

**DEPARTMENT OF HOMELAND SECURITY**  
**Office of Inspector General**

**Independent Review of The U.S. Coast  
Guard's Reporting of FY 2007 Drug  
Control Performance Summary**



**OIG-08-43**

**April 2008**



Homeland  
Security

April 18, 2008

### Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report presents the results of the review of the Performance Summary Report of the U.S. DHS' Coast Guard (USCG) for the year ended September 30, 2007, for the Office of National Drug Control Policy (ONDCP). We contracted with the independent public accounting firm KPMG LLP to perform the review. USCG's management prepared the Performance Summary Report and Management Assertions to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. We do not express an opinion on the Performance Summary Report and Management Assertions.

It is our hope that the information in this report will continue to result in effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner  
Inspector General



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Accountants' Report

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, 2007. We have also reviewed the accompanying management's assertions for the year ended September 30, 2007. USCG's management is responsible for the Performance Summary Report 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 Performance Summary Report and management's assertions. Accordingly, we do not express such an opinion.

Management of USCG prepared the Performance Summary Report 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.

Based on our review, nothing came to our attention that caused us to believe that (1) the Performance Summary Report for the year ended September 30, 2007 is not presented, in all material respects, in conformity with ONDCP's Circular, *Drug Control Accounting* (May 1, 2007), or that (2) management's assertions referred to above are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting* (May 1, 2007).

This report is intended solely for the information and use of the management of DHS and USCG, the 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, 2008

## I. PERFORMANCE INFORMATION

### Decision Unit 1: Primary Outcome Measure

**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.*

*The Coast Guard's drug interdiction performance is best summarized by the lead outcome measure of the program. That measure is the central focus of our Performance Summary Report. The Coast Guard Drug Interdiction Program has a suite of metrics that support the lead outcome measure. The lead outcome measure and its supporting metrics suite were validated during a 2007 PART Evaluation.*

Measure: Cocaine Removal Rate

**Table 1:** Cocaine Removal Rate

<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Target</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Target</b>
N/A	30.7%	27.3%	25.3%	26.0%	31.4% (est.) <sup>1</sup>	28.0%

(1) Describe the measure. In doing so, provide an explanation of how the measure (1) reflects the purpose of the program, (2) contributes to the *National Drug Control Strategy*, and (3) is used by management of the program. This description should include sufficient detail to permit non-experts to understand what is being measured and why it is relevant to the agency's drug control activities.<sup>2</sup>

The goal of the Coast Guard's Drug Interdiction program is to reduce the supply of illegal drugs by denying smugglers the use of air and maritime routes by projecting an effective law enforcement presence in and over the Caribbean Sea, the Gulf of Mexico and the Eastern Pacific Ocean. The Coast Guard's primary outcome measure, the Cocaine Removal Rate, tells the program how effective it is at disrupting the flow of cocaine that is traveling via non-commercial maritime means toward the United States. The more cocaine bound for the U.S. that the Coast Guard removes, the less supply of cocaine will be available within the U.S. The cocaine removal rate is calculated by dividing the total amount of cocaine removed by the Coast Guard by the non-commercial maritime movement of cocaine towards the U.S.

The 2007 *National Drug Control Strategy* set an interagency, Transit Zone removal rate

<sup>1</sup> The Cocaine Removal Rate estimate for FY 2007 is based on the actual quantity of cocaine removed in FY 2007 and the non-commercial maritime cocaine flow towards the U.S. from 2006. The non-commercial maritime flow towards the U.S. for 2007 will be available following the publication of the *Interagency Assessment of Cocaine Movement* in July 2008.

<sup>2</sup> Requirements 1 through 4 in this section are drawn from the ONDCP Drug Accounting Circular.

goal for cocaine of 40%. With over 80% of the cocaine moving through the Transit Zone via non-commercial maritime means, the higher that Coast Guard's cocaine removal rate, the less cocaine needs to be removed by our partner agencies to achieve that 40% target. The Drug Interdiction 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 then diagnosed to determine the cause and to develop strategies to continue to increase the removal rate. Factors that can impact the removal rate include, but are not limited to, changing tactics and routes by the drug trafficking organizations, increased or decreased patrol effort by the Coast Guard or its drug interdiction partner agencies/nations, the availability, quality and timeliness of tactical intelligence, and the implementation of new capabilities (Airborne Use of Force, for example).

(2) Provide narrative that examines the FY 2007 actual performance results with the FY 2007 target, as well as prior year actuals. If the performance target was not achieved for FY 2007, the agency should explain why this is the case. If the agency has concluded it is not possible to achieve the established target with available resources, the agency should include recommendations on revising or eliminating the target.<sup>3</sup>

In FY 2007, the Coast Guard set a new record with 355,754.6 pounds of cocaine removed, up from 287,035.4 pounds last year and 6.6 percent higher than our previous record set in FY 2005. Based on the 2006 flow, the Coast Guard expects to exceed its 26 percent target by as much as 4-6 percent. That would make FY 2007 the fourth consecutive year in which the Coast Guard exceeded its annual target. At 28 percent, the FY 2008 target is the highest removal rate target the Coast Guard has ever set. This target remains ambitious, yet achievable given the tremendous success the Coast Guard has experienced over the past four years.

Critical to the Coast Guard's successful drug interdiction efforts were the numerous enforcement partnerships, such as the deployment of Coast Guard Law Enforcement Detachments aboard U.S. Navy and allied warships, and increased international, inter-department and inter-agency cooperation/coordination, such as the joint investigation PANAMA EXPRESS, which has produced tactical, actionable intelligence.

(3) The agency should describe the performance target for FY 2008 and how the agency plans to meet this target. If the target in FY 2007 was not achieved, this explanation should detail how the agency plans to overcome prior year challenges to meet targets in FY 2008.

The Coast Guard's target for FY 2008 is to remove 28 percent of the cocaine moving via non-commercial maritime means towards the U.S. To meet this target, the Coast Guard will continue to source major cutters, airborne use of force capable helicopters, long range maritime patrol aircraft, and law enforcement detachments to drug detection, monitoring and interdiction operations in the Transit Zone, and push further expansion of the airborne use of force program with our US and Allied Naval partners.

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<sup>3</sup> If FY 2007 actuals are not available by the recommended deadline for agencies to submit materials to the OIG (December 31<sup>st</sup>), the most recently available actuals can be used as an acceptable substitute. Agencies need only provide actuals starting in FY 2003.

(4) The agency should describe the procedures used to ensure performance data for this measure are accurate, complete, and unbiased in presentation and substance. The agency should also describe the methodology used to establish targets and actuals, as well as the data source(s) used to collect information.

The data that is used to calculate the Coast Guard's cocaine removal rate is drawn from two independent sources. The amount of cocaine removed by the Coast Guard is the sum of all the cocaine that is physically seized by Coast Guard personnel and all the cocaine lost to the drug trafficking organizations due to the Coast Guard's efforts. This latter amount is often 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. Cocaine removals are drawn from the Consolidated Counterdrug Database (CCDB). The CCDB is recognized by the Office of National Drug Control Policy (ONDCP) as the primary database for tracking cocaine movement. The data entered into the CCDB is approved through an interagency vetting process. Although the cocaine removals are originally reported in pounds, the Coast Guard converts the removal to metric tons to compute the cocaine removal rate. The non-commercial maritime flow of cocaine towards the U.S. is extracted from the *Interagency Assessment of Cocaine Movement* (IACM). The IACM is prepared for ONDCP by the Defense Intelligence Agency. All data that is contained within these two sources are deemed to be accurate, complete, and unbiased in presentation and substance. The Coast Guard also issues a Federal Manager's Financial Integrity Act (FMFIA) Section 2 assurance statement each year that confirms the integrity of our performance information and the effectiveness and efficiency of Coast Guard mission operations.

At least annually, the Coast Guard's Office of Law Enforcement and Office of Performance Management Assessment review all the assumptions that factor into the setting of its out-year targets, makes adjustments as necessary, and forwards the new target recommendations to the Assistant Commandant for Operations for final review and approval. The key factors that drive the target setting process are the estimated out-year cocaine flow, the availability of Coast Guard resources (mainly major cutters and long range maritime patrol aircraft), and any changes in Coast Guard capabilities, authorities, or partnerships that may impact cocaine removals.

## II. MANAGEMENT'S ASSERTIONS

The Report should include a letter in which an accountable agency official makes the following assertions regarding the information presented above:

(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.

Yes. The Coast Guard performance reporting system was reviewed in a 2007 Independent Program Evaluation by the Center for Naval Analyses, a 2007 OMB PART evaluation, and during the generation of the Coast Guard FMFIA Section 2 Assertion Statement for Operational Effectiveness and Efficiency. All reviews supported reasonable assurance on the appropriateness and application of the performance reporting system.

(2) **Explanations for not meeting performance targets are reasonable** – The explanation(s) offered for failing to meet a performance target and for any recommendations concerning plans and schedules for meeting future targets or for revising or eliminating performance targets are reasonable.

N/A

(3) **Methodology to establish performance targets is reasonable and applied** – The methodology described above to establish performance targets for the current year is reasonable given past performance and available resources.

Yes. A robust quantitative and qualitative process that reviews intelligence, logistics, policy, capability, emerging trends, past performance, and capacity variables impacting mission performance is used 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.

(4) **Adequate performance measures exist for all significant drug control activities**

Yes. This was validated in the 2007 OMB PART of the Coast Guard Drug Interdiction Program.

- 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.

Management should take the following criteria into account when making assertions:

- (a) **Data** – If workload, participant, or other quantitative information supports these assertions, the sources of these data should be well documented. If these data are periodically collected, the data used in the report must be clearly identified and will be the most recently available.
  
- (b) **Other Estimation Methods** – If professional judgment or other estimation methods are used to make these assertions, the objectivity and strength of these estimation methods must be thoroughly explained and documented. These estimation methods should be subjected to periodic review to confirm their continued validity.
  
- (c) **Reporting Systems** – Reporting systems supporting the assertions should be current, reliable, and an integral part of the agency’s budget and management processes.

### **III. INSPECTOR GENERAL AUTHENTICATION**

Agency performance information and management’s assertions should be provided to the agency’s Inspector General (IG) for the purpose of expressing a conclusion about the reliability of each assertion made in the report. ONDCP anticipates that this engagement will be an attestation review, consistent with the *Statements for Standards of Attestation Engagements*, promulgated by the American Institute of Certified Public Accountants.

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