

OFFICE OF INSPECTOR GENERAL

**Review of U.S.
Immigration and Customs
Enforcement's
FY 2014 Detailed
Accounting Submission**



Homeland
Security

**January 23, 2015
OIG-15-24**



HIGHLIGHTS

Review of U.S. Immigration and Customs Enforcement's FY 2014 Detailed Accounting Submission

January 23, 2015

Why We Did This

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 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-IG.OfficePublicAffairs@oig.dhs.gov

What We Found

KPMG LLP, under contract with the Department of Homeland Security OIG, issued an Independent Accountants' Report on U.S. Immigration and Customs Enforcement's (ICE) Detailed Accounting Submission. ICE management prepared the Table of FY 2014 Drug Control Obligations and related disclosures to comply with the requirements of the Office of National Drug Control Policy's ONDCP Circular, *Accounting of Drug Control Funding and Performance Summary* (Circular), dated January 18, 2013. Based on its review, nothing came to KPMG LLP's attention that caused it to believe that the Detailed Accounting Submission for the year ended September 30, 2014, is not presented, in all material respects, in conformity with the criteria in ONDCP's Circular. KPMG LLP 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

JAN 23 2015

TO: Radha C. Sekar
Executive Associate Director Management and Administration
U.S. Immigration and Customs Enforcement

FROM: Mark Bell *Mark Bell*
Assistant Inspector General for Audits

SUBJECT: *Review of U.S. Immigration and Customs Enforcement's FY 2014
Detailed Accounting Submission, Report Number OIG-15-24*

Attached for your information is our final report, *Review of U.S. Immigration and Customs Enforcement's FY 2014 Detailed Accounting Submission*. U.S. Immigration and Customs Enforcement (ICE) management prepared the Table of FY 2014 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, KPMG LLP (KPMG), to review ICE's Detailed Accounting Submission. KPMG is responsible for the attached Independent Accountants' Report of its review, dated January 20, 2015, 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 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 Don Bumgardner, 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

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, 2014. 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 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 Detailed Accounting Submission for the year ended September 30, 2014, referred to above, is not presented, 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

January 20, 2015

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 20, 2015

Mr. Mark Bell
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 Mr. Bell,

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 2014 drug obligations, drug control methodology and assertions.

If you require further assistance on this information, please contact Matthew Moden at (202) 732-4398.

Sincerely,

Sabrina Jones

Sabrina Jones

Acting 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 2014**

**A. Table of FY 2014 Drug Control Obligations
Drug Resources by Budget Decision Unit and Function:**

| Drug Resource by Drug Control Function | FY 2014 Final (In Millions) |
|---|--------------------------------|
| Domestic Investigations | \$436.115 |
| International Operations | \$8.298 |
| Intelligence: Domestic | \$14.666 |
| Intelligence: International | \$0.231 |
| Total | \$459.310 |
| Drug Resources by Budget Decision Unit | |
| Salaries and Expenses – Immigration Enforcement | |
| Total | \$459.310 |
| High Intensity Drug Trafficking Area (HIDTA) Transfer | \$1.185 |

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. ICE’s Homeland Security Investigations (HSI) Domestic Investigations, International Operations (IO) and Office of Intelligence upholds U.S. drug control policy delegated amid of the Office of National Drug Control Policy (ONDCP) initiatives, by fully supporting the overall ICE mandate to detect, disrupt, and dismantle smuggling organizations. Therefore, separate calculations are formulated for the three ICE HSI sanctioned programs which undertake in -counter-narcotic investigative activity: HSI Domestic Investigations, HSI International Operations, and HSI Office of Intelligence.

Domestic Investigations

The methodology for HSI 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

HSI releases the attached information with the understanding that the requestor will only utilize such information for the purpose stated in the request. Prior to using the information for any other purpose, or release to a third party, the requestor should inform and seek approval from HSI.

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 2014, the actual percentage for Domestic Investigations was 26.08%. 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 Operations

- The methodology for International Operations 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 TECS. 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 for international law enforcement operations. A percentage is derived by dividing the number of international investigative case hours linked to drug-control activities by the total number of investigative case hours. For International Operations, the actual percentage of hours that were counter-narcotics related was 8.32% in FY 2014. 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

- ICE officers provide intelligence services for Domestic Investigations and IO to support criminal investigations aimed at disrupting and dismantling criminal organizations involved in transnational drug trade and associated money laundering crimes. 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 TECS. Following the close of the fiscal year, a report in TECS is run showing investigative case hours that are coded as counter-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 2014, 20.05% 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.

HSI releases the attached information with the understanding that the requestor will only utilize such information for the purpose stated in the request. Prior to using the information for any other purpose, or release to a third party, the requestor should inform and seek approval from HSI.

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 Operations drug-controlled investigative hours in TECS and dividing these totals by the total number of Domestic drug-controlled investigative hours and IO drug-controlled investigative hours. The resulting percentage is used to determine the amount of work that Intelligence does in support of drug operations for international activities (1.55%) and domestic activities (98.45%). 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

There were no modifications to the drug methodology from the previous year to report.

Disclosure No. 3: Material Weaknesses or Other Findings

In the Fiscal Year 2014 Financial Statement Audit, ICE contributed to material weaknesses at the Department of Homeland Security consolidated financial statement audit in the areas of financial reporting and budgetary accounting.

ICE recognizes weaknesses in the obligations management process with timely obligation of funds 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, we must refine the reporting of Property, Plant and Equipment (PP&E), financial reporting of imputed costs, financial statement footnotes, and reinforce compliance with existing expense and fund balance with Treasury policies and procedures including review of invoices prior to disbursement and clearing of expense transactions. We 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 FY 2014 Drug Control Obligations.

Disclosure No. 4: Reprogrammings or Transfers

In FY 2014, there were no reprogrammings or transfers that affected drug-related budgetary resources.

Disclosure No. 5: Other Disclosures

There are no other disclosures which ICE feels are necessary to clarify any issues regarding the data reported.

HSI releases the attached information with the understanding that the requestor will only utilize such information for the purpose stated in the request. Prior to using the information for any other purpose, or release to a third party, the requestor should inform and seek approval from HSI.

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 TECS discussed in the methodology section above and is based on work performed between October 1, 2013 and September 30, 2014. 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.

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 2014, 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 9 of the ONDCP Circular, *Budget Execution*, to ICE in FY 2014.

HSI releases the attached information with the understanding that the requestor will only utilize such information for the purpose stated in the request. Prior to using the information for any other purpose, or release to a third party, the requestor should inform and seek approval from HSI.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix A **Report Distribution**

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Office of National Drug Control Policy

Associate Director for Management and Administration

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