FINANCIAL MANAGEMENT:
Review of Assertions Included in the U.S. Customs Service's Fiscal Year 2000 Annual Reporting of Drug Control Funds

OIG-01-064

April 20, 2001

Office of Inspector General

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The Department of the Treasury

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U.S. Customs Service's Annual Reporting of Fiscal Year 2000 Drug Control Funds

Abbreviations

Customs	United States Customs Service
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code

April 20, 2001

Charles Winwood
Acting Commissioner
United States Customs Services

We have reviewed the assertions in Section b of the accompanying U.S. Customs Service (Customs) Annual Reporting of Fiscal Year (FY) 2000 Drug Control Funds (Submission).

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions in Section b of the accompanying Submission. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds* (Circular), dated December 17, 1999, and is the responsibility of Customs' management.

Customs drug methodology entailed the application of the percentage of total budgetary resources devoted to drug activities to the total obligations to determine the drug control obligations. The percentages applied were derived based on the relationship between total investigative hours spent and those spent on narcotics and money laundering cases as determined by subject matter experts.

In FY 2000, Customs made material changes to its drug methodology, which was approved by the ONDCP on February 13, 2001. The ONDCP Circular: *Annual Accounting of Drug Control Funds,* dated December17, 1999 requires disclosures for methodology changes, their purpose, and the quantitative differences in the amounts reported using the new methodology versus the amounts that would have been reported under the old methodology. However, Customs did not make such disclosures.

Because we were unable to review the reasonableness and accuracy of the methodology used in FY 1999, and we were unable to determine whether this methodology was the actual methodology used to generate the FY 1999 table of Drug Control Obligations, we could not assess the effect of the change in methodology.

Based on our review, with the exception of the matter described in the preceding paragraphs, nothing came to our attention that caused us to believe that the assertions included in Section b of the accompanying Submission are not presented in all material respects based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of Customs, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

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Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Tom Moschetto, Director, Financial Management Audits, at (202) 927-5074. We appreciate the cooperation and the courtesies extended to our staff.

William H. Pugh

William H. Pugh
Deputy Assistant Inspector General for Financial Management and Information Technology Audits
April 12, 2001

Financial Management Audits Division

Tom Moschetto, Director
Robert Todero, Audit Manager
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The Department of the Treasury

Office of Accounting and Internal Control
Office of Budget
Deputy Chief Financial Officer

U.S. Customs Service

Acting Commissioner
Assistant Commissioner, Office of Finance
Director, Evaluation Oversight, Office of Planning
Executive Director, Budget Division, Office of Finance

Office of Management and Budget

OIG Budget Examiner

U.S. Customs Service

Memorandum

DATE: APR 13 2001

MEMORANDUM FOR JAMES R. LINGEBACH
DEPUTY CHIEF FINANCIAL OFFICER

FROM: Executive Director, Budget
Office of Finance

SUBJECT: Amended Annual Reporting of FY 2000 Drug Control Funds

The purpose of this memorandum is to transmit an amended version of the U.S. Customs Service Annual Reporting of Drug Control Funds. The original report (dated March 28, 2001) did not include actual obligation estimates or the assertions required by the Office of National Drug Control Policy (ONDCP) Circular: Annual Accounting of Drug Control Funds dated December 17, 1999. The attached report is consistent with the guidelines established in the ONDCP circular.

If you have any questions please contact me or have a member of your staff contact Mr. Kurt Hahn on (202) 927-4084.

Carol A. Johnson

Carol A. Johnson

Attachment

TRADITION

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SERVICE

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HONOR

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE
Annual Reporting of FY 2000 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2000 Drug Control Obligations

(Dollars in Millions)

Drug Resources By Goal:	FY 2000
Goal 2	$48.200
Goal 4	629.306
Goal 5	163.744
TOTAL	841.280
Drug Resources by Function:	
Intelligence	20.395
Interdiction	607.510
Investigations	211.974
Research and Development	1.401
TOTAL	841.280
Drug Resources by Decision Unit:	
Salaries and Expenses	596.503
Operations and Maintenance	163.270
Violent Crime Reduction Trust Fund	79.575
Facilities, Construction, Improvements	1.932
TOTAL	841.280

1. Drug Methodology

All Customs organizations were provided with a copy of the May 5, 1999, ONDCP Circular: Budget Instructions and Certification Procedures, and asked to estimate, on the basis of their expert opinion, what portion of their activities are related to drug enforcement activities. Four organizations within Customs have been able to specifically identify resources in their financial plans that support the drug enforcement mission of the agency.

OFFICE OF INVESTIGATIONS

The Office of Investigations can be broken down into two basic resource components, those that support the Air and Marine Interdiction function and those that support the remaining investigative function. The Office of

Investigations identifies and tracks the hours that its agents spend on a wide variety of cases, including narcotics smuggling and money laundering cases related to narcotics smuggling.

Based on the relationship between total investigative hours spent and those spent on narcotics and money laundering cases, subject matter experts have concluded that 65.72 percent of investigative resources are dedicated to the Customs drug enforcement mission and support the goals of the National Drug Control Strategy. Of this amount, 11.2 percent supports goal 2, 54.6 percent supports goal 4, and 34.2 percent supports goal 5 of the *Strategy*.

Investigative resources supporting goal 2 and goal 4 are broken down further into a 25/75-percentage split for the interdiction and investigative functions respectively. Goal 5 totally supports the investigative function.

Resources that support the Air and Marine Interdiction program are considered to be 95 percent drug related. This amount totally supports goal 4 of the *Strategy* and the interdiction function.

OFFICE OF FIELD OPERATIONS

The Office of Field Operations has identified 1,779 Inspector positions that are specifically identified with drug enforcement because they are either Contraband Enforcement Team (CET) Inspectors, Outbound Enforcement/ Currency Team Inspectors, Currency Canine Enforcement (CEO) Officers, or Narcotics CEOs. The salaries of these positions are assumed to be $55,000 per annum and to contribute 100 percent of their time to drug enforcement.

There are approximately 6,200 other Customs Inspectors that, in addition to the interdiction of contraband and illegal drugs, also enforce the 400 laws and regulations of many other Federal government agencies. These agencies include the Animal, Plant and Health Inspection Service (APHIS), the U.S. Fish and Wildlife Service, the Bureau of Alcohol, Tobacco, and Firearms (ATF), and the Bureau of Export Administration.

Currently, the U.S. Customs Service does not have a certifiable methodology to determine what portion of these Inspectors' time is attributable to drug enforcement. The U.S. Customs is working to develop this methodology in calendar year 2001. For the purpose of the FY2000 Office of National Drug Control Policy submission, it is assumed that 41 percent of the time these Inspectors spend on the job is related to drug enforcement. This is the same proportion that was used in the past and has been agreed to by ONDCP.

Total drug resources for Field Operations support goal 4 of the *Strategy* and are further broken down into a 10/90-percentage split between the Intelligence and Interdiction functions.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology, which oversees the research, development, acquisition, and support and maintenance of technology such as non-intrusive inspection systems through its Applied Technology Division (ATD), supports the Customs drug enforcement mission.

In FY2001, 90 percent of base resources, 95 percent of research and development resources, 94 percent of acquisition resources, and 85 percent of support and maintenance resources are dedicated to drug enforcement and support goal 4 of the *Strategy*.

In FY2001, ATD identified $4.9 million in resources supporting the research and development function. 90% of this funding supports the Customs interdiction mission.

OFFICE OF TRANING AND DEVELOPMENT

The Office of Training and Development identified specific resources falling under its purview and applied the following percentages depending on the program supported:

Passenger Processing	41%
Cargo Examination	13%
Canine Enforcement	100%
Financial Investigations	60%
Illegal Export Investigations	5%
Interdiction Investigations	100%
Firearms	100%

2. Methodology Modifications

This submission is consistent with the methodology approved by the Office of National Drug Control Policy (ONDCP) on February 13, 2001.

3. Material Weaknesses or Other Findings

None

4. Reprogramming or Transfers

None

5. Other Disclosures

None

B. Assertions

1. Drug Methodology

Per our discussions with the Office of National Drug Control Policy and the Office of Management and Budget, the drug methodology used to estimate obligations and FTE utilization is reasonable and accurate. The criteria associated with this assertion are as follows:

a. Data

The estimate of drug enforcement related costs is based on the methodology described is section A.1 above. This methodology was approved by the Office of National Drug Control Policy on February 13, 2001.

b. Other Estimation Methods

None

c. Completeness

All United States Customs Service drug-related activities are presented in this report.

d. Financial Systems

The United States Customs Service financial systems are capable of providing data that fairly present, 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.

2. Application of Methodology

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

3. Financial Plan – Including Reprogramming or Transfers

   No changes were made to the Customs Service Financial Plan that required ONDCP approval per the ONDCP Circular dated 12/17/99.