

# **Review of U.S. Customs and Border Protection's FY 2014 Detailed Accounting Submission**





# HIGHLIGHTS

## *Review of U.S. Customs and Border Protection's FY 2014 Detailed Accounting Submission*

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**January 26, 2015**

### **Why We Did This**

The 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-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.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. Customs and Border Protection's (CBP) Detailed Accounting Submission. CBP management prepared the Table of fiscal year 2014 Drug Control Obligations (Table) and related disclosures to comply with the requirements of the ONDCP Circular, *Accounting of Drug Control Funding and Performance Summary* (Circular), dated January 18, 2013. Some of the assumptions CBP used for computing obligations by decision units are based on surveys completed in prior years. While CBP management represented that the assumptions used continue to be valid for purposes of computing obligations presented in the Table, KPMG was unable to perform review procedures supporting that representation. Based on its review, except for matters noted above, 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](http://www.oig.dhs.gov)

JAN 26 2015

TO: Eugene H. Schied  
Assistant Commissioner  
U.S. Customs and Border Protection

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

SUBJECT: *Review of U.S. Customs and Border Protection's FY 2014 Detailed Accounting Submission, Report Number OIG-15-25*

Attached for your information is our final report, *Review of U.S. Customs and Border Protection's FY 2014 Detailed Accounting Submission*. U.S. Customs and Border Protection's (CBP) 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 CBP's Detailed Accounting Submission. KPMG is responsible for the attached Independent Accountants' Report, 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) Customs and Border Protection (CBP) for the year ended September 30, 2014. CBP'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 CBP 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, except as noted below, 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.

Management of CBP used assumptions to compute obligations by Drug Control Decision Units, as presented in the Table of FY 2014 Drug Control Obligations (the Table). Some assumptions are based on surveys completed in prior years. While CBP management represented that the assumptions used continue to be valid for purposes of computing obligations presented in the Table, we were unable to perform review procedures supporting that representation.

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




**U.S. Customs and  
Border Protection**

Mr. Michael Botticelli  
Director, Office of National Drug Control Policy  
Executive Office of the President  
Office of National Drug Control Policy  
Washington, DC 20503

Dear Mr. Botticelli:

Enclosed is the U.S. Customs and Border Protection (CBP) Fiscal Year (FY) 2014 Detailed Accounting Submission on National Drug Control Funding. In FY 2014, CBP reported direct obligations of approximately \$2,443.766 million.

If you have any questions or would like additional information, please contact me at (202) 344-2300, or a member of your staff may contact Mr. Sean Mildrew, Executive Director, Budget Directorate, at (202) 344-2210.

  
Jaye M. Williams  
Chief Financial Officer

Enclosure

**U.S. DEPARTMENT OF HOMELAND SECURITY (DHS)**  
**U.S. CUSTOMS AND BORDER PROTECTION (CBP)**  
**Detailed Accounting Submission of Fiscal Year (FY) 2014 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

**A. Table of FY 2014 Drug Control Obligations**

<b>(Dollars in Millions)</b>	
	<b>FY 2014</b>
<b>Drug Resources by Budget Decision Unit and Function</b>	
Salaries & Expenses	
Intelligence	\$216.219
<i>Border Security Inspection and Trade Facilitation</i>	\$197.136
<i>Border Security and Control between Ports Of Entry</i>	\$18.488
Interdiction	\$1,435.225
<i>Border Security Inspection and Trade Facilitation</i>	\$878.327
<i>Border Security and Control between Ports Of Entry</i>	\$509.746
<i>Headquarters Management &amp; Administration</i>	\$30.753
<b>Total, Salaries and Expenses</b>	<b>\$1,651.444</b>
Air & Marine Interdiction	
Intelligence	\$105.474
Interdiction	\$583.901
<b>Total, Air &amp; Marine Interdiction</b>	<b>\$689.375</b>
Automation Modernization	
Intelligence	\$11.286
Interdiction	\$2.934
<b>Total, Automation Modernization</b>	<b>\$14.220</b>
Border Security Fencing Infrastructure & Technology (BSFIT)	
Interdiction	\$88.727
<b>Total, Border Security Fencing Infrastructure &amp; Technology</b>	<b>\$88.727</b>
<b>Total Obligations</b>	<b>\$2,443.766</b>
High Intensity Drug Traffic Area (HIDTA)	
Intelligence	\$0.001
Interdiction	\$0.027
<b>Total, High Intensity Drug Traffic Area</b>	<b>\$0.028</b>

Note: Drug resources broken down by unit and function as reflected in the budget structure enacted in the FY 2014 Department of Homeland Security appropriation bill.

## 1. Drug Methodology

U.S. Customs and Border Protection (CBP) is a multi-mission agency that calculates obligations by budget decision unit and function, pursuant to an approved drug control funds calculation methodology. On the basis of past practice, six organizations within CBP, the Offices of Border Patrol (OBP), Field Operations (OFO), Information Technology (OIT), Training and Development (OTD), Technology Innovation & Acquisition (OTIA), and Air and Marine (OAM), were provided with guidance on preparing submissions for FY 2014 annual reporting of drug control obligations. OBP, OFO, OIT, OTD, OTIA, and OAM were asked to estimate what portions of their activities are related to drug enforcement. These estimates are based on the expert opinions of operational and programmatic staff from the six offices. OIT, OFO, OBP, and OAM attribute their resources to both intelligence and interdiction functions, while OTIA and OTD attribute their resources solely to interdiction.

The Drug Control Obligations table is based on actual obligations for each decision unit and organization named above. The obligation reports are generated by data reported in CBP's DHS-approved accounting system, Systems, Applications, and Products in Data Processing (SAP). SAP is a fully integrated Enterprise Resource Planning (ERP) system that CBP uses to record and report obligations. Each organization uses SAP to report their actual annual obligations. All six organizations have specific missions and develop their own methodology for calculating their drug control activities and resources. Each organization multiplies its drug control percentages by its actual total obligations to calculate drug control obligations.

In the FY 2013 Department of Homeland Security appropriation, Congress enacted substantial changes to CBP's Program, Project, and Activity (PPA) structure within the Salaries and Expenses (S&E), Automation Modernization, and Air and Marine appropriations. This new PPA structure was not included in CBP's FY 2013 Congressional Justification. This new structure altered the appropriation source of funding for many of CBP's organizations. For example, drug control funding for OIT previously came from the S&E appropriation. It now comes from the Automation and Modernization appropriation, which did not contribute drug control resources before the PPA restructure. CBP's drug control obligations table provides a breakout of FY 2014 funding by this new PPA structure.

### OFFICE OF BORDER PATROL

OBP is responsible for controlling almost 6,000 miles of land borders between ports of entry with Canada and Mexico, and nearly 2,100 miles of coastal waters surrounding the Florida Peninsula and Puerto Rico. At the close of FY 2014, there were 20,824 Border Patrol agents assigned to the mission of detecting and apprehending illegal entrants between the Ports of Entry. These illegal entries include aliens, drug smugglers, potential terrorists, wanted criminals, and persons seeking to avoid inspection at the designated ports of entry due to their undocumented status. It has been determined that 15 percent of the total agent time nationwide is related to drug activities. This percentage was determined based on a review of the hours worked by agents, canine officers, and core personnel at various border check-points with narcotic-intensive activities. Resources for OBP come from the S&E appropriation. Within the

S&E appropriation, the resources for OBP come from the Border Security and Control between the Ports of Entry PPA.

Of the 15 percent of total agent time related to drug activities, 3.5 percent of agents' efforts are related to intelligence and 96.5 percent are related to drug interdiction. These activities include staffing 35 permanent border traffic checkpoints nationwide, including 890 canine units trained in the detection of humans and certain illegal drugs that are concealed within cargo containers, truck trailers, passenger vehicles, and boats. In addition, agents perform line watch functions in targeted border areas that are frequent entry points for the smuggling of drugs and people into the United States.

#### OFFICE OF FIELD OPERATIONS

At the end of FY 2014, 3,543 CBP Officer positions were related to drug enforcement on Anti-Terrorism Contraband Enforcement Teams (A-TCET). The A-TCET also works closely with the Passenger Enforcement Rover Team (PERT) and Passenger Analytical Unit (PAU) teams to coordinate all enforcement activities. CBP estimates that 69 percent of the A-TCET is devoted to drug enforcement. This estimation was made by experts in the field who used best estimates to determine the amount of time CBP officers and agriculture specialists spent in the field on activities devoted to narcotics seizures like cargo and passenger inspections. The smuggling methodologies and their indicators are similar for both narcotics and anti-terrorism activities. Drug control resources for OFO come from the S&E appropriation. Within S&E, resources for OFO come from the Border Security Inspection and Trade Facilitation PPA.

In FY 2014, there were 676 Canine Enforcement officers with assigned dogs. Of this amount, there are 501 canine teams whose efforts are nearly 100 percent devoted to smuggling operations. Among the dogs paired with a CBP officer, 125 are Narcotics Detection Teams, 50 Currency and Firearms Detection Teams, and 326 Narcotics/Human Smuggling Detection Teams. Also included in the total, but not scored for narcotics enforcement were 119 Agricultural Teams and 56 K-9 Trainers and Field Advisors. Thirteen dog handlers did not have dogs at the time that this data was collected. This was due to recent canine retirements and extended leave/light duty assignments.

The FY 2014 enacted Budget provides for 2,000 CBP officers to be hired over two years. Funds have been provided to hire 700 of the 2,000 in FY 2014. OFO anticipates there will be approximately 501 Canine Enforcement officers in FY 2015 that are devoted to drug interdiction and 18,230 CBP Officers (CBPOs) who, in addition to the interdiction of contraband and illegal drugs, enforce hundreds of laws and regulations of many other Federal government agencies such as the U.S. Fish and Wildlife Service, Bureau of Alcohol, Tobacco, Firearms and Explosives, and Bureau of Export Administration. OFO estimates that roughly 30 percent of the CBPOs' time will be devoted to drug-related activities. The following three populations of CBPOs comprise OFO's FY 2014 authorized staffing level: Enforcement teams (3,543), CBPO canine (501), and officers not specifically dedicated to drug enforcement (18,230).

Of the percent of OFO's resources related to drug activities, 17.3 percent is related to intelligence and 82.7 percent is related to drug interdiction. Resources for OFO come from the

S&E appropriation. Within the S&E appropriation, the resources for OFO come from the Border Security Inspection and Trade Facilitation PPA.

Additionally, the funds for Non-Intrusive Inspection systems (NII) are now directly in OFO's budget. These funds are included in the S&E figures provided for Border Security and Trade Facilitation. CBP uses a variety of NII systems and Radiation Detection Equipment (RDE) as part of its layered inspection strategy to achieve its primary mission of securing the Nation's borders and protecting America from the entry of dangerous people and goods while, at the same time, facilitating the flow of legitimate trade and travel across U.S. borders. In FY 2014, this funding was transferred from OIT to OFO. It is estimated that 77% of the funding for NII is associated with general contraband detection which would include narcotics.

Multiple types of NII systems and RDE are used to thoroughly and quickly inspect sea containers, rail cars, trucks, automobiles, pallets, and various packages and parcels for the presence of contraband without damaging the conveyance or its contents and without having to resort to more intrusive and time-consuming manual inspections, such as unloading, drilling and dismantling. Significant numbers of NII equipment are in use at more than 350 land border ports, airports, seaports, Border Patrol checkpoints, and international locations. NII technologies are viewed as force multipliers that enable CBP officers to examine or scan a larger portion of the stream of traffic while facilitating the flow of legitimate trade, cargo, and passengers.

#### OFFICE OF INFORMATION TECHNOLOGY

OIT supports the drug enforcement mission through the acquisition, support, and maintenance of technology. Of OIT's base budget, 25 percent of Automated Targeting Systems (Passenger, Narcotics, and Anti-Terrorism) software application costs, 50 percent of legacy TECS, and 10 percent of data center operations costs are estimated to be in support of the drug mission. Of the percent of OIT's resources related to drug activities, 20 percent is related to intelligence and 80 percent is related to drug interdiction. Resources for OIT's direct base budget come from the Automation Modernization appropriation. Other application and technology maintenance is now managed by business sponsors, but is executed by OIT per respective spending plans.

#### OFFICE OF TRAINING AND DEVELOPMENT

OTD calculates the portion of their budget attributable to drug control funding by issuing an annual data call for all projected National Training Plan (NTP) funded training courses to assess if courses contain any items related to drug enforcement material and activities. The curriculum of each course is reviewed and subject matter experts determine course hours delivered related to drug enforcement for this task. If specific courses offered through the NTP contain drug enforcement related material, a specific percentage for that course is defined (hours related to drug enforcement training divided by the total number of course hours). Specific training programs identified include the canine training programs and basic, specialized, and advanced training for CBP officers and agents. OTD's day-to-day operational resources are attributed to drug enforcement activities at a rate of 20 percent. OTD evaluated each office's mission

statement and training development/delivery functions to determine the total weighted percentage of its drug enforcement activities.

#### OFFICE OF TECHNOLOGY INNOVATION & ACQUISITION – BORDER SECURITY FENCING, INFRASTRUCTURE, AND TECHNOLOGY

Under OTIA, CBP is the lead agency within DHS for the development and deployment of border technology and tactical infrastructure to secure America's borders. This appropriation provides continued funding for the CBP Program Offices tasked with developing and installing technology and tactical infrastructure solutions, enabling a more effective and efficient method for controlling border security.

CBP took ownership of the Tethered Aerostat Radar System (TARS) program at the start of FY 2014 as part of a transfer from the Department of Defense (DoD). TARS are fixed site, aerostat-based radar systems that provide air surveillance across the entire U.S.-Mexico border (approximately 2,000 nautical miles). They are designed to detect compliant low-altitude aircraft and non-compliant low-altitude aircraft attempting to smuggle narcotics or other contraband into the U.S. The TARS program is a critical component of CBP's bi-national narcotics and contraband interdiction operations with Mexico. For this drug control estimate, BSFIT is using 100 percent of the Tethered Aerostat Radar System (TARS) program funding, 15 percent of the funding from Development and Deployment, and 15 percent of remaining funding from Operations and Maintenance (minus TARS funding). This funding will be used on border technology and other technology systems that support drug control activities.

#### OFFICE OF AIR & MARINE OPERATIONS

OAM's core competencies are air and marine interdiction, air and marine law enforcement, and air domain security. In this capacity, OAM targets the conveyances that illegally transport narcotics, arms, and aliens across our borders and in the Source, Transit, and Arrival Zones. In FY 2014, OAM P-3s flew 5,889 hours in drug control efforts which represent 82 percent of all OAM P-3 hours. These hours were in support of Joint Interagency Task Force-South (JIATF-S) in the Source and Transit Zones. During FY 2014, P-3 aircrews from Corpus Christi, Texas, and Jacksonville, Florida, detected 149 suspected smuggling vessels and aircraft. This resulted in the seizure of 112,224 pounds of cocaine with an estimated street value of more than \$8.4 billion. CBP continues to deploy proven, effective surveillance technology tailored to the operational requirements along the highest trafficked areas of the southwest border. During FY 2014, in support of the Joint Field Command and the South Texas Campaign Initiative, the Unmanned Aircraft Systems flew more than 4,600 hours in FY 2014 contributing to the seizure of more than 71,569 pounds of narcotics with an estimated street value of over \$253 million.

Since September 11, 2001, OAM has steadily increased its support to counter-terrorism by developing a more cohesive and integrated response to national security needs, as well as placing more emphasis on illegal immigration. OAM is dedicating significant assets and personnel in support of U.S./Mexico interdiction initiative, and in support of OBP's southwest border illegal alien intervention.

Using flight hours spent performing drug-related activities, OAM has determined that 85.6 percent of the budget resources that support OAM are considered to be drug-related. Of the total flight hours flown by OAM, 15.3 percent were related to intelligence.

## 2. Methodology Modifications

The drug control methodology for obligations used in FY 2014 remained the same as the methodology used in FY 2013 for the previously reported organizations. The only change that occurred in FY 2014 was a result of Congress' realignment of CBP's accounting structure. The realignment moved OIT's funding from S&E appropriation to the Automation Modernization appropriation which added this account as a source of drug control resources. While CBP's methodology did not change, the appropriation source for some offices did and has been noted in the Drug Methodology section.

## 3. Material Weaknesses or Other Findings

Pursuant to CBP's FY 2014 Internal Control Assurance Statement, the following financial weaknesses, reportable conditions, or non-conformance could affect the reporting of drug control budget obligations.

Reporting Pursuant to Federal Managers' Financial Integrity Act Section 4. 31 U.S.C. 3512 (d) (2) (B):

### a. Financial Systems Security - Non-Conformance of Applicable Laws/DHS Directives

The DHS Office of the Inspector General (OIG) continues to identify Information Technology (IT) general and application control weaknesses at CBP. While auditors have closed out 35 percent of the FY 2013 IT findings, new findings have been identified during the FY 2014 financial statement audit. CBP will continue to remediate these findings in FY 2014. This weakness did not affect CBP's ability to report complete and accurate obligation data in the Table of Drug Control Obligations.

## 4. Reprogrammings or Transfers

Due to the FY 2014 sequestration and operational challenges such as the Unaccompanied Children (UC) crisis along the Southwest Border, CBP submitted reprogramming and transfer requests. The reprogrammings were approved by both Congress and the Office of National Drug Control Policy (ONDCP).

## 5. Other Disclosures

There are no other disclosures that CBP has determined are necessary to clarify any issues regarding the data reported under ONDCP Circular, Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013.

## B. Assertions

### 1. Obligations by Budget Decision Unit

Not Applicable - As a multi-mission agency, CBP is exempt from reporting under this section as noted in the ONDCP Circular, Accounting of Drug Control Funding and Performance Summary, Section 6(b)(1), dated January 18, 2013.

### 2. Drug Methodology

CBP asserts that the methodology used to estimate drug enforcement related obligations is reasonable and accurate. The criteria associated with this assertion are as follows:

#### a. Data

The estimate of drug enforcement related obligations is based on the methodology described in section A.1 above, and presents a fair and accurate picture of the CBP drug enforcement mission.

#### b. Financial Systems Security

Despite the IT general and application control weaknesses noted in section A.3, CBP's financial systems are capable of providing data that fairly represent, in all material respects, aggregate obligations. The drug methodology described in section A.1 above is used to estimate what portion of these obligations may reasonably be considered to be associated with drug enforcement related activities.

### 3. Application of Drug Methodology

The methodology described in section A.1 above was used to prepare the estimates contained in this report.

### 4. Reprogrammings or Transfers

Pursuant to 21 U.S.C. 1703 (c) (4) (A), the ONDCP Circular on Budget Execution (revised January 18, 2013) prohibits agencies from submitting to Congress reprogramming or transfer requests that would result in a decrease or increase of \$1 million or more in funding included in the National Drug Control Program budget without obtaining prior approval from the Director of National Drug Control Policy. CBP submitted reprogrammings/transfers that affected the drug control budget during FY 2014.

Reprogrammings and transfers made to CBP in FY 2014 were approved by ONDCP's Associate Director for Management and Administration on June 17, 2013.

### 5. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2014.



## **OFFICE OF INSPECTOR GENERAL**

Department of Homeland Security

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### **Appendix A Report Distribution**

#### **Department of Homeland Security**

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