ICE must develop additional policies and procedures to ensure that budgetary subsidiary accounts are reconciled to the general ledger and adjustments are recorded timely. Moreover, ICE will enhance its supervisory review of journal vouchers, account reconciliations, and analysis, which affect adjustments to the financial statements. ICE will complete remediation initiated last year and conduct routine verification and validation to ensure improvements are being sustained.

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

In FY 2013, the Office of International Affairs total base budget was reduced by \$3 million and the Office of Intelligence total base budget was reduced by \$3.4 million due to sequestration.

This reduction in funds due to sequestration was not considered a reprogramming requiring ONDCP approval.

Disclosure No. 5: Other Disclosures

There are no other disclosures which ICE feels 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) *Circular, Accounting of Drug Control Funding and Performance Summary*.

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, 2012 and September 30, 2013. 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 obtain advance ONDCP approval of the revised methodology.

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

In FY 2013, the data presented are associated with obligations against a financial plan that was sent to and approved by ONDCP. There were no reprogrammings or transfers of drug-related resources in excess of \$1 million that required ONDCP approval.

Assertion No. 5: Fund Control Notices

No Fund Control Notice was issued as defined 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 2013.



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

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