

FY 2011 Accounting of Drug Control Funds

Office of National Drug Control Policy

FY 2011 Accounting of Drug Control Funds

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Executive Summary

Background

This Summary presents for Congress the *Fiscal Year 2011 Accounting of Drug Control Funds*. As part of the 1998 law that reauthorized the Office of National Drug Control Policy (ONDCP), a provision was added (Public Law 105-277, October 21, 1998 [Div.C, Title VII], Section 705(d)), which mandates that the Director of ONDCP shall, “(A) require the National Drug Control Program agencies to submit to the Director not later than February 1 of each year a detailed accounting of all funds expended by the agencies for National Drug Control Program activities during the previous fiscal year, and require such accounting to be authenticated by the Inspector General for each agency prior to submission to the Director; and (B) submit to Congress not later than April 1 of each year the information submitted to the Director under subparagraph (A).” That provision was not changed by the ONDCP Reauthorization Act of 2006 (Public Law 109-469, December 29, 2006).

In order to comply with this statutory provision, ONDCP issued a Circular, *Annual Accounting of Drug Control Funds* (Tab L), to all National Drug Control Program agencies defining the requirements for annual accounting submissions. The Circular specifies, “Each report...shall be provided to the agency’s Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the report.” In assessing reliability, ONDCP anticipates each Office of Inspector General (OIG) will conduct an attestation review consistent with the *Statements for Standards of Attestation Engagements*, promulgated by the American Institute of Certified Public Accountants. An attestation review is more limited in scope than a standard financial audit, the purpose of which is to express an opinion on management’s assertions. The objective of an attestation review is to evaluate an entity’s financial reporting and to provide negative assurance. Negative assurance, based on the criteria established by the ONDCP Circular, indicates that nothing came to the attention of the OIG that would cause them to believe an agency’s submission was presented other than fairly in all material respects.

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Department Compliance and Attestation Reviews

All but one of the National Drug Control Program agencies complied with the provisions of the Drug Control Accounting Circular dated May 1, 2007. This fact is evident, along with whether an agency passed or failed the required attestation review, in the table below. For the purpose of this report, “pass” indicates an agency’s OIG was able to complete their review and provide negative assurance. Conversely, “fail” indicates that an agency’s assertions regarding its FY 2011 drug control obligations were not reviewable. The Department of Homeland Security’s United States Coast Guard (USCG) failed. Details on each agency’s report are provided below.

Table: Compliance and Attestation Review Summary

Department/Bureau	Compliance with ONDCP Circular (Yes/No)	OIG/Independent Auditor Attestation Review (Pass/Fail)	Material Weakness Identified (Yes/No)
Defense	Yes	Pass	No
Education			
Office of Safe and Drug-Free Schools	Yes	Pass	No
Health and Human Services			
Indian Health Service	Yes	Pass	No
National Institute on Drug Abuse	Yes	Pass	No
Health Resources Service Administration	Yes	Pass	No
Substance Abuse and Mental Health Services Administration	Yes	Pass	No
Homeland Security			
Customs and Border Protection	Yes	Pass	Yes
Immigration and Customs Enforcement	Yes	Pass	Yes
United States Coast Guard	Yes	Fail	Yes
Department of Interior	Yes	N.A. ¹	N.A. ¹
Justice			
Bureau of Prisons	Yes	Pass	No
Drug Enforcement Administration	Yes	Pass	No
National Drug Intelligence Center	Yes	Pass	No
Office of Justice Programs	Yes	Pass	No
Organized Crime Drug Enforcement Task Force	Yes	Pass	No
State			
Bureau of International Narcotics and Law Enforcement Affairs	Yes	Pass	Yes
United States Agency for International Development	Yes	Pass	No
Transportation			
National Highway Traffic Safety Administration	Yes	N.A. ¹	N.A. ¹
Department of the Treasury			
Internal Revenue Service	Yes	Pass	No
Veterans Affairs			
Veterans Health Administration	Yes	Pass	Yes
Small Business Administration	Yes	N.A. ¹	N.A. ¹

¹In compliance with the ONDCP Circular, the Agency submitted an alternative report because the requirements created an unreasonable burden. The alternative reports for the Department of the Interior and the Small Business Administration were not subject to an attestation review. However, the Health Resources and Services Administration and the Department of Transportation reports were subject to such a review.

Summary of Agency Reports

Department of Defense

The Department of Defense's (DOD) accounting report for FY 2011 drug control obligations (Tab A) satisfies all requirements established by ONDCP's Circular. The DoD OIG indicated that nothing came to its attention to cause them to believe the submission was presented inaccurately in all material respects. DOD was assessed a rating of "pass."

Department of Education

The Department of Education's accounting of FY 2011 drug control obligations (Tab B) satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the Department's OIG. No material weaknesses were found. Given this, Education was assessed a rating of "pass."

Department of Health and Human Services

The Department of Health and Human Services' (HHS) accounting submission includes separate reports for the Indian Health Service (IHS), the National Institutes of Health's (NIH) National Institute on Drug Abuse (NIDA), the Health Resources and Services Administration (HRSA), and the Substance Abuse and Mental Health Services Administration (SAMHSA) (Tab C). The Centers for Medicare & Medicaid Services (CMS) Grants to States for Medicaid program are not included; CMS reports actuarial outlay estimates for this mandatory spending program rather than budget authority. Therefore, it is not appropriate to produce a detailed accounting submission containing a table of prior year obligations and corresponding assertions.

IHS: OIG attested that the IHS submission and management assertion complied with the ONDCP Drug Control Accounting Circular. No material weaknesses were found. IHS was assessed a rating of "pass."

NIDA: OIG attested that the NIH-NIDA submission and management assertion complied with the ONDCP Drug Control Accounting Circular. No material weaknesses were found. NIH-NIDA was assessed a rating of "pass."

HRSA: HRSA's funding for drug-related activities falls below the reporting threshold of \$50 million. Therefore, the accounting summary report consisted of a table of prior year drug obligations, and of disclosures regarding drug methodology, and any modifications, material weaknesses, or transfers of budgetary resources. The OIG attested that the HRSA submission complied with the ONDCP Drug Control Accounting Circular. No material weaknesses were found. HRSA was assessed a rating of "pass."

SAMHSA: OIG attested that the SAMHSA submission and management assertion complied with the ONDCP Drug Control Accounting Circular. No material weaknesses were found. SAMHSA was assessed a rating of "pass."

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Department of Homeland Security

The Department of Homeland Security's (DHS) accounting submission includes separate reports for the United States Coast Guard (USCG), Customs and Border Protection (CBP), and Immigration and Customs Enforcement (ICE) (Tab D).

CBP: The Independent Auditor's report stated that nothing came to their attention; however, CBP had a reportable condition regarding the timely deobligation of funds for expired or completed contracts as well as several IT findings for which CBP has developed a corrective action plan to remediate each finding. As a result of the independent auditor's evaluation of CBP's drug control obligations, CBP was assessed a rating of "pass."

ICE: ICE's FY 2011 drug control obligations report satisfies all requirements established by ONDCP's Circular. In the report, material weaknesses were identified in ICE's budgetary resource management processes and the Federal Financial Management System. In FY 2012, ICE anticipates the completion of its corrective action plan. ICE was assessed a rating of "pass."

USCG: While the USCG has made progress in implementing the attached Financial Strategy for Transformation and Audit Readiness remediation plan, as in previous years, the USCG could not provide assurances as to the integrity of the financial data contained in its financial statements due to various weaknesses. The existing USCG general ledgers do not comply with either the Federal Financial Management Improvement Act of 1996 or the U.S. Standard General Ledger, and additional findings were reported regarding IT general controls and functionality related to the USCG's financial systems. This resulted in the independent auditor's inability to complete its review of the USCG's financial data. As a result, the USCG was assessed a rating of "fail."

Department of the Interior

The Department of the Interior's (DOI) (Tab E) funding for drug-related activities falls below the reporting threshold of \$50 million. Therefore, the submission consists of a limited report that includes a table of FY 2011 obligations for their Drug Initiative. The DOI submission satisfies all requirements established by the ONDCP Circular, including concurrence from the OIG that an alternative report submission is appropriate.

Department of Justice

The Department of Justice's (DOJ) accounting submission includes separate reports for the Bureau of Prisons (BOP), Drug Enforcement Administration (DEA), National Drug Intelligence Center (NDIC), Office of Justice Programs (OJP), and Organized Crime Drug Enforcement Task Forces (OCDETF) (Tab F).

BOP: The FY 2011 accounting report satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DOJ Office of the Inspector

FY 2011 Accounting of Drug Control Funds

General (OIG). No material weaknesses were identified in the attestation review. BOP was assessed a rating of “pass.”

DEA: The FY 2011 accounting report satisfies all requirements established by ONDCP’s Circular, including the rendering of a negative assurance by the DOJ OIG. No material weaknesses were identified in the attestation review; however, DEA did have a finding regarding data used to populate its financial statements. DEA has concurred with the finding and has implemented the necessary corrective action. DEA was assessed a rating of “pass.”

NDIC: The FY 2011 accounting report satisfies all requirements established by ONDCP’s Circular, including the rendering of a negative assurance by the DOJ OIG. No material weaknesses were identified in the attestation review. NDIC was assessed a rating of “pass.”

OJP: The FY 2011 accounting report satisfies all requirements established by ONDCP’s Circular, including the rendering of a negative assurance by the DOJ OIG. No material weaknesses were identified in the attestation review. OJP was assessed a rating of “pass.”

OCDETF: The FY 2011 accounting report satisfies all requirements established by ONDCP’s Circular, including the rendering of a negative assurance by the DOJ OIG. No material weaknesses were identified in the attestation review. OCDETF was assessed a rating of “pass.”

Department of State and Other International Programs

The Department of State’s (State) accounting of FY 2011 drug control obligations (Tab G) satisfies all requirements established by ONDCP’s Circular.

INL: The FY 2010 accounting report noted a methodology modification, specifying that INCLE funding be exclusively accounted for under the ONDCP international drug control function beginning with FY 2011 funding. In prior years, INCLE funding slated for drug control in Mexico, Central America, and the Caribbean was accounted for under the interdiction drug control function. Additionally, the Department’s Independent Auditor (IA) noted a material weakness in financial reporting, noting significant deficiencies regarding the Department’s accounting and business processes to ensure budgetary transactions are properly recorded, monitored, and reported. Several individual deficiencies contributed to these significant deficiencies, including the Department’s management of unliquidated obligations, the timeliness and accuracy of recording obligations, and the existence of adequate supporting documentation for obligations. These deficiencies pertain to all Department programs, including drug-related obligations. The Department is working with its IA and the Office of the Inspector General to resolve these issues in FY 2012 and beyond. State INL was assessed a rating of “pass.”

USAID: The U.S. Agency for International Development (USAID) OIG attested that USAID’s submission and management assertion are in compliance with the ONDCP Drug Control

FY 2011 Accounting of Drug Control Funds

Accounting Circular. No material weaknesses were found. USAID was assessed a rating of “pass.”

Department of Transportation

A limited report was submitted by the Department of Transportation (DOT) (Tab H) because its drug-related activities fall below the \$50 million reporting threshold. The report includes a table of FY 2011 obligations for the National Highway Traffic Safety Administration’s Drug Impaired Driving Program. DOT’s OIG determined that the accounting report submission conforms to all requirements established by ONDCP’s Circular, including an attestation that the alternative report submission is accurate and appropriate.

Department of the Treasury

The Department of the Treasury’s FY 2011 accounting report of drug control obligations (Tab I) is presented in accordance with all requirements established by ONDCP’s Circular, including the rendering of a negative assurance by the Treasury Inspector General for Tax Administration (TIGTA). No material weaknesses were identified. The Department was assessed a rating of “pass.”

Department of Veterans Affairs

The Department of Veterans Affairs (VA), Veterans Health Administration’s (VHA) accounting of FY 2011 drug control obligations (Tab J) satisfies all requirements established by ONDCP’s Circular, including the rendering of a negative assurance by the Department’s OIG. However, the IG noted one material weakness in VA’s Financial Management System concerning Information Technology Security Controls. The IG has issued an unqualified opinion on this report. Given this, VHA was assessed a rating of “pass.”

Small Business Administration

The Small Business Administration (SBA) submitted a limited report (Tab K) because its drug-related activities fall below the reporting threshold of \$50 million. The report includes a table of FY 2011 obligations for the Drug-Free Workplace Grants. SBA’s submission satisfies all requirements established by the ONDCP Circular, including concurrence from the SBA OIG that the alternative report submitted is appropriate. SBA was assessed a rating of “pass.”



Tab A

Department of Defense



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

January 30, 2012

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR
COUNTERNARCOTICS AND GLOBAL THREATS

SUBJECT: Independent Auditor's Report on the DoD FY 2011 Detailed Accounting
Report of the Funds Obligated for National Drug Control Program Activities
(Report No. DODIG-2012-047)

Public Law 105-277, title VII, "The Office of National Drug Control Policy Reauthorization Act of 1998" (the Act), October 21, 1999, requires that DoD annually submit a detailed report (the Report) to the Director, Office of National Drug Control Policy (ONDCP), accounting for all funds DoD expended for National Drug Control Program activities during the previous fiscal year. The Act requires that the DoD Inspector General authenticate the Report before its submission to the ONDCP Director (section 1704(d), title 21, United States Code).

The "ONDCP Circular: Drug Control Accounting," May 1, 2007, (the "Drug Control Accounting" Circular) provides the policies and procedures DoD must use to prepare the Report and authenticate the DoD funds expended on National Drug Control Program activities. The "Drug Control Accounting" Circular specifies that the Report must contain a table of prior-year drug control obligations, listed by functional area, and include five assertions relating to the obligation data presented in the table.

The Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats (DASD [CN & GT]) was responsible for the detailed accounting of funds obligated and expended by DoD for the National Drug Control Program for FY 2011. We have reviewed the DASD (CN & GT) detailed accounting in accordance with the attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government auditing standards. We performed a review-level attestation, which is substantially less in scope than an examination done to express an opinion on the subject matter. Accordingly, we do not express an opinion.

We reviewed four DoD reprogramming actions that allocated \$1.52 billion among the Military Departments, National Guard, and Defense agencies. We reviewed the year-end obligation report and determined that DASD (CN & GT) allocated the funds to appropriations and project codes intended for the DoD Counterdrug Program.

In a letter dated December 12, 2011, DASD (CN & GT) provided us the Report, which we reviewed to determine compliance with the "Drug Control Accounting" Circular. The detailed accounting indicated that during FY 2011, DoD obligated \$1.36 billion to the Counterdrug Program functional areas. DASD (CN & GT) compiled the Report from data the Military Departments and other DoD Components submitted.

DASD (CN & GT) initially reprogrammed the funds from the Central Transfer Account to the DoD Components using project codes. The DoD Components provided year-end obligation data to DASD (CN & GT) through the DASD CN database, which compiled the data into one obligation report. In order to present the obligations by functional area as required by the “Drug Control Accounting” Circular, DASD (CN & GT) applied percentages to each project code in the consolidated report to compute the amounts presented in the table of obligations, instead of obtaining the information directly from the accounting systems.

Based on our review, except for the DASD (CN & GT) use of percentages to calculate the obligations presented by functional area, nothing came to our attention during the review that caused us to believe the detailed accounting of funds obligated by DoD on the National Drug Control Program for FY 2011 is not presented fairly, in all material respects, in conformity with the “Drug Control Accounting” Circular.



Amy J. Frontz, CPA
Principal Assistant Inspector General
for Auditing



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

2500 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2500

SPECIAL OPERATIONS/
LOW-INTENSITY CONFLICT

DEC 12 2011

Mr. Jon Rice
Associate Director
Performance and Budget
Office of National Drug Control Policy
750 17th Street, NW
Room 535
Washington, DC 20503

Dear Mr. Rice:

The drug methodology used to calculate obligations by drug control function of Fiscal Year 2011 budgetary resources is reasonable and accurate. The obligation table in Tab A was generated by the methodology as reflected in Tab B. The obligations are associated with a financial plan that properly reflects all changes made during the fiscal year. The Counternarcotics Central Transfer Account does not receive Fund Control Notices.

Performance Reporting will be addressed under separate correspondence. My point of contact for this action is Mr. Eric Vazquez, 703-614-8849, e-mail eric.vazquez@osd.mil.

A handwritten signature in black ink, appearing to read "W. Wechsler".

William F. Wechsler
Deputy Assistant Secretary of Defense
Counternarcotics and Global Threats

Enclosures:
As stated

cc:
DODIG

UNCLASSIFIED

Counternarcotics Central Transfer Account Obligations

(\$ 000)

	FY-11
Intelligence: Dom Law Enforcement	3.067
Intelligence: Interdiction	30.239
Intelligence: International	145.144
Interdiction	321.325
International	511.220
Investigative	12.676
Prevention	117.434
R&D: Interdiction	6.652
R&D: International	1.554
State and Local Assistance	207.751
Treatment	0
TOTAL	1,357,062*

* This amount includes a 86% obligation rate for MILPERS and a 98% obligation rate for O&M. Investment appropriations, which are multi-year, are currently obligated at 36%.

DRUG RESOURCES PERSONNEL SUMMARY

Total FTEs 1711

DRUG METHODOLOGY

Central Transfer Account

The Counternarcotics Central Transfer Account (CTA) was established in PBD 678 in November 1989. Under the CTA, funds are appropriated by Congress to a single budget line, not to the Services baselines. The CTA accounts for all counternarcotics resources for the Department of Defense with the exception of OPTEMPO and Active Duty MILPERS. Funds are reprogrammed from the CTA to the Services and Defense Agencies in the year of execution. The CTA allows for greater execution flexibility in the counternarcotics program with the ability to realign resources to address changes in requirements. The CTA is essential to respond effectively to the dynamic nature of the drug threat.

The Office of National Drug Control Policy (ONDCP) reports within the National Drug Control Strategy the amount of funds appropriated to the counternarcotics CTA. The actual obligations for the counternarcotics program for a particular fiscal year differ from the amount released to the CTA since some of the DoD counternarcotics effort is executed with multi-year funding.

The reprogramming process begins with reprogramming documents (DD1415-3 and DD1105) prepared by the Office of the Deputy Assistant Secretary of Defense for Counternarcotics & Global Threats and forwarded to DoD Comptroller. Funds are reprogrammed to the applicable appropriation/budget activity at the Service/Defense Agency by project (e.g., Navy's Fleet Support, Tethered Aerostat System, ROTH). The internal reprogramming (IR) action requires no congressional notification/approval.

The Services/Defense Agencies have their own internal accounting systems for tracking obligations of funds transferred from the Counternarcotics CTA. The following examples provide the process of how obligations are tracked:

- The Army Budget Office receives obligation data from the Defense Finance and Accounting System (DFAS) on a monthly basis and funds are tracked by the DFAS/Standard Army Financial Information System (STANFINS), and General Funds Enterprise & Business System (GFEBS).
- The Air Force uses the USAF General Accounting & Finance System (GAFS) and the Commanders Resources Integration System (CRIS) to track obligations. Both of these systems are utilized for Counternarcotics obligations and commitments. These systems Interface directly with the DFAS.
- The Navy uses the Standard Accounting and Reporting System, Field Level (STARSFL) which provides the means of tracking allocated counternarcotics funds through the life cycle of the appropriation at the activity/field level. Navy counternarcotics funding is recorded under separate cost centers and sub-cost centers, with a line of accounting consisting of subhead, project units and cost codes specifically for counternarcotics obligation tracking.
- The Army and Air National Guard employs a central accounting service from the DFAS to consolidate, aggregate, and report on funds as they are committed, obligated, and expended. The Army State and Federal Program Accounting Codes and the Air Accounting Codes provide funds-tracking mechanisms to reconcile funding at various levels of reporting and execution.

The Services/Defense Agencies provide quarterly obligation reports by project code to the Office of the Deputy Assistant Secretary of Defense for Counternarcotics & Global Threats (CN>). Beginning in FY 2008, the collection of obligation data has been via the DASD CN> database and compiled into a single counternarcotics obligation report. The obligation and expenditure data provided by the Services/Defense Agencies are compared against their total annual counternarcotics funding for each appropriation. At the end of the year, the Services/Defense Agencies provide an end of year data which reflects their actual obligations, not an estimation.

The quarterly obligation data collected is by project code, not down to the drug control function. In order to comply with ONDCP's circular and provide obligation data by function, it was necessary to use percentages for each project code.



Tab B

Department of Education



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF PLANNING, EVALUATION AND POLICY DEVELOPMENT

JAN 31 2012

Gil Kerlikowske
Director
Office of National Drug Control Policy
Executive Office of the President
Washington, D.C. 20500

Dear Mr. Kerlikowske:

In accordance with section 705(d) of the Office of National Drug Control Policy (ONDCP) Reauthorization Act of 1998 (21 U.S.C. 1704(d)), enclosed please find a detailed accounting of all fiscal year 2011 Department of Education drug control funds, along with the Department of Education Assistant Inspector General's authentication of this accounting, consistent with the instructions in ONDCP Circular *Drug Control Accounting*, dated May 1, 2007.

Please do not hesitate to contact me if you have any questions about this information.

Sincerely,

A handwritten signature in black ink that reads "Thomas P. Skelly".

Thomas P. Skelly
Director, Budget Service

Enclosure # 1: *Department of Education Detailed Accounting of Fiscal Year 2011 Drug Control Funds*, dated January 24, 2012

Enclosure # 2: Authentication letter and report from Patrick J. Howard, Assistant Inspector General for Audit, dated January 31, 2012

cc: Patrick J. Howard

DEPARTMENT OF EDUCATION



DETAILED ACCOUNTING OF FISCAL YEAR 2011 DRUG CONTROL FUNDS

IN SUPPORT OF THE
NATIONAL DRUG CONTROL STRATEGY
AS REQUIRED BY SECTION 705(d) OF THE OFFICE OF NATIONAL
DRUG CONTROL POLICY REAUTHORIZATION ACT OF 1998
(21 U.S.C. 1704(d))

JANUARY 24, 2012

DEPARTMENT OF EDUCATION
DETAILED ACCOUNTING OF FISCAL YEAR 2011 DRUG CONTROL FUNDS

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF PLANNING, EVALUATION AND POLICY DEVELOPMENT

JAN 24 2012

Ms. Kathleen Tighe
Inspector General
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202-1510

Dear Ms. Tighe:

As required by section 705(d) of the Office of National Drug Control Policy (ONDCP) Reauthorization Act of 1998 (21 U.S.C. 1704(d)), enclosed please find a detailed accounting of all fiscal year 2011 Department of Education drug control funds for your authentication, in accordance with the guidelines in ONDCP Circular *Drug Control Accounting*, dated May 1, 2007.

Consistent with the instructions in the ONDCP Circular, please provide your authentication to me in writing, and I will transmit it to ONDCP along with the enclosed accounting of funds. As you know, ONDCP requests these documents by February 1, 2012, if possible. Please do not hesitate to contact me if you have any questions about the enclosed information.

Sincerely,

A handwritten signature in black ink that reads "Thomas P. Skelly".

Thomas P. Skelly
Director, Budget Service

TABLE OF PRIOR-YEAR DRUG CONTROL OBLIGATIONS

Fiscal Year 2011 Obligations
(in \$ millions)

Drug Resources by Function

Prevention	\$123.888
Total	123.888

Drug Resources by Decision Unit

Safe and Drug-Free Schools and Communities Program	
SDFSC National Programs	<u>123.888</u>
Total	123.888

PROGRAM DESCRIPTIONS

The programs funded under the Safe and Drug-Free Schools and Communities (SDFSC) Act comprise the only Department of Education programs included in the national drug control budget in fiscal year 2011. The SDFSC program provides funding for drug prevention programs and activities that support the *National Drug Control Strategy*, in addition to efforts designed to prevent school violence. Under the SDFSC Act, funds are authorized to be appropriated for State Grants and for National Programs.

SDFSC State Grants

Under the program statute SDFSC State Grant funds are allocated by formula to States and Territories, half on the basis of school-aged population and half on the basis of each State's share, for the prior year, of Federal funds for "concentration grants to local educational agencies (LEAs) for improving the academic achievement of disadvantaged students" under section 1124A of Title I of the Elementary and Secondary Education Act (ESEA). Governors receive 20 percent, and State educational agencies (SEAs) 80 percent, of each State's allocation (unless a Governor elects to delegate administrative responsibility to the SEA for some or all of the 20 percent). SEAs are required to subgrant at least 93 percent of their allocations to LEAs; these subgrants are based 60 percent on LEA shares of prior-year funding under Part A of title I of the ESEA and 40 percent on enrollment. LEAs may use their SDFSC State Grant funds for a wide variety of activities to prevent or reduce violence and delinquency and the use, possession, and distribution of illegal drugs, and thereby foster a safe and drug-free learning environment that supports academic achievement. Governors may use their funds to award competitive grants and contracts to LEAs, community-based organizations, and other public and private organizations for activities to create and maintain safe, orderly, and drug-free schools and communities through programs and activities that complement and support activities of LEAs.

Note: Funding for SDFSC State Grant program was last appropriated in fiscal year 2009. The Department's 2009 appropriations act provided that the 2009 SDFSC State Grant funds may remain available for obligation at the Federal level through September 30, 2010, and the Department's last obligation of those funds was in fiscal year 2010. No SDFSC State Grant funds were obligated by the Department in fiscal year 2011, and no SDFSC State Grant funds are included in the resource summary table of this report.

SDFSC National Programs

SDFSC National Programs authorizes funding for several programs and activities to help promote safe and drug-free learning environments for students and address the needs of troubled or at-risk youth, including Federal Activities (a broad discretionary authority that permits the Secretary to carry out a wide variety of activities designed to prevent the illegal use of drugs and violence among, and promote safety and discipline for, students), and an Alcohol Abuse Reduction Program to assist school districts in implementing innovative and effective programs to reduce alcohol abuse in secondary schools. Within Federal Activities, SDFSC National Programs also authorizes: (1) Project SERV (School Emergency Response to Violence), which is a crisis response program that provides education-related services to LEAs and institutions of higher education in which the learning environment has been disrupted due to a violent or traumatic crisis), and (2) School Emergency Preparedness initiatives. Although the Department obligated funds for both of these activities in fiscal year 2011, as explained in the discussion of drug budget methodology below funds for these two components of SDFSC National Programs are not included in the ONDCP drug budget and, therefore, they are not included in this obligations report.

DISCLOSURES

Drug Methodology

This accounting submission includes 100 percent of all fiscal year 2011 obligations of funds under the Safe and Drug-Free Schools and Communities (SDFSC) Act, with the exception of those SDFSC National Programs that have no clear drug control nexus. Accordingly, the amounts in the enclosed table of prior-year drug control obligations include 100 percent of funding for the SDFSC Alcohol Abuse Reduction program and 100 percent of funding for all other SDFSC National Programs, with the exclusion of obligations of funds for (1) Project SERV (School Emergency Response to Violence) and (2) School Emergency Preparedness Initiatives.

Obligations by Drug Control Function

All obligations of funds for the SDFSC program shown in the table on page 2 of this report fall under the ONDCP drug control function category of prevention — the same functional category under which the budgetary resources for the SDFSC program are displayed for the Department of Education in the annual *National Drug Control Budget Summary* issued by ONDCP that accompanies the President's budget and in the *National Drug Control Strategy*.

Obligations by Budget Decision Unit

All obligations of drug control funds in the table on page 2 of this report are displayed using the SDFSC program as the budget decision unit — the same decision unit under which the 2011 budgetary resources for the Department of Education are displayed by ONDCP in the *FY 2012 Budget Summary* that accompanied the 2012 President's budget in support of the *National Drug Control Strategy*.

Methodology Modifications

The Department does not have any drug control budget methodological modifications to disclose.

Material Weaknesses or Other Findings

The Department does not have any material weaknesses to disclose that affect the presentation of fiscal year 2011 drug-related obligations in this report. All other known weaknesses that affect the presentation of drug-related obligations in this report are explained in the disclosures below.

Reprogrammings or Transfers

There were no reprogrammings or transfers of drug-related budgetary resources in the Department of Education in fiscal year 2011.

Other Disclosures

The Department acknowledges the following limitations in the methodology described above for deriving the obligations of fiscal year 2011 drug control funds attributable to the SDFSC program:

- Although the budgetary resources in this report include 100 percent of obligations for SDFSC Federal Activities (exclusive of Project SERV and School Emergency Preparedness Initiatives), not all obligations of funds included in the resource summary of this report support drug prevention activities — some of these funds support violence prevention and school safety activities that have no drug control-related nexus.
- Approximately \$1.9 million of the SDFSC National Programs funds included in the resource summary of this report (1.5 percent of total fiscal year 2011 SDFSC reported drug control obligations) supported prevention projects for students enrolled in institutions of higher education; for college students served by such programs who are 21 years of age or older, alcohol is a legal drug and the alcohol prevention component of the program falls outside the scope of the *National Drug Control Strategy*.

ASSERTIONS

Obligations by Decision Unit

The fiscal year 2011 obligations of drug control funds shown in this report for the SDFSC drug budget decision unit are the actual 2011 obligations of funds from the Department's accounting system of record for the SDFSC program.

Drug Methodology

The methodology used to calculate the fiscal year 2011 obligations of drug prevention funds presented in this report is reasonable and accurate, because: (1) the methodology captures all of the obligations of funds under the SDFSC program that reasonably have a drug control-related nexus, and (2) these obligations of funds correspond directly to the display of resources for the SDFSC program in the Department's budget justifications to Congress that accompany the President's budget.

Data

No workload or other statistical information was applied in the methodology used to generate the fiscal year 2011 obligations of drug control funds presented in the table on page 2 of this report.

Other Estimation Methods

Where assumptions based on professional judgment were used as part of the drug methodology, the association between these assumptions and the drug control obligations being estimated is thoroughly explained and documented in the drug methodology disclosure on page 3 and in the other disclosures on page 4 of this accounting report.

Financial Systems

Financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate obligations from which the drug-related obligation estimates are derived.

Application of Drug Methodology

The methodology disclosed in the narrative of this report was the actual methodology used to generate the fiscal year 2011 obligations of drug control funds presented in the table on page 2.

Reprogrammings or Transfers

There were no reprogrammings or transfers of Department of Education drug control funds in fiscal year 2011. However, subsequent to ONDCP's approval of the Department's fiscal year 2011 financial plan, the Department reallocated a total of \$833,413 within SDFSC National Programs to School Emergency Preparedness initiatives, thereby reducing the amount of the Department's drug control budgetary resources (relative to the plan) by \$833,413.

Fund Control Notices

The Director of ONDCP has never issued to the Department of Education any Fund Control Notices under 21 U.S.C. 1703(f) or the applicable ONDCP Circular, *Budget Execution*. Therefore, the required assertion that the data presented in this report accurately reflect obligations of drug control funds that comply with all such Fund Control Notices is not applicable.




UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES

January 31, 2012

Memorandum

TO: Thomas P. Skelly
Director, Budget Service
Office of Planning, Evaluation and Policy Development

FROM: Patrick J. Howard 
Assistant Inspector General for Audit

SUBJECT: Office of Inspector General's Independent Report on the U.S. Department of Education's *Detailed Accounting of Fiscal Year 2011 Drug Control Funds*, dated January 24, 2012

Attached is our authentication of management's assertions contained in the U.S. Department of Education's *Detailed Accounting of Fiscal Year 2011 Drug Control Funds*, dated January 24, 2012, as required by section 705(d) of the Office of National Drug Control Policy Reauthorization Act of 1998 (21 U.S.C. § 1704(d)).

Our authentication was conducted in accordance with the guidelines stated in the Office of National Drug Control Policy Circular: *Drug Control Accounting*, dated May 1, 2007.

If you have any questions or wish to discuss the contents of this authentication, please contact Michele Weaver-Dugan, Director, Operations Internal Audit Team, at (202) 245-6941.



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES

Office of Inspector General's Independent Report on the U.S. Department of Education's
Detailed Accounting of Fiscal Year 2011 Drug Control Funds, dated January 24, 2012

We have reviewed management's assertions contained in the accompanying *Detailed Accounting of Fiscal Year 2011 Drug Control Funds*, dated January 24, 2012 (Accounting). The U.S. Department of Education's management is responsible for the Accounting and the assertions contained therein.

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. Accordingly, we do not express such an opinion.

We performed review procedures on the "Table of Prior Year Drug Control Obligations," "Disclosures," and "Assertions" contained in the accompanying Accounting. We did not review the "Program Descriptions" contained in the accompanying Accounting. In general, our review procedures were limited to inquiries and analytical procedures appropriate for our review engagement.

Based on our review, nothing came to our attention that caused us to believe that management's assertions, contained in the accompanying Accounting, are not fairly stated in all material respects, based upon the Office of National Drug Control Policy Circular: *Drug Control Accounting*, dated May 1, 2007.

A handwritten signature in cursive script, appearing to read "Patrick J. Howard".

Patrick J. Howard
Assistant Inspector General for Audit



Tab C

Department of Health and
Human Services



JAN 27 2012

Mr. Jon Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Rice:

As required by the Office of National Drug Control Policy (ONDCP) Circular titled *Drug Control Accounting*, dated May 1, 2007, enclosed are Department of Health and Human Services (HHS) detailed accounting submissions accompanied by the HHS Office of Inspector General attestation reviews for fiscal year 2011 for the following bureaus: i) Substance Abuse and Mental Health Services Administration (SAMHSA), ii) National Institutes of Health – National Institute on Drug Abuse (NIDA), iii) Indian Health Service (IHS) and vi) Health Resources Services Administration (HRSA).

In accordance with the agreement dated May 14, 2008, with Mr. Thomas A. Johnson of your office, this package does not include a detailed accounting submission for the Centers for Medicare and Medicaid Services (CMS) because the funding associated with the CMS program featured in the Drug Budget represents actuarial outlay estimates rather than budget authority. Therefore, we agreed that it is not appropriate to produce a detailed accounting submission containing a table of prior year obligations and corresponding assertions.

If you have any questions, please contact Ms. Chitra Verma, Division of Systems Policy and Audit Resolution at (202) 260-0272 or chitra.verma@hhs.gov.

Sincerely,

Sheila O. Conley

Deputy Assistant Secretary for Finance

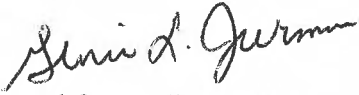
Enclosures:
SAMHSA Drug Control Accounting Report
NIDA Drug Control Accounting Report
IHS Drug Control Accounting Report
HRSA Drug Control Accounting Report

cc: HHS Office of Inspector General



JAN 19 2012

TO: Elizabeth A. Fowler
Chief Financial Officer
Indian Health Service

FROM: Gloria L. Jarmon 
Deputy Inspector General for Audit Services

SUBJECT: Independent Attestation Review: Indian Health Service Assertions Concerning Drug Control Accounting for Fiscal Year 2011 (A-03-12-00355)

The purpose of this report is to provide the results of our attestation review of the Indian Health Service (IHS) fiscal year (FY) 2011 assertions concerning drug control accounting and the accompanying table of FY 2011 Drug Control Obligations (Table).

Pursuant to 21 U.S.C. § 1704(d)(A), each National Drug Control Program agency must submit to the Director of the Office of National Drug Control Policy (ONDCP), not later than February 1 of each year, a detailed accounting of all funds expended by the agency for National Drug Control Program activities during the previous FY. The section further requires such accounting "to be authenticated by the Inspector General for each agency prior to submission to the Director." The report and related assertions are the responsibility of IHS's management and were prepared by IHS as specified in section 6 of the ONDCP Circular entitled *Drug Control Accounting*, dated May 1, 2007.

As required by 21 U.S.C. § 1704(d)(A), we reviewed the attached IHS report entitled "Assertions Concerning Drug Control Accounting" dated November 9, 2011. We conducted our attestation review in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements 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 to express an opinion on management's assertions contained in its report; accordingly, we do not express such an opinion.

INDIAN HEALTH SERVICE REPORT

IHS's report consisted of the Table, which reported obligations totaling \$80,268,000, and a related funding table.

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In accordance with ONDCP requirements, IHS made the following assertions:

- IHS reported its actual obligations from its accounting system of record for the reported budget decision units,
- IHS's drug methodology used to calculate obligations of prior year budgetary resources by budget decision unit were reasonable and accurate in accordance with the criteria in section 6b(2) of the circular,
- the drug methodology IHS disclosed in its report was the actual methodology used to generate the required Table,
- IHS did not revise its financial plan and therefore had no budgetary transfers of obligations to report, and
- IHS did not have any Fund Control Notices under 21 U.S.C. § 1703(f) to report.

We performed review procedures on IHS's assertions and the accompanying Table. In general, we limited our review procedures to inquiries and analytical procedures appropriate for the attestation review.

OFFICE OF INSPECTOR GENERAL CONCLUSION

Based on our review, nothing came to our attention that caused us to believe that IHS's assertions and the accompanying Table were not fairly stated, in all material respects, based on the ONDCP Circular.

This report is intended solely for the information and use of Congress, ONDCP, and IHS and is not intended to be, and should not be, used by anyone other than these specified parties. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Kay L. Daly, Assistant Inspector General for Financial Management and Regional Operations, at (202) 619-1156 or through email at Kay.Daly@oig.hhs.gov. Please refer to report number A-03-12-00355 in all correspondence.

Attachment

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ATTACHMENT

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Indian Health Service
Rockville MD 20852

NOV 9 2011

MEMORANDUM TO: Director
Office of National Drug Control Policy

THROUGH: Sheila Conley
Deputy Assistant Secretary of Finance
Department of Health and Human Services

FROM: Elizabeth A. Fowler
Chief Financial Officer
Indian Health Service

SUBJECT: Assertions Concerning Drug Control Accounting

In accordance with the requirements of the Office of National Drug Control Policy Circular *Drug Control Accounting*, I make the following assertions regarding the attached annual accounting of drug control funds for the Indian Health Service (IHS):

1. **Obligations by Budget Decision Unit**

I assert that obligations reported by budget decision unit are the actual obligations from the bureau's accounting system of record for these budget decision units, consistent with the drug budget methodology discussed below.

2. **Drug Methodology**

I assert that the drug methodology used to calculate obligations of prior year budgetary resources by function for all bureaus was reasonable and accurate in accordance with the criteria listed in Section 6b(2) of the Circular. In accordance with these criteria, I have documented/identified data which support the drug methodology, explained and documented other estimation methods (the assumptions for which are subjected to periodic review) and determined that the financial systems supporting the drug methodology yield data that present fairly, in all material respect, aggregate obligations from which drug-related obligation estimates are derived.

The IHS methodology for estimating the drug control budget was established using the amounts appropriated for the Alcohol and Substance Abuse Prevention programs authorized under P.L. 102-573, the Indian Health Amendments of 1992. See attached table "Alcoholism and Substance Abuse Treatment and Prevention Program Authorized under P.L. 102-573" for a list of programs. This table reflects estimated amounts. When originally authorized and appropriated, the funds were allocated to tribes in their self-determination contract by specific programs. However, when the programs were reauthorized and captured under public law 102-573, some

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Page 2 -- Director, Office of National Drug Control Policy

IHS area offices allocated the funds in lump sum while others maintained the specific program breakout. Therefore, at the current time precise amounts of funding for each program are not available. The table is maintained to estimate current funding level and is the basis of the drug budget control methodology.

Excluded is the amount for the Adult Treatment programs, which represents the original authorization for IHS to provide alcohol treatment services. The focus on alcoholism treatment is the reason for the exclusion.

Drug Resources by Decision Unit: The IHS drug control funds are appropriated in two budget line items: 1) Alcohol and Substance Abuse and 2) Urban Indian Health Programs (UIHP). The Alcohol and Substance Abuse funds are primarily allocated to Tribes under Self-Determination contracts and compacts, where they manage the programs and have authority to reallocate funds to address local priorities. The portion of the alcohol fund included in the drug control budget methodology is as described above, i.e., the entire budget excluding the amount for adult treatment. The UIHP funds are allocated through contracts and grants to 501(c)(3) organizations. The portion of UIHP funds included in the drug control budget methodology is for NIAAA programs transferred to the IHS under the UIHP budget.

Drug Resources by Function: Under the methodology, two programs through FY 2007 were identified as Prevention programs, Community Education and Training and Wellness Beyond Abstinence. In FY 2008, one half of the new funds appropriated for Methamphetamine and Suicide prevention and treatment were also included in the Prevention function. The treatment function comprises the remaining program excluding adult treatment. In addition, the amount of UIHP funds is included under the treatment function.

3. Application of Drug Methodology

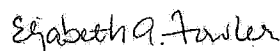
I assert that the drug methodology disclosed in this section was the actual methodology used to generate the table required by Section 6a of the Circular.

4. Reprogramming or Transfers

IHS did not reprogram or transfer any funds included in its drug control budget.

5. Funds Control Notices

IHS was not issued any Fund Control Notices by the Director under 21 U.S.C. 1703 (f) and Section 8 of the ONDCP circular Budget Execution, dated May 1, 2007.



Elizabeth A. Fowler
Director of Office of Finance and Accounting
Indian Health Service

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Page 3 – Director, Office of National Drug Control Policy

Attachments ¹: (2)

1. Table – Alcoholism and Substance Abuse Prevention Treatment Program Authorized Under P.L. 102-573
2. Table – FY 2011 Drug Control Obligations

¹ The first table attached to this report is necessary for understanding the IHS drug control budget methodology. The table titled “Alcoholism and Substance Abuse Treatment and Prevention Program Authorized Under P.L. 102-573” shows the Alcohol and Substance Abuse budget line item broken out by the activities authorized originally in P.L. 100-690 and later included under P.L. 102-573. This table also includes the funding within the Urban Indian Health budget line item that supports alcohol and substance abuse treatment services. However, funds are not appropriated or accounted for by these specific categories, but rather as the lump sum funds of Alcohol and Substance Abuse and Urban Health. The second table shows the obligations of these funds as required by the Office of National Drug Control Policy Circular *Drug Control Accounting*.

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Indian Health Service
Alcoholism and Substance Abuse Prevention
Treatment Program
Authorized under P.L. 102-573
(Dollars in Thousands)

Amount of Funds	FY 2007 Enacted	FY 2008 Enacted	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	Crosswalk to Drug Control & Moyer Reports
ALCOHOL & SUBSTANCE ABUSE						
Adult Treatment.....	\$83,947	\$89,161	\$96,607	\$102,748	\$102,781	Excluded*
Regional Treatment Centers	\$20,125	\$23,403	\$19,957 ^{2/}	\$21,226	\$21,226	Treatment
Community Education & Training.....	\$7,798	\$8,282	\$8,974	\$9,544	\$9,544	Prevention
Community Rehabilitation/ Aftercare.....	\$25,330	\$26,903	\$29,150	\$31,003	\$31,003	Treatment
Gila River.....	\$194	\$206	\$223	\$237	\$237	Treatment
Contract Health Service.....	\$8,917	\$9,471	\$10,262	\$10,914	\$10,914	Treatment
Navajo Rehab. Program....	\$343	\$365	\$395	\$420	\$420	Treatment
Urban Clinical Services.....	\$731	\$776	\$841	\$895	\$895	Treatment
Wellness Beyond Abstinence.....	\$842	\$894	\$969	\$1,031	\$1,031	Prevention
Meth Prev & Treatment.....	--	\$13,782	\$16,391	\$16,391	\$16,358	50/50 Tx & Prev
Total.....	\$148,227	\$173,243	\$183,769	\$194,409	\$194,409	
URBAN HEALTH PROGRAM ^{1/}						
Amount of Funds	FY 2007 Enacted	FY 2008 Enacted	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Enacted	
Expand Urban Programs....	\$3,981	\$3,407	\$4,356	\$4,239	\$4,403 ^{3/}	Treatment
Alcohol/Substance Abuse Urban Health Program	\$148,227 3,981	\$173,243 3,407	\$183,769 4,356	\$194,409 4,239	\$194,409 4,403	
GRAND TOTAL.....	\$152,208	\$176,650	\$188,125	\$198,648	\$198,812	

^{1/}The Urban Program was funded under P.L. 100-690, and is now funded under P.L. 102-573.

^{2/}The FY 2009 funding for the Regional Treatment Centers was adjusted based on Area Office reports of funding levels.

^{3/}Urban Program amounts may vary from information reported in the Congressional Justifications. Urban Program numbers are updated annually to reflect actuals obligations.

*Adult Treatment funds are excluded from the ONDCP Drug Control Budget and Moyer Anti-Drug Abuse methodologies because this program reflects the original authorized program for IHS with the sole focus of alcoholism treatment services for adults. This determination was made in consultation with ONDCP when the drug control budget was initially developed in the early - 1990s.

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INDIAN HEALTH SERVICE
FY 2011 Drug Control Obligations

	Enacted	Obligated
		(\$000)
Drug Resources by Function		
Prevention	\$18,754	\$10,873
Treatment	\$77,105	\$69,395
	<u>\$95,859</u>	<u>\$80,268</u>
Drug Resources by Decision Unit		
Alcohol and Substance Abuse	\$91,628	\$75,865
Urban Indian Health Program ¹	\$4,231	\$4,403
	<u>\$95,859</u>	<u>\$80,268</u>

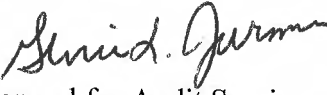
¹ The appropriated amount for Urban Indian Health Programs was an estimate. The Obligated amount reflects actual funding for the designated programs in FY 2011.

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JAN 19 2012

TO: Donna Jones
Chief Financial Officer
National Institute on Drug Abuse
National Institutes of Health

FROM: Gloria L. Jarmon 
Deputy Inspector General for Audit Services

SUBJECT: Independent Attestation Review: National Institute on Drug Abuse Assertions Concerning Drug Control Accounting for Fiscal Year 2011 (A-03-12-00353)

The purpose of this report is to provide the results of our attestation review of the National Institute on Drug Abuse (NIDA) fiscal year (FY) 2011 assertions concerning drug control accounting.

Pursuant to 21 U.S.C. § 1704(d)(A), each National Drug Control Program agency must submit to the Director of the Office of National Drug Control Policy (ONDCP), not later than February 1 of each year, a detailed accounting of all funds expended by the agency for National Drug Control Program activities during the previous FY. The section further requires such accounting "to be authenticated by the Inspector General for each agency prior to submission to the Director." The report and related assertions are the responsibility of NIDA's management and were prepared by NIDA as specified in section 6 of the ONDCP Circular entitled *Drug Control Accounting*, dated May 1, 2007.

As required by 21 U.S.C. § 1704(d)(A), we reviewed the attached NIDA report entitled "Assertions Concerning Drug Control Accounting," dated November 10, 2011. We conducted our attestation review in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements 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 to express an opinion on management's assertions contained in its report; accordingly, we do not express such an opinion.

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NATIONAL INSTITUTE ON DRUG ABUSE REPORT

NIDA reported obligations totaling \$1,050,519,000.

In accordance with ONDCP requirements, NIDA made the following assertions:

- NIDA reported its actual obligations from its accounting system of record for the reported budget decision units,
- NIDA'S drug methodology used to calculate obligations of prior year budgetary resources by function were reasonable and accurate in accordance with the criteria in section 6b(2) of the ONDCP Circular,
- the drug methodology NIDA disclosed in its report was the actual methodology used to generate the required Table,
- NIDA's obligations against a financial plan that was revised during the fiscal year were reported in accordance with ONDCP requirements, and
- NIDA's report reflected data associated with obligations against a financial plan that fully complied with all Fund Control Notices and ONDCP budgetary circulars.

We performed review procedures on NIDA's assertions and the accompanying table. In general, we limited our review procedures to inquiries and analytical procedures appropriate for the attestation review.

OFFICE OF INSPECTOR GENERAL CONCLUSION

Based on our review, nothing came to our attention that caused us to believe that NIDA's assertions and accompanying table was not fairly stated, in all material respects, based on the ONDCP Circular.

This report is intended solely for the information and use of Congress, ONDCP, and NIDA and is not intended to be, and should not be, used by anyone other than these specified parties. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Kay L. Daly, Assistant Inspector General for Audit Services, at (202) 619-1157 or through email at Kay.Daly@oig.hhs.gov. Please refer to report number A-03-12-00353 in all correspondence.

Attachment

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ATTACHMENT

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

NOV 10 2011

National Institutes of Health
National Institute on Drug Abuse
Bethesda, Maryland 20892

MEMORANDUM TO: Director
Office of National Drug Control Policy

THROUGH: Sheila Conley
Deputy Assistant Secretary of Finance
Department of Health and Human Services

FROM: Donna Jones *Donna M Jones*
Chief Financial Officer
National Institute on Drug Abuse

SUBJECT: Assertions Concerning Drug Control Accounting

In accordance with the requirements of the Office of National Drug Control Policy Circular "Annual Accounting of Drug Control Funds," I make the following assertions regarding the attached annual accounting of drug control funds:

Obligations by Budget Decision Unit

I assert that obligations reported by budget decision unit are the actual obligations from the NIH financial accounting system for this budget decision unit after using NIDA's internal system to reconcile the NIH accounting system during the year.

Drug Methodology

I assert that the drug methodology used to calculate obligations of prior year budgetary resources by function for the institute was reasonable and accurate in accordance with the criteria listed in Section 6b(2) of the Circular. In accordance with these criteria, I have documented data which support the drug methodology, explained and documented other estimation methods (the assumptions for which are subject to periodic review) and determined that the financial systems supporting the drug methodology yield data that present fairly, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.

Obligations of prior year drug control budgetary resources are calculated as follows:

FY 2011 actual obligations were determined by identifying NIDA support for projects that address drug prevention and treatment. Projects for inclusion in the ONDCP budget are identified from the NIDA coding system and database known as the "NEPS" system (NIDA Extramural Project System). Data are entered into this system by program staff. NIDA does not need to make any assumptions or estimates to isolate its total drug control obligations as the total appropriation is drug control.

As the supporter of more than 85% of the world's research on drug abuse and addiction, the

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National Institute on Drug Abuse (NIDA) provides a strong science base for our Nation's efforts to reduce the abuse of drugs and their consequences. NIDA's comprehensive research portfolio addresses a broad range of drug abuse and addiction issues, ranging from the support of fundamental neurobiology to community-based research. As our Nation looks for science-based approaches to enhance its prevention and treatment efforts, NIDA's broad portfolio and its continuing efforts to work with other Agencies and NIH Institutes on a variety of transdisciplinary issues will provide the tools necessary to move these efforts forward. Research serves as the cornerstone of NIDA's efforts to disseminate research information and educate health professionals and the public, especially our Nation's youth, about the factors influencing drug use, its consequences, and about science-based and tested treatment and prevention techniques. These research and dissemination efforts to develop, test, and disseminate information on the basis of addiction, its consequences, and enhanced therapeutic techniques support the ONDCP Goal 3 (treatment). Efforts to enhance the science base and disseminate information on the factors that inhibit and facilitate drug use and its progression to addiction and other health consequences, and on science-based approaches for prevention interventions support the ONDCP Goal 1 (prevention).

NIDA obligations are allocated between prevention and treatment research based on the professional judgment of scientific program officials on specific grant and contract projects. These scientists review the grant application, project purpose and methodology, and/or progress report to determine whether the project meets NIDA's criteria for categorization as prevention or as treatment research. Projects are coded and entered into the NEPS system prior to funding.

The total of NIDA's regular appropriation for 2011 was \$1,050,541,903. NIDA obligated \$1,050,518,644 and \$23,259 lapsed. The actual amount obligated reconciles to the NIDA Database system. The total of \$1,050,518,644 does not reconcile to the FY 2011 column of the FY 2012 Congressional Justification (CJ). This is because the FY 2011 column of the FY 2012 CJ includes 1 comparable transfer totaling \$901,000 and per CR House Language Section 1813 excludes a reduction of \$7,201,000 and for General .2% reduction excludes reduction of \$2,105,000. The adjustments to the FY 2011 column are determined by the NIH, DHHS and OMB.

Application of Methodology

I assert that the drug methodology described in the preceding section was the actual methodology used to generate the table required by Section 6a. NIDA has not modified its drug methodology from the previous year. The difference between NIDA's actual obligations and the National Drug Control Strategy Budget summary number for FY 2011 are for the same reasons described above for the FY 2011 column of the FY 2012 CJ.

Reprogrammings or Transfers

I assert that the obligation data presented are associated against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$1 million that

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occurred during the fiscal year. As described above, NIDA had the following adjustments to its appropriation for FY 2010: (1) one comparable transfer totaling \$901,000, (2) a reduction of \$7,201,000 and (3) a reduction of \$2,105,000.

Fund Control Notices

I assert that the obligation data presented are associated against a financial plan that complied fully with all Fund Control Notices issued by the Director under 21 U.S.C. 1703(f) and with ONDCP Circular *Budget Execution*, dated May 1, 2007.

**NATIONAL INSTITUTES OF HEALTH
NATIONAL INSTITUTE ON DRUG ABUSE
FY 2011 Actual Obligations
(Dollars in Thousands)**

I. RESOURCE SUMMARY

	FY 2011 Actual
Drug Resources by Function:	
Prevention	411,622
Treatment	638,897
Total	1,050,519
Drug Resources by Decision Unit:	
Demand Reduction	1,050,519
Total	1,050,519
HIDTA Transfer	
ICDE Resources	

**Differences Between (1) Actual Obligations and (2) the FY 11 Column of the
FY 12 CJ and the National Drug Control Strategy Budget Summary
(Dollars in Thousands)**

Total 2011 Col. of the FY 2012 CJ; National Drug Control Strategy	1,058,947
1 Comparable Transfers	901
Specific Reduction Section 1813 (CR House)	-7,201
General .2% Reduction	-2,105
Lapse of Funds	-23
	<hr/>
Total Obligations	1,050,519

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JAN 19 2012

TO: Patrick O'Rourke
Chief Financial Officer
Office of Financial Policy and Controls
Health Resources and Services Administration

FROM: Gloria L. Jarmon *Gloria L. Jarmon*
Deputy Inspector General for Audit Services

SUBJECT: Independent Attestation Review: Health Resources and Services Administration
Drug Control Accounting for Fiscal Year 2011 (A-03-12-00357)

The purpose of this report is to provide the results of our attestation review of the Health Resources and Services Administration (HRSA) fiscal year (FY) 2011 drug control accounting and the accompanying FY 2011 Drug Control Obligations Summary.

Pursuant to 21 U.S.C. § 1704(d)(A), each National Drug Control Program agency must submit to the Director of the Office of National Drug Control Policy (ONDCP), not later than February 1 of each year, a detailed accounting of all funds expended by the agency for National Drug Control Program activities during the previous FY. The section further requires such accounting "to be authenticated by the Inspector General for each agency prior to submission to the Director." The report is the responsibility of HRSA's management and was prepared by HRSA in accordance with section 9 of the ONDCP Circular entitled *Drug Control Accounting*, dated May 1, 2007. Section 9 allows an agency included in the National Drug Control Budget with prior-year drug-related obligations of less than \$50 million to submit an alternative report to ONDCP consisting of only the table of prior-year drug control obligations and omitting all other disclosures.

As required by 21 U.S.C. § 1704(d)(A), we reviewed the attached HRSA report entitled "Health Resources and Services Administration Drug Control Accounting for Fiscal Year 2011," dated December 19, 2011. We conducted our attestation review in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements 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 to express an opinion on management's report; accordingly, we do not express such an opinion.

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HEALTH RESOURCES AND SERVICES ADMINISTRATION'S REPORT

HRSA's report consisted of its FY 2011 Drug Control Obligations Summary, which reported obligations totaling \$16.9 million. HRSA chose to provide the alternate report in lieu of a detailed report and provided a statement, as required by the ONDCP Circular, that full compliance would constitute an unreasonable reporting burden.

We performed review procedures on HRSA's FY 2011 Drug Control Obligations Summary. In general, we limited our review procedures to inquiries and analytical procedures appropriate for our attestation review.

OFFICE OF INSPECTOR GENERAL CONCLUSION

Based on our review, nothing came to our attention that caused us to believe that HRSA's FY 2011 drug control accounting report and the accompanying FY 2011 Drug Control Obligations Summary were not fairly stated, in all material respects, based on the ONDCP Circular. Further, nothing came to our attention that caused us to doubt that full compliance with the Circular would constitute an unreasonable reporting burden.

This report is intended solely for the information and use of Congress, ONDCP, and HRSA and is not intended to be, and should not be, used by anyone other than these specified parties. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Kay L. Daly, Assistant Inspector General for Audit Services, at (202) 619-1157 or through email at Kay.Daly@oig.hhs.gov. Please refer to report number A-03-12-00357 in all correspondence.

Attachment

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DEPARTMENT OF HEALTH & HUMAN SERVICES

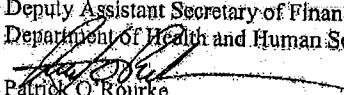
Health Resources and Services
Administration

December 19, 2011

Rockville MD 20857

MEMORANDUM TO: Director
Office of National Drug Control Policy

THROUGH: Sheila Conley
Deputy Assistant Secretary of Finance
Department of Health and Human Services

FROM: 
Patrick O'Rourke
Chief Financial Officer
Office of Financial Policy and Controls

SUBJECT: Health Resources and Services Administration Drug Control
Accounting for Fiscal Year 2011.

In accordance with the Office of National Drug Control Policy Circular: Drug Control Accounting issued May 1, 2007, the Health Resources and Services Administration's (HRSA) Fiscal Year 2011 Drug Control Obligation Summary is enclosed. Since HRSA's obligations for drug-related activities fall below the reporting threshold of \$50 million, we attest that full compliance with the ONDCP Circular would constitute an unreasonable reporting burden.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
Health Resources and Services Administration

Resource Summary	Dollars in millions	
	FY 2011 CR level	FY 2011 Obligated
Drug Resources by Function		
Treatment	\$23.8	\$16.9
Total Drug Resources by Function	\$23.8	\$16.9
Drug Resources by Decision Unit		
Bureau of Primary Health Care	\$23.8	\$16.9
Total Drug Resources by Decision Unit	\$23.8	\$16.9

1. **Methodology:** The Health Center Program Uniform Data System (UDS) tracks a variety of information, including patient demographics, services provided, staffing, clinical indicators, utilization rates, costs, and revenues. UDS data are collected annually from grantees and reported at the grantee, state, and national levels. The UDS reporting provides a reasonable basis for estimating the share of the Health Center Program grant funding used for substance abuse treatment by health centers. Using the data reflected in the most current UDS at the time estimates are made, total costs of substance abuse services is divided by total costs of all services to obtain a substance abuse percentage (SA%). The funding estimates in the table above were computed as described below:

FY 2011 Continuing Resolution (CR) level: \$23.8 million

\$15.7 million SA% (.81%) x 2009 UDS total grant dollars spent by health centers (\$1,940 million); plus,
\$8.1 million SA% x 2011 Affordable Care Act dollars appropriated for Health Center Program services (\$1 billion)

FY 2011 Obligated Level: \$16.9 million

\$16.9 million SA% (.75%) x FY 2011 Health Center Program grants awarded for health center services (\$2,250 million)

Please note that the SA% for the FY 11 CR level estimate was based on 2009 UDS, which was the most current data available at the time. The FY 2011 obligated level estimate was calculated using an SA% based on 2010 UDS data. Additionally, data limitations do not allow a known split between prevention and treatment activities. It was decided to show all resources in the treatment category to reflect the manner in which a significant majority of the funding is spent.

2. **Methodology Modification:** None
3. **Material Weaknesses or Other Findings:** None
4. **Reprogrammings or Transfers:** None
5. **Other Disclosures:** None

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JAN 19 2012

TO: Patrick O'Rourke
Chief Financial Officer
Office of Financial Policy and Controls
Health Resources and Services Administration

FROM: Gloria L. Jarmon *Gloria L. Jarmon*
Deputy Inspector General for Audit Services

SUBJECT: Independent Attestation Review: Health Resources and Services Administration
Fiscal Year 2011 Performance Summary Report for National Drug Control
Activities (A-03-12-00358)

The purpose of this report is to provide the results of our attestation review of the Health Resources and Services Administration (HRSA) Performance Summary Report for National Drug Control Activities for fiscal year (FY) 2011.

Pursuant to 21 U.S.C. § 1703(b)(13), each National Drug Control Program agency must submit to the Director of the Office of National Drug Control Policy (ONDCP) an evaluation of the progress by the agency with respect to drug control program goals using the performance measures established for that agency. Section 1703(d)(7) authorizes ONDCP to "monitor implementation of the National Drug Control Program, including - (A) conducting program and performance audits and evaluations." ONDCP may request "assistance from the Inspector General of the relevant agency in such audits and evaluations."

The report is the responsibility of HRSA's management and was prepared by HRSA in accordance with section 9 of the ONDCP Circular entitled *Drug Control Accounting*, dated May 1, 2007. Section 9 allows an agency included in the National Drug Control Budget with prior-year drug-related obligations of less than \$50 million to submit an alternative report. ONDCP officials determined that HRSA's alternate report would consist of one performance measure, including prior-year performance targets and results, current-year targets, and procedures used to ensure the quality of performance data but omitting all other disclosures.

Pursuant to 21 U.S.C. § 1703(d)(7) and in compliance with the ONDCP Circular, we reviewed the attached HRSA report entitled "FY 2011 Performance Summary Report for National Drug Control Activities," dated December 19, 2011. We conducted our attestation review in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. A review is

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substantially less in scope than an examination, the objective of which is to express an opinion on management's report; accordingly, we do not express such an opinion.

HEALTH RESOURCES AND SERVICES ADMINISTRATION'S PERFORMANCE SUMMARY REPORT

HRSA's performance summary report included one measure for National Drug Control Program activities: the number of health center grantees providing substance abuse counseling and treatment services. HRSA chose to provide the alternative report in lieu of a detailed report and assertions and provided a statement, as required by the ONDCP Circular, that full compliance would constitute an unreasonable reporting burden.

We performed review procedures on the performance summary report. In general, we limited our review procedures to inquiries and analytical procedures appropriate for our attestation review.

OFFICE OF INSPECTOR GENERAL CONCLUSION

Based on our review, nothing came to our attention that caused us to believe that HRSA's performance summary report for FY 2011 was not fairly stated, in all material respects, based on the ONDCP Circular. Further, nothing came to our attention that caused us to doubt that full compliance with the Circular would constitute an unreasonable reporting burden.

This report is intended solely for the information and use of Congress, ONDCP, and HRSA and is not intended to be, and should not be, used by anyone other than these specified parties. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Kay L. Daly, Assistant Inspector General for Audit Services, at (202) 619-1157 or through email at Kay.Daly@oig.hhs.gov. Please refer to report number A-03-12-00358 in all correspondence.

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DEPARTMENT OF HEALTH & HUMAN SERVICES


Health Resources and Services
Administration

December 19, 2011

Rockville MD 20867

MEMORANDUM TO: Director
Office of National Drug Control Policy

THROUGH: Norris Cochran
Deputy Assistant Secretary, Budget
Department of Health and Human Services

FROM: 
Patrick O'Rourke
Chief Financial Officer
Office of Financial Policy and Controls

SUBJECT: Health Resources and Services Administration Performance
Summary Report for Fiscal Year 2011

In accordance with the Office of National Drug Control Policy Circular: Drug Control Accounting issued May 1, 2007, the Health Resources and Services Administration's (HRSA) Fiscal Year 2011 Performance Summary is enclosed. Since HRSA's obligations for drug-related activities fall below the reporting threshold of \$50 million, we attest that full compliance with the ONDCP Circular would constitute an unreasonable reporting burden.

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Page 2

FY2011 Performance Summary Report for National Drug Control Activities

Decision Unit: Bureau for Primary Health Care

Table 1: Measure 1

Performance Measure	CY 2010 Target	CY 2010 Results	CY 2011 Target	CY 2011 Results	CY 2012 Target	Data Source
Number of Health Center grantees providing substance abuse counseling and treatment services.	243	243	243	Available Aug. 12, 2012	243	Uniform Data System

The Health Center Program Uniform Data System (UDS) tracks a variety of information, including patient demographics, services provided, staffing, clinical indicators, utilization rates, costs, and revenues. UDS data are collected annually from grantees and reported at the grantee, state, and national levels. In the annual UDS report (Table 5 – Staffing and Utilization), each health center reports on the number of FTEs, patients and patient visits supported by their Health Center Program grant, separated into clinical service categories, including substance abuse services. A total of 1,124 health centers reported in the 2010 UDS. In a query of the 2010 UDS a total of 243 health centers reported FTEs, patients, and/or patient visits in the substance abuse category.

Procedures used to ensure quality of performance data – UDS

BPHC requires that grantees submit an annual UDS Report on a standardized (calendar) year. Because of the importance of accuracy in these data, all reports are subjected to an intensive editing process. This process, conducted under contract, involves substantial computer editing plus the use of highly skilled, highly experienced, reviewers who are familiar with health center operations, and business and IT practices. Reviewers receive annual training.

Editing takes place at three distinct points in the overall process:

1. **At grantee, prior to submission.** As the grantees enter data into the EHB they are informed prior to their submission of the data to BPHC, of any of roughly 600 – 700 errors which might be detected. This process generally results in all of the mathematical errors and most of the logical errors being corrected prior to submission.
2. **Upon receipt.** Once submitted, the data are subjected to a review to determine that all required information has been submitted. Missing tables and, especially, missing sub-

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Page 3

tables relating to individual programs, are identified and grantees are contacted to obtain the missing information. These submissions are held until complete.


3. **By reviewers.** Once the staff review has determined that the reports are complete, they are forwarded to a reviewer for actual review, and correction (as needed).

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JAN 19 2012

TO: Daryl Kade
Director
Office of Financial Resources
Substance Abuse and Mental Health Services Administration

FROM: Gloria Jarmon 
Deputy Inspector General for Audit Services

SUBJECT: Independent Attestation Review: Substance Abuse and Mental Health Services Administration Assertions Concerning Drug Control Accounting for Fiscal Year 2011 (A-03-12-00351)

The purpose of this report is to provide the results of our attestation review of the Substance Abuse and Mental Health Services Administration (SAMHSA) fiscal year (FY) 2011 assertions concerning drug control accounting and accompanying Table of Prior Year Drug Control Obligations: FY 2011 (Table).

Pursuant to 21 U.S.C. § 1704(d)(A), each National Drug Control Program agency must submit to the Director of the Office of National Drug Control Policy (ONDCP), not later than February 1 of each year, a detailed accounting of all funds expended by the agency for National Drug Control Program activities during the previous FY. The section further requires such accounting “to be authenticated by the Inspector General for each agency prior to submission to the Director.” The report and related assertions are the responsibility of SAMHSA’s management and were prepared by SAMHSA as specified in section 6 of the ONDCP Circular entitled *Drug Control Accounting*, dated May 1, 2007.

As required by 21 U.S.C. § 1704(d)(A), we reviewed the attached SAMHSA report entitled “Assertions Concerning Drug Control Accounting,” dated December 6, 2011. We conducted our attestation review in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements 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 to express an opinion on management’s assertions contained in its report; accordingly, we do not express such an opinion.

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**SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
ADMINISTRATION'S REPORT**

SAMHSA's report consisted of the Table, which reported obligations totaling \$2,663,200,000, and related exhibit.

In accordance with ONDCP requirements, SAMHSA made the following assertions:

- SAMHSA reported its actual obligations from its accounting system of record for the reported budget decision units,
- SAMHSA'S drug methodology used to calculate obligations of prior year budgetary resources by budget decision unit were reasonable and accurate in accordance with the criteria in section 6b(2) of the ONDCP Circular,
- the drug methodology SAMHSA disclosed in its report was the actual methodology used to generate the required Table,
- SAMHSA's obligations against a financial plan that was revised during the fiscal year were reported in accordance with ONDCP requirements, and
- SAMHSA's report reflected data associated with obligations against a financial plan that fully complied with all ONDCP budgetary circulars.

We performed review procedures on SAMHSA's assertions and accompanying Table. In general, we limited our review procedures to inquiries and analytical procedures appropriate for our attestation review.

OFFICE OF INSPECTOR GENERAL CONCLUSION

Based on our review, nothing came to our attention that caused us to believe that SAMHSA's assertions and accompanying Table were not fairly stated, in all material respects, based on the ONDCP Circular.

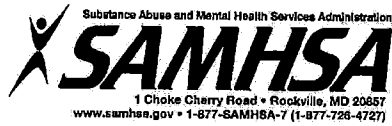
This report is intended solely for the information and use of Congress, ONDCP, and SAMHSA and is not intended to be, and should not be, used by anyone other than these specified parties. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Kay L. Daly, Assistant Inspector General for Audit Services, at (202) 619-1157 or through email at Kay.Daly@oig.hhs.gov. Please refer to report number A-03-12-00351 in all correspondence.

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DEC 06 2011

To: Director
Office of National Drug Control Policy

Through: Deputy Assistant Secretary for Finance
Department of Health and Human Services

From: Chief Financial Officer
Substance Abuse and Mental Health Services Administration

Subject: Assertions Concerning Drug Control Accounting

NOTE: *This memorandum replaces the original dated November 10, 2011. During the assembly of the FY 2011 Assertion Report, the incorrect Obligations by Drug Control Function Table (A table that is part of Exhibit A-Drug Control Methodology) was inserted into the document. This has been corrected and is part of the updated Exhibit A. No other changes were made.*

In accordance with the requirements of the Office of National Drug Control Policy Circular *Drug Control Accounting*, as revised on May 1, 2007, I make the following assertions regarding the attached annual accounting of drug control funds:

Obligations by Budget Decision Unit

I assert that obligations reported by budget decision unit are the actual obligations from SAMHSA's accounting system of record for these budget decision units.

Drug Methodology

I assert that the drug methodology used to calculate obligations of prior year budgetary resources by function for SAMHSA was reasonable and accurate in accordance with the criteria listed in Section 6b(2) of the Circular. In accordance with these criteria, I have documented/identified data which support the drug methodology, explained and documented other estimation methods (the assumptions for which are subjected to periodic review) and determined that the financial systems supporting the drug methodology yield data that present fairly, in all material respects, aggregate obligations from which drug-related obligation estimates are derived. (See Exhibit A)

Application of Drug Methodology

I assert that the drug methodology disclosed in Exhibit A was the actual methodology used to generate the table required by Section 6a.

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Reprogrammings or Transfers

I assert that the data presented are associated with obligations against a financial plan that was revised during the fiscal year to include funds received from ONDCP in support of the Drug Free Communities Program. SAMHSA received a total of \$92,976,974 from ONDCP via Interagency Agreements to fund activities of the Drug Free Communities Program in FY 2011. SAMHSA had no other reportable reprogrammings or transfers in FY 2011.

Fund Control Notices

I assert that the data presented are associated with obligations against SAMHSA's financial plan which complied fully with all ONDCP Budget Circulars.


Daryl W. Kade
Chief Financial Officer

Attachments:

Table of Prior Year Drug Control Obligations, FY 2011
Exhibit A - Drug Control Methodology

**SUBSTANCE ABUSE AND MENTAL HEALTH
SERVICES ADMINISTRATION**

**Table of Prior Year Drug Control Obligations
FY 2011
(Dollars in millions)**

Obligations by Drug Control Function

Prevention	670.1
Treatment	<u>1,993.1</u>
Total	\$2,663.2

Obligations by Budget Decision Unit

Programs of Regional and National Significance ^{1/}	662.7
Substance Abuse Prevention (Non-add)	(195.6)
Substance Abuse Treatment (Non-add)	(467.1)
Drug Free Communities Program ^{2/}	93.0
Substance Abuse Block Grant ^{3/}	1,782.5
Other Activities ^{4/}	23.2
Program Management ^{5/}	<u>101.8</u>
Total	\$2,663.2

Footnotes:

^{1/} PRNS obligations reflect direct obligations against SAMHSA budget authority. Reimbursable obligations are not included, as these funds would be reflected in the obligations of the agency providing the reimbursable funds to SAMHSA. Substance Abuse Treatment PRNS obligations include funds provided to SAMHSA from the PHS evaluation fund.

^{2/} Drug Free Communities Program funding was provided to SAMHSA/CSAP via Interagency Agreements.

^{3/} SAPT Block Grant obligations include funds provided to SAMHSA from the PHS evaluation fund.

^{4/} Other Activities includes Behavioral Health IT (\$5.250 million) and Health Surveillance (\$18.0 million funded from the ACA Prevention Fund).

^{5/} Program Management obligations include funds provided to SAMHSA from the PHS evaluation fund. Obligations reflect total SAMHSA Program Management funds, less reimbursements, as prescribed by ONDCP Budget Circulars.

TOTALS MAY NOT ADD DUE TO ROUNDING

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Exhibit A

- (1) **Drug Methodology** - Actual obligations of prior year drug control budgetary resources are derived from the SAMHSA Unified Financial Management System (UFMS), PSC Status of Funds by Allotment and Allowance Report.
- (a) **Obligations by Drug Control Function** - SAMHSA distributes drug control funding into two functions, prevention and treatment:

Prevention: This total reflects the sum of the actual obligations for:

- CSAP's Programs of Regional and National Significance (PRNS) direct funds, excluding reimbursable authority obligations;
- Drug Free Community Program funds provided by Interagency Agreements with ONDCP;
- 20% of Other Activities, including obligations related to receipt of PHS evaluation funds;
- 20% of Substance Abuse Prevention and Treatment Block Grant (SAPTBG) funds, including obligations related to receipt of PHS evaluation funds; and
- 20% of the actual obligations of SAMHSA Program Management funds, including obligations related to receipt of PHS evaluation funds.

Regarding allocation of 20% of the SAPTBG for the prevention function, the Public Health Services Act provides that "in expending the grant, the State involved will expend not less than 20 percent for programs for individuals who do not require treatment for substance abuse" (or, in other words, for primary prevention activities, reference PHS Act, Sec. 1922(a)(1)). For expediency and simplicity, program management actual obligations have also been allocated to the prevention function using the 20% factor as a proxy.

Treatment: This total reflects the sum of the actual obligations for:

- CSAT's Programs of Regional and National Significance (PRNS) direct funds, excluding reimbursable authority obligations, but including obligations related to receipt of PHS Evaluation funds, and funding for SBIRT from the ACA Prevention Fund
- 80% of Other Activities, including obligations related to receipt of PHS evaluation funds;
- 80% of the actual obligations of the Substance Abuse Prevention and Treatment Block Grant (SAPTBG) funds, including obligations related to receipt of PHS Evaluation funds; and
- 80% of the actual obligations of SAMHSA Program Management funds, including obligations related to receipt of PHS Evaluation funds;

Regarding allocation of 80% of the SAPTBG for the treatment function, rather than adding complexity to the allocation methodology, it has been determined and generally accepted that the full balance of 80% should be ascribed to the treatment function. Likewise, the 80% factor is also used to allocate the balance of program management obligations to the treatment function after the prevention allocation of 20% has been accomplished.

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(b) **Obligations by Budget Decision Unit - SAMHSA's budget decision units have been defined by Attachment B, ONDCP Circular, *Budget Formulation*, dated May 1, 2007. These units are:**

- Programs of Regional and National Significance (PRNS) - Prevention (CSAP);
- Programs of Regional and National Significance (PRNS) - Treatment (CSAT);
- Substance Abuse Prevention and Treatment Block Grant (SAPTBG) - CSAT; and
- Program Management (PM) program - SAMHSA.
- In addition to the above, the Drug Free Communities Program funds provided by ONDCP through Interagency Agreements with SAMHSA are included in the Obligations by Budget Decision Unit display (CSAP); and,
- Funding appropriated in FY 2011 for Behavioral Health IT and Health Surveillance has been included in this year's report.

Included in this Drug Control Accounting report for FY 2011 are 100% of the actual obligations for these six budget decision units, minus reimbursements. Obligations against funds provided to SAMHSA from the PHS evaluation fund are included. Actual obligations of prior year drug control budgetary resources are derived from the SAMHSA Unified Financial Management System (UFMS), PSC Status of Funds by Allotment and Allowance Report.

- (2) **Methodology Modifications** – There has been no change in the SAMHSA accounting methodology from that used in the FY 2010 Drug Control Accounting Report.
- (3) **Reprogrammings or Transfers** – SAMHSA entered into Interagency Agreements with ONDCP in the amount of \$92,976,974 to fund activities of the Drug Free Communities Program in FY 2011. SAMHSA had no other reportable reprogrammings or transfers in FY 2011.
- (4) **Other Disclosures** – None.

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Tab D


Department of
Homeland Security



Homeland
Security

JAN 30 2012

MEMORANDUM FOR: Rear Admiral Stephen P. Metruck
Assistant Commandant for Resources and
Chief Financial Officer
United States Coast Guard

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Independent Review of the U.S. Coast Guard's Reporting of FY 2011
Drug Control Obligations*

Attached for your information is our final report, *Independent Review of the U.S. Coast Guard's Reporting of FY 2011 Drug Control Obligations*. This report contains no recommendations.

We contracted with the independent public accounting firm KPMG LLP (KPMG) to perform the review. The review was conducted according to attestation standards established by the American Institute of Certified Public Accountants. Due to the U.S. Coast Guard's inability to provide assurances as to the integrity of the financial data contained within the detailed accounting submission, KPMG was unable to complete the review. As a result, KPMG was unable to report on the Table of FY 2011 Drug Control Obligations and related disclosures.

Should you have any questions, please call me, or your staff may contact Mark Bell, Deputy Assistant Inspector General for Audits, at 202-254-4100.

Attachment

Department of Homeland Security **Office of Inspector General**

Independent Review of the U.S. Coast Guard's Reporting of FY 2011 Drug Control Obligations





Homeland
Security

JAN 30 2012

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 FY 2011 Drug Control Obligations and related disclosures of the U.S. Coast Guard for the fiscal year ended September 30, 2011, for the Office of National Drug Control Policy. We contracted with the independent public accounting firm KPMG LLP (KPMG) to perform the review. U.S. Coast Guard management prepared the Table of FY 2011 Drug Control Obligations and related disclosures to comply with requirements of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007. Due to the U.S. Coast Guard's inability to provide assurance as to the integrity of the financial data in the detailed accounting submissions, KPMG was unable to complete its review and report on the Table of FY 2011 Drug Control Obligations and related disclosures.

We trust this report will result in more 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 "Anne L. Richards".

Anne L. Richards
Assistant Inspector General for Audits



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

January 20, 2012

Ms. Anne Richards
Assistant Inspector General for Audits
Office of the Inspector General
U.S. Department of Homeland Security
Stop 2600 (AUD/FM)
245 Murray Drive Building 410
Washington, DC 20528

Dear Ms. Richards:

We were engaged to review the Table of FY 2011 Drug Control Obligations and related disclosures, and the accompanying management's assertions of the U.S. Department of Homeland Security's (DHS) United States Coast Guard (USCG) for the year ended September 30, 2011. USCG management is responsible for the Table of FY 2011 Drug Control Obligations, related disclosures, and the assertions.

The Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 (the Circular), requires management to disclose any material weaknesses or other findings affecting the presentation of data reported, and to make certain assertions related to the financial systems supporting the drug methodology used in compilation of the Table of FY 2011 Drug Control Obligations and related disclosures. Management reported that it cannot provide assurances as to the integrity of the financial data contained in its Table of FY 2011 Drug Control Obligations and related disclosures; and management has not provided an assertion that the financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregate drug-related obligation estimates.

In accordance with applicable professional standards, without certain representations made by management, including the integrity of the financial data and its systems, we are unable to complete our review of USCG's Table of FY 2011 Drug Control Obligations, related disclosures, and management's assertions. Accordingly, we are unable to provide an Independent Accountants' Report on the USCG's Table of FY 2011 Drug Control Obligations, related disclosures, and management's assertions for the year ended September 30, 2011, pursuant to the requirements of the Circular.

Sincerely,

Scot G. Janssen,
Partner

U.S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

2100 Second Street, S.W.
Washington, DC 20593-0001
Staff Symbol: CG-821
Phone: (202) 372-3512
Fax: (202)372-2311
Email:Rebecca.E.Ore@uscg.mil

7110

JAN 17 2012

Mr. John D. Shiffer
Department of Homeland Security
Financial Management Division
Office of the Inspector General

Dear Mr. Shiffer,

In accordance with the Office of National Drug Control Policy Circular: *Annual Accounting of Drug Control Funds* dated May 1, 2007, enclosed is the Coast Guard's report of FY 2011 drug control obligations, methodology, and assertions.

If you require further assistance on this information, please contact LCDR Lexia Littlejohn at (202) 372-3513.

Sincerely,

A handwritten signature in blue ink, appearing to read "T.A. Sokalzuk".

T.A. SOKALZUK
Captain, U.S. Coast Guard
Chief, Office of Budget and Programs

Copy: DHS Budget Office

Enclosures:

- (1) USCG FY 2011 Detailed Accounting Submission
- (2) Independent Auditors' Report Exhibit I – Material Weaknesses in Internal Control – U.S. Coast Guard
- (3) 2011 USCG Assurance Statement

**U.S. DEPARTMENT OF HOMELAND SECURITY
UNITED STATES COAST GUARD
Detailed Accounting Submission of FY 2011 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION**A. Table of FY 2011 Drug Control Obligations**

RESOURCE SUMMARY (Dollars in Millions)	2011 Actual Obligations
Drug Resources by Drug Control Function:	
• Interdiction	\$1,405.661
• Research and Development	\$2.395
Total Resources by Function	\$1,408.056
Drug Resources by Budget Decision Unit:	
• Operating Expenses	\$739.622
• Reserve Training	\$14.225
• Acquisition, Construction, and Improvements	\$651.814
• Research, Development, Test and Evaluation	\$2.395
Total Drug Control Obligations	\$1,408.056

1. Drug Methodology

In FY 2000, a methodology known as the Mission Cost Model (MCM) was developed to present United States Coast Guard (Coast Guard) missions using activity based cost accounting principles. The MCM is an estimate of operational mission costs allocated across Coast Guard's 11 mission/programs. The information reported is timely and is derived from an allocation process involving the Coast Guard's financial statement information. Further, the Coast Guard has developed an operating hour baseline as a method to approximate the future allocation of resource hours for each asset class to multiple Coast Guard missions. This is the basis for funding allocations in budget projections. The operating hour allocation, or baseline, is developed and modified based upon budget line item requests and national priorities. Coast Guard is required to report its drug control funding to the Office of National Drug Control Policy (ONDCP) in four appropriations, categorically called decision units. The Coast Guard's drug control funding estimates are computed by closely examining the decision units that are comprised of: Operating Expenses (OE); Reserve Training (RT); Acquisition, Construction, and Improvement (AC&I); and Research, Development, Test, and Evaluation (RDT&E). Each decision unit contains its own unique spending authority and methodology.

1. Drug Methodology (cont.)

For example, AC&I includes funding that remains available for obligation up to five years after appropriation and RDT&E includes funding which does not expire. Unless stipulated by law, OE and RT funding must be spent in the fiscal year it is appropriated. The mechanics of the MCM methodology used to derive the drug control information for each decision unit's drug control data follows.

Mission Cost Allocations

OE funds are used to operate Coast Guard facilities; maintain capital equipment; improve management effectiveness; and recruit, train, sustain, and compensate, an active duty military and civilian workforce. The basic MCM is therefore based on OE asset costs and support activities. In the OE budget, the amount allocated to the drug interdiction program is derived by allocating a share of the actual expenditures based upon the percentage of time aircraft, cutters, and boats spent conducting drug interdiction activities. The Coast Guard tracks the resource hours spent on each of the 11 Coast Guard statutory missions by using a web-based Abstract of Operations (AOPS) data collection and report system. Coast Guard AOPS data is used to develop the amount of time each asset class spends conducting each Coast Guard mission. Using financial data gathered from over 3,000 cost centers around the United States along with the AOPS information, the Coast Guard is able to allocate OE costs to each of the 11 statutory missions consisting of: Drug Interdiction; Migrant Interdiction; Ports, Waterways and Coastal Security; Other Law Enforcement; Defense Readiness; Search and Rescue; Marine Safety; Ice Operations; Marine Environmental Protection; Living Marine Resources; and Aids to Navigation. Allocation of RT funding to the Coast Guard's drug interdiction mission is done using the same methodology as the OE appropriation.

The methodology used to develop the drug funding estimate for AC&I is systematically different from that of OE and RT because AC&I is a multi-year appropriation. AC&I drug funding levels for budget authority (BA) and obligations are developed through an analysis in which each project/line item is associated with a discrete driver that best approximates the contribution that asset or project will contribute to each of the Coast Guard's 11 statutory missions when the asset or project is delivered. BA is derived from the agency's annual enacted appropriation and obligation data is derived from the final financial accounting Report on Budget Execution (SF-133). The methodology used to develop the drug-funding estimate for RDT&E is similar to that of AC&I.

Mission Cost Model Application & Results – The two chief input drivers to the MCM are:

- Financial costs of each Coast Guard asset and other expenses areas, made up of direct, support and overhead costs.
- FY 2011 AOPS hours – The support and overhead costs for each asset and other expenses element is applied to hours projected from the FY 2011 AOPS. These costs are reflective of the more static conditions of Coast Guard operations relative to the support functions and administrative oversight. The direct costs are applied to the final AOPS hours to show the dynamic flow of operations experienced during FY 2011. The overall effect of the computed amount from the static baseline and reality of AOPS results in a percentage to drive Coast Guard OE expenditures allocation across 11 statutory missions.

Normalize to Budget Authority or Obligations – The program percentages derived from the MCM are then applied to total OE, RT, AC&I and RDT&E FY 2011 BA and obligations (see Attachments A, B, C and D, respectively), depending upon the reporting requirement.

2. Methodology Modifications

The methodology described above is consistent with the previous year.

3. Material Weaknesses or Other Findings

As identified in the Department of Homeland Security (DHS) Chief Financial Officers (CFO) Act of 1990 audit and feedback provided in the enclosed FY 2011 Independent Auditors' Report: Exhibit I – Material Weaknesses in Internal Control over Financial Reporting (Enclosure 2) and described in the enclosed FY 2011 U.S. Coast Guard Assurance Statement (Enclosure 3), the Coast Guard cannot assert to the reliability of general property, plant, and equipment (PP&E), environmental liabilities, and their related effects, if any, on other balances presented in the DHS financial statements as of September 30, 2011. As such, the Coast Guard cannot provide assurances as to the integrity of the financial data contained in this report.

The Coast Guard's Financial Strategy for Transformation and Audit Readiness (FSTAR) continues to guide the Mission Action Plans that strengthen the internal controls leading to assurance over financial information. This effort seeks to attack the root causes and implement long term solutions of the identified material weaknesses and other financial management issues. The Coast Guard will continue to build on its ongoing successes achieved in supporting the completeness, existence, and valuation of its vessels, aircraft, and small boat assets and the significant progress to incorporate vehicles. The Coast Guard will use lessons learned in these areas and the momentum attained to achieve its objective of supporting the auditability of the general PP&E line item by September 30, 2012.

Since environmental liabilities depend substantially on capitalized property efforts, the Coast Guard will refine the estimated liabilities associated with real property, such as lighthouses, buildings, land, and structures in FY 2012. This effort is dependent on the development of a complete inventory of Coast Guard real property assets. Furthermore, the Coast Guard will implement the 11-month environmental liabilities program management plan to develop initial cost-to-study estimates for environmental liabilities associated with the Coast Guard's known assets. Cost-to-study estimates represent the appropriate minimum liability for known conditions for which there is insufficient cost data to estimate the cost to remediate the known condition. The Coast Guard will also develop the groundwork for future refinement and sustainment of estimates and a comprehensive program to identify and properly assess conditions at Coast Guard sites in accordance with the 11-month plan. Additionally, the Coast Guard will pursue improved internal controls in the collection of our Abstract of Operations information necessary to give assurance to the non-financial data used to produce a portion of this report. Of note, due to ongoing remediation efforts guided by FSTAR, the Coast Guard helped the Department of Homeland Security achieve a qualified audit opinion on the consolidated Balance Sheet as of November 15, 2011.

4. Reprogrammings or Transfers

During FY 2011, the Coast Guard had no transfers or reprogramming actions affecting drug related budget resources in excess of \$1 million.

5. Other Disclosures

The following provides a synopsis of the United States Coast Guard's FY 2011 Drug Control Funds reporting which describes:

1. The agency's overall mission and the role of drug interdiction efforts within the Coast Guard's multi-mission structure; and
2. The Coast Guard's Drug Budget Submission.

Coast Guard Mission

The Coast Guard is a military service with mandated national security and national defense responsibilities and the United States' leading maritime law enforcement agency with broad, multi-faceted jurisdictional authority. Due to the multi-mission nature of the Coast Guard and the necessity to allocate the effort of a finite amount of assets, there is a considerable degree of asset "cross-over" between missions. This cross-over contributes to the challenges the Coast Guard faces when reporting costs for its mission areas.

Coast Guard's Drug Budget Submission

In the annual National Drug Control Strategy (NDCS) Budget Summary, all agencies present their drug control resources broken out by function and decision unit. The presentation by decision unit is the one that corresponds most closely to the Coast Guard's congressional budget submissions and appropriations. It should be noted and emphasized that the Coast Guard does not have a specific appropriation for drug interdiction activities. As such, there are no financial accounting lines for each of Coast Guard's 11 statutory missions. All drug interdiction operations, capital improvements, reserve support, and research and development efforts are funded out of general Coast Guard appropriations.

For the most part, the Coast Guard drug control budget is a reflection of the Coast Guard's overall budget. The Coast Guard's OE appropriation budget request is incremental, focusing on the changes from the prior year base brought forward. The Coast Guard continues to present supplementary budget information through the use of the MCM, which allocates base funding and incremental requests by mission.

This general purpose MCM serves as the basis for developing drug control budget estimates for the OE and RT appropriations and provides allocation percentages used to develop the drug control estimates for the AC&I and RDT&E appropriations and the process is repeatable. Similarly, this is the same methodology used to complete our annual submission to the Office of National Drug Control Policy (ONDCP) for the NDCS Budget Summary.

B. Assertions

- 1) **Obligations by Budget Decision Unit** – N/A. As a multi-mission agency, the Coast Guard is exempt from this reporting requirement.
- 2) **Drug Methodology** – The Coast Guard does not have a discrete drug control appropriation and its financial systems are not structured to accumulate accounting data by operating programs or missions areas. However, the methodology used to produce the drug interdiction funding in this report is a repeatable mission spread process which the Coast Guard incorporates throughout its annual budget year submissions and mission related reports. These submissions include: Resource Allocation Proposal (RAP), Resource Allocation Decision (RAD) and the Office of Management and Budget's (OMB) MAX budget update of Coast Guard's Congressional Budget submissions and the DHS CFO Statement of Net Cost report. The criteria associated to this assertion are as follows:
 - a) **Data** – The percentage allocation results derived from its MCM methodology are based on the most current financial and AOPS data available.
 - b) **Other Estimation Methods** – No other estimation methods are used.
 - c) **Financial Systems** – Financial data used in this methodology are derived from CAS and SFLC systems. No other financial system or information is used in developing program or mission area allocations. The Coast Guard cannot provide assurances as to the integrity of the financial data contained in this report since it has not fully implemented corrective actions to remediate weaknesses identified by the independent auditors during the annual DHS CFO Act audits. As a result, the Coast Guard could not assert to the completeness, existence (validity), accuracy, valuation or presentation of its financial data in this report.
- 3) **Application of Drug Methodology** - The methodology disclosed in this section was the actual methodology used to generate the drug control obligation funding table required by ONDCP Circular: *Drug Control Accounting* May 1, 2007 Section 6A. Documentation on each decision unit is provided.
- 4) **Reprogrammings or Transfers** - During FY 2011, Coast Guard had no transfers or reprogramming actions affecting drug-related budget resources in excess of \$1 million.
- 5) **Fund Control Notices** –ONDCP did not issue Coast Guard a Fund Control Notice for FY 2011.

**OPERATING EXPENSES (OE)
MISSION COST MODEL OUTPUT:**

	(dollars in thousands)	
	FY 2011	
	Obligations	% of total
1. Search and Rescue (SAR)	745,993	10.80%
2. Marine Safety (MS)	593,962	8.60%
3. Aids to Navigation (ATON)	1,287,463	18.64%
4. Ice Operations (IO)	151,060	2.19%
5. Marine Environmental Protection (MEP)	165,585	2.40%
6. Living Marine Resources (LMR)	642,880	9.31%
7. Drug Interdiction	739,622	10.71%
8. Other Law Enforcement (OTH-LE)	117,304	1.70%
9. Migrant Interdiction	469,136	6.79%
10. Ports, Waterways & Coastal Security (PWCS)	1,407,502	20.38%
11. Defense Readiness	586,951	8.50%
Total OE Obligations	\$ 6,907,458	100%

Note: Includes -\$58,812 recoveries of prior year obligations.

**RESERVE TRAINING (RT)
MISSION COST MODEL OUTPUT:**

	(dollars in thousands)	
	FY 2011	
	Obligations	% of total
1. Search and Rescue (SAR)	14,347	10.80%
2. Marine Safety (MS)	11,423	8.60%
3. Aids to Navigation (ATON)	24,761	18.64%
4. Ice Operations (IO)	2,905	2.19%
5. Marine Environmental Protection (MEP)	3,184	2.40%
6. Living Marine Resources (LMR)	12,364	9.31%
7. Drug Interdiction	14,225	10.71%
8. Other Law Enforcement (OTH-LE)	2,258	1.70%
9. Migrant Interdiction	9,023	6.79%
10. Ports, Waterways & Coastal Security (PWCS)	27,070	20.38%
11. Defense Readiness	11,289	8.50%
Total RT Obligations	\$ 132,849	100%

**ACQUISITION, CONSTRUCTION and IMPROVEMENTS
(AC&I) MISSION COST MODEL OUTPUT:**

	(dollars in thousands)	
	FY 2011	
	Obligations	% of total
1. Search and Rescue (SAR)	168,685	8.03%
2. Marine Safety (MS)	30,350	1.44%
3. Aids to Navigation (ATON)	38,042	1.81%
4. Ice Operations (IO)	2,275	0.11%
5. Marine Environmental Protection (MEP)	12,277	0.58%
6. Living Marine Resources (LMR)	401,580	19.11%
7. Drug Interdiction	651,814	31.02%
8. Other Law Enforcement (OTH-LE)	100,182	4.77%
9. Migrant Interdiction	314,070	14.94%
10. Ports, Waterways & Coastal Security (PWCS)	185,281	8.82%
11. Defense Readiness	197,024	9.38%
Total AC&I Obligations	\$ 2,101,580	100%

Note: Includes -\$46,946,111 recoveries of prior year obligations.

**RESEARCH, DEVELOPMENT, TEST and EVALUATION
(RDT&E) MISSION COST MODEL OUTPUT:**

	(dollars in thousands)	
	FY 2011	
	Obligations	% of total
1. Search and Rescue (SAR)	1,424	6.93%
2. Marine Safety (MS)	4,176	20.34%
3. Aids to Navigation (ATON)	165	0.80%
4. Ice Operations (IO)	125	0.61%
5. Marine Environmental Protection (MEP)	8,466	41.23%
6. Living Marine Resources (LMR)	1,171	5.70%
7. Drug Interdiction	2,395	11.66%
8. Other Law Enforcement (OTH-LE)	384	1.87%
9. Migrant Interdiction	902	4.39%
10. Ports, Waterways & Coastal Security (PWCS)	1,008	4.91%
11. Defense Readiness	320	1.56%
Total RDT&E Obligations	\$ 20,536	100%

Note: Includes -\$2,475,124 recoveries from prior year obligations.

Independent Auditors' Report
Exhibit I – Material Weaknesses in Internal Control – U.S. Coast Guard

I-A Financial Reporting

Background: In previous years, we reported that the U.S. Coast Guard (Coast Guard) had several internal control deficiencies that led to a material weakness in financial reporting. In response, the Coast Guard developed its *Financial Strategy for Transformation and Audit Readiness* (FSTAR), which is a comprehensive plan that includes various Mission Action Plans (MAPs) designed to identify and correct conditions that are causing control deficiencies and, in some cases, preventing the Coast Guard from preparing auditable financial statements.

The Coast Guard made progress in fiscal year (FY) 2011, by completing its planned corrective actions over selected internal control deficiencies. Specifically, the Coast Guard implemented new policies and procedures, and automated tools to improve internal controls and the reliability of its financial statements throughout FY 2011. These remediation efforts allowed management to make new assertions in FY 2011 related to the auditability of its financial statement balances, including \$6.3 billion of fund balance with Treasury. The FSTAR calls for continued remediation of control deficiencies and reconciliation of balances in FY 2012. Consequently, some conditions of the financial reporting control weaknesses that we reported in the past remain uncorrected at September 30, 2011.

Conditions: The Coast Guard does not have properly designed, implemented, and effective policies, procedures, processes, and controls surrounding its financial reporting process, as necessary, to:

- Support beginning balance and year-end close-out related activity, and the cumulative results of operations analysis in its general ledgers individually and/or in the aggregate.
- Ensure that all journal entries and edit queries impacting the general ledger are adequately researched and supported. Specifically, documenting that adequate research regarding the underlying cause(s) was performed, and maintaining the appropriate transactional-level supporting detail.
- Ensure that all accounts receivable balances exist, are complete and accurate, and properly presented in the financial statements. For example, the underlying data used to support accounts receivable balances was not always accurate (e.g., incorrect standard rates applied), reimbursable activity may not be identified and recorded timely due to intra-governmental reconciliation difficulties, and accounts receivable activity is not always properly recorded in the financial statements on a timely basis.
- Ensure all financial statement information (e.g., statement of net cost, statement of budgetary resources, statement of changes in net position) and related disclosures submitted for incorporation in the DHS consolidated financial statements are accurate and complete.
- Ascertain that intra-governmental activities and balances are identified, monitored, properly recorded, and differences, especially with agencies outside DHS, are being resolved in a timely manner in coordination with the Department's Office of Financial Management (OFM).

Cause/Effect: The Coast Guard has not developed and implemented an effective general ledger system. The Core Accounting System (CAS), Aircraft Logistics Management Information System (ALMIS), and Naval Engineering Supply Support System (NESSS) general ledgers do not comply with the requirements of the *Federal Financial Management Improvement Act of 1996* (FFMIA). The general ledgers do not allow for compliance with the United States Standard General Ledger (USSGL) at the transaction level, and period-end and opening balances are not supported by transactional detail in the three general ledgers. The conditions described below in Comment **I-B, Information Technology Controls and Financial Systems Functionality** contribute to the financial reporting control deficiencies, and make correction more difficult. Some remediation initiatives implemented in FY 2011 were not fully implemented for the entire year, and the FSTAR calls for continued remediation in FY 2012.

Because of the conditions noted above, the Coast Guard and the Department were unable to provide reasonable assurance that internal controls over financial reporting were operating effectively at September 30, 2011, and has acknowledged that pervasive material weaknesses and various internal control deficiencies continue to exist in some key financial processes. Consequently, the Coast Guard cannot assert

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to the reliability of general property, plant, and equipment, environmental liabilities, and their related effects, if any, on other balances presented in the Department's financial statements as of September 30, 2011.

Criteria: Presented in *Index of Financial Reporting and Internal Control Criteria* behind Exhibit V.

Recommendations: We recommend that the Coast Guard:

1. Continue the implementation of the FSTAR and completion of MAPs, as planned;
2. Implement accounting and financial reporting processes including an integrated general ledger system that is FFMIA compliant; and
3. Establish new or improve existing policies, procedures, and related internal controls to ensure that:
 - a. The year-end close-out process, reconciliations, and financial data and account analysis procedures are supported by documentation, including evidence of effective management review and approval, and beginning balances in the following year are determined to be reliable and auditable;
 - b. All journal entries and edit queries impacting the general ledger are adequately researched and supported;
 - c. Accounts receivable balances are complete and accurate, and properly presented in the financial statements;
 - d. Financial statement disclosures submitted for incorporation in the Department of Homeland Security (DHS or Department) financial statements are accurate and complete; and
 - e. All intra-governmental activities and balances are reconciled on a timely basis, accurately reflected in the financial statements, and differences are resolved in a timely manner in coordination with the Department's Office of Financial Management (OFM).

I-B Information Technology Controls and Financial Systems Functionality

Background: Information Technology (IT) general and application controls are essential for achieving effective and reliable reporting of financial and performance data. IT general controls (ITGCs) are tested using the objectives defined by the U.S. General Accountability Office (GAO)'s *Federal Information System Controls Audit Manual* (FISCAM), in five key control areas: security management, access control, configuration management, segregation of duties, and business continuity. Our procedures included a review of the Coast Guard's key ITGC environments.

We also considered the effects of financial systems functionality when testing ITGCs. We noted that financial system limitations contribute to the Coast Guard's challenge of addressing systemic internal control weaknesses, strengthening the control environment, and complying with relevant Federal financial system requirements and guidelines, notably FFMIA, Office of Management and Budget (OMB) Circular A-127, *Financial Management Systems*, and DHS policies.

In FY 2011, our ITGC control testing identified 21 findings, of which 16 were repeat findings from the prior year and 5 were new findings. In addition, we determined that Coast Guard remediated 12 findings identified in previous years. Specifically, the Coast Guard took actions to improve aspects of its IT security controls, including password configurations, data center physical security, and audit log reviews.

Conditions: Our findings related to financial system controls and functionality are as follows:

Related to IT controls:

Conditions: We noted that IT security access controls and configuration management controls supporting Coast Guard's financial systems are not operating effectively, and continue to present risks to DHS financial data confidentiality, integrity, and availability. Financial data in the Coast Guard general ledgers may be compromised by automated and manual changes that are not adequately controlled. For example, the Coast Guard uses an IT scripting process to address functionality and data quality issues within its core

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financial system, as necessary, to process and report financial data. During our FY 2011 testing, we noted that some previously identified IT scripting control deficiencies were remediated, while other deficiencies continue to exist. Four key areas continue to impact the Coast Guard IT script control environment, as follows:

- Script testing – limited guidance exists to guide Coast Guard staff in the development of test plans and to support the completion of functional testing;
- Script audit logging – controls supporting audit logs are not consistently implemented to log privileged user actions, and to ensure that only approved scripts are executed;
- Script approvals and recertification – the recertification reviews conducted by the Coast Guard were not comprehensive to include all user roles associated with the Mashups and Dimensions systems. Additionally, the documentation retained in support of the reviews was not adequately completed in accordance with policy throughout the year; and
- Script recording – test and production data is not consistently recorded, and there are limited controls to ensure data accuracy. Additionally, field reconciliation discrepancies are not always consistently documented and explained.

We also noted weaknesses in the script change management process as it relates to the Internal Control over Financial Reporting (ICOFR) process (e.g., the financial statement impact of the changes to Coast Guard's core accounting system through the script change management process). The Coast Guard has not fully developed and implemented procedures to ensure that a script, planned to be run in production, has been through an appropriate level of review to fully assess if it has a financial statement impact.

All of our ITGC findings are described in detail in a separate *Limited Official Use* (LOU) letter provided to the Coast Guard and DHS management.

Related to financial system functionality:

We noted many cases where financial system functionality is inhibiting the Coast Guard's ability to implement and maintain internal controls, notably IT application controls supporting financial data processing and reporting. Financial system functionality limitations increase the difficulty of compliance with Federal financial system requirements and guidelines, notably FFMIA and OMB Circular A-127. Examples of financial system functionality conditions we identified include:

- As noted above, Coast Guard's core financial system configuration management process is not operating effectively due to inadequate controls over IT scripts. The IT script process was instituted as a solution primarily to compensate for system functionality and data quality issues.
- Financial system audit logs are not readily generated and reviewed, as some of the financial systems continue to lack the capability to perform this task efficiently.
- The Coast Guard is unable to routinely query its various general ledgers to obtain a complete population of financial transactions, and consequently must create many manual custom queries that delay financial processing and reporting processes.
- A key Coast Guard financial system is limited in processing overhead cost data and depreciation expenses in support of the property, plant and equipment (PP&E) financial statement line item.
- Production versions of financial systems are outdated and do not provide the necessary core functional capabilities (e.g., general ledger capabilities).
- Financial systems functionality limitations are preventing the Coast Guard from establishing automated processes and application controls that would improve accuracy, reliability, and facilitate efficient processing of certain financial data such as:
 - Ensuring proper segregation of duties and access rights, such as automating the procurement process to ensure that only individuals who have proper contract authority can approve transactions or setting system access rights within the fixed asset subsidiary ledger;

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- Maintaining sufficient data to support Fund Balance with Treasury related transactions, including suspense activity;
- Maintaining adequate posting logic transaction codes to ensure that transactions are recorded in accordance with generally accepted accounting principles (GAAP); and
- Tracking detailed transactions associated with intragovernmental business and eliminating the need for default codes such as Trading Partner Identification Number that cannot be easily researched.

Cause/Effect: The current system configurations for many Coast Guard financial systems cannot be easily reconfigured to meet FFMIA, OMB Circular A-127, and DHS security requirements. The conditions supporting our findings collectively limit the Coast Guard's ability to process, store, and report financial data in a manner to ensure accuracy, confidentiality, integrity, and availability. Some of the weaknesses may result in material errors in the Coast Guard's financial data that are not detected in a timely manner through the normal course of business. In addition, because of the presence of IT control and financial system functionality weaknesses, there is added pressure on mitigating controls to operate effectively. Because mitigating controls are often more manually focused, there is an increased risk of human error that could materially affect the financial statements. See Comment **I-A**, *Financial Reporting*, for a discussion of the related conditions causing noncompliance with the requirements of FFMIA. Configuration management weaknesses are also among the principle causes of the Coast Guard's inability to support certain financial statement balances for audit purposes.

Criteria: Presented in *Index of Financial Reporting and Internal Control Criteria* behind Exhibit V.

Recommendations: We recommend that the DHS Office of Chief Information Officer (OCIO), in coordination with the Office of the Chief Financial Officer (OCFO):

1. Continue to develop and implement policies, procedures, and processes to address scripting weaknesses, including weaknesses related to functional testing, audit logging, approvals, and recertifications, and the documentation and review of script records.
2. For new and updated script procedures, revise associated trainings and provide the training to impacted staff.
3. Continue to improve the script change management process and other associated internal controls as they relate to the financial statement impact of the changes to the CAS suite of financial databases.
4. Make necessary improvements to financial management systems and supporting IT security controls.

Specific recommendations are provided in a separate *Limited Official Use* letter provided to Coast Guard management.

I-C Property, Plant, and Equipment

Background: The Coast Guard maintains approximately 49 percent of all DHS property, plant, and equipment (PP&E), including a large fleet of boats and vessels. Many of the Coast Guard's assets are constructed over a multi-year period, have long useful lives, and undergo extensive routine servicing that may increase their value or extend their useful lives. DHS stewardship PP&E primarily consists of Coast Guard heritage assets, which are PP&E that are unique due to historical or natural significance; cultural, educational, or artistic (e.g., aesthetic) importance; or architectural characteristics. Coast Guard heritage assets consist of both collection type heritage assets, such as artwork and display models, and non-collection type heritage assets, such as lighthouses, sunken vessels, and buildings.

In FY 2011, the Coast Guard continued to execute remediation efforts to address PP&E process and control deficiencies, specifically those associated with vessels, small boats, aircraft, and select construction in process (CIP) projects, and also related to the inventory of heritage assets. Inventory procedures were performed in FY 2011 to assist in the substantiation of existence and completeness of PP&E balances, however, they were not performed over all asset classes (e.g., land, buildings and other structures, and electronic equipment). Additionally, an analysis to ensure the proper accounting of internal use software

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has not yet been completed. Remediation efforts are scheduled to occur over a multi-year timeframe beyond FY 2011. Consequently, many of the conditions cited below have been repeated from our FY 2010 report.

Conditions: The Coast Guard has not:

Regarding PP&E:

- Established accurate and auditable PP&E balances as of September 30, 2011. In cases where original acquisition documentation has not been maintained, the Coast Guard has not fully implemented methodologies and assumptions to support the value of all PP&E.
- Implemented appropriate controls and related processes to accurately, consistently, and timely record additions to PP&E, (including all costs necessary to place the asset in service e.g., other direct costs), transfers from other agencies, disposals in its fixed asset system, CIP activity, and support the valuation and classification of repairable PP&E.
- Implemented accurate and complete asset identification, system mapping, and tagging processes that include sufficient detail (e.g., serial number) to clearly differentiate and accurately track physical assets to those recorded in the fixed assets system.
- Developed and implemented a process to identify and evaluate all lease agreements to ensure that they are appropriately categorized as operating or capital, and properly reported in the financial statements and related disclosures.
- Properly accounted for improvements and impairments to buildings and structures, capital leaseholds, selected useful lives for depreciation purposes, and appropriate capitalization thresholds, consistent with GAAP.
- Identified and tracked all instances where PP&E accounting is not in compliance with GAAP and prepared a non-GAAP analysis that supports management's accounting policies. This analysis should be maintained and available for audit.

Regarding Heritage Assets:

- Fully designed and implemented policies, procedures, and internal controls to support the completeness, existence, accuracy, and presentation assertions over data utilized in developing required financial statement disclosures and related supplementary information for heritage assets.

Cause/Effect: The Coast Guard has had difficulty establishing its opening PP&E balances primarily because of poorly designed policies, procedures, and processes implemented more than a decade ago, combined with ineffective internal controls, and IT functionality difficulties, See Comment **I-B, Information Technology Controls and Financial Systems Functionality**. PP&E was not properly accounted for or tracked, for many years preceding the Coast Guard's transfer to DHS in FY 2003, and now the Coast Guard is faced with the formidable challenge of performing retroactive analyses in order to properly establish the existence, completeness, and accuracy of PP&E. Additionally, the fixed asset module of the Coast Guard's general ledger accounting system is not updated timely for effective tracking and reporting of PP&E on an ongoing basis. As a result, the Coast Guard is unable to accurately account for its PP&E, and provide necessary information to DHS OFM for consolidated financial statement purposes.

The Coast Guard management deferred correction of the stewardship PP&E (heritage assets) weaknesses reported in previous years, and acknowledged that the conditions we reported in prior years remained throughout FY 2011. The lack of comprehensive and effective policies and controls over the identification and reporting of Stewardship PP&E could result in misstatements in the required financial statement disclosures and related supplementary information for Stewardship PP&E.

Criteria: Presented in *Index of Financial Reporting and Internal Control Criteria* behind Exhibit V.

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Recommendations: We recommend that the Coast Guard:

Regarding PP&E:

1. Continue to implement remediation efforts associated with establishing PP&E balances, including designing and implementing inventory procedures over all PP&E categories and implementing methodologies, including the use of Statement of Federal Financial Accounting Standard (SFFAS) No. 35, to support the value of all PP&E;
2. Implement appropriate controls and related processes to accurately and timely record additions to PP&E, transfers from other agencies, improvements, impairments, capital leases, indirect costs, depreciable lives, disposals in its fixed assets system, and valuation and classification of repairable PP&E. Additionally, continue to implement remediation efforts associated with control over the completeness, existence, accuracy, and valuation of all CIP related balances;
3. Adhere to procedures to timely update the fixed asset module of the Coast Guard's general ledger accounting system to improve tracking and reporting of PP&E on an ongoing basis. Implement processes and controls to record any identifying numbers in the fixed asset system at the time of asset purchase to facilitate identification and tracking, and to ensure that the status of assets is accurately tracked in the subsidiary ledger;
4. Develop and implement a process to identify and evaluate all lease agreements to ensure that they are appropriately categorized as operating or capital, and are properly reported in the financial statements and related disclosures;
5. Ensure that appropriate supporting documentation is maintained and readily available to support PP&E life-cycle events (e.g., improvements, in-service dates, disposals, etc.); and
6. Perform and document a non-GAAP analysis for all instances where accounting policies are not in compliance with GAAP.

Regarding Stewardship PP&E:

1. Design and implement policies, procedures, and internal controls to support the completeness, existence, accuracy, and presentation and disclosure assertions related to the data utilized in developing disclosures and related supplementary information for Stewardship PP&E that is consistent with GAAP.

I-D Environmental and Other Liabilities

Background: The Coast Guard's environmental liabilities consist of environmental remediation, cleanup, and decommissioning and represent approximately \$973 million or 93 percent of total DHS environmental liabilities. Environmental liabilities are categorized as relating to shore facilities or vessels. Shore facilities include any facilities or property other than ships (e.g., buildings, fuel tanks, lighthouses, small arms firing ranges, etc.). During FY 2011, the Coast Guard continued to implement a multi-year remediation plan to address process and control deficiencies related to environmental liabilities. In FY 2011, progress was made with respect to implementation of policies and procedures; however, the majority of the conditions cited in our FY 2010 report remain.

The Coast Guard estimates accounts payable by adjusting the prior year accrual estimate based on an analysis of actual payments made subsequent to September 30 of the prior year.

The Coast Guard's contingent legal liability balance is comprised of estimates associated with various administrative proceedings, legal actions, and tort claims that arise in the normal course of Coast Guard operations.

A component of Coast Guard's accrued payroll and benefits liability balance is annual leave. Annual leave is composed of earned annual and other vested compensatory leave that is accrued as it is earned. Subsequently, as leave is taken, the liability is reduced.

Independent Auditors' Report
Exhibit I – Material Weaknesses in Internal Control – U.S. Coast Guard

Conditions: We noted the following internal control weaknesses related to environmental and other liabilities.

The Coast Guard has not:

Regarding environmental liabilities:

- Fully supported the completeness, existence, and accuracy assertions of the data utilized in developing the estimate for the FY 2011 environmental liabilities account balance.
- Fully implemented policies and procedures to develop, prepare, record, and periodically review environmental liability estimates related to shore facilities and vessels. Specifically, procedures to confirm the existence of and legal liability for environmental damage/contamination sites, ensure the completeness of the environmental site universe, and verify the historical accuracy of assumptions used and estimates made for environmental liabilities.

Regarding other liabilities:

- Designed a methodology used to estimate accounts payable that considers and uses all potentially relevant current year data. As a result, current year data that may have a significant impact on the estimate could be overlooked and not identified until a true-up is performed in the subsequent year.
- Ensured that policies and procedures associated with management's review of the underlying data supporting contingent legal and payroll liability (i.e., unfunded leave) balances are fully implemented and operating effectively. Specifically, deficiencies in management's review attributed to errors in the underlying data supporting the interim contingent legal liability and unfunded leave balances.

Cause/Effect: The Coast Guard has not fully completed its remediation plans to develop, document, and implement policies and procedures to, prepare, and record environmental liability estimates in accordance with applicable accounting standards. As a result, the Coast Guard is unable to assert to the accuracy of its environmental liability balances as stated in the September 30, 2011 balance sheet, and provide necessary information to OFM for DHS financial statement purposes.

The Coast Guard's methodology used to estimate accounts payable is based on the prior year estimate, validated via a subsequent payment analysis, and does not consider or use all applicable current year data. Without consideration of applicable current year data, a misstatement in the accounts payable estimate may occur and not be identified in a timely manner (i.e., until a true-up is performed in a subsequent period).

The Coast Guard did not fully adhere to existing policies and procedures associated with the review of underlying data supporting interim contingent legal and payroll liability balances. A lack of adequate management review over the underlying data supporting account balances increases the risk that a misstatement may go undetected.

Criteria: Presented in *Index of Financial Reporting and Internal Control Criteria* behind Exhibit V.

Recommendations: We recommend that the Coast Guard:

Regarding environmental liabilities:

Fully implement policies, procedures, processes, and controls to ensure the identification and recording of all environmental liabilities, to define the technical approach, to establish cost estimation methodology, and to develop overall financial management oversight of its environmental remediation projects. Consider the "Due Care" requirements defined in Federal Accounting Standards Advisory Board (FASAB) Technical Release No. 2 *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*. The policies should include procedures to:

1. Ensure the proper calculation and review of cost estimates for consistency and accuracy in financial reporting, including the use of tested modeling techniques, use of verified cost parameters, and assumptions;
2. Periodically validate estimates against historical costs; and

Independent Auditors' Report

Exhibit I – Material Weaknesses in Internal Control – U.S. Coast Guard

3. Ensure that detailed cost data is maintained and reconciled to the general ledger.

Regarding other liabilities:

1. Analyze and make appropriate improvements to the methodology used to estimate accounts payable to include potentially relevant current year data, and support all assumptions and criteria with appropriate documentation used to develop and subsequently validate the estimate for financial reporting; and
2. Adhere to existing policies and procedures associated with the review of underlying data supporting contingent legal and accrued payroll and benefits liabilities.

I-E Budgetary Accounting

Background: Budgetary accounts are a category of general ledger accounts where transactions related to the receipt, obligation, and disbursement of appropriations and other authorities to obligate and spend agency resources are recorded. Each Treasury Account Fund Symbol (TAFS) with separate budgetary accounts must be maintained in accordance with OMB and U.S. Treasury guidance. The Coast Guard has over 80 TAFS covering a broad spectrum of budget authority, including annual, multi-year, and no-year appropriations; and several revolving, special, and trust funds.

Conditions: We noted the following internal control weaknesses related to budgetary accounting, which were repeated from our FY 2010 report. The Coast Guard has not:

- Fully implemented policies, procedures, and internal controls over its process for validation and verification of undelivered order (UDO) balances. Recorded obligations and UDO balances were not always complete, valid, or accurate, and proper approvals are not always maintained.
- Finalized and implemented policies and procedures to monitor unobligated commitment activity in CAS throughout the fiscal year.
- Designed and implemented effective procedures, processes, and internal controls to verify the completeness and accuracy of the year-end obligation “pipeline” which are obligations executed on or before September 30, but not recorded in the Coast Guard’s CAS, and to record all executed obligations. These deficiencies affected the completeness, existence, and accuracy of the year-end “pipeline” adjustment that was made to record obligations executed before year end.

Cause/Effect: A lack of fully implemented policies, procedures, and internal controls surrounding commitments, obligations, UDOs, delivered orders, and disbursements has caused various control gaps in the internal control environment. Weak controls in budgetary accounting, and associated contracting practices increase the risk that the Coast Guard misstates budgetary balances, and unintentionally violate the *Anti-deficiency Act* by overspending its budget authority. Also, the untimely release of commitments may prevent funds from being used for other more critical needs.

Criteria: Presented in *Index of Financial Reporting and Internal Control Criteria* behind Exhibit V.

Recommendations: We recommend that the Coast Guard:

1. Continue to improve policies, procedures, and the design and effectiveness of controls in both accounting and contracting related to processing obligation transactions, and periodic review and validation of UDOs. Emphasize to all fund and program managers the need to perform effective reviews of open obligations, obtain proper approvals, and retain supporting documentation;
2. Finalize policies and procedures to periodically review commitments, and make appropriate adjustments in the financial system; and
3. Improve procedures, processes, and internal controls to verify the completeness and accuracy of the year-end obligation “pipeline” adjustment to record all executed obligations for financial reporting.

Dear Secretary Napolitano:

In accordance with your delegation of responsibilities to me, I have directed an evaluation of the internal controls at the United States Coast Guard (USCG) in effect during the fiscal year ended September 30, 2011. This evaluation was conducted in accordance with OMB Circular No. A-123, *Management's Responsibility for Internal Control*, Revised December 21, 2004. Based on the results of this evaluation, the USCG provides the following assurance statements:

Reporting Pursuant to FMFIA Section 2. 31 U.S.C.3512 (d)(2)

USCG provides reasonable assurance that internal controls are achieving their intended objectives, **with the exception of the following reportable conditions found:**

- a) **Compliance with Laws and Regulations:** The USCG has identified and reported Anti-Deficiency Act (ADA) violations in Fiscal Year 2011. The USCG has collaborated with DHS and has adhered to DHS policy with regards to investigating and resolving these issues. The USCG continues to develop and enhance enterprise-wide policies and procedures for funds control and train personnel in newly implemented procedures and processes. The USCG has conducted a robust risk assessment, focusing specifically on funds control and will assess the effectiveness of controls early in Fiscal Year 2012. The USCG is committed to strengthening controls that will assist in the prevention and early detection of potential future ADA violations.
- b) **Financial Management Systems:** As detailed under the FMFIA Section 4 below.

Reportable Conditions a) and b) are considered to be material weaknesses.

Reporting Pursuant to the DHS Financial Accountability Act. P.L. 108-330

As part of the OMB A-123, Appendix A assessment, the USCG evaluated corrective actions taken and assessed whether previously reported material weaknesses continue to exist. In cases where reportable conditions and material weaknesses continue to exist, the USCG focused on identifying significant financial reporting areas where assurance can be provided and developed interim compensating measures to support the Secretary's commitment to obtain a balance sheet audit opinion.

Tests of Operational Effectiveness:

- USCG conducted Tests of Operational Effectiveness for internal controls over financial reporting around certain line items on the Balance Sheet to include: Funds Balance with Treasury (FBwT), Accounts Payable, Accounts Receivable, Investments, Capitalized Property, Construction in Progress, Operating Materials and Supplies, Repairable Spares, Contingent Legal Liabilities, Civilian Payroll,

Military Payroll, and Actuarial Medical and Pension Liabilities. The assessment also included operational effectiveness testing around the Core Accounting Suite script management process. The results of testing were documented in the Summary of Aggregated Deficiencies and have been provided to the Department as required.

Based on the scope of this assessment, the USCG provides reasonable assurance that compensating measures were effective, **with the exception of the following reportable conditions found:**

- a) **Property Management:** The USCG is unable to assert to internal controls over the Acquisition, Construction, and Improvement (AC&I) Construction in Progress (CIP) and Real Property processes. In FY 2011, the USCG supported the accuracy of the Personal Property balance, executed two additional Coast Guard-wide physical inventories, and performed observations of internal controls over physical inventory procedures. The USCG's CIP balance is at a 5-year low and all delivered assets are being capitalized within the established 90-day window from delivery. Finally, the USCG cleared the material weakness for Operating Materials and Supplies (OM&S) by changing the accounting treatment of field-held OM&S to the purchases method, evaluating inventory procedures and results, evaluating valuation support for OM&S, and asserting to the completeness, existence, and valuation of the OM&S balance.
- b) **Budgetary Resources Management:** The primary budgetary resource management system is not designed to manage and maintain complete budgetary accounting data and does not permit the necessary level of funds control, creating a risk for unidentified ADA violations.
- c) **Environmental Liabilities:** The USCG lacks sufficient documented policies and procedures for Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) cases. The USCG does not have sufficient support related to environmental liabilities resulting in potentially unrecorded and unidentified liabilities.
- d) **Financial Systems:** The USCG does not have an adequate comprehensive, integrated accounting system to comply with the Federal Financial Management Improvement Act (FFMIA) system requirements and the USSGL at the transaction level. In FY 2011, the USCG assessed and performed internal control testing on general controls. However, consistent with the prior year, the lack of testing on application controls does not provide assurance that internal controls over financial systems are adequate to detect or prevent material errors in the financial statements. A number of non-conformances are a root cause that will limit the USCG's ability to fully remediate material weaknesses in many financial reporting processes. Accordingly, this condition also represents a material weakness in internal control over financial reporting.

Reportable Conditions a) through d) are considered to be material weaknesses.

Resolution of prior year Material Weaknesses:

The USCG has reduced the following areas from Material Weaknesses in FY 2010 to Reportable Conditions in FY 2011:

- a) **Funds Balance with Treasury (FBwT) / General Ledger (GL) Management Function:** As part of the FY 2011 internal control assessment process, the USCG management identified significant deficiencies in the internal controls over financial reporting for FBwT. Specifically, the lack of effectively designed and implemented processes and controls for the processing and supporting of Intra-Governmental Payment and Collection (IPAC) transactions, the use of suspense accounts, processing manual journal vouchers, and the complexity/obsolescence of systems that capture financial data continue to limit the USCG's ability to fully rely on internal controls for financial reporting in these areas. Although the assessment results indicated further internal control improvements are necessary, these deficiencies in aggregate did not rise to the level of a Material Weakness for FY 2011.
- b) **Receivables Management / Revenue Management:** As part of the internal control assessment process, the USCG management identified significant deficiencies in the internal controls over financial reporting for the Accounts Receivable processes. Specifically, the lack of policy and procedures for processing reimbursable transactions, allowance for doubtful accounts and interest receivable processes, the lack of effectively designed and implemented processes and controls for processing and supporting IPAC transactions and the complexity/obsolescence of systems that capture financial data continue to limit the USCG's ability to fully rely on internal controls for financial reporting in these areas. Although the assessment results indicated further internal control improvements are necessary, these deficiencies in aggregate did not rise to the level of a Material Weakness for FY 2011.
- c) **Accounts Payable:** As part of the internal control assessment process, the USCG management identified significant deficiencies in the internal controls over financial reporting for the Accounts Payable processes. Specifically, inconsistent compliance with policies and procedures by business units, the lack of effectively designed and implemented processes and controls for processing and supporting IPAC transactions, lack of effective controls for calculating period end accruals, and the complexity/obsolescence of systems that capture financial data continue to limit the USCG's ability to fully rely on internal controls for financial reporting in these areas. Although the assessment results indicated further internal control improvements are necessary, these deficiencies in aggregate did not rise to the level of a Material Weakness for FY 2011.

Reporting Pursuant to FMFIA Section 4. 31 U.S.C.3512 (d)(2)(B)

The USCG's financial management systems do not conform to government-wide requirements. The areas of non-conformance listed below have been documented. The USCG is continuing to execute and update, as appropriate, mission action plans (MAPs) to remediate the following:

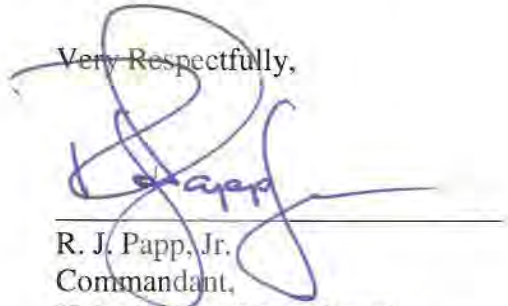
- a) **U.S. Standard General Ledger (USSGL):** The designs of the USCG's financial and mixed systems do not fully reflect financial information classification structures that are consistent with the USSGL and provide for tracking of specific program expenditures.
- b) **Integration of Financial and Mixed Systems:** The lack of integration of the USCG's financial and mixed systems precludes the use of common data elements to meet reporting requirements, and to collect, store, and retrieve financial information. Similar kinds of transactions are not processed throughout the systems using common processes, which could result in data redundancy and inconsistency.
- c) **Financial Reporting and Budgets:** The USCG's financial and mixed systems do not allow for financial statements and budgets to be prepared, executed, and reported in accordance with the requirements prescribed by the OMB, the U.S. Department of Treasury, and/or the Federal Accounting Standards Advisory Board (FASAB).
- d) **Laws and Regulations:** The USCG's financial and mixed systems do not include a system of internal controls that ensures: resource use and financial reporting are consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; reliable data is obtained, maintained, and disclosed in reports; and transactions are processed in accordance with Generally Accepted Accounting Principles (GAAP).
- e) **System Adaptability:** The USCG does not evaluate how effectively and efficiently the financial and mixed systems support USCG's changing business practices and make appropriate modifications to its information systems.
- f) **Risk Assessment and Security:** The USCG has legacy financial and mixed systems that were developed without the benefit of today's security practice requirements. Because USCG lacks modern security evaluation software, intensive manual intervention is required to ensure proper security controls, oversight, and auditing occurs to meet OMB and DHS security policies. Some of the legacy financial and mixed systems were developed prior to the implementation of some of these regulations, and are therefore, not designed to comply with them.

- g) **Documentation and Support:** Adequate systems maintenance, technical systems documentation, training, and user support is not consistently available to enable users of all of the financial and mixed systems to understand, maintain, and operate the systems in an effective and efficient manner.
- h) **Physical and Logical Controls:** The USCG's financial and mixed systems contain weaknesses in the standardization of physical and logical controls and segregation of duties.
- i) **Cost Accounting Integration:** The USCG's financial and mixed systems do not allow for the conformance with Managerial Cost Accounting Concepts and Standards Statement of Federal Financial Accounting Standards Number 4 (SFFAS 4).

Reporting Pursuant to the Reports Consolidation Act. Section 3516(e)

The USCG provides reasonable assurance that the performance data used in the Annual Financial Report are complete and reliable.

Very Respectfully,



R. J. Papp, Jr.
Commandant,
United States Coast Guard

Report Distribution

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The OIG seeks to protect the identity of each writer and caller.



Homeland
Security

JAN 30 2012

MEMORANDUM FOR: Radha C. Sekar
Chief Financial Officer
U.S. Immigration and Customs Enforcement

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Independent Review of the U.S. Immigration and Customs
Enforcement's Reporting of FY 2011 Drug Control Obligations*

Attached for your information is our final report, *Independent Review of the U.S. Immigration and Customs Enforcement's Reporting of FY 2011 Drug Control Obligations*. We contracted with the independent public accounting firm KPMG LLP to perform the review. This report contains no recommendations.

U.S. Immigration and Customs Enforcement's management prepared the Table of Prior Year Drug Control Obligations and related disclosures to comply with the requirements of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused them to believe that the Table of Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2011, are not presented, in all material respects, in conformity with the Office of National Drug Control Policy's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in the Office of National Drug Control Policy's Circular.

Should you have any questions, please call me, or your staff may contact Mark Bell, Deputy Assistant Inspector General for Audits, at 202-254-4100.

Attachment

Department of Homeland Security **Office of Inspector General**

Independent Review of the U.S. Immigration and Customs Enforcement's Reporting of FY 2011 Drug Control Obligations





Homeland
Security

JAN 30 2012

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 Prior Year Drug Control Obligations of the U.S. Immigration and Customs Enforcement (ICE) for the year ended September 30, 2011, for the Office of National Drug Control Policy (ONDCP). We contracted with the independent public accounting firm KPMG LLP to perform the review. ICE prepared the Table of Prior Year Drug Control Obligations to comply with requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused them to believe that the Table of Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2011, are not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular. KPMG LLP is responsible for the attached independent accountants' report dated January 20, 2012, and the conclusions expressed in it. We do not express an opinion on the Table of Prior Year Drug Control Obligations and related disclosures.

We trust this report will result in more 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 "Anne L. Richards".

Anne L. Richards

Assistant Inspector General for Audits



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Accountants' Report

Acting Inspector General
U.S. Department of Homeland Security:

We have reviewed the accompanying Table of Prior Year Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) Immigration and Customs Enforcement (ICE) for the year ended September 30, 2011. We have also reviewed the accompanying management's assertions for the year ended September 30, 2011. ICE's management is responsible for the Table of Prior Year Drug Control Obligations, 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 Prior Year Drug Control Obligations, related disclosures, and management's assertions. Accordingly, we do not express such an opinion.

Management of ICE prepared the Table of Prior Year Drug Control Obligations, 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 (the Circular).

Based on our review, nothing came to our attention that caused us to believe that (1) the Table of Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2011 are not presented, in all material respects, in conformity with the Circular, or that (2) management's assertions referred to above are not fairly stated, in all material respects, based on 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, 2012



**U.S. Immigration
and Customs
Enforcement**

January 19th, 2012

Mr. John Shiffer
Department of Homeland Security
Director of Financial Management
Office of the Inspector general

Dear Mr. Shiffer,

In Accordance with the Office of National Drug Control Policy circular, *Drug Control Accounting*, dated May 1, 2007, enclosed is Immigration and Customs Enforcement's report of FY 2011 drug control obligations, drug control, methodology and assertions.

If you require further assistance on this information, please contact Joseph Grosodonia at (202)-732-6244.

Sincerely,

A handwritten signature in cursive script that reads "Lisa Macecevic".

Lisa Macecevic
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 2011**

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

	FY 2011 Final (In Millions)
Salaries and Expense	
Domestic Investigations	\$483.65
International	\$7.11
Intelligence: Domestic	\$13.21
Intelligence: International	\$0.56
Total Salaries and Expense	\$504.53
Total Funding	\$504.53
High Intensity Drug Trafficking Area (HIDTA) Transfer	\$1.28

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. Separate calculations are made for the three ICE programs which undertake drug-related investigative activity: Domestic Investigations, International Affairs, and Intelligence.

Domestic Investigations

- The methodology for Domestic 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, which interfaces with the Treasury Enforcement Communications System (TECS). Following the close of the fiscal year, a report in the TECS 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 2011, the actual percentage for Domestic Investigations was 28.94%. To calculate a dollar amount of obligations, this percentage was applied to actual obligations incurred by Domestic Investigations, excluding reimbursable authority. The Federal Financial Management System (FFMS) is the system used to generate the actual obligations incurred.

International Affairs

- The methodology for International Affairs 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 the TECS. Following the close of the fiscal year, a report in the TECS 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. For International Affairs, the actual percentage of hours that were counter-narcotics related was 6.33% in FY 2011. 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

- The methodology for Intelligence 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 the TECS. Following the close of the fiscal year, a report in the TECS 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. For FY 2011, 24.30% of the total case hours for Intelligence were in support of drug control activities. To calculate a dollar amount of 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.
- Intelligence Information Management System (IIMS) tracks requests for intelligence work by customer. Requests made by International Affairs are classified as inherently international and all other customers are classified as inherently domestic. In FY 2011, 4.08% of IIMS requests were international in nature.

Disclosure No. 2: Methodology Modifications

The methodology described above is consistent with the previous year.

Disclosure No. 3: Material Weaknesses or Other Findings

In the FY 2011 Internal Controls Assurance Statement ICE continues to report a material weakness for the Budgetary Resource Management process. Plans to remediate the weakness have not yet been fully implemented and validation and verification activities have not been completed. Two major accomplishments in FY 2011 were the publication of the Administrative Control of Funds Directive and initial implementation of the Budget Execution Handbook. The Directive includes roles and responsibilities for the administrative control of funds and requires ICE program offices to use funds in accordance with the requirements of the Anti-Deficiency

Act. The Budget Execution Handbook serves as a supplement to the Directive and reflects detailed procedural guidance and key internal controls, such as spend plan requirements and execution reviews. The Office of the Chief Financial Officer (OCFO) now monitors burn rates on existing contracts through the Business Management Dashboard, and in doing so, are able to be more efficient in the use of ICE budgetary resources. As a result of these actions, ICE has improved guidance and standardized policies and procedures for funds control and budgetary resource management. These changes will allow for improved oversight at the program execution level and decrease the likelihood of ICE funds being inappropriately used.

During FY 2012, ICE expects to complete its corrective action plan and to fully remediate the budget execution material weakness conditions. Specifically, ICE OCFO will 1) publish an emergency expenses policy which will clarify those expenses critical to the Agency's mission when emergency situations arise; 2) document the sources and uses of funds to assist Program Offices in their responsibilities for the proper use of funds; 3) clarify or assign responsibilities for ensuring all Congressional appropriation mandates and metrics are met; and 4) implement measures to ensure documentation to support financial activities is readily available for examination.

Additionally, a material weakness related to Financial Systems Security was reported in the FY 2011 Internal Controls Assurance Statement. This material weakness is due to the aggregate of the significant deficiencies existing in FFMS and its subsidiary systems. ICE continues efforts to implement corrective actions to address this weakness.

Disclosure No. 4: Reprogrammings or Transfers

No Reprogrammings or Transfers of drug-related budget resources occurred during FY 2011.

Disclosure No. 5: Other Disclosures

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 - As a multi-mission agency, ICE is exempt from reporting under this section as noted in the Office of National Drug Control Policy (ONDCP) *Drug Control Accounting, Section 6 (b) (1)*.

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 the TECS and IIMS systems discussed in the methodology section above and are based on work performed between October 1, 2010 and September 30, 2011. 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

No reprogrammings or transfers of drug-related budget resources occurred during FY 2011. The data presented are associated with obligations against a financial plan that was sent to ONDCP in FY 2011.

Assertion No. 5: Fund Control Notices

No Fund Control Notice was issued by the ONDCP Director under 21 U.S.C. section 1703(f) and Section 8 of the ONDCP Circular, *Budget Execution*, to ICE in FY 2011.

Report Distribution

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- E-mail us at DHSOIGHOTLINE@dhs.gov; or
- Write to us at:
DHS Office of Inspector General/MAIL STOP 2600,
Attention: Office of Investigation - Hotline,
245 Murray Drive SW, Building 410
Washington, DC 20528


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Homeland
Security

JAN 30 2012

MEMORANDUM FOR: Deborah J. Schilling
Chief Financial Officer
U.S. Customs and Border Protection

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Independent Review of the U.S. Customs and Border Protection's
Reporting of FY 2011 Drug Control Obligations*

Attached for your information is our final report, *Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2011 Drug Control Obligations*. We contracted with the independent public accounting firm KPMG LLP to perform the review. This report contains no recommendations.

U.S. Customs and Border Protection's management prepared the Table of FY 2011 Drug Control Obligations and related disclosures to comply with the requirements of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG LLP's attention that caused them to believe that the Table of FY 2011 Drug Control Obligations and related disclosures for the year ended September 30, 2011, are not presented, in all material respects, in conformity with the Office of National Drug Control Policy's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in the Office of National Drug Control Policy's Circular.

Should you have any questions, please call me, or your staff may contact Mark Bell, Deputy Assistant Inspector General for Audits, at 202-254-4100.

Attachment

Department of Homeland Security **Office of Inspector General**

Independent Review of the U.S. Customs and Border Protection's Reporting of FY 2011 Drug Control Obligations





Homeland
Security

JAN 30 2012

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 FY 2011 Drug Control Obligations and related disclosures of the U.S. Customs and Border Protection (CBP) for the year ended September 30, 2011, for the Office of National Drug Control Policy (ONDCP). We contracted with the independent public accounting firm KPMG LLP to perform the review. CBP's management prepared the Table of FY 2011 Drug Control Obligations and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007 (the Circular). Based on the review, nothing came to KPMG LLP's attention that caused them to believe that the Table of FY 2011 Drug Control Obligations and related disclosures for the year ended September 30, 2011, are not presented, in all material respects, in conformity with the Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in the Circular. KPMG LLP is responsible for the attached independent accountants' report dated January 23, 2011, and the conclusions expressed in the report. We do not express an opinion on the Table of FY 2011 Drug Control Obligations and related disclosures.

We trust this report will result in more 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 "Anne L. Richards".

Anne L. Richards

Assistant Inspector General for Audits



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Accountants' Report

Acting Inspector General
U.S. Department of Homeland Security:

We have reviewed the accompanying Table of FY 2011 Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) Customs and Border Protection (CBP) for the year ended September 30, 2011. We have also reviewed the accompanying management's assertions for the year ended September 30, 2011. CBP's management is responsible for the preparation of the Table of FY 2011 Drug Control Obligations, 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 FY 2011 Drug Control Obligations, related disclosures, and management's assertions. Accordingly, we do not express such an opinion.

Management of CBP prepared the Table of FY 2011 Drug Control Obligations, 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 (the Circular).

Based on our review, nothing came to our attention that caused us to believe that (1) the Table of FY 2011 Drug Control Obligations and related disclosures for the year ended September 30, 2011, are not presented, in all material respects, in conformity with the Circular, or that (2) management's assertions referred to above are not fairly stated, in all material respects, based on the criteria set forth in the Circular.

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 23, 2012



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

JAN 23 2012

Mr. R. Gil Kerlikowske
Director, Office of National Drug Control Policy
Executive Office of the President
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Kerlikowske:

The enclosed documents are the U.S. Customs and Border Protection (CBP) Fiscal Year (FY) 2011 Detailed Accounting Submission on National Drug Control Funding. In FY 2011, CBP reported direct obligations of approximately \$2,199 million.

If we may offer further assistance, please contact me at (202) 344-2300, or a member of your staff may contact Mr. Keith Bratt at (202) 344-2472.

Respectfully,

A handwritten signature in blue ink that reads "Deborah J. Schilling".

Deborah J. Schilling
Chief Financial Officer
U.S. Customs and Border Protection

Enclosures

**U.S. DEPARTMENT OF HOMELAND SECURITY
U.S. CUSTOMS AND BORDER PROTECTION
Detailed Accounting Submission of FY 2011 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2011 Drug Control Obligations

(Dollars in Millions)	
	FY 2011
Drug Resources by Budget Decision Unit and Function	
Salaries & Expenses	
Intelligence	\$262.307
Interdiction	\$1,492.675
Total, Salaries and Expenses	\$1,754.982
Air & Marine Operations	
Intelligence	\$113.900
Interdiction	\$331.022
Total, Air & Marine Operations	\$444.922
Total Obligations	\$2,199.904
High Intensity Drug Traffic Area (HIDTA)	
Intelligence	\$0.009
Interdiction	\$0.245
HIDTA Total	\$0.254

I. Drug Methodology

U.S. Customs and Border Protection (CBP) is a multi-mission bureau that calculates obligations, by budget decision unit and function, pursuant to an approved drug methodology. On the basis of past practice, five organizations within CBP: the U.S. Border Patrol (USBP) and the Offices of Field Operations (OFO); Information Technology (OIT); Training and Development (OTD); and Air and Marine (OAM), were provided with guidance on preparing submissions for the Fiscal Year (FY) 2011 annual reporting of drug control obligations. USBP, OAM, OIT, OTD, and OFO were asked to estimate what portion of their activities is related to drug enforcement. The aforementioned portions are based on the expert opinions of operational and programmatic staff from the offices.

All five organizations identified resources in their financial plans that support the drug enforcement mission of the agency. OIT, OFO, USBP, and OAM attribute their resources to both intelligence and interdiction functions; while OTD attributes its resources solely to interdiction.

U.S. BORDER PATROL

USBP is responsible for controlling almost 6,000 miles of land borders between ports of entry with Canada and Mexico and nearly 2,700 miles of coastal waters surrounding the Florida Peninsula and Puerto Rico. As of September 2011, there were 21,444 Border Patrol agents assigned to the mission of detecting and apprehending illegal entrants between the ports of entry. These illegal entries include aliens and 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 nationwide, 15 percent of the total agent time is related to drug activities. 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 based on a historical review of Border Patrol agents' time. These activities include staffing 35 permanent border traffic checkpoints nationwide with 905 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

The Office of Cargo Conveyance and Security/Non-Intrusive Inspection Division of the OFO estimates that, as of September 2011, there were 5,108 CBP officer positions 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. Although the primary mission of A-TCET teams is anti-terrorism, they also focus on all types of contraband, including narcotics. Of OFO's resources related to drug activities, 17 percent are related to intelligence and 83 percent are related to drug interdiction. The smuggling methods and their indicators are similar for both narcotics and anti-terrorism activities.

As of September 2011, there were 629 Canine Enforcement Officers with assigned dogs. Among the dogs paired with an officer, 142 were Narcotics Detection Teams, and 325 Narcotics/Human Smuggling Detection Teams. 100 percent of the efforts of these teams were devoted to smuggling interdiction.

As of September 2011, there were 14,766 other CBP officers, who, in addition to the interdiction of contraband and illegal drugs, enforced hundreds of laws and regulations of many other Federal government agencies. The other Federal agencies include the U.S. Fish and Wildlife Service; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the Bureau of Export Administration; and many others. CBP estimates that roughly 30 percent of these officers' time is devoted to drug-related activities based on a historical review of officers' time.

OFFICE OF INFORMATION TECHNOLOGY

OIT supports the drug enforcement mission through the acquisition, support, and maintenance of technology, such as non-intrusive inspection systems and mission critical targeting software systems. Of OIT's spending, 30 percent of the Enforcement Technology Center; 25 percent of Automated Targeting Systems (Passenger, Narcotics, and Anti-Terrorism) systems software costs, 50 percent of the Treasury Enforcement Communications System (TECS); and 10 percent of data center operations costs are estimated to support the drug mission. Of the percent of OIT's resources related to drug activities, 44 percent are related to intelligence and 56 percent are related to drug interdiction.

OFFICE OF TRAINING AND DEVELOPMENT

OTD provides courses which are funded via the National Training Plan (NTP). Specific training programs involving drug control activities include the canine training programs and basic, specialized, and advanced training for CBP Officers. Other OTD resources were attributed to drug enforcement activities based on the diverse nature of OTD's programs, such as anti-terrorism, development of national programs, career development, leadership, new course design/development, and succession management for the workforce. OTD's methodology evaluates the number of course hours dedicated to drug interdiction within the NTP and for each course compares drug interdiction course hours against total course hours to determine the percentage for drug interdiction.

OFFICE OF AIR & MARINE OPERATIONS

OAM is a critical component of CBP' border security layered enforcement strategy. With more than 1,266 law enforcement personnel operating 270 aircraft and 301 marine vessels from 119 locations throughout the United States, OAM conducts a broad range of operations and supports multiple operational objectives. OAM also supports Federal, state, local, and tribal law enforcement partners. OAM uses its sophisticated and integrated air and marine fleets to detect, sort, track, intercept, and apprehend criminals in diverse environments at and beyond U.S. borders. Approximately 90 percent of the resources that support OAM are considered to be drug-related, of which approximately 26 percent are related to intelligence, and 74 percent are related to drug interdiction based on a historical review of pilots' time.

2. Methodology Modifications

The drug control methodology for obligations used in FY 2011 remained the same as the methodology used in FY 2010.

3. Material Weaknesses or Other Findings

Pursuant to CBP's FY 2011 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 the Department of Homeland Security (DHS) Financial Accountability Act. P.L 108-330:

a. Budgetary Accounting – Reportable Condition

CBP implemented policies and procedures requiring timely review and deobligations of funds when contracts have expired or are complete. These procedures were implemented during mid FY 2011, and consequently did not resolve the finding for all of FY 2011. The review and deobligation of completed contracts has significantly improved, and we will be monitoring its effectiveness through FY 2012.

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 OIG has noted that there continues to be Information Technology (IT) general and application control weaknesses at CBP. During FY 2011, 4 IT findings issued in the FY 2010 Financial Statement Audit were closed, though 17 new IT findings were issued. CBP has developed a corrective action plan for each finding issued and will continue implementing corrective actions until each finding is remediated.

4. Reprogrammings or Transfers

There are no reprogrammings or transfer to report for FY 2011.

5. Other Disclosures

There are no other disclosures that CBP has determined are necessary to clarify any issues regarding the data reported under Office of National Drug Control Policy (ONDCP) Circular, Drug Control Accounting, dated May 1, 2007, Section (6)(b)(1).

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, Drug Control Accounting, Section 6 (b) (1), dated May 1, 2007.

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. Other Estimation Methods

As referenced in section A.1, program offices used expert opinion to determine drug budget methodologies. Intelligence and interdiction levels were established and computed based upon the professional judgment of the programs. The drug control budget program totals and the percentage of resources related to drug enforcement activities were calculated by expert opinion.

c. Financial Systems

CBP's 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.

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 May 1, 2007) 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 did not submit a reprogramming that affected the drug control budget during FY 2011.

5. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2011.

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Office of National Drug and Control Policy

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- Fax the complaint directly to us at (202)254-4292
- E-mail us at DHSOIGHOTLINE@dhs.gov; or
- Write to us at:
DHS Office of Inspector General/MAIL STOP 2600,
Attention: Office of Investigation - Hotline,
245 Murray Drive SW, Building 410
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Tab E
Department of
the Interior



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

OFFICE OF INSPECTOR GENERAL'S INDEPENDENT REPORT

ON THE BUREAU OF INDIAN AFFAIRS'
FISCAL YEAR 2011 ACCOUNTING AND PERFORMANCE
SUMMARY REVIEW REPORT FOR THE OFFICE OF NATIONAL
DRUG CONTROL POLICY



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

February 1, 2012

Memorandum

To: Michael S. Black
Director, Bureau of Indian Affairs

From: *for* Kimberly Elmore *Melanie Sorenson*
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Office of Inspector General's Independent Report on the Bureau of Indian Affairs' Fiscal Year 2011 Accounting and Performance Summary Review Reports for the Office of National Drug Control Policy
Report No. ZZ-IN-BIA-0002-2012

The Office of Inspector General (OIG) reviewed the Bureau of Indian Affairs' (BIA) Accounting Report dated January 4, 2012, (Attachment 1) and its Performance Summary Review Report dated December 29, 2011, (Attachment 2) prepared for the Office of National Drug Control Policy (ONDCP). BIA management is responsible for these reports.

The reports are presented in place of the Detailed Accounting Submission and Performance Summary Report required by the ONDCP Circular: Drug Control Accounting dated May 1, 2007. The Circular allows this alternative reporting method when prior year drug control obligations are less than \$50 million and full compliance with the Circular constitutes an unreasonable burden. BIA management asserted that full compliance would be an unreasonable burden and that the obligations reported constitute the statutorily required detailed accounting.

We reviewed management's assertion in accordance with the generally accepted government auditing standards applicable to attestations that incorporate the attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, which expresses an opinion on management's assertions. Accordingly, we do not express such an opinion.

We limited our review to management's assertion that full compliance with the requirements of the Circular constituted an unreasonable burden. Our objective was not to express, and we do not express, opinions or conclusions on whether the reports were fairly stated.

Based on our review, nothing came to our attention that causes us to question BIA management's assertion that full compliance with the requirements of the Circular would constitute an unreasonable burden.

Should you have any comments or questions regarding this report, please do not hesitate to contact me at 202-208-5512.

This report is intended solely for the information and use of the management of BIA, ONDCP, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties. The distribution of our report, however, is not limited.

Attachments (2)



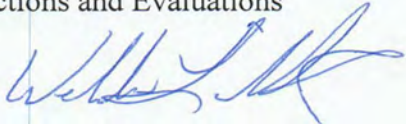
United States Department of the Interior

BUREAU OF INDIAN AFFAIRS
Washington, D.C. 20240

IN REPLY REFER TO:

MEMORANDUM

To: Kimberly Elmore
Assistant Inspector General for Audits, Inspections and Evaluations

From: Deputy Assistant Secretary – Indian Affairs 

Subject: Office of Inspector General's Independent Report on the Office of National Drug Control Policy (ONDCP) 2011 Accounting Report – Indian Affairs

Attached for your review and response is the ONDCP 2011 Accounting Report for Indian Affairs. As required by the ONDCP Circular: Drug Control Accounting dated May 1, 2007, the report show that Indian Affairs prior-year drug control obligations are less than \$50 million and is in full compliance with the requirements of the Circular and constitutes an unreasonable burden.

If you have any questions, please contact the Office of Justice Services, David Johnson - Acting Deputy Associate Director, Drug Enforcement at 405-247-1665 or 202-208-5787.

Attachment

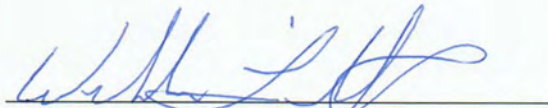
ONDCP 2011 Accounting Report – Indian Affairs

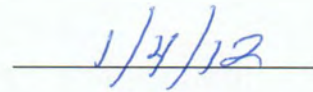
Resource Summary

Prior Year Drug Control Obligations		FY 2011
Function: Prevention		
J33	Special Initiatives	10,000,000
	Substance Abuse - Meth Initiative	10,000,000
	Total ALL Functions	10,000,000
	Total FTE (Direct ONLY)	35

*38 Includes Administrative Staff

Full compliance with this Circular constitutes an unreasonable reporting burden. Obligations reported under this section constitute the statutorily required detailed accounting.



Deputy Assistant Secretary, Indian Affairs

Date



Tab F
Department of Justice



U.S. Department of Justice

Office of the Inspector General

Washington, D.C. 20530

January 26, 2012

Mr. Jon Rice
Associate Director
Office of Performance and Budget
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Rice:

This letter transmits the fiscal year 2011 attestation review reports from the U.S. Department of Justice. The attestation review reports, the annual detailed accounting of funds obligated by each drug control program agency, and the performance summaries are required by 21 U.S.C. § 1704(d), as implemented by the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007.

If you have any questions, please contact me at (202) 514-3435 or Mark L. Hayes, Director, Financial Statement Audit Office, at (202) 616-4660.

Sincerely,

A handwritten signature in blue ink that reads "Cynthia A. Schnedar".

Cynthia A. Schnedar
Acting Inspector General

Enclosure

cc: Lee J. Lofthus
Assistant Attorney General
for Administration
Chief Financial Officer
Justice Management Division

Karin O'Leary
Director, Budget Staff
Justice Management Division

Mikki Atsatt
Deputy Director of Programs
and Performance
Budget Staff
Justice Management Division

Jeffrey Sutton
Assistant Director, Budget Staff
Law Enforcement and Corrections Group
Justice Management Division

Jill R. Meldon
Assistant Director, Budget Staff
Planning and Performance Group
Justice Management Division



ANNUAL ACCOUNTING AND AUTHENTICATION OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE FISCAL YEAR 2011

U.S. Department of Justice
Office of the Inspector General
Audit Division

Report 12-11
January 2012

ANNUAL ACCOUNTING AND AUTHENTICATION OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE FISCAL YEAR 2011

OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This report contains the attestation review reports of the U.S. Department of Justice's Drug Enforcement Administration, Federal Bureau of Prisons, National Drug Intelligence Center, Office of Justice Programs, and Organized Crime Drug Enforcement Task Forces Program's annual accounting and authentication of drug control funds and related performance for the fiscal year ended September 30, 2011. The Office of the Inspector General performed the attestation reviews. The report and annual detailed accounting of funds obligated by each drug control program agency is required by 21 U.S.C. §1704(d), as implemented by the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007.

The Office of the Inspector General prepared the reports in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination and, therefore, does not result in the expression of an opinion. We reported that nothing came to our attention that caused us to believe the submissions were not presented, in all material respects, in accordance with the requirements of the Office of National Drug Control Policy Circular, and as otherwise agreed to with the Office of National Drug Control Policy.

**ANNUAL ACCOUNTING AND AUTHENTICATION OF
DRUG CONTROL FUNDS AND RELATED PERFORMANCE
FISCAL YEAR 2011**

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**DRUG ENFORCEMENT
ADMINISTRATION**



**Office of the Inspector General's Report on
Annual Accounting and Authentication of
Drug Control Funds and Related Performance**

Administrator
Drug Enforcement Administration
U.S. Department of Justice

We have reviewed the accompanying Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission, which includes Management's Assertion Statement, Table of Drug Control Obligations, and the related disclosures; and the Performance Summary Report, which includes Management's Assertion Statement and the related performance information, of the U.S. Department of Justice's Drug Enforcement Administration (DEA) for the fiscal year ended September 30, 2011. The DEA's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

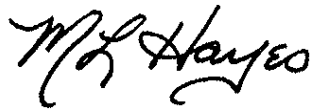
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the ONDCP Detailed Accounting Submission and the Performance Summary Report. Accordingly, we do not express such an opinion.

Management of the DEA prepared the Detailed Accounting Submission and the Performance Summary Report to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007, and as otherwise agreed to with the ONDCP.

Based on our review, nothing came to our attention that caused us to believe that the Detailed Accounting Submission and the Performance Summary Report for the fiscal year ended September 30, 2011, are not presented, in all material respects, in conformity with the ONDCP's Circular,

Drug Control Accounting, dated May 1, 2007, and as otherwise agreed to with the ONDCP.

This report is intended solely for the information and use of DEA management, 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.

A handwritten signature in black ink, appearing to read "M L Hayes". The signature is written in a cursive, flowing style.

Mark L. Hayes, CPA, CFE
Director, Financial Statement Audit Office
Office of the Inspector General
U.S. Department of Justice

January 18, 2012

**Drug Enforcement Administration
Detailed Accounting Submission**

**U.S. Department of Justice
Drug Enforcement Administration
Detailed Accounting Submission
Management's Assertion Statement
For Fiscal Year Ended September 30, 2011**

On the basis of the Drug Enforcement Administration's management control program, and in accordance with the guidance of the Office of National Drug Control Policy's (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007, we assert that the Drug Enforcement Administration system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from the Drug Enforcement Administration's accounting system of record for these budget decision units.
2. The drug methodology used by the Drug Enforcement Administration to calculate obligations of budgetary resources by function is reasonable and accurate in all material respects.
3. The drug methodology disclosed in this statement was the actual drug methodology used to generate the Table of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that was revised during the fiscal year to properly reflect the changes, including ONDCP's approval for reprogrammings and transfers affecting drug-related resources in excess of \$1 million.
5. Drug Enforcement Administration did not have any ONDCP Fund Control Notices issued in FY 2011.



Frank M. Kalder, Chief Financial Officer

1/18/12

Date

U.S. Department of Justice
Drug Enforcement Administration
Detailed Accounting Submission
Table of Drug Control Obligations
For Fiscal Year Ended September 30, 2011
(Dollars in Millions)

	FY 2011 Actual Obligations
Drug Obligations by Budget Decision Unit and Function:	
Construction	
Investigations	\$ 0.106
Total Construction	<u>\$ 0.106</u>
Diversion Control Fee Account	
Investigations	\$ 275.321
Intelligence	8.144
Prevention	0.037
Total Diversion Control Fee Account	<u>\$ 283.502</u>
Domestic Enforcement	
Intelligence	\$ 180.606
Investigations	1,511.143
Prevention	2.145
Total Domestic Enforcement	<u>\$ 1,693.894</u>
International Enforcement	
Intelligence	\$ 23.764
International	462.889
Total International Enforcement	<u>\$ 486.653</u>
State and Local Assistance	
State and Local Assistance	\$ 12.867
Total State and Local Assistance	<u>\$ 12.867</u>
Total Drug Control Obligations	<u>\$ 2,477.022</u> *
High-Intensity Drug Trafficking Area (HIDTA) Obligations	\$ 15.754

* Includes obligations of carryover unobligated balances

**U.S. Department of Justice
Drug Enforcement Administration
Detailed Accounting Submission
Related Disclosures
For Fiscal Year Ended September 30, 2011**

Disclosure 1: Drug Methodology

The mission of the Drug Enforcement Administration (DEA) is to enforce the controlled substances laws and regulations of the United States and to bring to the criminal and civil justice system of the United States or any other competent jurisdiction, those organizations, and principal members of organizations, involved in the growing, manufacture, or distribution of controlled substances appearing in or destined for illicit traffic in the United States; and to recommend and support non-enforcement programs aimed at reducing the availability of illicit controlled substances on the domestic and international markets. In carrying out its mission, the DEA is the lead agency responsible for the development of the overall Federal drug enforcement strategy, programs, planning, and evaluation. The DEA's primary responsibilities include:

- Investigation and preparation for prosecution of major violators of controlled substances laws operating at interstate and international levels;
- Management of a national drug intelligence system in cooperation with Federal, state, local, and foreign officials to collect, analyze, and disseminate strategic and operational drug intelligence information;
- Seizure and forfeiture of assets derived from, traceable to, or intended to be used for illicit drug trafficking;
- Enforcement of the provisions of the Controlled Substances Act and the Chemical Diversion and Trafficking Act (CDTA) as they pertain to the manufacture, distribution, and dispensing of legally produced controlled substances and chemicals;
- Coordination and cooperation with Federal, state and local law enforcement officials on mutual drug enforcement efforts and enhancement of such efforts through exploitation of potential interstate and international investigations beyond local or limited Federal jurisdictions and resources;
- Coordination and cooperation with other Federal, state, and local agencies, and with foreign governments, in programs designed to reduce the availability of illicit abuse-type drugs on the United States market through non-enforcement methods such as crop eradication, crop substitution, and training of foreign officials;
- Responsibility, under the policy guidance of the Secretary of State and U.S. Ambassadors, for all programs associated with drug law enforcement counterparts in foreign countries;

- Liaison with the United Nations, Interpol, and other organizations on matters relating to international drug control programs; and
- Supporting and augmenting U.S. efforts against terrorism by denying drug trafficking and/or money laundering routes to foreign terrorist organizations, as well as the use of illicit drugs as barter for munitions to support terrorism.

The accompanying Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 and a September 3, 2008 updated memo showing function and decision unit. The table represents obligations incurred by the DEA for drug control purposes and reflects 100 percent of the DEA’s mission.

Since the DEA’s accounting system, the Unified Financial Management System (UFMS), does not track obligation and expenditure data by ONDCP’s drug functions, the DEA uses Managerial Cost Accounting (MCA), a methodology approved by ONDCP to allocate obligations tracked in DEA’s appropriated account/decision units to ONDCP’s drug functions.

Data: All accounting data for the DEA are maintained in UFMS. UFMS track obligation and expenditure data by a variety of attributes, including fund type, allowance center, decision unit and object class. UFMS was implemented in the first quarter of FY 2009. One hundred percent of the DEA’s efforts are related to drug enforcement.

Other Estimation Methods: None.

Financial Systems: UFMS is the information system the DEA uses to track obligations and expenditures. Obligations derived from this system can also be reconciled against enacted appropriations and carryover balances.

Managerial Cost Accounting: The DEA uses allocation percentages generated by MCA to allocate resources associated with the DEA’s three decision units to ONDCP’s drug functions. The MCA model using an activity-based costing methodology provides the full cost of the DEA’s mission outputs (performance costs). The table below shows the allocation percentages based on the DEA’s MCA data.

The DEA Budget Decision Unit	Allocation	ONDCP Function
Construction Account	100.0%	Investigations
Diversion Control Fee Account	97.11%	Investigations
	2.87%	Intelligence
	0.01%	International
Domestic Enforcement	89.21%	Investigations
	10.66%	Intelligence
	0.13%	Prevention
International Enforcement	95.12%	International
	4.88%	Intelligence
State and Local Assistance	100.00%	State and Local Assistance

The DEA's financial system began recording obligations in the appropriated three decision units and the Diversion Control Fee Account in FY 2008.

Decision Units: One hundred percent of the DEA's total obligations by decision unit were associated with drug enforcement. This total is reported and tracked in UFMS.

Full Time Equivalents (FTE): One hundred percent of the DEA FTEs are dedicated to drug enforcement efforts. The DEA's Direct FTE total for FY 2011, including Salaries & Expenses (S&E) and Diversion Control Fee Account (DCFA) appropriations, was 9,804 through pay period 19, ending September 24, 2011.

Transfers and Reimbursements: High Intensity Drug Trafficking Area (HIDTA) transfers and reimbursable obligations are excluded from the DEA's Table of Drug Control Obligations since they are reported by other sources.

Disclosure 2: Methodology Modification

The DEA's method for tracking drug enforcement resources has not been modified from the method approved in FY 2005. The DEA uses current Managerial Cost Accounting (MCA) data to allocate FY 2011 obligations from three decision units to ONDCP's drug functions.

Disclosure 3: Material Weaknesses and Other Findings

For the FY 2011 financial statement audit, DEA received an unqualified audit opinion with one significant deficiency related to the data retrieved from STRIDE to populate the Evidence footnote on the FY 2011 Financial Statements.

DEA concurs with this finding and has addressed the necessary corrective action. The information reported as of September 30, 2011 in the Notes to the Financial Statements is accurate and represents a disclosure with no financial impact. The resolution resulted in a recommendation of no additional action required for this matter on the NFR by auditors.

DEA has not received the signed audit opinion at this time. The distribution of the FY 2011 final audit report is expected January 2012 after the consolidated statements are completed and printed.

Disclosure 4: Reprogrammings and Transfers

There was no reprogramming in FY 2011.

The DEA had several transfers during FY 2011 (see the attached Table of FY 2011 Reprogrammings and Transfers). The DEA had 18 transfers into its S&E account - one transfer from the Department of Justice (DOJ), Community Oriented Policing Services (COPS) Meth funding in the amount of \$8,283,400, six transfers from ONDCP's High Intensity Drug Trafficking

Area (HIDTA) program totaling \$15,456,391, one transfer from Department of State (DOS) for the Merida initiative in the amount of \$1,000,000, four transfers for the Afghanistan initiative totaling \$48,283,000, and six internal transfers from expired FY 2006/FY 2007/FY 2008/FY 2009 and FY 2010 S&E funds to DEA's S&E No-Year fund totaling \$60,551,634. Also, the DEA had 5 transfers out of its S&E account - two transfers to the Department of Justice's Narrowband Communications Office totaling \$1,632,689 and three transfers to DOJ's Working Capital Fund totaling \$360,798.

Transfers under the Drug Resources by Function section in the Table of FY 2011 Reprogramming and Transfers are based on the same MCA allocation percentages as the Table of Drug Control Obligations.

U.S. Department of Justice
Drug Enforcement Administration
Table of Reprogramming and Transfers
For Fiscal Year Ended September 30, 2011
(Dollars in Millions)

	Reprogrammings	Transfers In	Transfers Out	Total
Drug Resources by Account/Budget Decision Units and Function:				
Construction				
Investigations	-	-	-	-
Construction Account				
Investigations	-	-	-	-
Diversion Control Fee Account				
Investigations	-	-	-	-
Diversion Control Fee Account				
Investigations	-	-	-	-
Domestic Enforcement				
Investigations	-	6,456	(6,669)	\$ (0.213)
Intelligence	-	54,019	(55,797)	(1,778)
Prevention	-	0,077	(0,079)	(0.002)
Domestic Total	-	\$ 60,552	\$ (62,545)	(1,993)
International Enforcement				
International	-	2,407	0,000	2,407
Intelligence	-	46,876	0,000	46,876
Prevention	-	-	0,000	-
International Total	-	49,283	-	49,283
State & Local Assistance				
State & Local Assistance	-	8,283	-	8,283
State & Local Assistance Total	-	8,283	-	8,283
Total	-	\$ 118,118	\$ (62,545)	\$ 55,573
HIDTA Transfers		15,456	-	15,456

FEDERAL BUREAU OF PRISONS



**Office of the Inspector General's Report on
Annual Accounting and Authentication of
Drug Control Funds and Related Performance**

Director
Federal Bureau of Prisons
U.S. Department of Justice

We have reviewed the accompanying Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission, which includes Management's Assertion Statement, Table of Drug Control Obligations, and the related disclosures; and the Performance Summary Report, which includes Management's Assertion Statement and the related performance information, of the U.S. Department of Justice's Federal Bureau of Prisons (BOP) for the fiscal year ended September 30, 2011. The BOP's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

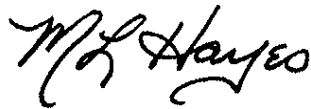
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the ONDCP Detailed Accounting Submission and the Performance Summary Report. Accordingly, we do not express such an opinion.

Management of the BOP prepared the Detailed Accounting Submission and the Performance Summary Report to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007, and as otherwise agreed to with the ONDCP.

Based on our review, nothing came to our attention that caused us to believe that the Detailed Accounting Submission and the Performance Summary Report for the fiscal year ended September 30, 2011, are not presented, in all material respects, in conformity with the ONDCP's Circular,

Drug Control Accounting, dated May 1, 2007, and as otherwise agreed to with the ONDCP.

This report is intended solely for the information and use of BOP management, 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.

A handwritten signature in black ink, appearing to read "M L Hayes". The signature is written in a cursive, flowing style.

Mark L. Hayes, CPA, CFE
Director, Financial Statement Audit Office
Office of the Inspector General
U.S. Department of Justice

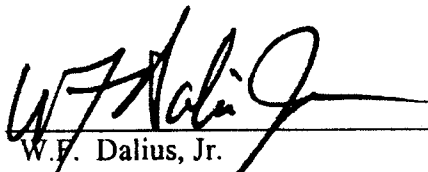
January 18, 2012

**Federal Bureau of Prisons
Detailed Accounting Submission**

**U.S. Department of Justice
Federal Bureau of Prisons
Detailed Accounting Submission
Management's Assertion Statement
For Fiscal Year Ended September 30, 2011**

On the basis of the Federal Bureau of Prisons (BOP) management control program, and in accordance with the guidance of the Office of National Drug Control Policy's (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007, we assert that the BOP system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from the BOP's accounting system of record for these budget decision units.
2. The drug methodology used by the BOP to calculate obligations of budgetary resources by function is reasonable and accurate in all material respects.
3. The drug methodology disclosed in this statement was the actual drug methodology used to generate the Table of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that did not require revision for reprogrammings or transfers during FY 2011.
5. BOP did not have any ONDCP Fund Control Notices issued in FY 2011.



W.F. Dalius, Jr.
Assistant Director
for Administration

1/18/2012

Date

**U.S. Department of Justice
Federal Bureau of Prisons
Detailed Accounting Submission
Table of Drug Control Obligations
For Fiscal Year Ended September 30, 2011
(Dollars in Millions)**

Drug Obligations by Budget Decision Unit and Function:	FY 2011
Decision Unit: Inmate Care and Programs	Actual Obligations
Treatment	\$ 92.46
Total Inmate Care and Programs	<u>\$ 92.46</u>
Total Drug Control Obligations	<u>\$ 92.46</u>

**U.S. Department of Justice
Federal Bureau of Prisons
Detailed Accounting Submission
Related Disclosures
For Fiscal Year Ended September 30, 2011**

Disclosure 1: Drug Methodology

The mission of the Federal Bureau of Prisons (BOP) is to protect society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, appropriately secure, and which provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens.

The BOP's drug resources are dedicated one hundred percent to the Drug Treatment Program. The Drug Treatment Program includes: Drug Program Screening and Assessment; Drug Abuse Education; Non-Residential Drug Abuse Treatment; Residential Drug Abuse Treatment; and Community Transitional Drug Abuse Treatment.

The Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control Policy (ONDCP) circular, *Drug Control Accounting*, dated May 1, 2007. The table represents obligations incurred by the BOP for drug control purposes. The amounts are net of all reimbursable agreements. The BOP receives drug control funds solely for the purpose of drug treatment.

Data - All accounting information for the BOP is derived from the Department of Justice (DOJ) Financial Management Information System (FMIS2). FY 2011 actual obligations for Drug Treatment Programs are reported as Drug Control Obligations since the entire focus is drug related.

Financial Systems - The FMIS2 is the DOJ financial system that provides BOP obligation data. Obligations in this system can also be reconciled with the enacted appropriation and carryover balances.

Disclosure 2: Methodology Modifications

The overall methodology to calculate drug control obligations has not been changed from the prior year (FY 2010). Only direct obligations associated with Drug Treatment Programs in the Table of Drug Control Obligations are reported.

Disclosure 3: Material Weaknesses or Other Findings

There were no significant deficiencies or material weaknesses identified in the Independent Auditors' Report on Internal Control over Financial Reporting and no findings in the Independent Auditors' Report on Compliance and other Matters.

Disclosure 4: Reprogrammings or Transfers

There were no drug related reprogrammings or transfers during FY 2011.

Disclosure 5: Other Disclosures

The BOP allocates funds to the Public Health Service (PHS). The PHS provides a portion of the drug treatment for federal inmates. In FY 2011, \$840,000 was allocated from the BOP to PHS, and was designated and expended for current year obligations of PHS staff salaries, benefits, and applicable relocation expenses relating to seven PHS FTEs related to drug treatment during FY 2011. Therefore, the allocated obligations were included in BOP's Table of Drug Control Obligations.

**NATIONAL DRUG
INTELLIGENCE CENTER**

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**Office of the Inspector General's Report on
Annual Accounting and Authentication of
Drug Control Funds and Related Performance**

Director
National Drug Intelligence Center
U.S. Department of Justice

We have reviewed the accompanying Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission, which includes Management's Assertion Statement, Table of Drug Control Obligations, and the related disclosures; and the Performance Summary Report, which includes Management's Assertion Statement and the related performance information, of the U.S. Department of Justice's National Drug Intelligence Center (NDIC) for the fiscal year ended September 30, 2011. The NDIC's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

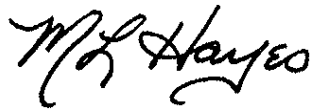
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the ONDCP Detailed Accounting Submission and the Performance Summary Report. Accordingly, we do not express such an opinion.

Management of the NDIC prepared the Detailed Accounting Submission and the Performance Summary Report to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007, and as otherwise agreed to with the ONDCP.

Based on our review, nothing came to our attention that caused us to believe that the Detailed Accounting Submission and the Performance Summary Report for the fiscal year ended September 30, 2011, are not presented, in all material respects, in conformity with the ONDCP's Circular,

Drug Control Accounting, dated May 1, 2007, and as otherwise agreed to with the ONDCP.

This report is intended solely for the information and use of NDIC management, 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.

A handwritten signature in black ink, appearing to read "M L Hayes". The signature is written in a cursive, flowing style.

Mark L. Hayes, CPA, CFE
Director, Financial Statement Audit Office
Office of the Inspector General
U.S. Department of Justice

January 18, 2012

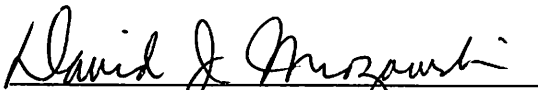
**National Drug Intelligence Center
Detailed Accounting Submission**

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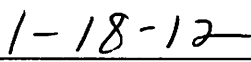
**U.S. Department of Justice
National Drug Intelligence Center
Detailed Accounting Submission
Management's Assertion Statement
For Fiscal Year Ended September 30, 2011**

On the basis of the National Drug Intelligence Center (NDIC) management control program, and in accordance with the guidance of the Office of National Drug Control Policy's (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007, we assert that the NDIC system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from the NDIC's accounting system of record for these budget decision units.
2. The drug methodology used by the NDIC to calculate obligations of budgetary resources by function is reasonable and accurate in all material respects.
3. The drug methodology disclosed in this statement was the actual drug methodology used to generate the Table of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that did not require revision for reprogrammings or transfers during FY 2011.
5. NDIC did not have any ONDCP Fund Control Notices issued in FY 2011.



David J. Mrozowski, Assistant Director



Date

U.S. Department of Justice
National Drug Intelligence Center
Detailed Accounting Submission
Table of Drug Control Obligations
For Fiscal Year Ended September 30, 2011
(Dollars in Millions)

Drug Obligations by Budget Decision Unit and Function:		FY 2011	
National Drug Intelligence Center Salaries and Expenses		Actual Obligations	
	Intelligence	\$	33.66
Total, NDIC Salaries and Expenses		\$	33.66
Total Drug Control Obligations		\$	33.66

**U.S. Department of Justice
National Drug Intelligence Center
Detailed Accounting Submission
Related Disclosures
For Fiscal Year Ended September 30, 2011**

Disclosure No 1. Drug Methodology

NDIC's mission is to provide drug-related intelligence support to the drug control, public health, law enforcement, and intelligence communities of the United States in order to reduce the adverse effects of drug trafficking, drug abuse, and other drug-related criminal activity.

NDIC's drug resources are dedicated to the Intelligence function. This includes strategic intelligence, document and media exploitation, and external training.

The Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control Policy (ONDCP) circular, *Drug Control Accounting*, dated May 1, 2007. The table represents obligations incurred by NDIC for drug control purposes. The amounts are net all reimbursable agreements. NDIC receives drug control funds solely for the purpose of Intelligence.

Data – All accounting information for the NDIC is derived from DOJ's Financial Management Information System (FMIS) 2. FY 2011 actual obligations for Intelligence function are reported as Drug Control Obligations since the entire focus is drug related.

Financial Systems – FMIS2 is DOJ's financial system that provides NDIC with obligation data. Obligations in this system can also be reconciled with the enacted appropriation.

Disclosure No. 2 Methodology Modifications

In FY 2011 there were no changes to the drug methodology from prior years.

Disclosure No. 3 Material Weaknesses or Other Findings

The annual assurance statement required by the Federal Managers' Financial Integrity Act (FMFIA) concludes that the DOJ Offices, Boards and Divisions can provide reasonable assurance that its systems of management, accounting, and administrative controls, taken as a whole, substantially comply with the FMFIA and with the component requirements of the Federal Financial Management Improvement Act.

Disclosure No. 4 Reprogrammings or Transfers

NDIC did not have any reprogrammings or transfers in FY 2011.

OFFICE OF JUSTICE PROGRAMS



**Office of the Inspector General's Report on
Annual Accounting and Authentication of
Drug Control Funds and Related Performance**

Assistant Attorney General
Office of Justice Programs
U.S. Department of Justice

We have reviewed the accompanying Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission, which includes Management's Assertion Statement, Table of Drug Control Obligations, and the related disclosures; and the Performance Summary Report, which includes Management's Assertion Statement and the related performance information, of the U.S. Department of Justice's Office of Justice Programs (OJP) for the fiscal year ended September 30, 2011. OJP's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

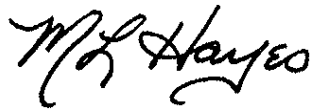
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the ONDCP Detailed Accounting Submission and the Performance Summary Report. Accordingly, we do not express such an opinion.

Management of OJP prepared the Detailed Accounting Submission and the Performance Summary Report to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007, and as otherwise agreed to with the ONDCP.

Based on our review, nothing came to our attention that caused us to believe that the Detailed Accounting Submission and the Performance Summary Report for the fiscal year ended September 30, 2011, are not presented, in all material respects, in conformity with the ONDCP's Circular,

Drug Control Accounting, dated May 1, 2007, and as otherwise agreed to with the ONDCP.

This report is intended solely for the information and use of OJP management, 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.

A handwritten signature in black ink that reads "Mark L. Hayes". The signature is written in a cursive, flowing style.

Mark L. Hayes, CPA, CFE
Director, Financial Statement Audit Office
Office of the Inspector General
U.S. Department of Justice

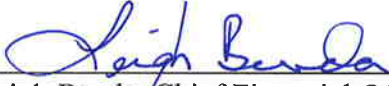
January 18, 2012

**Office of Justice Programs
Detailed Accounting Submission**

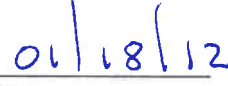
**U.S. Department of Justice
Office of Justice Programs
Detailed Accounting Submission
Management's Assertion Statement
For Fiscal Year Ended September 30, 2011**

On the basis of the Office of Justice Programs (OJP) management control program, and in accordance with the guidance of the Office of National Drug Control Policy's (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007, we assert that the OJP system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision units are the actual obligations from OJP's accounting system of record for these budget decision units.
2. The drug methodology used by OJP to calculate obligations of budgetary resources by function is reasonable and accurate in all material aspects.
3. The drug methodology disclosed in this statement was the actual drug methodology used to generate the Table of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that was revised during the fiscal year (FY) to properly reflect the changes, including ONDCP's approval for reprogrammings and transfers affecting drug-related resources in excess of \$1 million.
5. OJP did not have any ONDCP Fund Control Notices issued in FY 2011.



Leigh Benda, Chief Financial Officer
OJP Official Responsible for Assertion



Date

U.S. Department of Justice
Office of Justice Programs
Table of Drug Control Obligations
By Budget Decision Unit and Function
For Fiscal Year Ended September 30, 2011
(Dollars in Millions)

Drug Obligations by Budget Decision Unit and Function:	FY 2011 Actual Obligations ^{1/}
Regional Information Sharing System	
State and Local Assistance	\$ 44.45
Total, Regional Information Sharing System	<u>\$ 44.45</u>
Enforcing Underage Drinking Laws	
Prevention	\$ 21.09
Total, Enforcing Underage Drinking Laws	<u>\$ 21.09</u>
Drug Court Program	
State and Local Assistance	\$ 37.95
Total, Drug Court Program	<u>\$ 37.95</u>
Residential Substance Abuse Treatment	
Treatment	\$ 24.60
Total, Residential Substance Abuse Treatment	<u>\$ 24.60</u>
Prescription Drug Monitoring Program	
State and Local Assistance	\$ 6.20
Total, Prescription Drug Monitoring Program	<u>\$ 6.20</u>
Southwest Border Prosecution Program	
State and Local Assistance	\$ 25.19
Total, Southwest Border Prosecution Program	<u>\$ 25.19</u>
Northern Border Prosecution Program	
State and Local Assistance	\$ 2.35
Total, Northern Border Prosecution Program	<u>\$ 2.35</u>
Second Chance Act Program ^{2/}	
State and Local Assistance	\$ 38.19
Total, Second Chance Act Program	<u>\$ 38.19</u>
Byrne Criminal Justice Innovation ^{3/}	
State and Local Assistance	\$ 5.25
Total, Byrne Criminal Justice Innovation	<u>\$ 5.25</u>
Total Drug Control Obligations	<u>\$ 205.27</u>
Methamphetamine Enforcement and Lab Cleanup ^{4/}	\$ 8.28

^{1/} Program obligations reflect direct program obligations plus estimated indirect support management and administrative costs. Therefore, obligations reflected above may exceed the budget authority shown on the Reprogramming and Transfers Schedule.

^{2/} Actual obligations reported for the Second Chance Act Program reflect only 50% of total obligations for this decision unit, as directed by the Office of Management and Budget and Office of National Drug Control Policy.

^{3/} In FY 2011, OJP made funds available for the Byrne Criminal Justice Innovation Program via a \$5.0 million reprogramming from various sources of prior-year discretionary funds.

^{4/} Funding for the Methamphetamine Enforcement and Lab Cleanup Program is transferred from the Office of Community Oriented Policing Services (COPS) to the Drug Enforcement Administration for program administration; therefore, obligations are not tracked by the Office of Justice Programs (OJP). FY 2011 total obligations for the program were reported to OJP by the COPS budget office. See Disclosure 1 for additional information.

**U.S. Department of Justice
Office of Justice Programs
Detailed Accounting Submission
Related Disclosures**

Disclosure 1: Drug Methodology

The mission of the Office of Justice Programs (OJP) is to provide federal leadership in developing the Nation's capacity to prevent and control crime, administer justice, and assist crime victims. As such, OJP's resources are primarily targeted to providing assistance to state, local, and tribal governments. In executing its mission, OJP dedicates a significant level of resources to drug-related program activities, which focus on breaking the cycle of drug abuse and crime including: drug testing and treatment, provision of graduated sanctions, drug prevention and education, and research and statistics.

The Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 and ONDCP's memorandum, *Current Budget Issues*, dated September 3, 2008.

OJP's Office of the Chief Financial Officer, Budget Formulation, Liaison, Planning and Performance Division is responsible for the development and presentation of the annual OJP ONDCP Budget. OJP's fiscal year (FY) 2011 drug obligations have a total of 12 decision units identified for the National Drug Control Budget. Of the 12 decision units identified, nine are reflected in the Table of Drug Control Obligations. Two OJP programs, the Weed and Seed Program and Drug Prevention Demonstration Program, reported no obligations in FY 2011 and therefore, do not appear on the Table of Drug Control Obligations. Further, ONDCP requires OJP to report on the Methamphetamine Enforcement and Lab Cleanup Program, which is appropriated to the Office of Community Oriented Policing Services (COPS), an office within the Department of Justice's (DOJ's) Offices, Boards and Divisions (OBDs), and transferred to the Drug Enforcement Administration (DEA) for administration. As the obligations related to the COPS program are reported in the financial statements of the OBDs, they are not included in the FY 2011 actual obligations total on OJP's Table of Drug Control Obligations. Decision units include the following:

- Regional Information Sharing System
- Enforcing Underage Drinking Laws
- Drug Court Program
- Residential Substance Abuse Treatment Program
- Prescription Drug Monitoring Program
- Southwest Border Prosecution Initiative
- Northern Border Prosecution Initiative
- Second Chance Act Program
- Weed and Seed Program¹

Decision Unit: In accordance with the ONDCP circulars, 100 percent of the actual obligations for eight of the nine budget decision units are included, with the exception of the Second Chance Act Program. Fifty percent of the actual obligations for the Second Chance Act Program are reflected for this decision unit, as agreed to by ONDCP.

Full-Time Equivalent: FTE data originates from the U.S. Department of Agriculture's National Finance Center, and is obtained by OJP through the DOJ, Justice Management Division Data Center. The same percentage that is applied to calculate FTE, was also applied to the S&E obligations.

Disclosure 2: Methodology Modifications

As specified in the ONDCP Circular, *Budget Formulation*, dated May 1, 2007, in FY 2011, OJP is reporting 100 percent of the actual obligations related to eight of the nine budget decision units included in the National Drug Control Budget, with the exception of the Second Chance Act. In April 2009, it was determined after discussions between ONDCP and the Office of Management and Budget (OMB) that some of the activities under the Second Chance Act Program were deemed drug-related in nature; therefore, beginning in FY 2009, OJP would report 30 percent of the obligations associated with this decision unit in the Table of Drug Control Obligations. In FY 2011, per OMB and ONDCP, the percentage reported for the Second Chance Act for drug-related activities increased from 30 percent to 50 percent.

Disclosure 3: Material Weaknesses and Other Findings

Neither OJP nor the financial statement auditors found material weaknesses, significant deficiencies, or matters of non-compliance for financial reporting in FY 2011.

Disclosure 4: Reprogrammings or Transfers

In accordance with the ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007, see the attached Reprogrammings and Transfers Schedule. In FY 2011, OJP made \$.5 million in reprogrammings, and \$6.7 million in drug-related transfers-in. The reprogramming amount reflects reallocations of funding from the decision units to the Salaries and Expenses account. The transfers-in amount reflects OJP's FY 2011 recoveries associated with the reported decision units. In addition, in FY 2011, OJP made \$5.0 million available to the Byrne Criminal Justice Innovation Program via a reprogramming from various sources of prior-year discretionary funds.

Disclosure 5: Other Disclosures

- Of the total FY 2011 actual drug obligations, \$14.5 million are a result of carryover unobligated resources.

U.S. Department of Justice
Office of Justice Programs
Detailed Accounting Submission
Table of Reprogrammings and Transfers
For Fiscal Year Ended September 30, 2011
(Dollars in Millions)

Drug Resources by Function:	Reprogrammings ^{1/}	Transfers-in ^{2/}	Transfers-out	Total
Prevention	\$ (0.46)	\$ 0.99	-	\$ 0.54
State and Local Assistance	1.38	4.47	-	5.85
Treatment	(1.42)	1.27	-	(0.15)
Total Drug Resources by Function	\$ (0.50)	\$ 6.74	0.00	\$ 6.24
Drug Resources by Budget Decision Unit:				
Regional Information Sharing System	\$ (1.02)	-	-	\$ (1.02)
Weed and Seed Program	0.00	1.44	-	1.44
Enforcing Underage Drinking Laws	(0.46)	0.85	-	0.39
Drug Court Program	(0.85)	1.07	-	0.21
Residential Substance Abuse Treatment	(0.57)	0.21	-	(0.36)
Prescription Drug Monitoring Program	(0.13)	0.50	-	0.36
Southwest Border Prosecution Initiative	(1.00)	2.68	-	1.68
Northern Border Prosecution Initiative	(0.47)	-	-	(0.47)
Second Chance Act ^{3/}	(1.00)	-	-	(1.00)
Byrne Criminal Justice Innovation Program ^{4/}	5.00	-	-	5.00
Total Drug Resources by Budget Decision Unit	(0.50)	6.74	0.00	6.24
High-Intensity Drug Trafficking Area (HIDTA) Transfers	-	-	-	-
Organized Crime Drug Enforcement Task Force (OCDETF)	-	-	-	-

^{1/} With the exception of the Byrne Criminal Justice Innovation Program, reprogrammings reflect transfer amounts to the Salaries and Expenses account.

^{2/} Transfers-in reflect FY 2011 recoveries.

^{3/} Amounts reported for the Second Chance Act reflect only 50% of total Budget Authority for this decision unit, as directed by the Office of Management and Budget and Office of National Drug Control Policy.

^{4/} In FY 2011, OJP made funds available for the Byrne Criminal Justice Innovation Program via a \$5.0 million reprogramming from various sources of prior-year discretionary funds.

**ORGANIZED CRIME DRUG ENFORCEMENT
TASK FORCES PROGRAM**



**Office of the Inspector General's Report on
Annual Accounting and Authentication of
Drug Control Funds and Related Performance**

Director
Executive Office for the Organized Crime
Drug Enforcement Task Forces
U.S. Department of Justice

We have reviewed the accompanying Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission, which includes Management's Assertion Statement, Table of Drug Control Obligations, and the related disclosures; and the Performance Summary Report, which includes Management's Assertion Statement and the related performance information, of the U.S. Department of Justice's Executive Office for the Organized Crime Drug Enforcement Task Forces (OCDETF) for the fiscal year ended September 30, 2011. The OCDETF's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

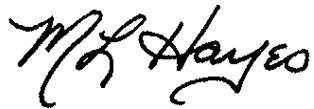
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the ONDCP Detailed Accounting Submission and the Performance Summary Report. Accordingly, we do not express such an opinion.

Management of the OCDETF prepared the Detailed Accounting Submission and the Performance Summary Report to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007, and as otherwise agreed to with the ONDCP.

Based on our review, nothing came to our attention that caused us to believe that the Detailed Accounting Submission and the Performance Summary Report for the fiscal year ended September 30, 2011, are not presented, in all material respects, in conformity with the ONDCP's Circular,

Drug Control Accounting, dated May 1, 2007, and as otherwise agreed to with the ONDCP.

This report is intended solely for the information and use of OCDETF management, 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.

A handwritten signature in black ink that reads "Mark L. Hayes". The signature is written in a cursive style with a large, stylized "M" and "H".

Mark L. Hayes, CPA, CFE
Director, Financial Statement Audit Office
Office of the Inspector General
U.S. Department of Justice

January 18, 2012

**Organized Crime Drug Enforcement
Task Forces Program
Detailed Accounting Submission**

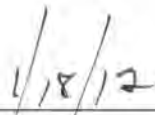
U.S. Department of Justice
Organized Crime Drug Enforcement Task Forces Program
Detailed Accounting Submission
Management's Assertion Statement
For Fiscal Year Ended September 30, 2011

On the basis of the Organized Crime Drug Enforcement Task Forces (OCDETF) management control program, and in accordance with the guidance of the Office of National Drug Control Policy's (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007, we assert that the OCDETF system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are the actual obligations from the OCDETF's accounting system of record for these budget decision units.
2. The drug methodology used by OCDETF to calculate obligations of budgetary resources by function is reasonable and accurate in all material respects.
3. The drug methodology disclosed in this statement was the actual drug methodology used to generate the Table of Drug Control Obligations.
4. The data presented are associated with obligations against a financial plan that was revised during the fiscal year to properly reflect the changes, including ONDCP's approval for reprogrammings and transfers affecting drug-related resources in excess of \$1 million.
5. OCDETF did not have any ONDCP Fund Control Notices issued in FY 2011.



Peter Maxey, Budget Director



Date

**U.S. Department of Justice
Organized Crime Drug Enforcement Task Forces (OCDETF) Program
Detailed Accounting Submission
Table of Drug Control Obligations
For Fiscal Year Ended September 30, 2011**

**Actual 2011 Obligations
Dollars in Millions**

Decision Unit Crosswalk

	Total FY 2011 Actual Obligations ^{1/}
Drug Obligations by Decision Unit and Function	
Investigations:	
Drug Enforcement Administration (DEA)	\$204.376
Federal Bureau of Investigation (FBI)	141.142
U.S. Marshals Service (USMS)	8.745
Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)	11.868
OCDETF Fusion Center (OFC)	11.859
TOTAL INVESTIGATIVE DECISION UNIT	<u>377.990</u>
Prosecutions:	
U.S. Attorneys (USAs)	146.030
Criminal Division	2.091
EXO Threat Response Unit (TRU)	0.804
TOTAL PROSECUTORIAL DECISION UNIT	<u>148.925</u>
Total Agency Obligations	<u>\$526.915</u>
Drug Percentage	100%

^{1/} Component allocations include the proportional distribution of the OCDETF Executive Office costs.

**U.S. Department of Justice
Organized Crime Drug Enforcement Task Forces Program
Detailed Accounting Submission
Related Disclosures
For Fiscal Year Ended September 30, 2011**

Disclosure No 1. - Drug Methodology

The Organized Crime Drug Enforcement Task Forces (OCDETF) Program is comprised of member agencies from three different Departments: the Department of Justice (DOJ), the Department of Treasury (Treasury), and the Department of Homeland Security (DHS). Beginning in FY 1998 and continuing through FY 2003, OCDETF member agencies were funded through separate appropriations. (Prior to the creation of DHS, which involved the transfer of the U.S. Coast Guard to DHS from the Department of Transportation, OCDETF was funded in DOJ, Treasury and Transportation appropriations.)

During FY 2004 and FY 2005, the DOJ's Interagency Crime and Drug Enforcement (ICDE) appropriation included funding to reimburse agencies in the DOJ, Treasury and DHS for their participation in the OCDETF Program. The availability of a consolidated budget has been critical to the OCDETF Program's ability both to ensure the proper and strategic use of OCDETF resources and to effectively monitor Program performance across all Departments and participating agencies. However, Congress repeatedly expressed concern with funding non-DOJ agencies via a DOJ appropriations account, and in FY 2005, Congress decreased base funding for non-DOJ program participants.

Recognizing that uncertainty surrounding funding levels for non-DOJ participants posed great difficulties for OCDETF in terms of program planning and administration, the Administration has not submitted a consolidated budget for the program since FY 2007. Instead, funding for the OCDETF Program's non-DOJ partners was requested through direct appropriations for Treasury and DHS. Currently, only DOJ OCDETF appropriated funding comes from the ICDE account.

The OCDETF Program is directly charged with carrying out the DOJ drug supply reduction strategy, and all of its activities are aimed at achieving a measurable reduction in the availability of drugs in this country. The disruption and dismantlement of drug trafficking networks operating regionally, nationally, and internationally is a critical component of the supply reduction effort. In particular, the OCDETF Program requires that in *each* OCDETF case, investigators identify and target the financial infrastructure that permits the drug organization to operate.

The Table of Drug Control Obligations was prepared in accordance with the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 and ONDCP's memorandum, *Current Budget Issues*, dated September 3, 2008. The Table represents obligations from the ICDE account incurred by OCDETF for drug control purposes. All amounts are net of reimbursable agreements.

Data - All accounting information for the OCDETF Program is derived from the DOJ Financial Management Information System 2 (FMIS2). ICDE resources are reported as 100 percent drug-related because the entire focus of the OCDETF Program is drug control.

Financial Systems - FMIS2 is the financial system used to provide all ICDE obligation data. Obligations that are derived by this system reconcile with the enacted appropriations and carryover balances.

The OCDETF Program's Decision Units are divided according to the four major activities of the Task Force -- Investigations, Drug Intelligence, Prosecutions, and Administrative Support -- and reflect the amount of reimbursable ICDE resources appropriated for each participating agency. With respect to the Table of Drug Control Obligations, the calculated amounts were derived from the FMIS2 system as follows:

- a. Investigations Function - This decision unit includes the reimbursable resources that support investigative activities of the following participating agencies: the Drug Enforcement Administration; Federal Bureau of Investigation; the Bureau of Alcohol, Tobacco, Firearms and Explosives; and the U.S. Marshals Service. The methodology applies 100 percent of the resources that support the OCDETF Program's investigative activities.
- b. Drug Intelligence Function - This decision unit includes the reimbursable resources that support intelligence activities of the following participating agencies: the Drug Enforcement Administration and the Federal Bureau of Investigation, including the operational costs associated with the OCDETF Fusion Center. The methodology applies 100 percent of the resources that support the OCDETF Program's intelligence activities.
- c. Prosecution Function - This decision unit includes the reimbursable prosecution resources for the following participating DOJ agencies: the U.S. Attorneys and the Criminal Division. The methodology applies the total of 100 percent of the OCDETF Program's Prosecution resources to the Prosecution Decision Unit.
- d. Administrative Support Function - This decision unit includes funding for the OCDETF Executive Office for program oversight and support activities, as well as reimbursable resources to provide financial investigative training for member agencies. The methodology applies 100 percent of the resources that support the OCDETF Program's administrative support activities.

Disclosure No 2. - Modifications to Drug Control Methodology

The overall methodology to calculate drug control obligations has not been modified in the Table of Drug Control Obligations. However, the Administration's request for the OCDETF Program reflects a restructuring that collapses the OCDETF Program's four areas - Investigations, Drug Intelligence, Prosecution, and Administrative Support- into two decision units- Investigations and Prosecutions. Under this methodology, the Administrative Support of the OCDETF Executive Office is pro rated among decision units based on the percentage of appropriated

ICDE Program funding. Additionally, Drug Intelligence Costs is reported as part of the Investigations Decision Unit.

Disclosure No 3. - Material Weaknesses or Other Findings

The OCDETF Program is a component within the DOJ Offices, Boards and Divisions (OBDs). The OBDs FY 2011 Independent Auditors' Report on Internal Control over Financial Reporting revealed no material weaknesses or significant deficiencies. In addition, the annual assurance statement required by the Federal Managers' Financial Integrity Act (FMFIA) concludes that the OBDs can provide reasonable assurance that its systems of management, accounting, and administrative controls, taken as a whole substantially comply with the FMFIA and with the component requirements of the Federal Financial Management Improvement Act.

Disclosure No 4. - Reprogrammings and Transfers

There was no reprogramming in FY 2011.

Total availability consists of enacted budget authority for FY 2011, plus unobligated balances and recoveries brought forward from prior years. The OCDETF Program's FY 2011 obligations include all re-allowed carryover funds and transfers. In FY 2011, the OCDETF Program re-allowed \$976,000 from its no-year account (15X0323) as follows: \$250,000 for the New York Strike Force; \$100,000 for the Chicago Strike Force; \$100,000 for the ATF 'Operation Deliverance'; \$96,000 for DEA costs associated with an ongoing FARC investigation; \$430,000 for the OCDETF Executive Office MIS Programmer which is proportionally obligated to all resources functions.

In FY 2011, \$2,207,267 in unobligated balances and prior year recoveries was brought forward from FY 2010 and available for new obligations. Of this amount, \$976,000 was established as new obligations during FY 2011.

**U.S. Department of Justice
Organized Crime Drug Enforcement Task Forces (OCDETF) Program
Detailed Accounting Submission
Table of Reprogrammings and Transfers
For the Fiscal Year Ended September 30, 2011
(Dollars in Millions)**

Line Item	Transfer ^{1/}	Total
Drug Resources by Decision Unit and Function		
Investigations:		
Drug Enforcement Administration (DEA)	(\$0.550)	(0.550)
Federal Bureau of Investigation (FBI)	(0.052)	(0.052)
U.S. Marshals Service (USMS)	0.000	0.000
Alcohol, Tobacco, Firearms and Explosives (ATF)	0.000	0.000
OCDETF Fusion Center Support (OFC)	0.000	0.000
TOTAL INVESTIGATIONS DECISION UNIT	(0.602)	(0.602)
Prosecutions:		
U.S. Attorneys (USAs)	0.00	0.000
Criminal Division (CRM)	0.00	0.000
EXO Threat Response Unit (TRU)	0.00	0.000
TOTAL PROSECUTIONS DECISION UNIT	0.00	0.000
Total Resources	(\$0.602)	(0.602)

^{1/}Represents radio resources transferred to the DOJ Wireless Law Enforcement Communications Account as required by the FY 2011 DOJ Appropriations Act (P.L. 112-110).



Tab G

Department of State



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

Independent Review of the U.S. Department of State
Accounting of FY 2011 Drug Control Funds
and Related Performance Report
AUD/FM-12-19, January 31, 2012

The Office of Inspector General (OIG) has reviewed the management assertions included in the U.S. Department of State (Department) *Accounting of FY 2011 Drug Control Funds and Related Performance Report*. This report was prepared by the Bureau of International Narcotics and Law Enforcement Affairs in accordance with the Office of National Drug Control Policy's (ONDCP) circular *Drug Control Accounting*, dated May 1, 2007. Department management is responsible for the assertions included in the report.

OIG's 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. Accordingly, we do not express such an opinion.

Based on OIG's review, nothing came to OIG's attention that caused it to believe that the management assertions included in the report were not fairly stated, in all material respects, based upon ONDCP's circular *Drug Control Accounting*.

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

A handwritten signature in black ink, appearing to read "H. Geisel", written in a cursive style.

Harold W. Geisel
Deputy Inspector General



Office of Inspector General

Attestation Review of
Annual Accounting of Drug Control Funds
and Performance Summary by
U.S. Agency for International Development
for FY 2011

MAR 13 2012

The Office of Inspector General (OIG) reviewed the accompanying Accounting and Authentication of Drug Control Funds and Related Performance Report (the submission) of the U.S. Agency for International Development (USAID) for the fiscal year ended September 30, 2011. This submission is the responsibility of USAID. Management of USAID prepared the submission and management's assertions to comply with the requirements of the Office of National Drug Control Program (ONDCP) Circular, Drug Control Accounting, dated May 1, 2007.

OIG's review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, as specified in section 8 of the ONDCP Circular. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the submission. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that USAID's submission did not, in all material respects, reliably represent its FY 2011 obligation and performance targets and results for fiscal year ended September 30, 2011 and comply with ONDCP criteria.

This review is intended solely for the information and use of ONDCP in meeting its statutory obligation to provide an accounting of prior year drug control funds and performance. It should not be used by other parties for any other purpose.


for Tim Cox
Assistant Inspector General for Audit



Jon E. Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy Circular, Drug Control Accounting, dated May 1, 2007, the United States Agency for International Development (USAID) is submitting its Accounting and Authentication of FY 2011 Drug Control Funds and Related Performance Report. The Inspector General's attestation report is enclosed.

For the purposes of Section 6 financial disclosures and assertions in the attached report, I certify that all the information presented for the USAID is true and correct and I concur with all assertions associated with USAID in Section 6. For the purposes of Section 7 program performance disclosures and assertions, I cannot certify to them, but they seem reasonable to me and I have no reason to object to the certifications given by others.

If you would like to address any questions associated with our submission, please call me on (202) 567-5205.

Sincerely,

A handwritten signature in blue ink, appearing to read "David Ostermeyer", is written over a horizontal line.

David Ostermeyer
Chief Financial Officer

Enclosures:

- 1) Accounting and Authentication of Drug Control Funds and Related Performance Report
- 2) USAID Inspector General Attestation Report

Agency for International Development

Accounting and Authentication of Drug Control Funds and Related Performance Report for 2011

Reference: ONDCP Circular: Drug Control Accounting (May 1, 2007)

6. Detailed Accounting Submission

6. a. Table of Prior Year Drug Control Obligations

Table 1 2011						
Agency for International Development						
Drug Control Obligations:						
						\$ In Millions
						FY 2011
						Actual
Drug Resources by Drug Control Function						
International						120.4
				Total		120.4
Drug Resources by Decision Unit						
Alternative Development and Alternative Livelihoods-Afghanistan						0.0
Alternative Development and Alternative Livelihoods-Andean Region						120.4
				Total		120.4
Drug Resources by Function and Decision Unit						
International-Alternative Development and Alternative Livelihoods-Afghanistan						0.0
International-Alternative Development and Alternative Livelihoods-Andean Region						120.4
				Total		120.4
Information						
Total Agency Budget*						11,874.7
Drug Related Percentage**						1%
* USAID 2011 Agency-wide Appropriations per 2010 Statement of Budgetary Resources						
** Total Drug Control Obligations divided by Total Agency Budget						

6. a. (1) Drug Methodology

All obligations provided in Table 1 were made from funds appropriated in FY 2011 and are classified in USAID's accounting system of record in program area 1.4.2 -

Alternative Development and Alternative Livelihood”. USAID incurred these obligations during FY 2010.

At the request of ONDCP we also report herein that during FY 2011 USAID obligated \$12.7 Million in the Andean Region and \$77.0 Million in Afghanistan from funds appropriated prior to FY 2011. This amount is not included in Table 1, above.

6. a. (1) (a) Obligations by Drug Control Function

Table 1 shows Obligations by Drug Control Function. All of the reported obligations supported programs whose function is best described as “International” as defined in the 2008 version of Attachment D of the ONDCP Circular: Budget Formulation, May 1, 2007.

6. a. (1) (b) Obligations by Budget Decision Unit

Table 1 shows Obligations by Decision Unit. All of the reported obligations supported programs in the decision units as defined for USAID in the 2008 version of Attachment B of the ONDCP Circular: Budget Formulation, May 1, 2007.

6. a. (2) Methodology Modifications

The drug methodology for 2011 has not been modified from the previous year, 2010.

6. a. (3) Material Weaknesses or Other Findings

CFO does not know of any material weakness or other finding by independent sources or other known weaknesses, including those identified in the Agency’s Annual Statement of Assurance, which affects the presentation of prior year drug related obligations data.

6. a. (4) Reprogrammings or Transfers

USAID did not submit any reprogrammings or transfers to ONDCP in FY 2011

6. a. (5) Other Disclosures

None.

6. b. Assertions

6. b. (1) Obligations by Budget Decision Unit

The Obligations reported by budget decision unit are the actual obligations from USAID’s accounting system of record for the stated Budget Decision Units.

6. b. (2) Drug Methodology

The drug methodology used to calculate obligations of prior year budgetary resources by function and by budget decision unit is reasonable and accurate based on criterion (c) Financial Systems. The financial systems at USAID that support the drug methodology yield data that fairly presents, in all material respects, aggregate obligations from which the drug-related obligation amounts were derived.

6. b. (3) Application of Drug Methodology

The drug methodology disclosed in section 6 a. (1) Drug Methodology, above, was the actual methodology used to generate Table 1, above.

6. b. (4) Reprogrammings or Transfers

The data presented in Table 1, above, are associated with 2011 obligations against a financial plan. Also, as stated above in section **6. a. (4) Reprogrammings or Transfers** USAID did not submit any reprogrammings or transfers to ONDCP in FY 2011.

The financial plan against which the obligations in Table 1, above, are associated is USAID's FY 2011 Operational Plan. USAID Drug Related activities in that plan are identified as part of Strategic Objective 1.4.2 (Alternative Development and Alternative Livelihoods). Funds in Program Area 1.4.2 are posted in USAID's accounting system at the Activity level using Program Element A016 (Alternative Development and Alternative Livelihoods).

6. b. (5) Fund Control Notices

Not applicable. ONDCP did not issue any Fund Control Notices to USAID in FY 2011.

7. Performance Summary Report

Decision Unit: The Andean Region

ANDEAN PERFORMANCE SECTION OF THE FY 2011 ACCOUNTING REPORT

Measure I: Hectares devoted to licit agricultural, forestry plantation and/or natural forest management activities that are developed or expanded in areas receiving USAID assistance (Measured cumulatively).

Table 1: Measure I

FY2007 Actual	FY2008 Target	FY 2008 Actual	FY 2009 Target	FY 2009 Actual	FY 2010 Actual	FY 2011 Target*	FY 2011 Actual	FY 2012 Target**
1,327,598	1,283,712	1,572,053	1,368,768	1,639,142	1,770,112	1,512,500	1,823,942	1,854,678

* At the time the target was submitted in the report, the target was less than FY 2010 actuals as targets were pending revision as USAID was waiting for final FY 2011 funding levels. Target and actual information through FY 2011 is for all four Andean countries with alternative development programming: Bolivia, Colombia, Ecuador and Peru.

** As of FY 12, this target reflects programmatic activities in Bolivia, Ecuador and Peru, but not Colombia. For further explanation, please see section (3) below regarding the appropriateness of the target for FY 12.

(1) Describe the measure: This measure tracks the land area used to produce licit agricultural or forest products as a result of USAID-supported alternative development programs in the Andean Region (Bolivia, Colombia, Ecuador, and Peru). As sustainable, licit agricultural or forestry activities are expanded or rehabilitated in an area, higher incomes from agricultural sales are generated, improving farmers' quality of life. Also, the amount of land available in that area for production of drug crops is reduced and successful ventures often motivate other producers to undertake similar investments in improving and/or expanding licit crops.

(2) Discuss performance results for FY 2011: Results surpassed targets in Ecuador and Peru but were below targets in Bolivia and Colombia. In Ecuador, results were significantly higher than anticipated as high prices for coffee and cacao stimulated more farmers to intensify production and/or increase cultivated area for these crops. More farmers also decided to switch crops to higher-value products such as quinoa and beans. In Peru, project results were marginally, but not significantly higher than projected results. In Bolivia targets were not realized as project activities were hampered by heavy rain in the first part of the year, particularly in the Yungas of La Paz. Projected results were not achieved in Colombia as FY 2011 targets were set with the expectation that the new livelihood activities would start implementation at the beginning of the fiscal year. However this was not the case due to delays in procurement.

(3) Discuss the appropriateness of the target for FY 2012: In Fall 2011 USAID and the Office of the Director of Foreign Assistance in the Department of State issued revised guidance to both agencies for standard performance indicators in order to: 1) reduce the burden of reporting upon 1,200 – 1,500 possible standard indicators worldwide, and 2) enable operating units to increase their focus on indicators that allow them to reflect impact rather than output. As part of this exercise, the four Missions in the Andean region with alternative development programs revised the indicators that they will report on starting in FY 2012. In the FY 2012 report for ONDCP for the Andean region USAID will continue to report on this indicator (hectares devoted to licit agricultural, forestry plantation and/or natural forest management activities that are developed or expanded in areas receiving USAID assistance) for three of the four countries, with the exception of Colombia. The FY 2012 target reflects a lower than usual increase as a result of the fact that: 1) data for Colombia is no longer included in the total, and 2) the budget for

alternative development for these three countries has decreased due to overall decreasing foreign assistance levels in the region.

USAID will no longer report on this indicator for Colombia but instead starting with the FY 2012 report USAID will instead provide data for the following indicator for Colombia:

Measure Ib: Number of coca hectares in municipalities where USAID implements activities in support of the Government of Colombia's (GOC) national consolidation strategy.

Table 1b: Measure Ib

FY 2011 Baseline	FY 2012 Target
16,432	14,791

The FY 2012 target reflects a decrease in the number of hectares of coca. USAID's support for activities in support of the GOC's national consolidation strategy should help decrease the number of coca hectares in these municipalities.

(4) Discuss the procedures for collection of valid data and targets: Data for the number of hectares of coca is derived from the U.N. Office of Drug Control's (UNODC) Colombia Coca Cultivation Survey report. Data on hectares of land devoted to licit activities is collected by the program implementers (usually contractors or grantees) who provide technical or marketing support to farmers, producer associations or communities that receive alternative development support in order to decrease illicit agricultural activities. Estimates of the land area supported by alternative development activities are provided by the farmers, verified by implementation personnel. USAID project managers are responsible for visiting project sites to review the soundness of data collection methodologies. USAID Missions are also required to carry out data quality assessments for all indicator data reported to Washington at least once every three years to ensure that performance data meets quality standards for validity, integrity, precision, reliability, and timeliness. Project managers review data submitted by implementers to assess the general accuracy and clarity of quarterly performance reports. If this review results in questions or concerns, the project manager resolves these in discussions with implementation personnel. Data are then submitted to the USAID Mission's Program Office which combines data from all of the projects and reports it to USAID's Office of South American Affairs in Washington. The Office of South American Affairs combines performance information from each of the four Andean countries for reporting to ONDCP. Targets for both Measure I and Ib are established by considering current and future estimated budgets, maintenance costs for ongoing activities and opportunities for new AD activities. In addition, in projecting targets for Measure I USAID also considers the plans of farmer groups or associations in alternative development project areas.

Measure II: The number of new, direct, full-time equivalent jobs (agricultural and non-agricultural) in USAID assisted areas, measured annually.

Table 1: Measure II

FY2007 Actual	FY2008 Target	FY 2008 Actual	FY 2009 Target	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Target*
73,649	66,859	199,677	144,663	156,286	172,167	41,260	41,212	NA*

*Starting with the FY 2012 report USAID will start reporting on a new indicator as detailed below in section (3), Appropriateness of the FY 2012 target.

(1) Describe the measure: This measure identifies the number of jobs that are created by alternative development (AD) projects each year. Creation of legal jobs is important for controlling production of drug crops, because it provides licit employment alternatives, reduces the pool of labor available for drug production activities, and thereby constrains narco-trafficking operations.

(2) Discuss performance results for FY 2011: Results exceeded targets in Ecuador and Peru but fell short of targets in Bolivia and Colombia. Full-time-equivalent jobs are closely linked to the number of hectares assisted and the value-added activities generated along value chains. In Ecuador, high prices for coffee and cacao stimulated more farmers than originally targeted to intensify production and/or increase cultivated area for these crops. As a result, the actual number of jobs created in Ecuador exceeded the target because: a) an increase in the number of hectares drives employment up either because of more intensive cropping and/or an expansion of cultivated area; and b) value-added activities on/off farm lead to a greater demand for labor. In Peru, results exceeded targets due to the fact that the number of hectares assisted through new agreements was greater than anticipated in the first year of project implementation. In Bolivia, a reduction in funding levels led to cancellation of 18 planned social infrastructure projects, and consequently a lower number of jobs created than originally projected. Projected results were not achieved in Colombia as FY 2011 targets were set with the expectation that the new livelihood activities would start implementation at the beginning of the fiscal year. However this was not the case due to delays in procurement.

(3) Discuss the appropriateness of the target for FY 2012: As detailed above under Measure I, the four Missions in the Andean region with alternative development programs revised the indicators that they will report on starting in FY 2012. In order to report on an indicator with results that can be aggregated across the region, USAID will discontinue reporting on this indicator and instead report on the following new indicator as of FY 2012.

Measure II as of FY 2012: Number of families benefited by alternative development activities in USG-assisted areas, measured annually.

Table 1b: Measure IIb

FY 2011 Baseline	FY 2012 Target
67,398	43,950

The FY 2012 target reflects a decrease in the number of families benefiting from alternative development activities as compared to FY 2011. This decrease stems from the fact that USAID’s budget for alternative development activities is declining as foreign assistance levels throughout the region have been reduced.

(4) Discuss the procedures for collection of valid data and targets: Data for results for Measure II for FY 2011, the creation of licit jobs, is collected by project implementers who are providing technical assistance or other support to private firms, cooperatives, producer associations and other groups that are hiring additional workers. These jobs are usually associated with the creation of a new enterprise, the expansion of an existing enterprise or the production of a new crop, commodity, or product, as well as with employment generated by the construction of infrastructure. As with Measure I above, project managers are responsible for visiting project sites to ensure that data collection methodologies and procedures are sound and for conducting periodic data quality assessments. Project managers review data from implementers to assess its general accuracy and reliability and submit this information to the Mission Program Office. The Program Office transmits this data to USAID’s Office of South American Affairs in Washington, which combines it with data from other Andean Region countries for reporting to ONDCP. As with Measure I and Ib above, targets for the new Measure II indicator (number of families benefited) are based upon the projected level of AD resources, past historical results, and the implementer and USAID’s estimates of opportunities to conduct alternative development activities. When reporting on the new Measure II indicator in FY 2012 (number of families benefited) we will provide additional information regarding data collection for this indicator.

Decision Unit: Afghanistan

AFGHANISTAN PERFORMANCE SECTION OF THE FY 2011 ACCOUNTING REPORT

Measure I: Hectares devoted to licit agricultural, forestry plantation and/or natural forest management activities that are developed or expanded in areas receiving USAID assistance (includes forest management and forestry plantation).

Table 1: Measure I

FY2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Planned*
124,898	74,523	58,010	50,000	118,786	14,736	58,802	37,098

*This target may be adjusted as a monitoring and validation strategy is being established for one of the alternative development projects that contribute to this indicator.

(1) Describe the measure: This measure tracks the land area used to produce licit agricultural or forest products as a result of alternative development programs in Afghanistan. As sustainable, licit agricultural or forestry activities are expanded in an

area, the amount of land available for production of drug crops is reduced.

(2) Discuss performance results for FY 2011: USAID exceeded its FY 2011 target despite security concerns and increased poppy cultivation in the South. When the targets for this indicator were initially set, the security situation in targeted areas had deteriorated and many of these areas were deemed unstable. In this atmosphere of uncertainty, conservative targets were selected. However, with the military surge that occurred in FY 2010, the circumstances changed. Implementing partners were able to take advantage of the improved security situation to implement activities on a broader scale and to reach more beneficiaries. This accounts for the exceeding of targets for FY 2011.

(3) Discuss the appropriateness of the target for FY 2012: Given the experience of FY 2011, targets for FY 2012 were revised. A target of approximately 37,098 hectares devoted to licit agriculture for FY 2012 has been established, but this number does not include the proposed agricultural development programs which, if approved, would not start until the end of FY 2012 as they are still in the design phase. Furthermore, alternative development programs implemented by USAID are now focusing on more sustainable alternatives to growing illicit agriculture products which complement focus on hectares of land used for licit activities.

(4) Discuss the procedures for collection of valid data and targets: Data on hectares of land devoted to licit activities is usually collected by the program implementers (usually contractors or grantees) who provide technical and/or marketing support to farmers, producer associations, and communities that receive alternative development support in exchange for their agreement not to grow poppy.

As the security situation allows, USAID Contracting/Agreement Officer's Representatives (C/AORs) and on-site monitors are responsible for visiting project sites to review methodologies for collecting data to ensure that the methodologies are conceptually sound and are actually being used to collect data. USAID Missions are also required to carry out data quality assessments for all activities under their strategic objectives at least once every three years to ensure that all performance data meets data quality standards for validity, integrity, precision, reliability, and timeliness.

CORs and AORs review data submitted by implementers to assess the general accuracy and presentation of quarterly performance reports. If this review results in questions or concerns, the C/AOR resolves these issues in discussions with implementation personnel.

Targets are established by considering current and future estimated budgets, maintenance costs for on-going activities, consulting with technical assistance personnel on opportunities for new alternative development activities, and carrying out visits with groups or associations of farmers in alternative development areas to establish whether people are willing to eradicate drug crops in exchange for alternative development assistance.

Measure II: The number of stakeholders assisted.

Table 1: Measure II

Number of individuals who have received USAID supported short-term agricultural sector productivity training.

FY2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Planned*
379,903	109,743	163,638	100,000	633,876	107,548	627,127	156,215

*This target may be adjusted during preparation of upcoming Operational Plans.

Table 2: Measure II

Number of full-time equivalent jobs (FTEs) created by USAID sponsored alternative development or alternative livelihood activities.

FY 2008 Actual	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Planned*
81,805	21,179	22,077	89,702	22,077	63,198	5,646

*This target may be adjusted during preparation of upcoming Operational Plans.

Table 3: Measure II

Number of families benefiting directly from USAID interventions in Afghanistan.

FY 2008 Actual	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Planned*
123,081	888,094	800,000	493,360	200,864	707,944	262,934

*This target may be adjusted during preparation of upcoming Operational Plans.

(1) Describe the measure: The performance indicators in Tables 1, 2, and 3 measure the number of people that have been trained under agriculture and alternative development programs, the number of jobs that are created by alternative development projects each year, and the number of rural households benefiting directly from USAID interventions in Afghanistan. The number of individuals who have received USAID training is the number of individuals to whom significant knowledge or skills have been imparted through formal or informal means as a result of USAID supported programs. This includes in-country and off-shore training, as well as knowledge or skills gained through technical assistance activities. If the activity provided training to trainers, and if the reporting unit can make a credible estimate of follow-on training provided by those trainers, this estimate should be included. Individuals attending more than one training are counted as many times as they attend training, in part because a beneficiary who attends one type of training is often invited and encouraged to attend trainings in other subject matter.

(2) Discuss performance results for FY 2011: In FY 2011, there was a continued emphasis on increasing the capacity of Afghan farmers and employment opportunities in the agriculture sector. Through major initiatives in FY 2011, USAID greatly exceeded its FY 2011 targets because these initiatives developed the skills of Afghan farmers through short-term productivity trainings, which in turn increased the number of families

benefiting from USAID alternative development activities. Furthermore, as a result of concentrated efforts on alternative development in FY 2011, there was a continued increase in the number of people employed in the agriculture sector. Creation of jobs in the licit economy is important for controlling production of drug crops because it reduces the pool of labor available for drug production activities, thereby constraining narco-trafficking operations.

(3) Discuss the appropriateness of the target for FY 2012: The sharp decline between the FY 2011 actual results and the targets for FY 2012 is due to the ending of major alternative development programs and reduction of cash-for-work activities. AVIPA Plus ended in FY 2011 and the proposed regional agricultural development programs will reach expanded outreach by FY 2013. Furthermore, future programming will focus on longer term development of core agricultural value chains that have strong potential for future growth in Afghanistan, instead of high investment programs that have shorter impact. As such, the FY 2012 targets are deemed appropriate – i.e., fewer individuals and families targeted than have been reached in the recent past, but with an eye towards greater sustainability and longer term impact.

(4) Discuss the procedures for collection of valid data and targets: Data on creation of licit jobs is collected from project implementers, who are providing technical assistance or other support to private firms, cooperatives, producer associations and other groups that are hiring additional workers. These jobs are usually associated with the creation of a new enterprise, the expansion of an existing enterprise or the production of a new crop, commodity, or product. This number also includes cash-for-work programs.

As the security situation allows, project managers, C/AORs and on-site monitors are responsible for visiting project sites to ensure that data collection methodologies and procedures are sound and to conduct periodic data quality assessments.

Targets are established by considering current and future planned activities, budget levels, cost estimates for implementation, and consultations with groups or associations of farmers in targeted areas.

8. Inspector General Authentication

See OIG Report, attached.

9. Unreasonable Burden

Not applicable. USAID's obligations exceed the \$50 million threshold level for simplified reporting.



Office of Inspector General

Attestation Review of
Annual Accounting of Drug Control Funds
and Performance Summary by
U.S. Agency for International Development
for FY 2011

The Office of Inspector General (OIG) reviewed the accompanying Accounting and Authentication of Drug Control Funds and Related Performance Report (the submission) of the U.S. Agency for International Development (USAID) for the fiscal year ended September 30, 2011. This submission is the responsibility of USAID. Management of USAID prepared the submission and management's assertions to comply with the requirements of the Office of National Drug Control Program (ONDCP) Circular, Drug Control Accounting, dated May 1, 2007.

OIG's review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, as specified in section 8 of the ONDCP Circular. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the submission. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that USAID's submission did not, in all material respects, reliably represent its FY 2011 obligation and performance targets and results for fiscal year ended September 30, 2011 and comply with ONDCP criteria.

This review is intended solely for the information and use of ONDCP in meeting its statutory obligation to provide an accounting of prior year drug control funds and performance. It should not be used by other parties for any other purpose.


for Tim Cox
Assistant Inspector General for Audit



Jon E. Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
Washington, D.C. 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy Circular, Drug Control Accounting, dated May 1, 2007, the United States Agency for International Development (USAID) is submitting its Accounting and Authentication of FY 2011 Drug Control Funds and Related Performance Report. The Inspector General's attestation report is enclosed.

For the purposes of Section 6 financial disclosures and assertions in the attached report, I certify that all the information presented for the USAID is true and correct and I concur with all assertions associated with USAID in Section 6. For the purposes of Section 7 program performance disclosures and assertions, I cannot certify to them, but they seem reasonable to me and I have no reason to object to the certifications given by others.

If you would like to address any questions associated with our submission, please call me on (202) 567-5205.

Sincerely,

A handwritten signature in blue ink, appearing to read "David Ostermeyer". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Ostermeyer
Chief Financial Officer

Enclosures:

- 1) Accounting and Authentication of Drug Control Funds and Related Performance Report
- 2) USAID Inspector General Attestation Report

Agency for International Development

Accounting and Authentication of Drug Control Funds and Related Performance Report for 2011

Reference: ONDCP Circular: Drug Control Accounting (May 1, 2007)

6. Detailed Accounting Submission

6. a. Table of Prior Year Drug Control Obligations

Table 1 2011						
Agency for International Development						
Drug Control Obligations:						
						\$ In Millions
						FY 2011
						Actual
Drug Resources by Drug Control Function						
International						120.4
				Total		120.4
Drug Resources by Decision Unit						
Alternative Development and Alternative Livelihoods-Afghanistan						0.0
Alternative Development and Alternative Livelihoods-Andean Region						120.4
				Total		120.4
Drug Resources by Function and Decision Unit						
International-Alternative Development and Alternative Livelihoods-Afghanistan						0.0
International-Alternative Development and Alternative Livelihoods-Andean Region						120.4
				Total		120.4
Information						
Total Agency Budget*						11,874.7
Drug Related Percentage**						1%
* USAID 2011 Agency-wide Appropriations per 2010 Statement of Budgetary Resources						
** Total Drug Control Obligations divided by Total Agency Budget						

6. a. (1) Drug Methodology

All obligations provided in Table 1 were made from funds appropriated in FY 2011 and are classified in USAID's accounting system of record in program area 1.4.2 -

Alternative Development and Alternative Livelihood”. USAID incurred these obligations during FY 2010.

At the request of ONDCP we also report herein that during FY 2011 USAID obligated \$12.7 Million in the Andean Region and \$77.0 Million in Afghanistan from funds appropriated prior to FY 2011. This amount is not included in Table 1, above.

6. a. (1) (a) Obligations by Drug Control Function

Table 1 shows Obligations by Drug Control Function. All of the reported obligations supported programs whose function is best described as “International” as defined in the 2008 version of Attachment D of the ONDCP Circular: Budget Formulation, May 1, 2007.

6. a. (1) (b) Obligations by Budget Decision Unit

Table 1 shows Obligations by Decision Unit. All of the reported obligations supported programs in the decision units as defined for USAID in the 2008 version of Attachment B of the ONDCP Circular: Budget Formulation, May 1, 2007.

6. a. (2) Methodology Modifications

The drug methodology for 2011 has not been modified from the previous year, 2010.

6. a. (3) Material Weaknesses or Other Findings

CFO does not know of any material weakness or other finding by independent sources or other known weaknesses, including those identified in the Agency’s Annual Statement of Assurance, which affects the presentation of prior year drug related obligations data.

6. a. (4) Reprogrammings or Transfers

USAID did not submit any reprogrammings or transfers to ONDCP in FY 2011

6. a. (5) Other Disclosures

None.

6. b. Assertions

6. b. (1) Obligations by Budget Decision Unit

The Obligations reported by budget decision unit are the actual obligations from USAID’s accounting system of record for the stated Budget Decision Units.

6. b. (2) Drug Methodology

The drug methodology used to calculate obligations of prior year budgetary resources by function and by budget decision unit is reasonable and accurate based on criterion (c) Financial Systems. The financial systems at USAID that support the drug methodology yield data that fairly presents, in all material respects, aggregate obligations from which the drug-related obligation amounts were derived.

6. b. (3) Application of Drug Methodology

The drug methodology disclosed in section 6 a. (1) Drug Methodology, above, was the actual methodology used to generate Table 1, above.

6. b. (4) Reprogrammings or Transfers

The data presented in Table 1, above, are associated with 2011 obligations against a financial plan. Also, as stated above in section **6. a. (4) Reprogrammings or Transfers** USAID did not submit any reprogrammings or transfers to ONDCP in FY 2011.

The financial plan against which the obligations in Table 1, above, are associated is USAID's FY 2011 Operational Plan. USAID Drug Related activities in that plan are identified as part of Strategic Objective 1.4.2 (Alternative Development and Alternative Livelihoods). Funds in Program Area 1.4.2 are posted in USAID's accounting system at the Activity level using Program Element A016 (Alternative Development and Alternative Livelihoods).

6. b. (5) Fund Control Notices

Not applicable. ONDCP did not issue any Fund Control Notices to USAID in FY 2011.

7. Performance Summary Report

Decision Unit: The Andean Region

ANDEAN PERFORMANCE SECTION OF THE FY 2011 ACCOUNTING REPORT

Measure I: Hectares devoted to licit agricultural, forestry plantation and/or natural forest management activities that are developed or expanded in areas receiving USAID assistance (Measured cumulatively).

Table 1: Measure I

FY2007 Actual	FY2008 Target	FY 2008 Actual	FY 2009 Target	FY 2009 Actual	FY 2010 Actual	FY 2011 Target*	FY 2011 Actual	FY 2012 Target**
1,327,598	1,283,712	1,572,053	1,368,768	1,639,142	1,770,112	1,512,500	1,823,942	1,854,678

* At the time the target was submitted in the report, the target was less than FY 2010 actuals as targets were pending revision as USAID was waiting for final FY 2011 funding levels. Target and actual information through FY 2011 is for all four Andean countries with alternative development programming: Bolivia, Colombia, Ecuador and Peru.

** As of FY 12, this target reflects programmatic activities in Bolivia, Ecuador and Peru, but not Colombia. For further explanation, please see section (3) below regarding the appropriateness of the target for FY 12.

(1) Describe the measure: This measure tracks the land area used to produce licit agricultural or forest products as a result of USAID-supported alternative development programs in the Andean Region (Bolivia, Colombia, Ecuador, and Peru). As sustainable, licit agricultural or forestry activities are expanded or rehabilitated in an area, higher incomes from agricultural sales are generated, improving farmers' quality of life. Also, the amount of land available in that area for production of drug crops is reduced and successful ventures often motivate other producers to undertake similar investments in improving and/or expanding licit crops.

(2) Discuss performance results for FY 2011: Results surpassed targets in Ecuador and Peru but were below targets in Bolivia and Colombia. In Ecuador, results were significantly higher than anticipated as high prices for coffee and cacao stimulated more farmers to intensify production and/or increase cultivated area for these crops. More farmers also decided to switch crops to higher-value products such as quinoa and beans. In Peru, project results were marginally, but not significantly higher than projected results. In Bolivia targets were not realized as project activities were hampered by heavy rain in the first part of the year, particularly in the Yungas of La Paz. Projected results were not achieved in Colombia as FY 2011 targets were set with the expectation that the new livelihood activities would start implementation at the beginning of the fiscal year. However this was not the case due to delays in procurement.

(3) Discuss the appropriateness of the target for FY 2012: In Fall 2011 USAID and the Office of the Director of Foreign Assistance in the Department of State issued revised guidance to both agencies for standard performance indicators in order to: 1) reduce the burden of reporting upon 1,200 – 1,500 possible standard indicators worldwide, and 2) enable operating units to increase their focus on indicators that allow them to reflect impact rather than output. As part of this exercise, the four Missions in the Andean region with alternative development programs revised the indicators that they will report on starting in FY 2012. In the FY 2012 report for ONDCP for the Andean region USAID will continue to report on this indicator (hectares devoted to licit agricultural, forestry plantation and/or natural forest management activities that are developed or expanded in areas receiving USAID assistance) for three of the four countries, with the exception of Colombia. The FY 2012 target reflects a lower than usual increase as a result of the fact that: 1) data for Colombia is no longer included in the total, and 2) the budget for

alternative development for these three countries has decreased due to overall decreasing foreign assistance levels in the region.

USAID will no longer report on this indicator for Colombia but instead starting with the FY 2012 report USAID will instead provide data for the following indicator for Colombia:

Measure Ib: Number of coca hectares in municipalities where USAID implements activities in support of the Government of Colombia's (GOC) national consolidation strategy.

Table 1b: Measure Ib

FY 2011 Baseline	FY 2012 Target
16,432	14,791

The FY 2012 target reflects a decrease in the number of hectares of coca. USAID's support for activities in support of the GOC's national consolidation strategy should help decrease the number of coca hectares in these municipalities.

(4) Discuss the procedures for collection of valid data and targets: Data for the number of hectares of coca is derived from the U.N. Office of Drug Control's (UNODC) Colombia Coca Cultivation Survey report. Data on hectares of land devoted to licit activities is collected by the program implementers (usually contractors or grantees) who provide technical or marketing support to farmers, producer associations or communities that receive alternative development support in order to decrease illicit agricultural activities. Estimates of the land area supported by alternative development activities are provided by the farmers, verified by implementation personnel. USAID project managers are responsible for visiting project sites to review the soundness of data collection methodologies. USAID Missions are also required to carry out data quality assessments for all indicator data reported to Washington at least once every three years to ensure that performance data meets quality standards for validity, integrity, precision, reliability, and timeliness. Project managers review data submitted by implementers to assess the general accuracy and clarity of quarterly performance reports. If this review results in questions or concerns, the project manager resolves these in discussions with implementation personnel. Data are then submitted to the USAID Mission's Program Office which combines data from all of the projects and reports it to USAID's Office of South American Affairs in Washington. The Office of South American Affairs combines performance information from each of the four Andean countries for reporting to ONDCP. Targets for both Measure I and Ib are established by considering current and future estimated budgets, maintenance costs for ongoing activities and opportunities for new AD activities. In addition, in projecting targets for Measure I USAID also considers the plans of farmer groups or associations in alternative development project areas.

Measure II: The number of new, direct, full-time equivalent jobs (agricultural and non-agricultural) in USAID assisted areas, measured annually.

Table 1: Measure II

FY2007 Actual	FY2008 Target	FY 2008 Actual	FY 2009 Target	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Target*
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*Starting with the FY 2012 report USAID will start reporting on a new indicator as detailed below in section (3), Appropriateness of the FY 2012 target.

(1) Describe the measure: This measure identifies the number of jobs that are created by alternative development (AD) projects each year. Creation of legal jobs is important for controlling production of drug crops, because it provides licit employment alternatives, reduces the pool of labor available for drug production activities, and thereby constrains narco-trafficking operations.

(2) Discuss performance results for FY 2011: Results exceeded targets in Ecuador and Peru but fell short of targets in Bolivia and Colombia. Full-time-equivalent jobs are closely linked to the number of hectares assisted and the value-added activities generated along value chains. In Ecuador, high prices for coffee and cacao stimulated more farmers than originally targeted to intensify production and/or increase cultivated area for these crops. As a result, the actual number of jobs created in Ecuador exceeded the target because: a) an increase in the number of hectares drives employment up either because of more intensive cropping and/or an expansion of cultivated area; and b) value-added activities on/off farm lead to a greater demand for labor. In Peru, results exceeded targets due to the fact that the number of hectares assisted through new agreements was greater than anticipated in the first year of project implementation. In Bolivia, a reduction in funding levels led to cancellation of 18 planned social infrastructure projects, and consequently a lower number of jobs created than originally projected. Projected results were not achieved in Colombia as FY 2011 targets were set with the expectation that the new livelihood activities would start implementation at the beginning of the fiscal year. However this was not the case due to delays in procurement.

(3) Discuss the appropriateness of the target for FY 2012: As detailed above under Measure I, the four Missions in the Andean region with alternative development programs revised the indicators that they will report on starting in FY 2012. In order to report on an indicator with results that can be aggregated across the region, USAID will discontinue reporting on this indicator and instead report on the following new indicator as of FY 2012.

Measure II as of FY 2012: Number of families benefited by alternative development activities in USG-assisted areas, measured annually.

Table 1b: Measure IIb

FY 2011 Baseline	FY 2012 Target
67,398	43,950

The FY 2012 target reflects a decrease in the number of families benefiting from alternative development activities as compared to FY 2011. This decrease stems from the fact that USAID's budget for alternative development activities is declining as foreign assistance levels throughout the region have been reduced.

(4) Discuss the procedures for collection of valid data and targets: Data for results for Measure II for FY 2011, the creation of licit jobs, is collected by project implementers who are providing technical assistance or other support to private firms, cooperatives, producer associations and other groups that are hiring additional workers. These jobs are usually associated with the creation of a new enterprise, the expansion of an existing enterprise or the production of a new crop, commodity, or product, as well as with employment generated by the construction of infrastructure. As with Measure I above, project managers are responsible for visiting project sites to ensure that data collection methodologies and procedures are sound and for conducting periodic data quality assessments. Project managers review data from implementers to assess its general accuracy and reliability and submit this information to the Mission Program Office. The Program Office transmits this data to USAID's Office of South American Affairs in Washington, which combines it with data from other Andean Region countries for reporting to ONDCP. As with Measure I and Ib above, targets for the new Measure II indicator (number of families benefited) are based upon the projected level of AD resources, past historical results, and the implementer and USAID's estimates of opportunities to conduct alternative development activities. When reporting on the new Measure II indicator in FY 2012 (number of families benefited) we will provide additional information regarding data collection for this indicator.

Decision Unit: Afghanistan

AFGHANISTAN PERFORMANCE SECTION OF THE FY 2011 ACCOUNTING REPORT

Measure I: Hectares devoted to licit agricultural, forestry plantation and/or natural forest management activities that are developed or expanded in areas receiving USAID assistance (includes forest management and forestry plantation).

Table 1: Measure I

FY2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Planned*
124,898	74,523	58,010	50,000	118,786	14,736	58,802	37,098

*This target may be adjusted as a monitoring and validation strategy is being established for one of the alternative development projects that contribute to this indicator.

(1) Describe the measure: This measure tracks the land area used to produce licit agricultural or forest products as a result of alternative development programs in Afghanistan. As sustainable, licit agricultural or forestry activities are expanded in an

area, the amount of land available for production of drug crops is reduced.

(2) Discuss performance results for FY 2011: USAID exceeded its FY 2011 target despite security concerns and increased poppy cultivation in the South. When the targets for this indicator were initially set, the security situation in targeted areas had deteriorated and many of these areas were deemed unstable. In this atmosphere of uncertainty, conservative targets were selected. However, with the military surge that occurred in FY 2010, the circumstances changed. Implementing partners were able to take advantage of the improved security situation to implement activities on a broader scale and to reach more beneficiaries. This accounts for the exceeding of targets for FY 2011.

(3) Discuss the appropriateness of the target for FY 2012: Given the experience of FY 2011, targets for FY 2012 were revised. A target of approximately 37,098 hectares devoted to licit agriculture for FY 2012 has been established, but this number does not include the proposed agricultural development programs which, if approved, would not start until the end of FY 2012 as they are still in the design phase. Furthermore, alternative development programs implemented by USAID are now focusing on more sustainable alternatives to growing illicit agriculture products which complement focus on hectares of land used for licit activities.

(4) Discuss the procedures for collection of valid data and targets: Data on hectares of land devoted to licit activities is usually collected by the program implementers (usually contractors or grantees) who provide technical and/or marketing support to farmers, producer associations, and communities that receive alternative development support in exchange for their agreement not to grow poppy.

As the security situation allows, USAID Contracting/Agreement Officer's Representatives (C/AORs) and on-site monitors are responsible for visiting project sites to review methodologies for collecting data to ensure that the methodologies are conceptually sound and are actually being used to collect data. USAID Missions are also required to carry out data quality assessments for all activities under their strategic objectives at least once every three years to ensure that all performance data meets data quality standards for validity, integrity, precision, reliability, and timeliness.

CORs and AORs review data submitted by implementers to assess the general accuracy and presentation of quarterly performance reports. If this review results in questions or concerns, the C/AOR resolves these issues in discussions with implementation personnel.

Targets are established by considering current and future estimated budgets, maintenance costs for on-going activities, consulting with technical assistance personnel on opportunities for new alternative development activities, and carrying out visits with groups or associations of farmers in alternative development areas to establish whether people are willing to eradicate drug crops in exchange for alternative development assistance.

Measure II: The number of stakeholders assisted.

Table 1: Measure II**Number of individuals who have received USAID supported short-term agricultural sector productivity training.**

FY2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Planned*
379,903	109,743	163,638	100,000	633,876	107,548	627,127	156,215

*This target may be adjusted during preparation of upcoming Operational Plans.

Table 2: Measure II**Number of full-time equivalent jobs (FTEs) created by USAID sponsored alternative development or alternative livelihood activities.**

FY 2008 Actual	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Planned*
81,805	21,179	22,077	89,702	22,077	63,198	5,646

*This target may be adjusted during preparation of upcoming Operational Plans.

Table 3: Measure II**Number of families benefiting directly from USAID interventions in Afghanistan.**

FY 2008 Actual	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Planned*
123,081	888,094	800,000	493,360	200,864	707,944	262,934

*This target may be adjusted during preparation of upcoming Operational Plans.

(1) Describe the measure: The performance indicators in Tables 1, 2, and 3 measure the number of people that have been trained under agriculture and alternative development programs, the number of jobs that are created by alternative development projects each year, and the number of rural households benefiting directly from USAID interventions in Afghanistan. The number of individuals who have received USAID training is the number of individuals to whom significant knowledge or skills have been imparted through formal or informal means as a result of USAID supported programs. This includes in-country and off-shore training, as well as knowledge or skills gained through technical assistance activities. If the activity provided training to trainers, and if the reporting unit can make a credible estimate of follow-on training provided by those trainers, this estimate should be included. Individuals attending more than one training are counted as many times as they attend training, in part because a beneficiary who attends one type of training is often invited and encouraged to attend trainings in other subject matter.

(2) Discuss performance results for FY 2011: In FY 2011, there was a continued emphasis on increasing the capacity of Afghan farmers and employment opportunities in the agriculture sector. Through major initiatives in FY 2011, USAID greatly exceeded its FY 2011 targets because these initiatives developed the skills of Afghan farmers through short-term productivity trainings, which in turn increased the number of families

benefiting from USAID alternative development activities. Furthermore, as a result of concentrated efforts on alternative development in FY 2011, there was a continued increase in the number of people employed in the agriculture sector. Creation of jobs in the licit economy is important for controlling production of drug crops because it reduces the pool of labor available for drug production activities, thereby constraining narco-trafficking operations.

(3) Discuss the appropriateness of the target for FY 2012: The sharp decline between the FY 2011 actual results and the targets for FY 2012 is due to the ending of major alternative development programs and reduction of cash-for-work activities. AVIPA Plus ended in FY 2011 and the proposed regional agricultural development programs will reach expanded outreach by FY 2013. Furthermore, future programming will focus on longer term development of core agricultural value chains that have strong potential for future growth in Afghanistan, instead of high investment programs that have shorter impact. As such, the FY 2012 targets are deemed appropriate – i.e., fewer individuals and families targeted than have been reached in the recent past, but with an eye towards greater sustainability and longer term impact.

(4) Discuss the procedures for collection of valid data and targets: Data on creation of licit jobs is collected from project implementers, who are providing technical assistance or other support to private firms, cooperatives, producer associations and other groups that are hiring additional workers. These jobs are usually associated with the creation of a new enterprise, the expansion of an existing enterprise or the production of a new crop, commodity, or product. This number also includes cash-for-work programs.

As the security situation allows, project managers, C/AORs and on-site monitors are responsible for visiting project sites to ensure that data collection methodologies and procedures are sound and to conduct periodic data quality assessments.

Targets are established by considering current and future planned activities, budget levels, cost estimates for implementation, and consultations with groups or associations of farmers in targeted areas.

8. Inspector General Authentication

See OIG Report, attached.

9. Unreasonable Burden

Not applicable. USAID's obligations exceed the \$50 million threshold level for simplified reporting.



Tab H
Department of
Transportation

Office of Inspector General

INSPECTOR GENERAL REVIEW OF FISCAL YEAR 2011 DRUG CONTROL FUNDS AND PERFORMANCE SUMMARY REPORTING

National Highway Traffic Safety Administration

Report Number: FI-2012-049

Date Issued: January 31, 2012





**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General
Washington, DC 20590

January 31, 2012

Mr. Jon E. Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Rice:

This report presents the results of our independent review of the U.S. Department of Transportation, National Highway Traffic Safety Administration's (NHTSA) fiscal year 2011 Drug Control Obligation Summary and Performance Summary reports to the Office of National Drug Control Policy (ONDCP). Both reports are dated December 8, 2011. The reports and our review are required by 21 U.S.C. §1704 (d).

The objective of our review is to provide assurance that no information came to our attention that would reverse management's assertions that the reports complied with ONDCP Circular, Drug Control Accounting, requirements, dated May 1, 2007, in all material respects. This review was conducted in accordance with generally accepted Government auditing standards for attestation engagements. A review is substantially more limited in scope than an examination, which expresses an opinion on the accuracy of NHTSA's Drug Control Obligation Summary and Performance Summary reports to ONDCP. As this was a review, we do not express such an opinion.

Drug Control Obligations Summary

We performed review procedures on the accompanying report (Enclosure 1), NHTSA's fiscal year 2011 Drug Control Obligation Summary based upon criteria specified in the ONDCP Circular. In general, our work was limited to inquiries and analytical procedures appropriate for an attestation review. Specifically, we tested selected procedures described in the Internal Control Questionnaire for Accounting to ensure drug control funds are properly identified in the accounting system. We traced obligations totaling approximately \$2.7 million identified in the report to the Department's accounting system. We also verified that five major drug control obligations in the accounting system, totaling about \$2.4 million, were supported by contracts.

Report Number FI-2012-049

During our review, no information came to our attention that the accompanying NHTSA fiscal year 2011 Drug Control Obligation Summary to ONDCP was not presented in conformity with the ONDCP Circular. Since NHTSA is reporting approximately \$2.7 million in drug control obligations, which is below the \$50 million threshold for full reporting required by the ONDCP Circular, we attest that full compliance with this Circular would constitute an unreasonable reporting burden.

Performance Reporting Summary and Assertions

We performed review procedures on the accompanying report (Enclosure 2), NHTSA's fiscal year 2011 Performance Summary Report, and management's assertions. NHTSA's fiscal year 2011 performance target was to collect data from at least 1,250 drivers involved in vehicle crashes for the Case Control Study of the Crash Risk of Drug-Impaired Drivers. NHTSA reported that this performance target was achieved. NHTSA's database indicated that they completed data collection for the entire study and obtained data from more than 3,000 crash-involved drivers by the end of fiscal year 2011.

In general, our review processes were limited to inquiries and analytical procedures appropriate for an attestation review based upon the criteria specified in the ONDCP Circular. Specifically, we reviewed the procedures described in the Internal Control Questionnaire for Performance Reporting, interviewed NHTSA personnel responsible for ensuring data reliability and integrity, examined hard copy data collection files, and selectively traced data from the files into NHTSA's database used for compilation and analysis. In addition, we reviewed management's assertions and the contract supporting the fiscal year 2011 performance measures. During our review, no information came to our attention that the accompanying NHTSA Fiscal Year 2011 Performance Summary Report was not presented in conformity with the ONDCP Circular.

Sincerely,



Louis C. King
Assistant Inspector General for Financial and
Information Technology Audits

Enclosure(s)

cc: Senior Associate Administrator for Policy and Operations, NHTSA



U.S. Department
of Transportation
**National Highway
Traffic Safety
Administration**

1200 New Jersey Avenue SE.
Washington, DC 20590

December 8, 2011

Mr. Jon E. Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy Circular: Drug Control Accounting issued May 1, 2007, the National Highway Traffic Safety Administration's (NHTSA) Fiscal Year 2011 Drug Control Obligation Summary is enclosed. NHTSA's obligations for drug-related activities fall below the reporting threshold of \$50 million; therefore, only a limited report is required to satisfy the statutory requirement.

NHTSA's point of contact for this report is Melanie O'Donnell. She can be reached at (202) 366-0689, if further assistance is required.

Sincerely yours,

A handwritten signature in blue ink that reads "Angela A. Smith for".

Gregory A. Walter
Senior Associate Administrator
Policy and Operations

Enclosure

DEPARTMENT OF TRANSPORTATION
National Highway Traffic Safety Administration

Resource Summary

	Budget Authority (in Millions)		
	FY2011	FY2012	FY2013
	Final	Enacted	Request
Drug Resources by Function			
Prevention	2.688	2.688	3.988
Total Drug Resources by Function	\$2.688	\$2.688	\$3.988
Drug Resources by Decision Unit			
Drug Impaired Driving	2.688	\$2.688	\$3.988
Total Drug Resources by Decision Unit	\$2.688	\$2.688	\$3.988

Drug Resources Personnel Summary			
Total FTEs (direct only)	2	2	2
Drug Resources as a Percent of Budget			
Total Agency Budget	\$872.489	\$799.974	\$981.000
Drug Resources Percentage	0.31%	0.34%	0.41%



U.S. Department
of Transportation

**National Highway
Traffic Safety
Administration**

1200 New Jersey Avenue, SE
Washington, DC 20590

December 8, 2011

Mr. Jon E. Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
Washington, DC 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy Circular: Drug Control Accounting issued May 1, 2007, the National Highway Traffic Safety Administration's (NHTSA) Fiscal Year 2011 Performance Summary Report is enclosed. As specified by the Circular, the agency selected a performance measure for 2007 to assess its success in reducing drug impaired driving, followed by complementary measures in 2008 through 2011. These measures track the progress of critical steps toward the development of a reliable and accurate measure of the drug impaired driving problem by increasing the Agency's understanding of the extent of drug use among drivers, and the role of drugs in crash causation. These performance measures are:

1. Select representative survey sites and secure local cooperation as part of a National Roadside Survey of Alcohol and Drugged Driving (FY 2007).
2. Collect and analyze oral fluids and blood samples as part of a National Roadside Survey of Alcohol and Drugged Driving (FY 2008).
3. Develop and recommend methods for detecting the presence of major illegal drugs in drivers as part of a Study to Identify Methods and Technologies to Measure Drug Presence Among Drivers (FY 2009).
4. Complete study design and procedures for a landmark Case Control Study of the Crash Risk of Drug-Impaired Drivers (2010).
5. Collect data from 1250 crashes for the Case Control Study of the Crash Risk of Drug-Impaired Drivers (FY 2011).

Assertions

1. **Performance reporting system is appropriate and applied:** Performance information for the first and second measures relies on data captured through the execution of the National Roadside Survey of Alcohol and Drugged Driving. Similarly, the performance information for the third measure was based on a study to identify methods and technologies to measure drug presence. The measures for 2010 and 2011 are based on a Case Control Study of Crash Risk of Drug-Impaired Drivers. Each study has data collection and reporting requirements specified in contract language with the firm conducting the research.

Page 2

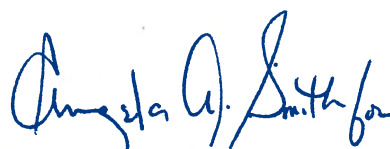
Mr. Jon E. Rice

Case Control Study of Crash Risk of Drug-Impaired Drivers. Each study has data collection and reporting requirements specified in contract language with the firm conducting the research.

2. **Explanations for not meeting performance targets are reasonable:** Target met.
3. **Methodology to establish performance targets is reasonable and applied:** Data collection for the National Roadside Survey of Alcohol and Drugged Driving was based on a probabilistic design, using traffic volume and demographic variables to ensure a statistically representative sample. Details of the methodology and findings are included in the Research Note No. DOT HS 811 175 ([http://www.nhtsa.gov/portal/nhtsa_static_file_downloader.jsp?file=/staticfiles/DOT/NHTSA/Traffic Injury Control/ Articles/Associated Files/811175.pdf](http://www.nhtsa.gov/portal/nhtsa_static_file_downloader.jsp?file=/staticfiles/DOT/NHTSA/Traffic%20Injury%20Control/Articles/Associated%20Files/811175.pdf)). Methodology for the 2010 and 2011 performance measures is based on records and documentation of successful achievement of the study objectives.
4. **Adequate performance measures exist for all significant drug control activities:** The measures used to describe the Agency's drug impaired driving program performance adequately reflect key steps toward the completion of necessary studies to increase general knowledge of the drugged driving problem. These measures provide a meaningful assessment of progress toward the development of reliable and accurate measures of the drugged driving problem in the United States.

NHTSA's point of contact for this report is Melanie O'Donnell. She can be reached at (202) 366-0689, if further assistance is required.

Sincerely yours,



Gregory A. Walter
Senior Associate Administrator
Policy and Operations

Enclosure

National Highway Traffic Safety Administration Drug-Impaired Driving Program

Performance Summary Report Fiscal Year 2011

(1) Performance Measures

NHTSA can contribute to the National Drug Control Strategy by reducing the prevalence of drug-impaired drivers on the Nation's roadways. However, given the current state of knowledge, meaningful measures of the drug impaired driving problem are not available. To chart progress toward development of a valid measure of this problem, NHTSA adopted two new measures in FY 2010 and 2011. We are now proposing two new measures for FY 2012 and FY 2013. The FY 2010 National Drug Control Strategy called for efforts to *Collect Further Data on Drugged Driving* and for increased *Training to Law Enforcement on Identifying Drugged Drivers*. The two new measures are designed to assess Agency progress in supporting the national strategy: increasing training for law enforcement and understanding of the extent of drug use among drivers and the role of drugs in crash causation.

These measures reflect critical milestones in the development of improved methods to train law enforcement in detecting drug-impaired drivers and in developing valid and reliable performance measures of the drug impaired driving problem. Additional milestones will be identified to assess progress in future years.

The National Highway Traffic Safety Administration (NHTSA) will use the following measures to assess progress of the Drug-Impaired Driving Program.

- *Develop and Pilot Test an On-Line version of the Advanced Roadside Impaired Driving Enforcement (ARIDE) Training and Delivery (FY 2012).*

The 2010 National Drug Control Strategy directed NHTSA to support efforts to increase the availability of training for law enforcement officers to better enable them to recognize drivers potentially impaired by drugs other than alcohol. In response, NHTSA agreed to develop and make available an online version of the Advanced Roadside Impaired Driving Enforcement Training program. Having this training available on-line, for individual officer use, is expected to greatly increase the number of officers who complete this course.

- *Complete data analysis, prepare and release a final report on a Case Control Study of the Crash Risk of Drug-Impaired Driving (FY 2013).*

This land-mark study was designed to conduct in-depth investigations of approximately 2,500 police-reported crashes of all severities. For each crash investigated, similar information will be collected for non-crash control cases

(involving drivers driving at the same locations, day of week, time of day, traveling in the same direction, etc.). Analysis of drug use by crash involved and non-crash involved drivers will make it possible to estimate the extent to which drug use increases the risk of crash involvement. This information will be invaluable in helping to support strong laws targeting drug-impaired driving and efforts to reduce the harm caused by drug use by drivers. Together with information from the recently-completed Roadside Survey of Drug and Alcohol Use by Drivers, evidence from this study on the association of drug use and crash risk will be an essential part of efforts to develop effective countermeasures.

(2) Prior Years Performance Targets and Results

Prior performance targets for FY 2007 and FY 2008 were fully achieved. In FY 2007, 300 survey sites were identified for the Roadside Survey of Alcohol and Drug Use by Drivers. In FY 2008, over 9,000 drivers were sampled in locations across the country for the Roadside Survey study.

The FY 2009 target was not achieved due to a change in research strategy. An expert group was convened during 2009 to develop and recommend methods for detecting the presence of major illegal drugs in drivers. The expert group concluded that such technology was not feasible for roadside use in the near future. With this information, the research effort was re-directed to developing methods for identifying drugs that impair driving.

In FY 2010, we completed the Case Control Study of Crash Risk of Drug-Impaired Driving study design and planning, as anticipated, and implemented the study. Data collection was completed as anticipated in September 2011. Response teams involving an on duty police officer and research team member are being fielded to respond to crashes 24 hours a day, seven days a week. The officer on the team handles the crash, while the research member collects breath, oral fluid and blood samples from the crash-involved driver. One week later, at the same time and location, the team stops motorists traveling in the same direction not involved in a crash to collect the same data.

<u>Selected Measures of Performance</u>	<u>FY 2008 Target</u>	<u>FY 2008 Achieved</u>
Roadside Survey of Alcohol and Drug Use Among Drivers		
Collect and analyze oral fluids and blood samples from randomly selected drivers in at least 300 locations across the U.S.	7,500 drivers	Over 9,000 drivers

<u>Selected Measures of Performance</u>	<u>FY 2009 Target</u>	<u>FY 2009 Achieved</u>
Study to Identify Methods and Technologies to Measure Drug Presence		
Develop and recommend methods for detecting the presence of major illegal drugs in drivers	Detection methods for at least 5 drugs	Technology not currently available.

<u>Selected Measures of Performance</u>	<u>FY 2010 Target</u>	<u>FY 2010 Achieved</u>
Case Control Study of the Crash Risk of Drug-Impaired Drivers		
Complete study planning	Develop study design and procedures	Study design completed and Implemented

(3) Current Performance Targets

<u>Selected Measures of Performance</u>	<u>FY 2011 Target</u>	<u>FY 2011 Achieved</u>
Case Control Study of the Crash Risk of Drug-Impaired Drivers		
Complete 50 percent of data collection	Collect data from 1250 crashes	Data collected on over 1,250 crashes and 2,500 control drivers

<u>Selected Measures of Performance</u>	<u>FY 2012 Target</u>	<u>FY 2012 Achieved</u>
Advanced Roadside Impaired Driving Enforcement Training (ARIDE)		
Assemble experts to revise and update the training course; design on-line version to facilitate distance learning	Complete revising and updating ARIDE; make available on-line	

<u>Selected Measures of Performance</u>	<u>FY 2013 Target</u>	<u>FY 2013 Achieved</u>
Case Control Study of the Crash Risk of Drug-Impaired Drivers		
Complete drug assays (blood and oral fluids), data analysis, and report preparation	Complete data analysis, risk estimation, and write report	

(4) Quality of Performance Data

Data collection for the National Roadside Survey of Alcohol and Drugged Driving was based on a probabilistic design, using traffic volume and demographic variables

to ensure a statistically representative sample. Details of the methodology and findings are included in the research note DOT HS 811 175 ([http://www.nhtsa.gov/portal/nhtsa_static_file_downloader.jsp?file=/staticfiles/DOT/NHTSA/Traffic Injury Control/Articles/Associated Files/811175.pdf](http://www.nhtsa.gov/portal/nhtsa_static_file_downloader.jsp?file=/staticfiles/DOT/NHTSA/Traffic%20Injury%20Control/Articles/Associated%20Files/811175.pdf)).

Methodology for the 2010, 2011, 2012 and 2013 performance measures is based on records and documentation of successful achievement of study objectives. The established measures provide a meaningful assessment of progress toward the development of reliable and accurate measures of the drugged driving problem in the United States.



Tab I
Department of
the Treasury



*Independent Attestation Review of the
Internal Revenue Service's Fiscal
Year 2011 Annual Accounting of Drug
Control Funds and Related Performance*

January 30, 2012

Reference Number: 2012-10-018

This report remains the property of the Treasury Inspector General for Tax Administration (TIGTA) and may not be disseminated beyond the Internal Revenue Service without the permission of the TIGTA.

This report may contain confidential return information protected from disclosure pursuant to I.R.C. § 6103(a). Such information may be disclosed only to Department of the Treasury employees who have a need to know this information in connection with their official tax administration duties.

Phone Number | 202-622-6500

E-mail Address | TIGTACommunications@tigta.treas.gov

Website | <http://www.tigta.gov>



HIGHLIGHTS

INDEPENDENT ATTESTATION REVIEW OF THE INTERNAL REVENUE SERVICE'S FISCAL YEAR 2011 ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE

Highlights

Final Report issued on January 30, 2012

Highlights of Reference Number: 2012-10-018 to the Internal Revenue Service Chief Financial Officer and Acting Chief, Criminal Investigation.

IMPACT ON TAXPAYERS

The IRS reported that it expended \$66.5 million on Office of National Drug Control Policy (ONDCP)-related activities and completed 927 ONDCP-related investigations in Fiscal Year 2011. Based on our review, nothing came to our attention that caused us to believe that the assertions in the Detailed Accounting Submission and Performance Summary Report are not appropriately presented in all material respects in accordance with ONDCP-established criteria. Complete and reliable financial and performance information is critical to the IRS's ability to accurately report on the results of its operations to both internal and external stakeholders, including taxpayers.

WHY TIGTA DID THE AUDIT

This review was conducted as required by the ONDCP and the ONDCP Circular: *Drug Control Accounting*, dated May 1, 2007. The National Drug Control Program agencies are required to submit to the Director of the ONDCP, not later than February 1 of each year, a detailed accounting of all funds expended (the ONDCP Circular requires amounts obligated) during the previous fiscal year. Agencies also need to identify and document performance measure(s) that justify the results associated with these expenditures.

The Chief Financial Officer, or another accountable senior level executive, of each agency for which a Detailed Accounting Submission is required, shall provide a

Performance Summary Report to the Director of the ONDCP. Further, the Circular requires that each report be provided to the agency's Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the report prior to its submission.

WHAT TIGTA FOUND

Based on our review, nothing came to our attention that caused us to believe that the assertions in the Detailed Accounting Submission and Performance Summary Report are not appropriately presented in all material respects in accordance with ONDCP-established criteria. The IRS reported that it expended \$66.5 million on ONDCP-related activities and completed 927 ONDCP-related investigations in Fiscal Year 2011. The IRS also reported it participated in 435 ONDCP-related cases that resulted in convictions, with an 88.1 percent conviction rate.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations as a result of the work performed during this review. However, key IRS officials reviewed this report prior to its issuance and agreed with the facts and conclusions presented.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 30, 2012

MEMORANDUM FOR CHIEF FINANCIAL OFFICER
ACTING CHIEF, CRIMINAL INVESTIGATION

Michael R. Phillips

FROM: Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Independent Attestation Review of the Internal Revenue Service’s Fiscal Year 2011 Annual Accounting of Drug Control Funds and Related Performance (Audit # 201110031)

This report presents the results of our attestation review of the Internal Revenue Service’s Fiscal Year 2011 Office of National Drug Control Policy Detailed Accounting Submission and Performance Summary Report (the Report). The overall objective of this review was to express a conclusion about the reliability of each assertion made in the Report. This review was included in our Fiscal Year 2012 Annual Audit Plan and addresses the major management challenge of Achieving Program Efficiencies and Cost Savings.

The Treasury Inspector General for Tax Administration made no recommendations as a result of the work performed during this review. However, key Internal Revenue Service officials reviewed this report prior to its issuance and agreed with the facts and conclusions presented.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report results. Please contact me at (202) 622-6510 if you have questions or Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations), at 202-622-8500.



*Independent Attestation Review of the
Internal Revenue Service's Fiscal Year 2011 Annual
Accounting of Drug Control Funds and Related Performance*

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*Independent Attestation Review of the
Internal Revenue Service's Fiscal Year 2011 Annual
Accounting of Drug Control Funds and Related Performance*

Abbreviations

FY	Fiscal Year
IRS	Internal Revenue Service
ONDCP	Office of National Drug Control Policy



*Independent Attestation Review of the
Internal Revenue Service's Fiscal Year 2011 Annual
Accounting of Drug Control Funds and Related Performance*

Background

The Anti-Drug Abuse Act of 1988¹ establishes as a policy goal the creation of a drug-free America. A key provision of the Act is the establishment of the Office of National Drug Control Policy (ONDCP) to set priorities, implement a national strategy, and certify Federal Government drug control budgets. The Internal Revenue Service (IRS) supports the National Drug Control Strategy through its continued support of the Organized Crime Drug Enforcement Task Force. The mission of IRS Criminal Investigation in Federal law enforcement's anti-drug efforts is to reduce or eliminate the financial gains (profits) of major narcotics trafficking and money laundering organizations through the use of its unique financial investigative expertise and statutory jurisdiction.

National Drug Control Program agencies are required to submit to the Director of the ONDCP, not later than February 1 of each year, a detailed accounting of all funds expended during the previous fiscal year.

This review was conducted as required by the ONDCP and the ONDCP Circular: *Drug Control Accounting*, dated May 1, 2007. The National Drug Control Program agencies² are required to submit to the Director of the ONDCP, not later than February 1 of each year, a detailed accounting of all funds expended (the ONDCP Circular requires amounts obligated) during the previous fiscal year. Agencies also need to identify and document performance measure(s) that justify the results associated with these expenditures. The Chief Financial Officer, or another accountable senior level executive, of each agency for which a Detailed Accounting Submission is required, shall provide a Performance Summary Report to the Director of the ONDCP. Further, the Circular requires that each report be provided to the agency's Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the report prior to its submission.

This review was performed at the IRS Headquarters offices of the Chief Financial Officer and Chief, Criminal Investigation, in Washington, D.C., during the period August 2011 through January 2012. Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. In general, our review procedures were limited to inquiries and analytical procedures appropriate for an attestation review based upon the criteria in the ONDCP Circular. Detailed information on our audit objective, scope, and

¹ Pub. L. No. 100-690, 102 Stat. 4181 (1988).

² A National Drug Control Program agency is defined as any agency that is responsible for implementing any aspect of the National Drug Control Strategy.



*Independent Attestation Review of the
Internal Revenue Service's Fiscal Year 2011 Annual
Accounting of Drug Control Funds and Related Performance*

methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



*Independent Attestation Review of the
Internal Revenue Service's Fiscal Year 2011 Annual
Accounting of Drug Control Funds and Related Performance*

Results of Review

Summary of the Independent Attestation Review of the Fiscal Year 2011 Office of National Drug Control Policy Detailed Accounting Submission and Performance Summary Report

We reviewed the assertions in the IRS's ONDCP Detailed Accounting Submission and Performance Summary Report (the Report) for Fiscal Year (FY)³ 2011, which ended September 30, 2011 (see Appendix IV). The IRS is responsible for preparing the Report, which was prepared pursuant to 21 U.S.C. 1704 (d) and the ONDCP Circular: *Drug Control Accounting*, dated May 1, 2007. The IRS reported that it expended \$66.5 million on ONDCP-related activities and completed 927 ONDCP-related investigations in FY 2011. For FY 2011, the IRS also reported it participated in 435 ONDCP-related cases that resulted in convictions, with an 88.1 percent conviction rate.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the ONDCP Detailed Accounting Submission and Performance Summary Report. Accordingly, we do not express such an opinion.

The Report assertions, as required by Section 6.b. of the ONDCP Circular, include statements that the methodology used is reasonable and accurate, including explanations and documentation of any estimation assumptions used; the methodology disclosed was the actual methodology used; and the data presented are associated with obligations against a financial plan that reflects changes, if made. The assertions, as required by Section 7.b. of the ONDCP Circular, also include statements that the performance reporting system is appropriate and applied, explanations for not meeting any performance targets are reasonable, and the methodology used to establish performance targets is reasonable and applied. ONDCP-established criteria require well-documented sources of data, documented and explained calculations, and complete and fair presentation of data from financial systems.

Based on our review, nothing came to our attention that caused us to believe that the assertions in the Report are not appropriately presented in all material respects in accordance with ONDCP-established criteria.

³ A 12-consecutive-month period ending on the last day of any month, except December. The Federal Government's fiscal year begins on October 1 and ends on September 30.



*Independent Attestation Review of the
Internal Revenue Service's Fiscal Year 2011 Annual
Accounting of Drug Control Funds and Related Performance*

While this report is an unrestricted public document, the information it contains is intended solely for the use of the IRS, the United States Department of the Treasury, the ONDCP, and Congress. It is not intended to be, and should not be, used by anyone other than these specified parties.



*Independent Attestation Review of the
Internal Revenue Service's Fiscal Year 2011 Annual
Accounting of Drug Control Funds and Related Performance*

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to perform an attestation review of the IRS's reporting of FY¹ 2011 ONDCP expenditures and related performance for the purpose of expressing a conclusion about the reliability of each assertion made in the Detailed Accounting Submission and Performance Summary Report. To accomplish our objective, we:

- I. Obtained an understanding of the process used to prepare the FY 2011 Detailed Accounting Submission and Performance Summary Report.
 - A. Discussed the process used to record ONDCP expenditures and performance information with responsible IRS personnel.
 - B. Obtained documents such as written procedures and supporting worksheets that evidence the methodology used.
- II. Evaluated the reasonableness of the drug methodology process for detailed accounting submissions.
 - A. Reviewed data supporting the Detailed Accounting Submission to establish their relationship to the amounts being reported.
 - B. Verified whether all drug-related activities are reflected in the drug methodology.
- III. Performed sufficient verifications of reported obligations for detailed accounting submissions to support our conclusion on the reliability of the assertions.
 - A. Verified that the Detailed Accounting Submission included all of the elements specified in Section 6 of the ONDCP Circular: *Drug Control Accounting*.
 - B. Verified the mathematical accuracy of the obligations presented in the Table of FY 2011 Drug Control Obligations.
 - C. Traced the information contained in the Table of FY 2011 Drug Control Obligations to the supporting documentation.
- IV. Evaluated the reasonableness of the methodology used to report performance information for National Drug Control Program activities.

¹ A 12-consecutive-month period ending on the last day of any month, except December. The Federal Government's fiscal year begins on October 1 and ends on September 30.



*Independent Attestation Review of the
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- A. Reviewed data supporting the Performance Summary Report to establish their relationship to the National Drug Control Program activities.
- B. Verified whether all drug-related activities are reflected in the performance information.
- V. Performed sufficient verifications of reported performance information to support our conclusion on the reliability of the assertions.
 - A. Verified that the Performance Summary Report included all of the elements specified in Section 7 of the ONDCP Circular: *Drug Control Accounting*.
 - B. Verified the mathematical accuracy of the performance information presented.
 - C. Traced the performance information presented to the supporting documentation.
 - D. Reviewed the supporting documentation for reasonableness.



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Appendix II

Major Contributors to This Report

Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations)

Jeffrey M. Jones, Director

Anthony J. Choma, Audit Manager

Angela Garner, Lead Auditor

Yasmin B. Ryan, Senior Auditor

Mildred Rita Woody, Senior Auditor



*Independent Attestation Review of the
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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Deputy Commissioner for Services and Enforcement SE
Deputy Chief, Criminal Investigation SE:CI
Deputy Chief Financial Officer OS:CFO
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaisons:
 Chief, Criminal Investigation SE:CI
 Chief Financial Officer OS:CFO



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Appendix IV

*Internal Revenue Service's Fiscal Year 2011
Detailed Accounting Submission and
Related Performance Summary Report*

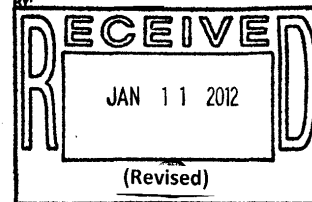


CHIEF FINANCIAL OFFICER


DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

RECEIVED
DEC - 6 2011

December 5, 2011



MEMORANDUM FOR MICHAEL PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: 
Pamela J. LaRue
Chief Financial Officer

SUBJECT: Annual Accounting and Authentication of Fiscal Year (FY) 2011
Drug Control Funds, Related Performance and Assertion of
Performance Information

Please find attached the IRS FY 2011 Annual Accounting and Authentication of Drug Control Funds and Related Performance Report, as directed in the Office of National Drug Control Policy (ONDCP) Circular: Drug Control Accounting, dated May 1, 2007. This circular requires the Treasury Inspector General for Tax Administration (TIGTA) to perform an attestation review before the IRS submits this document to the ONDCP. After IRS receives TIGTA's conclusion as to the reliability of each assertion, I will forward the document to the ONDCP.

If you have any questions, please contact me at (202) 622-5173, or have a member of your staff contact Adina Leach, Acting Associate Chief Financial Officer for Corporate Budget, at (202) 622-4663.

Attachments



*Independent Attestation Review of the
Internal Revenue Service's Fiscal Year 2011 Annual
Accounting of Drug Control Funds and Related Performance*

Attachment 1
December, 2011

**INTERNAL REVENUE SERVICE
Annual Accounting and Authentication of Drug Control Funds and Related
Performance**

DETAILED ACCOUNTING SUBMISSION

A. Table of Fiscal Year (FY) 2011 Drug Control Obligations

Drug Resources by Function	(\$000)
Investigations	\$66,566
Total	\$66,566
Drug Resources by Decision Unit	
Narcotics Crimes	\$66,566
Total	\$66,566

1) Drug Methodology

- a) All Drug Control Obligations (the resources appropriated and available for these activities) are reported under one Drug Control Function and one Budget Decision Unit, as shown in the above chart.
- b) The Internal Revenue Service (IRS) Drug Control Budget encompasses the Criminal Investigation (CI) Narcotics-related program. The Office of National Drug Control Policy (ONDCP) requires CI to report only on the Organized Crime and Drug Enforcement Task Force (OCDETF) portion of the Narcotics program. CI's overall Direct Investigative Time (DIT) applied to narcotics cases for FY 2011 was 12.4 percent of total DIT. The OCDETF sub-component of this program was 11.4 percent of total DIT or 92 percent of the total narcotics DIT.

The methodology for computing the resources appropriated and realized for the OCDETF program is the application of the DIT attributable to OCDETF cases and applying the DIT percentage to the total realized appropriated resources, reduced by reimbursable funds and Earned Income Tax Credit (EITC) resources, for the year for which the resources are being reported. The result is determined to be the amount of resources expended on OCDETF cases. This methodology has been approved by CI, the IRS Chief Financial Officer, and the Treasury Inspector General for Tax Administration (TIGTA) during the FY 2006 ONDCP attestation review.

Fiscal Year 2006 was the first year OCDETF funding became a permanent part of the CI's budget. In the past, OCDETF was a reimbursable program administered by the Department of Justice (DOJ).



*Independent Attestation Review of the
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2) Methodology Modifications

None

3) Material Weaknesses or Other Findings

None

4) Reprogramming or Transfers

None

5) Other Disclosures

None

B. Assertions

1) Obligations by Budget Decision Unit

Obligations reported by the Budget Decision Unit are a result of applying DIT data derived from the Criminal Investigation Management Information System (CIMIS) to the actual obligations from the CI realized Financial Plan, less reimbursements and EITC funds.

2) Drug Methodology

The methodology used to calculate obligations of prior-year budgetary resources is reasonable and accurate.

a) Data

Data is derived from CIMIS to determine the DIT applied to the OCDETF activities. Each special agent submits CIMIS time reports monthly detailing their activities relating to specific investigations. Each investigation is associated with a specific program and sub-program area. The percentage of DIT applied to each program area is calculated monthly with a final annual percentage determined after the close of the fiscal year. The annual percentage of DIT relating to OCDETF sub-program area items is applied to the total resources expended for FY 2011 in the CI budget (excluding reimbursables and EITC). These OCDETF percentages include High Intensity/OCDETF, OCDETF, and Terrorism/OCDETF program areas. These OCDETF DIT percentages are used to determine the total resources expended on the OCDETF program.



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b) Other Estimation Methods

None

c) Financial Systems

The IRS Integrated Financial System (IFS) is the final authority for the IRS resource obligations and yields data which fairly presents drug related obligation estimates.

3) Application of Drug Methodology

The methodology disclosed in this section was the actual methodology used to generate the required table and meets all requirements described in section 6 of the ONDCP Circular: Drug Control Accounting. Calculations made using this methodology are sufficiently documented to independently reproduce all data and ensure consistency between reporting years.

4) Reprogramming or Transfers

The data presented is associated with obligations against a financial plan and properly reflects any revisions occurring during the fiscal year.

5) Fund Control Notices

Criminal Investigation asserts the data presented is associated with obligations against a financial plan that fully complied with all fund control notices issued by the Director under 21 U.S.C. section 1703(f) and Section 8 of the ONDCP Circular: Budget Execution, as applicable.

C. Performance Summary Report

1) Performance Reporting

a) Performance Measures

The IRS reviewed performance measures used by other agencies that support the National Drug Control Strategy as well as budget-level performance measures that are already used to address the effectiveness of CI activities. As a result of the review, the IRS determined that, in addition to the number of subject Criminal Investigations Completed, the most appropriate performance measures to evaluate its contribution to the National Drug Control Strategy were number of Convictions and Conviction Rate. These are both budget-level performance measures already used by CI to evaluate its performance as a whole. Criminal Investigations Completed for



*Independent Attestation Review of the
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the OCDETF program and all other programs are defined as total subject criminal investigations completed during the fiscal year, including those resulting in a prosecution recommendation to the DOJ, discontinuance due to lack of evidence, or a finding that the allegation was false (or other reasons). Convictions are defined as the total number of subject criminal investigations with CIMIS status codes of guilty plea, nolo-contendere, judge guilty, or jury guilty. Conviction Rate is defined as the total number of subject criminal investigations with CIMIS status codes of guilty plea, nolo-contendere, judge guilty, or jury guilty divided by these status codes and nolle prosequi, judge dismissed, and jury acquittal.

These measures assess CI's performance of its mission to serve the public by conducting investigations of potential violations of the Internal Revenue Code and related financial crimes (which OCDETF cases are an important component), to foster confidence in the tax system and enhance voluntary compliance. In addition, it reduces or eliminates the profits and financial gains from narcotics trafficking and money laundering.

Criminal Investigation's Narcotics Program supports the goals of the National Drug Control Strategy and the National Money Laundering Strategy by seeking to reduce or eliminate the profits and financial gains from narcotics trafficking and money laundering organizations. CI has participated in the OCDETF program since its inception in 1982 and focuses its narcotics efforts almost exclusively on high-priority OCDETF cases where its contributions will have the greatest impact.

b) Prior Years Performance Targets and Results

Before FY 2008, CI did not set performance targets for the OCDETF Program. However, CI projected for completed investigations which were used as benchmarks. The OCDETF resources became a part of the IRS budget in FY 2006. Previously, the IRS portion of the OCDETF resources was included in the DOJ appropriation and was reported as part of the DOJ budget submission. The performance results for FY 2006 through FY 2010 are shown below:

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Investigations Completed	728	654	824	652	788
Convictions	N/A	N/A	460	462	405
Conviction Rate	N/A	N/A	90.6%	84.9%	82.3%

As a result of budgetary constraints, CI reduced its narcotics DIT (9 to 11 percent of total) in FY 2006 and FY 2007. In response to the Attorney General's request for the commitment of additional CI resources to OCDETF cases, CI agreed to increase the amount of DIT devoted to narcotics



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investigations in FY 2008 to between 11 and 13 percent of total DIT. Criminal Investigation maintained this same level through FY 2011.

c) Current Year Performance Targets and Results

Based on a recommendation from the FY 2008 audit and attestation, to evaluate the cause of the delayed case postings identified and evaluate the feasibility of either improving the timeliness of case postings and/or adjusting its year-end performance information to reflect timing differences caused by late postings of case information, CI calculated its year-end performance using the status date of investigations. The results for FY 2011 are shown below:

FY 2011 OCDETF Targets & Performance	FY 2011 OCDETF Targets	Based on Status Date as of November 02, 2011
Investigations Completed	680	927
Convictions	410	435
Conviction Rate	85%	88.1%

As noted above, CI exceeded in all three performance target areas for FY 2011: Investigations Completed; Convictions; and Conviction Rate.

It should be noted that in last year's Attestation Review of the Internal Revenue Service's Fiscal Year 2010 Annual Accounting to Drug Control Funds, prepared on January 31, 2011, the reported Fiscal Year 2011's performance targets for OCDETF Cases Convictions was incorrectly reported as 460. The correct number for convictions for FY 2011 was previously set, and submitted to ONDCP, as 410.

In FY 2010, the target for convictions was lowered from 460 to 410. This target adjustment was made due to a decrease in resources in the OCDETF programs at the Department of Justice. Specifically, in the FY 2009 appropriations there was a reduction of positions within the OCDETF program. This reduction included a significant number of OCDETF attorney positions being funding within the United States Attorney's offices around the country. Criminal Investigation anticipated that this reduction in attorneys, used to prosecute the OCDETF investigations, would likely affect the number of convictions that would be achieved within the OCDETF program. Therefore the conviction target was lowered from 460 to 410 for FY 2010, FY 2011, and FY 2012.

d) Fiscal Year 2012 Performance Targets OCDETF Cases:

The performance information for the IRS CI OCDETF program for FY 2012, as submitted to ONDCP (ONDCP Budget Submission):



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Criminal Investigations Completed	680
Convictions	410
Conviction Rate	85%

e) Quality of Performance Data

To ensure the reliability of the data, all cases have unique numbers assigned in CIMIS which contain validity and business rule checks. The CIMIS database tracks the status of the investigations from initiation through final disposition. The system has sufficient internal checks and balances to assure status updates are input in the proper order.

D. Annual Accounting and Authentication of Drug Control Funds and Related Performance

1) Performance Measures Assertions

a) Performance Reporting System is appropriate and applied

The IRS uses the CIMIS to capture performance information accurately and that system was properly applied to generate the performance data.

b) Explanations for not meeting performance targets are reasonable

Explanations 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.

c) Methodology to establish performance targets is reasonable and applied

The methodology described in the Performance Summary Report for FY 2011 to establish performance targets for the current year is reasonable given past performance and available resources.

d) Adequate performance measures exist for all significant drug control activities

The IRS established at least one acceptable performance measure for each Drug Control Decision Unit identified in its Detailed Accounting of FY 2011 Drug Control Funds as required by section 6a(1)(A) for which a significant amount of obligations were incurred in the previous year.



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2) Criteria for Assertions

a) Data

The sources of the data used are well documented and the data used in the report is clearly identified and is the most recent available.

b) Estimation Methods

Not applicable.

c) Reporting Systems

The reporting system supporting the above assertions is current, reliable, and an integral part of the agency's budget and management processes.



Tab J
Department of
Veterans Affairs

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veterans Affairs

*Independent Review
of VA's Fiscal Year 2011
Detailed Accounting
Summary Report to the
Office of National Drug
Control Policy*

March 22, 2012
12-01071-122

To Report Suspected Wrongdoing in VA Programs and Operations:

Telephone: 1-800-488-8244

E-Mail: vaighotline@va.gov

(Hotline Information: <http://www.va.gov/oig/contacts/hotline.asp>)

**Department of
Veterans Affairs**

Memorandum

Date: March 12, 2012

From: Assistant Inspector General for Audits and Evaluations (52)

Subj: Final Report – Independent Review of the VA’s FY 2011 Detailed Accounting Submission to the Office of National Drug Control Policy

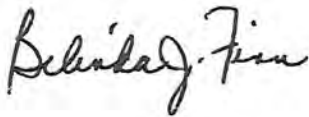
To: Chief Financial Officer, Veterans Health Administration (10A3)

1. The Office of National Drug Control Policy (ONDCP) requires the Department of Veterans Affairs (VA) to submit an annual Detailed Accounting Submission (Submission), as authorized by 21 U.S.C. § 1704(d) and ONDCP Circular, *Drug Control Accounting* (Circular), dated May 1, 2007, to ONDCP. The Submission, including the assertions made, is the responsibility of VA’s management and it is included in this report as Attachment A.
2. We reviewed VA management’s assertions as required by the Circular concerning its drug methodology, reprogrammings and transfers, and fund control notices. The assertions are found in the Submission on page 9 of this report.
3. We conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted a review level attestation engagement. An attestation review is substantially less in scope than an examination, the objective of which is an expression of opinion on the assertions in the Submission. Accordingly, we do not express such an opinion.
4. Our report, *Audit of VA’s Consolidated Financial Statements for Fiscal Years 2011 and 2010* (Report No. 11-00343-26, dated November 10, 2011), identified one material weakness, information technology security controls, which is a repeat condition. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A significant deficiency is a

control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

Based upon our review, except for the effects, if any, of the material weakness discussed in paragraph four, nothing came to our attention that caused us to believe that management's assertions included in the accompanying Submission of this report are not fairly stated in all material respects based on the criteria set forth in the Circular.

5. We provided you our draft report for review. You concurred with our report without further comments.



BELINDA J. FINN

Attachment

Attachment Statement by the Veterans Health Administration CFO

Statement of Disclosures and Assertions for FY 2011 Drug Control Expenditures Submitted to Office of National Drug Control Policy (ONDCP)

In accordance with ONDCP's Circular, Drug Control Accounting, dated May 1, 2007, the Veterans Health Administration asserts that the VHA system of accounting, use of actuals, and systems of internal controls provide reasonable assurance that:

Expenditures and Obligations are based upon the actual expenditures as reported by the Decision Support System (DSS).

The methodology used to calculate expenditures of budgetary resources is reasonable and accurate in all material respects and as described herein was the actual methodology used to generate the costs.

Accounting changes are as shown in the disclosures that follow.

Attachment A

**DEPARTMENT OF VETERANS AFFAIRS
VETERANS HEALTH ADMINISTRATION
Annual Reporting of FY 2011 Drug Control Funds**

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2011 Drug Control Obligations

Description	FY 2011 Final <i>(in Millions)</i>
Drug Resources by Drug Control Function:	
Treatment	\$581.646
Research & Development	\$19.153
Total	\$600.799
Drug Resources by Budget Decision Unit:	
Medical Care	\$581.646
Research & Development	\$19.153
Total	\$600.799

1. Drug Control Methodology

The Table of FY 2011 Drug Control Obligations shown above and Resource Summary (page 7) showing obligations and FTE (Full-Time Equivalent) for Substance Abuse treatment in VHA are based on specific patient encounters. This is for all inpatient and outpatient episodes of care whether provided by VHA staff or purchased in the community. The source data for VHA inpatient care is the Patient Treatment File (PTF). For Outpatient Care it is the National Patient Care Database Encounter file (SEFILE). For contract care it is either the PTF or the hospital payment file. For outpatient FEE Care it is the Provider Payment file.

All of these data sources have a diagnosis associated with the encounter. The primary diagnosis is considered the reason the patient is being treated and is used to determine whether the treatment provided is substance abuse treatment and which type of substance abuse. The next page displays a list of Diagnosis groups used.

Attachment A

Diagnosis Code	Description
292.xx	Drug-Induced Mental Disorders
304.xx	Drug Dependence
305.xx	Nondependent Abuse of Drugs (excluding 305.0 – Alcohol Abuse and 305.1 – Tobacco Use Disorder)

It should be noted that Prescriptions and Lab tests do not have linkages to a specific diagnosis and are not included in the report.

The cost of the VHA provided services is assigned through the Decision Support System (DSS) management cost accounting system and is based on the products consumed by producing departments. Every product is valued and assigned a cost. All the cost of all the products a patient uses are rolled up. A national data extract of patients at the encounter level is created and is the source of the cost. An additional extract at the encounter level also splits out the DSS intermediate product department, (NDE IPD). The cost of the contracted care comes from the Inpatient (Hospital) and Outpatient (FEE) payment systems. The DSS costs and payments are expenditures. These expenditure costs are modified to reflect full VHA obligations.

The FTE calculation is based on the DSS staff mapping to DSS Departments which are the production units. As we noted above, all the products are accumulated to an encounter. The DSS NDE IPD extracts show the cost of the encounter by department and the cost by three cost categories; Variable Direct, Fixed Direct and Fixed Indirect. All the costs, including the fixed costs, from all the departments are included in the cost calculation; however, there are no FTE numbers in the extract.

The Monthly Program Cost Report (MPCR) is a secondary DSS cost report which allows for the calculation of FTE at a detailed level. The DSS Department costs and FTE are aggregated to the service level, the clinic stop and the treating specialty. The portion of the DSS Department's costs and FTE can be assigned to these levels based on the DSS IPD extract. The FTE calculation assumes that a proportionate amount of each DSS Department's FTE is associated with each dollar assigned. The FTE calculation only uses the Direct Care Departments costs. The average Direct FTE/Cost is calculated for each Clinic stop and Treating specialty at each medical center/CBOC. The service specific FTE/dollars are multiplied by the cost of the service providing substance abuse care. The result is the FTE.

Attachment A

Year in Review

According to the 2010 *Drug and Alcohol Program Survey* (DAPS), at the start of FY 2011, the Department of Veterans Affairs offered specialty SUD treatment programs at 137 of 140 medical facilities, located in the Department's medical centers, mental health residential rehabilitation treatment programs and outpatient clinics. Seventy-one of 140 VA facilities offer specialty SUD treatment including 24-hour care programs. Of the remainder, 60 facilities offer intensive outpatient programs, and 6 provide standard outpatient programs. Three VA facilities currently do not provide SUD services within a specialty setting, although all provide SUD services in general mental health settings and all are in the process of developing specialty programming.

VA provides two types of 24-hour-a-day care to patients having particularly severe substance use disorders. VA offers 24-hour care in residential rehabilitation treatment programs for substance use disorders. Additionally, 24-hour care is provided for detoxification in numerous inpatient medical and general mental health units throughout the VA system. Outpatient detoxification is available for patients who are medically stable and who have sufficient social support systems to monitor their status. Most Veterans with substance use disorders are treated in outpatient programs. Intensive substance use disorder outpatient programs provide at least three hours of service per day to each patient, and patients attend them three or more days per week. Standard outpatient programs typically treat patients for an hour or two per treatment day and patients attend one or two days a week.

VHA is steadily expanding the availability of opioid agonist treatment for opioid-dependent Veterans. In FY 2011, evidence-based medication assisted treatment for opioid dependence, including office-based treatment with buprenorphine, has expanded to 123 of the VHA's 140 parent health care systems plus 121 sub-facilities. VA operates methadone maintenance programs at 28 facilities and 25 VHA facilities maintain contractual arrangements for providing these services through community-based licensed opioid agonist treatment programs.

VHA has also expanded access to other SUD treatment services including hiring new substance use disorder specialists to work in a variety of VHA health care settings. Eighty-eight percent of the 406 additional SUD staff assigned to work in large community based outpatient clinics, mental health residential rehabilitation programs, intensive SUD outpatient programs and post traumatic stress disorder (PTSD) teams have now been hired or have a set date to begin work. The Homeless Programs are funding 100 SUD specialists to support the Department of Housing and Urban Development – VA Supportive Housing

Attachment A

(HUD-VASH) program. In addition, there are approximately 80 SUD Specialists working in Health Care for Homeless Veterans (HCHV) programs including 32 newly funded HCHV SUD Specialist positions being added in FY 2012. These specialists emphasize early identification of SUD as a risk for maintaining permanent housing, promote engagement or re-engagement in SUD specialty care programs and serve as linkages between Homeless and SUD programs.

VHA has begun implementation of the Brief Addiction Monitor (BAM) using paper administration and is awaiting the imminent release of a software patch that will integrate the assessment process with our electronic health record and permit automatic data extraction. The BAM is designed to assist SUD specialty care clinicians in monitoring the progress of patients while they are receiving care for a substance use disorder, serving as a basis for giving feedback to them to enhance their motivation for change, and informing clinical decisions, such as the intensity of care required for the patient.

The VA investment in health care and specialized treatment of Veterans with drug use disorders, funded by the resources in Medical Care appropriation, helps avoid future health, welfare and crime costs associated with illegal drug use.

In FY 2011, VHA provided services in a specialty substance use disorder (SUD) setting to 109,156 patients with a drug use disorder diagnosis. Of these, 46 percent used cocaine, 28 percent used opioids and 37 percent used cannabis. Eighty-one percent had co-existing psychiatric diagnoses. (These categories are not mutually exclusive.)

The accompanying Department of Veterans Affairs Resource Summary was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Annual Accounting of Drug Control Funds, dated May 1, 2007, (b) Budget Instructions and Certification Procedures, dated May 1, 2007, and (c) Budget Execution, dated May 1, 2007. In accordance with the guidance provided in the ONDCP's letter of September 7, 2004, VA's methodology only incorporates Specialized Treatment costs.

Attachment A

Specialized Treatment	Obligations (in Millions)	FTE
Inpatient	\$145.613	658
Outpatient	\$261.151	1,112
Residential Rehabilitation & Treatment	\$174.882	922
Total	\$581.646	2,692

VA does not track obligations and expenditures by ONDCP function. In the absence of such capability, actuals have been furnished, as indicated.

RESEARCH & DEVELOPMENT

The dollars expended in VHA research help to acquire new knowledge to improve the prevention, diagnosis and treatment of disease, and generate new knowledge to improve the effectiveness, efficiency, accessibility and quality of Veterans' health care.

Specialized Function	Obligations (in Millions)	Drug Control Related Percent	FTE
Research and Development	\$19.153	N/A	N/A

2. Methodology Modifications – In accordance with the guidance provided in the ONDCP's letter of September 7, 2004, VA's methodology only incorporates Specialized Treatment costs and no longer takes into consideration Other Related Treatment costs. Drug control methodology detailed in A.1 was the actual methodology used to generate the Resource Summary.

3. Material Weaknesses or Other Findings – Clifton Gunderson LLP provided an unqualified opinion on VA's fiscal year 2011 consolidated financial statements. They also identified one material weakness. The material weakness is a repeat condition from the prior year audit identified as Information Technology Security Controls. There were no material weaknesses or other findings by independent sources, or other known weaknesses, which may materially affect the presentation of prior year drug-related obligations data.

Attachment A

4. Reprogrammings or Transfers – There were no reprogramming of funds or transfers that adjusted drug control-related funding because drug control expenditures are reported on the basis of patients served in various VA clinical settings for specialized substance abuse treatment programs.

5. Other Disclosures – This budget accounts for drug control-related costs for VHA Medical Care and Research. It does not include all drug-related costs for the agency. VA incurs costs related to accounting and security of narcotics and other controlled substances and costs of law enforcement related to illegal drug activity; however, these costs are assumed to be relatively small and would not have a material effect on the reported costs.

B. Assertions

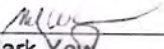
1. Drug Methodology – VA asserts that the methodology used to estimate FY 2011 drug control obligations by function and budget decision unit is reasonable and accurate based on the criteria set forth in the ONDCP Circular dated May 1, 2007.

2. Application of Methodology – The methodology described in Section A.1 above was used to prepare the estimates contained in this report.

3. Reprogrammings or Transfers – No changes were made to VA's Financial Plan that required ONDCP approval per the ONDCP Circular dated May 1, 2007.

4. Fund Control Notices – The data presented are associated with obligations against a financial plan that was based upon a methodology in accordance with all Fund Control Notices issued by the Director under 21 U.S.C., § 1703 (f) and Section 8 of the ONDCP Circular, Budget Execution.

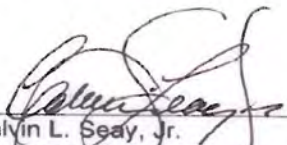
Attachment A



Mark Yow
Associate Chief Financial Officer
Resource Management Office (10A3B)

2/3/2012

Date



Calvin L. Seay, Jr.
Director of Budget Services
Resource Management Office (10A3B)

2/3/2012

Date

Attachment A

Department of Veterans Affairs Resource Summary Obligations <i>(in Millions)</i>	
	2011 Final
Medical Care:	
Specialized Treatment	
Inpatient	\$145.613
Outpatient	\$261.151
Residential Rehabilitation and Treatment	\$174.882
Specialized Treatment	\$581.646
Research and Development	\$19.153
Drug Control Resources by Function and Decision Unit, Total	\$600.799
Drug Control Resources Personnel Summary	
Total FTE	2,692
Total Enacted Appropriations	\$126,414.000
Drug Control Percentage	0.48%

Attachment B

ONDCP Circular: Drug Control Accounting May 1, 2007

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Annual Accounting and Authentication of Drug Control Funds and Related Performance

1. **Purpose.** This circular provides the policies and procedures to be used by National Drug Control Program agencies in conducting a detailed accounting and authentication of all funds expended on National Drug Control Program activities and the performance measures, targets, and results associated with those activities.

2. **Rescission.** This circular rescinds and replaces the ONDCP Circular, *Annual Accounting of Drug Control Funds*, dated April 18, 2003.

3. **Authority.**

a. 21 U.S.C. § 1704(d) provides: "The Director [ONDCP] shall –

(A) require the National Drug Control Program agencies to submit to the Director not later than February 1 of each year a detailed accounting of all funds expended by the agencies for National Drug Control Program activities during the previous fiscal year, and require such accounting to be authenticated by the Inspector General of each agency prior to submission to the Director; and

(B) submit to Congress not later than April 1 of each year the information submitted to the Director under subparagraph (A)."

b. 21 U.S.C. § 1703(d)(7) authorizes the Director of National Drug Control Policy to "... monitor implementation of the National Drug Control Program, including – (A) conducting program and performance audits and evaluations; and (B) requesting assistance of the Inspector General of the relevant agency in such audits and evaluations ..."

4. **Definitions.** As used in this circular, key terms related to the National Drug Control Program and budget are defined in Section 4 of the ONDCP Circular, Budget Formulation, dated May 1, 2007. These terms include: National Drug Control Program, National Drug Control Program agency, Bureau, Drug Methodology, Drug Control Functions, and Budget Decision Units. Further, Reprogrammings and Fund Control Notices referenced in Section 6 of this circular are defined in Section 6 and Section 8 of the ONDCP Circular, Budget Execution, dated May 1, 2007.

5. **Coverage.** The provisions of this circular apply to all National Drug Control Program agencies.

Attachment B

6. Detailed Accounting Submission. The Chief Financial Officer (CFO) of each agency, or other accountable senior level senior executive, shall prepare a Detailed Accounting Submission to the Director, ONDCP. For agencies with no bureaus, this submission shall be a single report, as defined by this section. For agencies with bureaus, the Detailed Accounting Submission shall consist of reports, as defined by this section, from the agency's bureaus. The CFO of each bureau, or accountable senior level executive, shall prepare reports. Each report must include (a) a table highlighting prior year drug control obligations data, and (b) a narrative section making assertions regarding the prior year obligations data. Report elements are further detailed below:

a. **Table of Prior Year Drug Control Obligations** – For the most recently completed fiscal year, each report shall include a table of obligations of drug control budgetary resources appropriated and available during the year being reported.¹ Such table shall present obligations by Drug Control Function and Budget Decision Unit, as these categories are displayed for the agency or bureau in the National Drug Control Strategy Budget Summary. Further, this table shall be accompanied by the following disclosures:

(1) **Drug Methodology** – The drug methodology shall be specified in a separate exhibit. For obligations calculated pursuant to a drug methodology, this presentation shall include sufficient detail to explain fully the derivation of all obligations data presented in the table.

(a) **Obligations by Drug Control Function** – All bureaus employ a drug methodology to report obligations by Drug Control Function.

(b) **Obligations by Budget Decision Unit** – For certain multi-mission bureaus – Customs and Border Protection (CBP), Coast Guard, Immigration and Customs Enforcement (ICE), Indian Health Service (IHS), Bureau of Indian Affairs (BIA), and the Veterans Health Administration (VHA) – obligations reported by Budget Decision Unit shall be calculated pursuant to an approved drug methodology. For all other bureaus, drug control obligations reported by Budget Decision Unit shall represent 100 percent of the actual obligations of the bureau for those Budget Decision Units, as they are defined for the National Drug Control Budget. (See Attachment B of the ONDCP Circular, *Budget Formulation*, dated May 1, 2007.)

¹Consistent with reporting requirements of the ONDCP Circular, *Budget Formulation*, dated May 1, 2007, resources received from the following accounts are excluded from obligation estimates: (1) ONDCP – High Intensity Drug Trafficking Areas (HIDTA) and (2) DOJ – Organized Crime Drug Enforcement Task Force Program. Obligations against these resources shall be excluded from table required by this section but shall be reported on a consolidated basis by these bureaus. Generally, to prevent double-counting agencies should not report obligations against budget resources received as a reimbursement. An agency that is the source of the budget authority for such reimbursements shall be the reporting entity under this circular.

Attachment B

(2) **Methodology Modifications** – Consistent with ONDCP's prior approval, if the drug methodology has been modified from the previous year, then the changes, their purpose, and the quantitative differences in the amount(s) reported using the new method versus the amount(s) that would have been reported under the old method shall be disclosed.²

(3) **Material Weaknesses or Other Findings** – Any material weakness or other findings by independent sources, or other known weaknesses, including those identified in the Agency's Annual Statement of Assurance, which may affect the presentation of prior year drug-related obligations data, shall be highlighted. This may be accomplished by either providing a brief written summary, or by referencing and attaching relevant portions of existing assurance reports. For each material weakness or other finding, corrective actions currently underway or contemplated shall be identified.

(4) **Reprogrammings or Transfers** – All prior year reprogrammings or transfers that affected drug-related budgetary resources shall be identified; for each such reprogramming or transfer, the effect on drug-related obligations reported in the table required by this section also shall be identified.

(5) **Other Disclosures** – Agencies may make such other disclosures as they feel are necessary to clarify any issues regarding the data reported under this circular.

b. **Assertions** – At a minimum, each report shall include a narrative section where the following assertions are made regarding the obligation data presented in the table required by Section 6a:

(1) **Obligations by Budget Decision Unit** – With the exception of the multi-mission bureaus noted in Section 6a(1)(b), reports under this section shall include an assertion that obligations reported by budget decision unit are the actual obligations from the bureau's accounting system of record for these Budget Decision Units.

(2) **Drug Methodology** – An assertion shall be made regarding the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources by function for all bureaus and by budget decision unit for the CBP, Coast Guard, ICE, IHS, BIA, and VHA. The criteria associated with this assertion are as follows:

²For changes that did not receive prior approval, the agency or bureau shall submit such changes to ONDCP for approval under separate cover.

Attachment B

(a) **Data** – If workload or other statistical information supports the drug methodology, then the source of these data and the current connection to drug control obligations should be well documented. If these data are periodically collected, then the data used in the drug methodology must be clearly identified and will be the most recently available.

(b) **Other Estimation Methods** – If professional judgment or other estimation methods are used as part of the drug methodology, then the association between these assumptions and the drug control obligations being estimated must be thoroughly explained and documented. These assumptions should be subjected to periodic review, in order to confirm their continued validity.

(c) **Financial Systems** – Financial systems supporting the drug methodology should yield data that fairly present, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.

(3) **Application of Drug Methodology** – Each report shall include an assertion that the drug methodology disclosed in this section was the actual methodology used to generate the table required by Section 6a. Calculations must be sufficiently well documented to independently reproduce these data. Calculations should also provide a means to ensure consistency of data between reporting years.

(4) **Reprogrammings or Transfers** – Further, each report shall include an assertion that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP's approval of reprogrammings or transfers affecting drug-related resources in excess of \$1 million.

(5) **Fund Control Notices** – Each report shall also include an assertion that the data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21 U.S.C. § 1703(f) and Section 8 of the ONDCP Circular, *Budget Execution*.

7. Performance Summary Report. The CFO, or other accountable senior level senior executive, of each agency for which a Detailed Accounting Submission is required, shall provide a Performance Summary Report to the Director of National Drug Control Policy. Each report must include performance-related information for National Drug Control Program activities, and the official is required to make certain assertions regarding that information. The required elements of the report are detailed below.

a. **Performance Reporting** - The agency's Performance Summary Report must include each of the following components:

Attachment B

- (1) **Performance Measures** – The report must describe the performance measures used by the agency to assess the National Drug Control Program activities it carried out in the most recently completed fiscal year and provide a clear justification for why those measures are appropriate for the associated National Drug Control Program activities. The performance report must explain how the measures: reflect the purpose of the program; contribute to the National Drug Control Strategy; and are used in the management of the program. The description must include sufficient detail to permit non-experts to understand what is being measured and why it is relevant to those activities.
 - (2) **Prior Years Performance Targets and Results** – For each performance measure, the report must provide actual performance information for the previous four fiscal years and compare the results of the most recent fiscal year with the projected (target) levels of performance established in the agency's annual performance budget for that year. If any performance target for the most recently completed fiscal year was not met, the report must explain why that target was not met and describe the agency's plans and schedules for meeting future targets. Alternatively, if the agency has concluded it is not possible to achieve the established target with available resources, the report should include recommendations concerning revising or eliminating the target.
 - (3) **Current Year Performance Targets** – Each report must specify the performance targets established for National Drug Control Program activities in the agency's performance budget for the current fiscal year and describe the methodology used to establish those targets.
 - (4) **Quality of Performance Data** – The agency must state the procedures used to ensure the performance data described in this report are accurate, complete, and unbiased in presentation and substance.
- b. **Assertions** – Each report shall include a letter in which an accountable agency official makes the following assertions are made regarding the information presented in Section 7a:
- (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.
 - (2) **Explanations for not meeting performance targets are reasonable** – An assertion shall be made regarding the reasonableness of any explanation 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.

Attachment B

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

(4) **Adequate performance measures exist for all significant drug control activities** -Each Report shall include an assertion that the agency has established at least one acceptable performance measure for each Drug Control Decision Unit identified in reports required by section 6a (1)(A) 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. Each performance measure must consider the intended purpose of the National Drug Control Program activity.

The criteria associated with these assertions are as follows:

(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.

8. **Inspector General Authentication.** Each report defined in Sections 6 and 7 shall 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.

9. **Unreasonable Burden.** Unless a detailed report, as specified in Section 6, is specifically requested by ONDCP, an agency or bureau included in the National Drug Control Budget with prior year drug-related obligations of less than \$50 million may submit through its CFO, or its accountable senior level executive, an alternative report to ONDCP, consisting of only the table highlighted in Section 6a., omitting all other disclosures. Such a report will be accompanied by statements from the CFO, or accountable senior level executive, and the agency IG attesting that full compliance with this Circular would constitute an unreasonable reporting burden. In those instances, obligations reported under this section will be considered as constituting the statutorily required detailed accounting, unless ONDCP notifies the agency that greater detail is required.

Attachment B

10. **Point of Contact and Due Dates.** Each agency CFO, or accountable senior level executive, shall transmit a Detailed Accounting Submission, consisting of the report(s) defined in Sections 6 and 7, along with the IG's authentication(s) defined in Section 8, to the attention of the Associate Director for Performance and Budget, Office of National Drug Control Policy, Washington, DC 20503. Detailed Accounting Submissions, with the accompanying IG authentication(s), are due to ONDCP by February 1 of each year. Agency management must submit reports to their Office of Inspector General (OIG) in sufficient time to allow for review and IG authentication under Section 8 of this Circular. ONDCP recommends a 31 December due date for agencies to provide their respective OIG with the required reports and information.

Report Distribution

VA Distribution

Office of the Secretary
Under Secretary for Health
Office of General Counsel
Chief Financial Officer, Veterans Health Administration

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans
Affairs, and Related Agencies
House Committee on Oversight and Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans
Affairs, and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
Office of National Drug Control Policy

This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/publications/reports-list.asp>. This report will remain on the OIG Web site for at least 2 fiscal years.



Tab K
Small Business
Administration



U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416

ADVISORY MEMORANDUM
REPORT NO. 12-09

DATE: March 1, 2012

TO: Ann Bradbury
Acting Associate Administrator for Small Business Development Centers

SUBJECT: Independent Review of the SBA's *Accounting of FY 2011 Drug Control Funds and Performance Summary Report*

This report presents the results of our review of the Small Business Administration's (SBA) *Accounting of Drug Control Funds and Performance Summary Report* for the year ended September 30, 2011. As directed by the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*,¹ agencies are required annually to provide a detailed accounting of all funds expended on National Drug Control Program activities and the results associated with those activities. However, when drug-related obligations are less than \$50 million and a detailed accounting would constitute an unreasonable burden, ONDCP's guidance permits agencies to submit an alternative report, as long as it is accompanied by Agency and Office of Inspector General statements that full compliance with the circular would constitute an unreasonable burden.

Because the SBA's Fiscal Year (FY) 2011 drug-related obligations were less than \$50 million, the SBA submitted an alternative report for FY 2011. We (1) assessed whether providing a detailed accounting of funds expended on National Drug Control Program activities would constitute an unreasonable burden, and (2) reviewed the SBA's report and related management assertions to determine the reliability of those assertions made in the SBA's *Accounting of FY 2011 Drug Control Funds and Performance Summary Report*.

We reviewed the SBA's FY 2011 accounting entries for the Drug-Free Workplace Program made by the Office of the Chief Financial Officer, and grantee self-reported performance data used to support the SBA's *Accounting of FY 2011 Drug Control Funds and Performance Summary Report*. We wish to note that the FY 2011 performance data reported by the SBA is based on information submitted by grantees that was not verified by the SBA to determine whether it was accurate, complete, and unbiased. While the SBA's management is responsible for the preparation of its report, related disclosures, and the assertions, the SBA properly disclosed that it relied on the honesty and integrity of grantees to ensure that performance data was accurate, complete, and unbiased in presentation and substance.

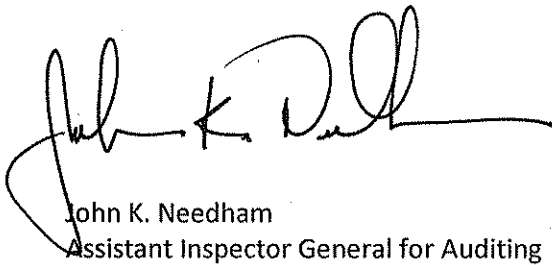
We conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants, and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because a review is substantially less in scope than an examination, and does not provide an adequate basis from which to express an opinion

¹ dated May 1, 2007

on the SBA's *Accounting of FY 2011 Drug Control Funds and Performance Summary Report*, accordingly, we do not express such an opinion.

Based on our review, we believe that full compliance with the ONDCP circular would constitute an unreasonable burden for the SBA. Nothing came to our attention that caused us to believe that the SBA's alternative report for the year ended September 30, 2011 is not presented, in all material respects, in conformity with ONDCP's circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular, *Drug Control Accounting*.

A copy of the SBA's *Accounting of FY 2011 Drug Control Funds and Performance Summary Report* is attached. We note that the SBA did not request FY 2012 funds to administer this program because it overlapped with other forms of similar assistance and the SBA has proposed the elimination of this program. Should you or your staff have any questions, please contact Jeffrey R. Brindle, Director, Information Technology and Financial Management Group at (202) 205-7490.



John K. Needham
Assistant Inspector General for Auditing

cc/enc: Jonathan I. Carver



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

February 1, 2012

Mr. Jon Rice
Associate Director for Performance and Budget
Office of National Drug Control Policy
750 17th St., NW
5th Floor
Washington, D.C. 20503

Dear Mr. Rice:

In accordance with the Office of National Drug Control Policy's Drug Control Accounting Circular, the Small Business Administration submits its Accounting of FY 2011 Drug Control Funds and Performance Summary Report with the accompanying Office of Inspector General authentication.

If you have any additional questions or comments, please call me directly.

Sincerely yours,

JOS
J. Ann Forabury
Jean Smith
Acting Director, Office of Small Business Development Centers

Enclosure

I. DRUG METHODOLOGY

SBA is trying to increase the positive impact of SBA assistance upon the number and success of small business start-ups; maximize the sustainability and growth of existing small businesses assisted by the SBA; and significantly increase successful small business ownership within the segments of society facing special competitive opportunity gaps. SBA's Office of Small Business Development Centers awards grants to eligible intermediaries to provide financial and technical assistance to small businesses seeking to establish Drug Free Workplace Programs (DFWP). The grantees are expected to educate working parents on how keep their children drug free. A part of the program, the SBA has also awarded grants to Small Business Development Centers to provide information and assistance to small businesses with respect to establishing a DFWP.

An SBA DFWP grantee schedules events for small businesses to receive training and education regarding the DFWP. A data record is recorded when a small business signs up for the education/training whether by phone, in-person, or via computer. Data is reported quarterly to the SBA as outcomes.

The drug methodology has not changed since the inception of the program.

II. FY 2011 DRUG CONTROL OBLIGATION DATA

<u>Function</u>	FY 2011 Final BA	FY 2012 Enacted
Prevention and Education DFWP Grants	\$997,000	\$0 ¹
<u>Drug Resources By Decision Unit</u>		
Total FTEs (direct only)	0	0
<u>Information</u>		
Total Agency Budget ²	\$668,100M	\$785,204M
Drug Percentage	0%	0%

¹ SBA identified this program as an example of programs overlapping with other forms of similar assistance and proposed that it be eliminated.

² Does not include Office of Disaster Assistance Program or the Office of the Inspector General.

FY 2011 DFWP Grant Awards

GRANTEE NAME	PO DATE	PO AMOUNT
Workers Assistance Program	09/23/11	\$60,000.00
Drug Free Idaho	09/23/11	\$186,576.00
River Region Human Services	09/06/11	\$250,000.00
Premier Integrity Solutions	09/23/11	\$250,000.00
Peer Assistance Services	08/03/11	\$250,000.00
Total		\$996,576.00

III. PERFORMANCE INFORMATION

Performance Indicator 1: Number of Small Businesses Educated

FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Goal	FY 2011 Actual	FY 2012 Goal
2,280	1,550	1,332	1,500	866	1,500

This performance indicator reflects the number of small businesses that were educated by a DFWP grantee. A primary purpose of the program is to educate as many small businesses as possible to make them aware of the benefits of implementing a DFWP for their business.

Performance Indicator 2: Number of DFWPs Implemented

FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2011 Actual	FY 2012 Target
363	375	465	166	414	165

This performance indicator reflects the number of small businesses that implemented a whole or partial DFWP. Another purpose of this program is to encourage as many small businesses as possible to implement a DFWP for their business.

In 2007, SBA started collecting and reporting outcome information on the following metrics from businesses that implemented a DFWP:

Employee Behaviors Improved	Business Costs Decreased
Absenteeism	Insurance Premiums
Tardiness	Damaged or stolen Property
Workplace Accidents	Productivity/Morale
Employee Turnover	

If a business implements a DFWP, it is believed that there will be a decrease in absenteeism, tardiness, workplace accidents, employee turnover, damaged or stolen property and insurance premiums. It is also believed that employee productivity and morale will increase. The

program outcomes are collected directly from businesses who implemented a DFWP. The outcomes are reported by grantees and Small Business Development Centers and input to SBA's web-based database for the DFWP.

Since 2007 small businesses who implemented a DFWP have reported decreases in absenteeism, tardiness, workplace accidents, employee turnover, damaged or stolen property, and insurance premiums. Small businesses have also reported an increase in employee productivity and morale. The SBA estimates its target goals for the DFWP based on the number of grantees and whether previous goals were reached. The SBA has no recourse to verify whether the outcome data is correct. It places great emphasis on the honesty and integrity of the DFWP grantees to ensure performance data for this measure are accurate, complete, and unbiased in presentation and substance.

IV. MANAGEMENT'S ASSERTIONS

- (1) Performance reporting system is appropriate and applied** – The SBA has a system to capture performance information accurately and that system was properly applied to generate the performance data.
- (2) Explanations for not meeting performance targets are reasonable** – The goal for the number of Small Businesses Educated was not reached in FY 2011. It is difficult to predict the number of small businesses that will want education on a DFWP since there is no legally binding rule requiring them to do so.
- (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.
- (4) Adequate performance measures exist for all significant drug control activities** - The SBA has established at least one acceptable performance goal for each Drug Control Function in accordance with Section 6a(1)(A) of ONDCP Circular: *Drug Control Accounting*.



Tab L
ONDCP Circular:
Annual Accounting
of Drug Control Funds

ONDCP Circular: Drug Control Accounting

May 1, 2007

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Annual Accounting and Authentication of Drug Control Funds and Related Performance

1. **Purpose.** This circular provides the polices and procedures to be used by National Drug Control Program agencies in conducting a detailed accounting and authentication of all funds expended on National Drug Control Program activities and the performance measures, targets, and results associated with those activities.
2. **Rescission.** This circular rescinds and replaces the ONDCP Circular, *Annual Accounting of Drug Control Funds*, dated April 18, 2003.
3. **Authority.**
 - a. 21 U.S.C. § 1704(d) provides: “The Director [ONDCP] shall –
 - (A) require the National Drug Control Program agencies to submit to the Director not later than February 1 of each year a detailed accounting of all funds expended by the agencies for National Drug Control Program activities during the previous fiscal year, and require such accounting to be authenticated by the Inspector General of each agency prior to submission to the Director; and
 - (B) submit to Congress not later than April 1 of each year the information submitted to the Director under subparagraph (A).”
 - b. 21 U.S.C. § 1703(d)(7) authorizes the Director of National Drug Control Policy to “... monitor implementation of the National Drug Control Program, including – (A) conducting program and performance audits and evaluations; and (B) requesting assistance of the Inspector General of the relevant agency in such audits and evaluations ...”
4. **Definitions.** As used in this circular, key terms related to the National Drug Control Program and budget are defined in Section 4 of the ONDCP Circular, *Budget Formulation*, dated May 1, 2007. These terms include: *National Drug Control Program*, *National Drug Control*

Program agency, Bureau, Drug Methodology, Drug Control Functions, and Budget Decision Units. Further, Reprogrammings and Fund Control Notices referenced in Section 6 of this circular are defined in Section 6 and Section 8 of the ONDCP Circular, *Budget Execution*, dated May 1, 2007.

5. **Coverage.** The provisions of this circular apply to all National Drug Control Program agencies.

6. **Detailed Accounting Submission.** The Chief Financial Officer (CFO) of each agency, or other accountable senior level senior executive, shall prepare a Detailed Accounting Submission to the Director, ONDCP. For agencies with no bureaus, this submission shall be a single report, as defined by this section. For agencies with bureaus, the Detailed Accounting Submission shall consist of reports, as defined by this section, from the agency's bureaus. The CFO of each bureau, or accountable senior level executive, shall prepare reports. Each report must include (a) a table highlighting prior year drug control obligations data, and (b) a narrative section making assertions regarding the prior year obligations data. Report elements are further detailed below:

a. **Table of Prior Year Drug Control Obligations** – For the most recently completed fiscal year, each report shall include a table of obligations of drug control budgetary resources appropriated and available during the year being reported.¹ Such table shall present obligations by Drug Control Function and Budget Decision Unit, as these categories are displayed for the agency or bureau in the *National Drug Control Strategy Budget Summary*. Further, this table shall be accompanied by the following disclosures:

(1) **Drug Methodology** – The drug methodology shall be specified in a separate exhibit. For obligations calculated pursuant to a drug methodology, this presentation shall include sufficient detail to explain fully the derivation of all obligations data presented in the table.

(a) **Obligations by Drug Control Function** – All bureaus employ a drug methodology to report obligations by Drug Control Function.

(b) **Obligations by Budget Decision Unit** – For certain multi-mission bureaus – Customs and Border Protection (CBP), Coast Guard, Immigration and Customs Enforcement (ICE), Indian Health Service (IHS), Bureau of Indian Affairs (BIA), and the Veterans Health Administration (VHA) – obligations reported by Budget Decision Unit shall be calculated pursuant to an approved drug methodology. For

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all other bureaus, drug control obligations reported by Budget Decision Unit shall represent 100 percent of the actual obligations of the bureau for those Budget Decision Units, as they are defined for the National Drug Control Budget. (See Attachment B of the ONDCP Circular, *Budget Formulation*, dated May 1, 2007.)

- (2) **Methodology Modifications** – Consistent with ONDCP’s prior approval, if the drug methodology has been modified from the previous year, then the changes, their purpose, and the quantitative differences in the amount(s) reported using the new method versus the amount(s) that would have been reported under the old method shall be disclosed.²
 - (3) **Material Weaknesses or Other Findings** – Any material weakness or other findings by independent sources, or other known weaknesses, including those identified in the Agency’s Annual Statement of Assurance, which may affect the presentation of prior year drug-related obligations data, shall be highlighted. This may be accomplished by either providing a brief written summary, or by referencing and attaching relevant portions of existing assurance reports. For each material weakness or other finding, corrective actions currently underway or contemplated shall be identified.
 - (4) **Reprogrammings or Transfers** – All prior year reprogrammings or transfers that affected drug-related budgetary resources shall be identified; for each such reprogramming or transfer, the effect on drug-related obligations reported in the table required by this section also shall be identified.
 - (5) **Other Disclosures** – Agencies may make such other disclosures as they feel are necessary to clarify any issues regarding the data reported under this circular.
- b. **Assertions** – At a minimum, each report shall include a narrative section where the following assertions are made regarding the obligation data presented in the table required by Section 6a:
- (1) **Obligations by Budget Decision Unit** – With the exception of the multi-mission bureaus noted in Section 6a(1)(b), reports under this section shall include an assertion that obligations reported by budget decision unit are the actual obligations from the bureau’s accounting system of record for these Budget Decision Units.
 - (2) **Drug Methodology** – An assertion shall be made regarding the reasonableness and accuracy of the drug methodology used to calculate obligations of prior year budgetary resources by function for all bureaus and by budget decision unit for the CBP, Coast Guard, ICE, IHS, BIA, and VHA. The criteria associated with this assertion are as follows:

²For changes that did not receive prior approval, the agency or bureau shall submit such changes to ONDCP for approval under separate cover.

- (a) **Data** – If workload or other statistical information supports the drug methodology, then the source of these data and the current connection to drug control obligations should be well documented. If these data are periodically collected, then the data used in the drug methodology must be clearly identified and will be the most recently available.
 - (b) **Other Estimation Methods** – If professional judgment or other estimation methods are used as part of the drug methodology, then the association between these assumptions and the drug control obligations being estimated must be thoroughly explained and documented. These assumptions should be subjected to periodic review, in order to confirm their continued validity.
 - (c) **Financial Systems** – Financial systems supporting the drug methodology should yield data that fairly present, in all material respects, aggregate obligations from which drug-related obligation estimates are derived.
- (3) **Application of Drug Methodology** – Each report shall include an assertion that the drug methodology disclosed in this section was the actual methodology used to generate the table required by Section 6a. Calculations must be sufficiently well documented to independently reproduce these data. Calculations should also provide a means to ensure consistency of data between reporting years.
- (4) **Reprogrammings or Transfers** – Further, each report shall include an assertion that the data presented are associated with obligations against a financial plan that, if revised during the fiscal year, properly reflects those changes, including ONDCP’s approval of reprogrammings or transfers affecting drug-related resources in excess of \$1 million.
- (5) **Fund Control Notices** – Each report shall also include an assertion that the data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21 U.S.C. § 1703(f) and Section 8 of the ONDCP Circular, *Budget Execution*.

7. Performance Summary Report. The CFO, or other accountable senior level senior executive, of each agency for which a Detailed Accounting Submission is required, shall provide a Performance Summary Report to the Director of National Drug Control Policy. Each report must include performance-related information for National Drug Control Program activities, and the official is required to make certain assertions regarding that information. The required elements of the report are detailed below.

- a. Performance Reporting-** The agency’s Performance Summary Report must include each of the following components:

- (1) **Performance Measures** – The report must describe the performance measures used by the agency to assess the National Drug Control Program activities it carried out in the most recently completed fiscal year and provide a clear justification for why those measures are appropriate for the associated National Drug Control Program activities. The performance report must explain how the measures: reflect the purpose of the program; contribute to the National Drug Control Strategy; and are used in the management of the program. The description must include sufficient detail to permit non-experts to understand what is being measured and why it is relevant to those activities.
 - (2) **Prior Years Performance Targets and Results** – For each performance measure, the report must provide actual performance information for the previous four fiscal years and compare the results of the most recent fiscal year with the projected (target) levels of performance established in the agency’s annual performance budget for that year. If any performance target for the most recently completed fiscal year was not met, the report must explain why that target was not met and describe the agency’s plans and schedules for meeting future targets. Alternatively, if the agency has concluded it is not possible to achieve the established target with available resources, the report should include recommendations concerning revising or eliminating the target.
 - (3) **Current Year Performance Targets** – Each report must specify the performance targets established for National Drug Control Program activities in the agency’s performance budget for the current fiscal year and describe the methodology used to establish those targets.
 - (4) **Quality of Performance Data** – The agency must state the procedures used to ensure the performance data described in this report are accurate, complete, and unbiased in presentation and substance.
- (b) **Assertions** – Each report shall include a letter in which an accountable agency official makes the following assertions are made regarding the information presented in Section 7a:
- (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.
 - (2) **Explanations for not meeting performance targets are reasonable** – An assertion shall be made regarding the reasonableness of any explanation 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.

- (3) **Methodology to establish performance targets is reasonable and applied** – An assertion that the methodology described above to establish performance targets for the current year is reasonable given past performance and available resources.
- (4) **Adequate performance measures exist for all significant drug control activities** - Each Report shall include an assertion that the agency has established at least one acceptable performance measure for each Drug Control Decision Unit identified in reports required by section 6a(1)(A) 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. Each performance measure must consider the intended purpose of the National Drug Control Program activity.

The criteria associated with these assertions are as follows:

- (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.

8. Inspector General Authentication. Each report defined in Sections 6 and 7 shall 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.

9. Unreasonable Burden. Unless a detailed report, as specified in Section 6, is specifically requested by ONDCP, an agency or bureau included in the National Drug Control Budget with prior year drug-related obligations of less than \$50 million may submit through its CFO, or its accountable senior level executive, an alternative report to ONDCP, consisting of only the table highlighted in Section 6a., omitting all other disclosures. Such a report will be accompanied by statements from the CFO, or accountable senior level executive, and the agency IG attesting that full compliance with this Circular would constitute an unreasonable reporting burden. In those instances, obligations reported under this section will be considered as constituting the statutorily required detailed accounting, unless ONDCP notifies the agency that greater detail is required.

10. Point of Contact and Due Dates. Each agency CFO, or accountable senior level executive, shall transmit a Detailed Accounting Submission, consisting of the report(s) defined in Sections 6 and 7, along with the IG's authentication(s) defined in Section 8, to the attention of the Associate Director for Performance and Budget, Office of National Drug Control Policy, Washington, DC 20503. Detailed Accounting Submissions, with the accompanying IG authentication(s), are due to ONDCP by February 1 of each year. Agency management must submit reports to their Office of Inspector General (OIG) in sufficient time to allow for review and IG authentication under Section 8 of this Circular. ONDCP recommends a 31 December due date for agencies to provide their respective OIG with the required reports and information.

John P. Walters
Director