

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

**Independent Review of The U.S.  
Immigration and Customs Enforcement's  
Reporting of FY 2007 Drug Control  
Obligations**





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 Table of Drug Control Obligations and related disclosures of the DHS' Immigration and Customs Enforcement (ICE) 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. ICE's management prepared the Table of Drug Control Obligations and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. We do not express an opinion on the Table of Drug Control Obligations and related disclosures.

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 black ink 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 Table of Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) U.S. Immigration and Customs Enforcement (ICE) for the year ended September 30, 2007. We have also reviewed the accompanying management's assertions for the year ended September 30, 2007. ICE's management is responsible for the Table of Drug Control Obligations and 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 Drug Control Obligations and related disclosures and management's assertions. Accordingly, we do not express such an opinion.

Management of ICE prepared the Table of Drug Control Obligations and 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.

Based on our review, nothing came to our attention that caused us to believe that (1) the Table of Drug Control Obligations and related disclosures 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 ICE, 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

January 25, 2008

**Department of Homeland Security  
U.S. Immigration and Customs Enforcement  
Detailed Accounting of Drug Control Funds During FY 2007**

**A. Table of Prior Year Drug Control Obligations**

(in Thousands)  
**FY 2007 Final**

**Drug Resources by Function**

Investigations	361,865
International Affairs	4,564
Office of Intelligence	4,024
Total	<b>370,453</b>

**Drug Resources by Decision Unit**

Salaries and Expenses	370,453
Total	<b>370,453</b>

**Disclosure No. 1: Drug Methodology**

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: Office of Investigations, International Affairs and the Office of Intelligence.

The methodology for U.S. Immigration and Customs Enforcement (ICE) is based on investigative case hours recorded in ICE's automated Case Management System Treasury Enforcement Communication System (TECS). ICE agents record the type of work they perform in this system. Following the close of the fiscal year, a report is run showing investigative case hours that are coded as general drug cases and money laundering drug 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. Applying the percentage to the total of direct resources results in a cost allocated to drug cases. This percentage may fluctuate from year to year.

**Investigations Program**

- The methodology for the Office of Investigations 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. Following the close of the fiscal year, a 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. This percentage may fluctuate from year to year. For FY 2007 the percentage was 28.5%. To calculate a dollar amount, this percentage is applied to actual obligations incurred by the Office of Investigations (OI) against budget authority gained in FY 2007, excluding reimbursable authority.

### **Intelligence Program**

- ICE employs the same methodology for calculating all drug control activities within the Office of Intelligence's budget. For FY 2007, 8.7% of the total case hours for Intelligence were found to be in support of drug control activities through an examination of data recorded in the Case Management System. This percentage was applied to actual obligations against budget authority gained in FY 2007 incurred by the Office of Intelligence for all activities.

### **International Affairs Program**

- The methodology for the Office of International Affairs (OIA) is based on investigative hours recorded in ICE's automated Case Management System. ICE officers record the type of work they perform in this system. Following the close of the fiscal year, a report is run showing investigative hours that are coded as general narcotics cases and money laundering narcotics cases. For FY 2007, 4.13% was applied to actual obligations against budget authority gained in FY 2007 incurred by the Office of International Affairs for all activities.

### Disclosure No. 2: Methodology Modifications

The methodology has not changed from FY 2006.

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

In FY 2007, Immigration and Customs Enforcement (ICE) provided reasonable assurance regarding its financial controls and reporting pursuant to the Department of Homeland Security (DHS) Financial Accountability Act, P.L. 108-330. Specifically, internal controls over financial reporting were designed effectively within the scope of the DHS Consolidated Balance Sheet audit and based on management's assessment of internal controls over financial reporting. These controls are operating effectively and were tested in FY 2007 and passed. These tests revealed no material weaknesses in ICE's financial reporting. ICE has also remediated its two FY 2006 remaining material weaknesses, Budgetary Accounting and Financial Systems Security, and received an unqualified internal opinion on its balance sheet audit.

In FY 2006, ICE also reported, pursuant to 31 U.S.C. 3512(d)(2)(B), that its financial system conformed with government-wide requirements except for a non-conformance

wherein ICE's financial accounting system did not interface with the acquisition and asset management systems. However, in FY 2007, ICE effectively managed its acquisition and property management transactions because ICE performed reconciliations to ensure data integrity.

In FY 2007, ICE built a culture of financial accountability and financial integrity throughout the organization. With the appointment of key financial managers, ICE strengthened its management team. ICE's Office of Assurance and Compliance oversaw and monitored ICE's comprehensive Financial Action Plan (FAP). Even though ICE resolved its material weaknesses in FY 2007, it will update its FAP to improve internal controls and continue its progress in financial management in FY 2008.

Disclosure No. 4: Reprogrammings or Transfers

No Reprogrammings or Transfers of drug-related budget resources occurred during FY 2007.

Disclosure No. 5: Other Disclosures

In previous submissions, the Office of International Affairs' drug-related obligations and program requests were included as part of the Office of Investigations' request. In FY 2007, there was an organizational change that established OIA as a stand-alone office within ICE. This and future year submissions will reflect that change.

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- noted in the ONDCP Circular: *Drug Control Accounting 6(b)(1)*.

Assertion No. 2: Drug Methodology

The methodology used to calculate obligations of prior year budgetary resources by function and by budget decision unit is reasonable and accurate in regard to the workload data employed and the estimation methods used. The financial system used to calculate the drug-related budget obligations is the Federal Financial Management System (FFMS).

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.

Assertion No. 4: Reprogrammings or Transfers

No Reprogrammings or Transfers of drug-related budget resources occurred during FY 2007.

Assertion No. 5: Fund Control Notices

The data presented are associated with obligations against a financial plan that fully complied with the Fund Control Notice issued by the Director of the Office of National Drug Control Policy on September 21, 2006. The ICE plan was sent to ONDCP on October 31, 2006, and approved by ONDCP on November 21, 2006.

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