

# **FY 2012 Accounting of Drug Control Funds**

*Office of National Drug Control Policy*

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## Executive Summary

### **Background**

This Summary presents for Congress the *Fiscal Year 2012 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* 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.

### **Department Compliance and Attestation Reviews**

All of the National Drug Control Program agencies complied with the provisions of the Drug Control Accounting Circular dated May 1, 2007<sup>1</sup>. 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 2012 drug control obligations were not reviewable. Details on each agency’s report are provided below.

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<sup>1</sup> The Circular was updated on January 18, 2013; it will be in use for the FY 2013 Accounting Report.

## FY 2012 Accounting of Drug Control Funds

Department/Bureau	Compliance with ONDCP Circular (Yes/No)	OIG/ Indep. Auditor Attestation Review (Pass/Fail)	Material Weakness Identified (Yes/No)
<b>Agriculture</b>			
United States Forest Service	Yes	Pass	N.A. <sup>1</sup>
<b>Defense</b>			
Drug Interdiction and Counterdrug Activities	Yes	Pass	No
<b>Education</b>			
Office of Safe and Drug-Free Schools	Yes	Pass	No
<b>Health and Human Services</b>			
Administration for Children and Families	Yes	Pass	No
Indian Health Service	Yes	Pass	No
National Institute on Drug Abuse	Yes	Pass	No
National Institute on Alcohol Abuse and Alcoholism	Yes	Pass	No
Health Resources Service Administration	Yes	Pass	N.A. <sup>1</sup>
Substance Abuse and Mental Health Services Administration	Yes	Pass	No
<b>Homeland Security</b>			
Customs and Border Protection	Yes	Pass	Yes
Federal Emergency Management Agency	Yes	Pass	N.A. <sup>1</sup>
Federal Law Enforcement Training Center	Yes	Pass	N.A. <sup>1</sup>
Immigration and Customs Enforcement	Yes	Pass	Yes
United States Coast Guard	Yes	Pass	Yes
<b>Interior</b>			
Bureau of Indian Affairs	Yes	Pass	N.A. <sup>1</sup>
Bureau of Land Management	Yes	Pass	N.A. <sup>1</sup>
National Park Service	Yes	Pass	N.A. <sup>1</sup>
<b>Justice</b>			
Asset Forfeiture Fund	Yes	Pass	No
Bureau of Prisons	Yes	Pass	No
Criminal Division	Yes	Pass	No
Drug Enforcement Administration	Yes	Pass	No
National Drug Intelligence Center	Yes	Pass	N.A. <sup>1</sup>
Office of Federal Detention Trustee	Yes	Pass	No
Office of Justice Programs	Yes	Pass	No
Organized Crime Drug Enforcement Task Force	Yes	Pass	No
United States Attorneys	Yes	Pass	No
United States Marshals Service	Yes	Pass	No

## FY 2012 Accounting of Drug Control Funds

Department/Bureau	Compliance with ONDCP Circular (Yes/No)	OIG/ Indep. Auditor Attestation Review (Pass/Fail)	Material Weakness Identified (Yes/No)
<b>State</b>			
International Narcotics and Law Enforcement Affairs	Yes	Pass	Yes
United States Agency for International Development	Yes	Pass	Yes
<b>Transportation</b>			
Federal Aviation Administration	Yes	Pass	N.A. <sup>1</sup>
National Highway Traffic Safety Administration	Yes	Pass	N.A. <sup>1</sup>
<b>Treasury</b>			
Internal Revenue Service	Yes	Pass	No
<b>Veterans Affairs</b>			
Veterans Health Administration	Yes	Pass	Yes

<sup>1</sup>In compliance with the ONDCP Circular, the Agency submitted an alternative report because the requirements created an unreasonable burden.

### **Summary of Agency Reports**

#### **Department of Agriculture**

The Department of Agriculture's (USDA) accounting of FY 2012 funding for drug-related activities (Tab A) falls below the reporting threshold of \$50 million. Therefore, the submission consists of a limited report that includes a table of FY 2012 obligations. The USDA submission satisfies all requirements established by the ONDCP Circular, and was assessed a rating of "pass".

#### **Department of Defense**

The Department of Defense's (DoD) accounting of FY 2012 drug control obligations (Tab B) satisfies all requirements established by ONDCP's Circular, and the report is presented in accordance with all requirements established by ONDCP's Circular. DoD was assessed a rating of "pass."

#### **Department of Education**

The Department of Education's (Education) accounting of FY 2012 drug control obligations (Tab C) satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the Department's Office of Inspector General (OIG). No material weaknesses were found. Given this, Education was assessed a rating of "pass."

## **FY 2012 Accounting of Drug Control Funds**

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### **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) and National Institute on Alcohol Abuse and Alcoholism (NIAAA), the Health Resources and Services Administration (HRSA), and the Substance Abuse and Mental Health Services Administration (SAMHSA) (Tab D). The Centers for Medicare & Medicaid Services (CMS) Grants to States for Medicaid and Medicare programs 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:** The 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:** The 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."

**NIAAA:** The OIG attested that the NIH-NIAAA 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 FY 2012 funding for drug-related activities falls below the reporting threshold of \$50 million. Therefore, the limited 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:** The 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."

### **Department of Homeland Security**

The Department of Homeland Security's (DHS) accounting submission includes separate reports for the Customs and Border Protection (CBP), Federal Emergency Management Agency (FEMA), Federal Law Enforcement Training Center (FLETC), Immigration and Customs Enforcement (ICE), and the United States Coast Guard (USCG) (Tab E).

**CBP:** CBP's FY 2012 drug control obligations report satisfies all requirements established by the ONDCP Circular. The DHS OIG noted an Information Technology general and application control weakness at CBP. CBP is working to remediate the weakness. CBP was assessed a rating of "pass."

## FY 2012 Accounting of Drug Control Funds

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**FEMA:** FEMA submitted a limited report because its drug-related activities fall below the \$50 million reporting threshold. The report includes a table of FY 2012 obligations for the Stonegarden Grant Program. DHS's OIG attested that the submission and management assertion complied with the ONDCP Drug Control Accounting Circular.

**FLETC:** FLETC submitted a limited report because its drug-related activities fall below the \$50 million reporting threshold. The report includes a table of FY 2012 obligations, and the OIG attested that the submission and management assertion complied with the ONDCP Drug Control Accounting Circular.

**ICE:** ICE's FY 2012 drug control obligations report satisfies all requirements established by the ONDCP Circular. In the report, material weaknesses were identified in ICE's verification and validation review process, as well as the process to match advances to obligations at the transaction level. In FY 2013, ICE is identifying steps to develop corrective action plans to remediate these findings. ICE was assessed a rating of "pass."

**USCG:** USCG's FY 2012 drug control obligations report satisfies all requirements established by the ONDCP Circular. The report listed material weaknesses related to financial reporting, property management, and environmental and other liabilities. USCG is working to strengthen internal controls through the Financial Strategy for Transportation and Audit Readiness in an effort to implement long-term solutions to identified material weaknesses. USCG was assessed a rating of "pass."

### **Department of the Interior**

The Department of the Interior's (DOI) accounting submission includes separate reports for the Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), and National Park Service (NPS) (Tab F). The funding level for all three bureau's FY 2012 drug-related activities fall below the reporting threshold of \$50 million. The submissions, therefore, consist of a limited report that includes a table of FY 2012 obligations. The submissions satisfy all requirements established by the ONDCP Circular. BIA, BLM and NPS were all assessed a rating of "pass."

### **Department of Justice**

The Department of Justice's (DOJ) accounting submission includes separate reports for the Asset Forfeiture Fund (AFF), Bureau of Prisons (BOP), Criminal Division (CD), Drug Enforcement Administration (DEA), National Drug Intelligence Center (NDIC), Office of Federal Detention Trustee (OFDT), Office of Justice Programs (OJP), Organized Crime Drug Enforcement Task Forces (OCDETF), United States Attorneys (USA), and United States Marshals Service (USMS) (Tab G).

**AFF:** The FY 2012 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. AFF was assessed a rating of "pass."

## FY 2012 Accounting of Drug Control Funds

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**BOP:** The FY 2012 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. BOP was assessed a rating of "pass."

**CRM:** The FY 2012 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 noted. CRM was assessed a rating of "pass."

**DEA:** The FY 2012 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. DEA was assessed a rating of "pass."

**NDIC:** NDIC submitted a limited report because its drug-related activities fall below the \$50 million reporting threshold. The FY 2012 accounting report satisfies all requirements established by ONDCP's Circular. NDIC was assessed a rating of "pass."

**OJP:** The FY 2012 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, one significant deficiency was identified, related to system software change management. Specifically, it was noted that OJP continues to have improper configurations, missing patches, and default/insufficient passwords within their environment. OJP is working with the Office of the Chief Information Officer (OCIO) to remediate the deficiency. OJP was assessed a rating of "pass."

**OCDETF:** The FY 2012 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 noted. OCDETF was assessed a rating of "pass."

**EOUSA:** The FY 2012 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 noted. EOUSA was assessed a rating of "pass."

**USMS:** The FY 2012 accounting report satisfies all requirements established by ONDCP's Circular, including the rendering of a negative assurance by the DOJ OIG. Although no material weaknesses were noted, one significant deficiency was reported regarding inadequate funds management controls. The deficiency was not material enough to warrant adjustment of the USMS financial statements, and USMS is working to develop corrective action plans. USMS was assessed a rating of "pass."

**USMS/FDT:** The FY 2012 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 noted. OFDT was assessed a rating of "pass."



## **FY 2012 Accounting of Drug Control Funds**

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### **Department of State and Other International Programs**

The Department of State's (State) accounting submission includes separate reports for the Bureau of International Narcotics and Law Enforcement Affairs (INL) and U.S. Agency for International Development (USAID) (Tab H).

**INL:** The FY 2012 drug control obligations report satisfies all requirements established by the ONDCP Circular. An independent auditor identified one material internal control weakness and five internal control deficiencies. The Department will continue to work with the independent auditor and OIG to resolve the issues. INL was assessed a rating of "pass."

**USAID:** The FY 2012 drug control obligations report satisfies all requirements established by the ONDCP Circular. The OIG identified one material weakness in USAID's financial report. Specifically, the weakness lies in USAID's reconciliation of its Fund Balance with Treasury Account with Treasury and recordation of adjustments to its general ledger. USAID is taking corrective actions to remedy the weakness and was assessed a rating of "pass."

### **Department of Transportation**

The Department of Transportation's accounting submission includes separate reports for the Federal Aviation Administration (FAA), and the National Highway Traffic Safety Administration (NHTSA) (Tab I).

**FAA:** FAA submitted a limited report because its drug-related activities fall below the \$50 million reporting threshold. The report includes a table of FY 2012 obligations for drug-related activities within the Air Traffic Organization, Aviation Safety/Aerospace Medicine, and Security and Hazardous Material Safety. 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. FAA was assessed a rating of "pass."

**NHTSA:** NHTSA's drug-related activities fall below the \$50 million reporting threshold. As a result, NHTSA submitted a limited report that includes a table of FY 2012 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. NHTSA was assessed a rating of "pass."

### **Department of the Treasury**

The FY 2012 accounting report of drug control obligations for the Department of the Treasury (Tab J) 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."

## **FY 2012 Accounting of Drug Control Funds**

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### **Department of Veterans Affairs**

The Department of Veterans Affairs (VA), Veterans Health Administration's (VHA) accounting of FY 2012 drug control obligations (Tab K) 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."



# Tab A

# Department of Agriculture



United States Department of Agriculture

Office of Inspector General

Washington, D.C. 20250



DATE:

TO: David L. Ferrell  
Director, Law Enforcement & Investigations  
Forest Service

ATTN: Christopher Boehm  
Assistant Director – Investigations & Internal Affairs  
Law Enforcement & Investigations

FROM: Gil H. Harden  
Assistant Inspector General for Audit

SUBJECT: Forest Service's Annual Accounting and Authentication of Drug Control Funds  
and Related Performance

As requested by your staff, the Office of Inspector General reviewed the Forest Service's (FS) "Performance Summary Review (Summary Review)" – see attachment – to be submitted to the Office of National Drug Control Policy (ONDCP), as required under ONDCP Circular: *Drug Control Accounting*, dated May 1, 2007. Under paragraph 9 of the ONDCP Circular, FS is authorized to submit an alternative report, providing its prior year drug-related obligations total less than \$50 million. The objective of our review was limited to determining whether FS qualified for the alternative reporting mechanism and whether the data reported in the alternative report was reasonably supported by FS accounting and performance reports and other documents. Specifically, we reviewed the FS' reported totals for drug control budgetary resources, drug resources personnel, and total agency budget summaries. We also reviewed one of its performance measures: "Number of Marijuana Plants Eradicated." We traced these significant indicators to internal reports generated through the FS' Law Enforcement and Investigations Management Attainment Reporting System, provided by your staff.

Based on our limited review, we believe that FS qualified for the alternative reporting mechanism. We did not conduct an attestation review, as described in ONDCP Circular. Given the FS' limited drug control resources and our current staffing constraints, we believe that full compliance, as prescribed by the ONDCP Circular, would constitute an unreasonable reporting burden. Therefore, we do not express an opinion on the reliability of each assertion made in the FS' submission.

If you have any questions, please call me at (202) 720-6945, or have a member of your staff contact Ernest M. Hayashi, Director, Farm, Trade, Research, and Environment Division, at (202) 720-2887.

Attachment



File Code: 5300

Date: January 28, 2013

The Honorable R. Gil Kerlikowske  
Director  
Executive Office of the President  
Office of National Drug Control Policy  
Washington, D.C. 20503

Dear Director Kerlikowske,

In accordance with the Office of National Drug Control Policy (ONDCP) Circular: *Drug Control Accounting* issued May 1, 2007, the Forest Service Law Enforcement and Investigations (LEI) Fiscal Year 2012 Performance Summary alternative report is enclosed. LEI's prior year drug-related obligations are less than \$50 million and full compliance with the Circular would constitute an unreasonable reporting burden.

If you have any questions regarding this response, please contact Chris Boehm, Assistant Director, Investigations and Internal Affairs, at (703) 605-4739.

Sincerely,

*/s/ David L. Ferrell*

DAVID L. FERRELL  
Director  
Law Enforcement and Investigations

Enclosures



## Performance Summary Review

Drug Resources by Function	FY2010	FY2011	FY2012
<b>Investigations</b>	\$14.000	\$14,000	\$14.000
<b>Intelligence</b>	0.200	0.200	0.200
<b>State and Local Assistance</b>	0.700	0.700	0.600
<b>Research and Development</b>	0.000	0.000	0.000
<b>Prosecution</b>	0.300	0.200	0.200
<b>Prevention</b>	0.100	0.100	0.100
<b>Total</b>	<b>\$15.300</b>	<b>\$15.300</b>	<b>\$15.200</b>
<b>Drug Resources by Decision Unit</b>			
<b>Detection &amp; Monitoring</b>	\$15.300	\$15.300	\$15.200
<b>Law Enforcement Agency Support</b>	0.000	0.000	0.000
<b>Demand Reduction</b>	0.000	0.000	0.000
<b>Total</b>	<b>\$15.300</b>	<b>\$15.300</b>	<b>\$15.200</b>
<b>Drug Resources Personnel Summary</b>			
<b>Total FTEs</b>	68	66	66
<b>Information</b>			
<b>Total Agency Budget</b>	\$5,297.3	\$5,304.3	\$4,845.9
<b>Drug Percentage</b>	0.3%	0.3%	0.3%

Budget Authority in Millions



# Tab B

# Department of Defense



January 31, 2013

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

SUBJECT: Independent Auditor's Report on the DoD FY 2012 Detailed Accounting  
Report of the Funds Obligated for National Drug Control Program Activities  
(Report No. DODIG-2013-042)

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 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 2012. 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 five DoD reprogramming actions that allocated \$1.64 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.

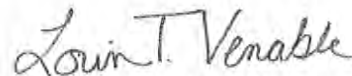
In a letter dated December 12, 2012, DASD (CN & GT) provided us the Report, which we reviewed to determine compliance with the "Drug Control Accounting" Circular. The detailed accounting indicated that during FY 2012, DoD obligated \$1.50 billion to the Counterdrug Program functional areas. DASD (CN & 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 2012 is not presented fairly, in all material respects, in conformity with the "Drug Control Accounting" Circular.

This report is intended solely for the information and use of DASD (CN & GT) and ONDCP and is not intended to be and should not be used by anyone else. However, this report is a matter of public record, and its distribution is not limited.



Lorin T. Venable, CPA  
Acting Assistant Inspector General  
DoD Payments and Accounting Operations



SPECIAL OPERATIONS/  
LOW-INTENSITY CONFLICT

Office of National Drug Control Policy: FY2012 Accounting of Drug Control Funds  
**OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE**

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

DEC 12 2012

Ms. Jane Sanville  
Acting Associate Director  
Performance and Budget  
Office of National Drug Control Policy  
750 17<sup>th</sup> Street, NW  
Room 535  
Washington, DC 20503

Dear Ms. Sanville:

The drug methodology used to calculate obligations by drug control function of Fiscal Year 2012 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 Ms. Silvia Serban, 703-614-8847, e-mail [silvia.serban@osd.mil](mailto:silvia.serban@osd.mil).

A handwritten signature in black ink, appearing to read "Caryn C. Hollis".

Caryn C. Hollis  
Deputy Assistant Secretary of Defense  
Counternarcotics and Global Threats

Enclosures:  
As stated

CF:  
DODIG

**UNCLASSIFIED**  
**Counternarcotics Central Transfer Account Obligations**  
**(\$ 000)**

<b>ONDCP Resource Categories</b>	<b>FY-12</b>
Intelligence: Dom Law Enforcement	4,589
Intelligence: Interdiction	31,644
Intelligence: International	136,987
Interdiction	423,605
International	524,332
Investigative	14,167
Prevention	135,181
R&D: Interdiction	2,518
R&D: International	120
State and Local Assistance	230,263
Treatment	0
<b>TOTAL</b>	<b>1,503,405 *</b>

\* This amount includes a 0.92% obligation rate for MILPERS and a 0.98% obligation rate for O&M. Investment appropriations, which are multi-year, are currently obligated at 0.37%.

**DRUG RESOURCES PERSONNEL SUMMARY**

Total FTEs	1.810
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## 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 Funds Enterprise & Business System (GFEBS) where is tracked on a daily and monthly basis.
- 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 funds are tracked by General Funds Enterprise & Business System (GFEBS).

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&GT). Beginning in FY 2008, the collection of obligation data has been via the DASD CN&GT 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 C

# Department of Education



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

February 1, 2013

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 2012 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 2012 Drug Control Funds*, dated January 28, 2013

Enclosure # 2: Authentication letter and report from Patrick J. Howard, Assistant Inspector General for Audit, dated January 31, 2013

cc: Patrick J. Howard

# DEPARTMENT OF EDUCATION



## DETAILED ACCOUNTING OF FISCAL YEAR 2012 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 28, 2013**



**DEPARTMENT OF EDUCATION**  
**DETAILED ACCOUNTING OF FISCAL YEAR 2012 DRUG CONTROL FUNDS**

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

JAN 28 2013

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 2012 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, 2013, 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 2012 Obligations  
(in \$ millions)Drug Resources by Function

Prevention	\$63.670
Total	63.670

Drug Resources by Decision Unit

Safe and Drug-Free Schools and Communities Program	
SDFSC National Programs	\$63.670
Total	63.670

**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 2012. 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 2012, 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 2012, 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.

Note: Funding for the Alcohol Abuse Reduction program was last appropriated in fiscal year 2011. Under the Department's 2011 appropriations act the 2011 Alcohol Abuse Reduction funds were available for obligation at the Federal level through September 30, 2011. No Alcohol Abuse Reduction funds were obligated by the Department in fiscal year 2012, and no Alcohol Abuse Reduction funds are included in the resource summary table of this report.

## **DISCLOSURES**

### **Drug Methodology**

This accounting submission includes all fiscal year 2012 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 all funding for 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 2012 budgetary resources for the Department of Education are displayed by ONDCP in the *FY 2013 Budget Summary* that accompanied the 2013 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 2012 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 2012.

### **Other Disclosures**

The Department acknowledges the following limitation in the methodology described above for deriving the obligations of fiscal year 2012 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.

## **ASSERTIONS**

### **Obligations by Decision Unit**

The fiscal year 2012 obligations of drug control funds shown in this report for the SDFSC drug budget decision unit are the actual 2012 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 2012 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 2012 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 2012 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 2012. However, subsequent to ONDCP's approval of the Department's fiscal year 2012 financial plan, the Department reallocated a total of \$1,207,074 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 \$1,207,074.

### **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, 2013

**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 2012 Drug Control Funds*, dated January 28, 2013

Attached is our authentication of management's assertions contained in the U.S. Department of Education's *Detailed Accounting of Fiscal Year 2012 Drug Control Funds*, dated January 28, 2013, 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 2012 Drug Control Funds, dated January 28, 2013

We have reviewed management's assertions contained in the accompanying *Detailed Accounting of Fiscal Year 2012 Drug Control Funds*, dated January 28, 2013 (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 generally accepted government auditing standards for attestation review engagements. 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 black ink, appearing to read "Patrick J. Howard".

Patrick J. Howard  
Assistant Inspector General for Audit





# Tab D

## Department of Health and Human Services



January 31, 2013

Washington DC 20201

Ms. Jane Sanville  
Acting Associate Director  
Office for Performance and Budget  
Office of National Drug Control Policy  
Washington, D.C. 20503

Dear Ms. Sanville:

As required by the Office of National Drug Control Policy (ONDCP) Circular titled *Drug Control Accounting* (dated May 1, 2007), enclosed are the Department of Health and Human Services (HHS) fiscal year 2012 Drug Control Accounting Reports that are accompanied by the HHS Office of Inspector General attestation reviews. Detailed accounting reports for the following five bureaus are enclosed: (i) Substance Abuse and Mental Health Services Administration (SAMHSA); (ii) National Institutes of Health – National Institute on Drug Abuse (NIDA); (iii) National Institutes of Health – National Institute on Alcohol Abuse and Alcoholism (NIAAA); (iv) Indian Health Service (IHS); and (v) Health Resources Services Administration (HRSA).

In accordance with the May 14, 2008 agreement between the HHS and Mr. Thomas A. Johnson of your office, we did not include a 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 of my office in the Division of Systems Policy and Audit Resolution at (202) 260-0272 or [chitra.verma@hhs.gov](mailto:chitra.verma@hhs.gov).

Sincerely,

Sheila O. Conley  
Deputy Assistant Secretary for Finance

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

cc: HHS Office of Inspector General



DEPARTMENT OF HEALTH AND HUMAN SERVICES

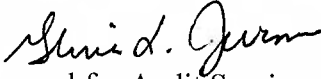
**OFFICE OF INSPECTOR GENERAL**

WASHINGTON, DC 20201



**JAN 18 2013**

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

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

**SUBJECT:** Independent Attestation Review: Health Resources and Services Administration  
Drug Control Accounting for Fiscal Year 2012 (A-03-13-00357)

This report provides the results of our attestation review of the Health Resources and Services Administration (HRSA) fiscal year (FY) 2012 drug control accounting and the accompanying FY 2012 Drug Control Obligation Summary with required table.

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 (21 U.S.C. § 1704(d)(A)). The section further requires that the accounting 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 the Federal statute (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 2012," dated November 6, 2012. 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.

## **HEALTH RESOURCES AND SERVICES ADMINISTRATION REPORT**

HRSA's report included a table that reported obligations of \$17,686,564. HRSA chose to provide the alternative 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 2012 Drug Control Obligation Summary and 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 HRSA's FY 2012 drug control accounting report and the accompanying FY 2012 Drug Control Obligation Summary and table 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.

\*\*\*\*\*

Although this report is an unrestricted public document, the information it contains 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](mailto:Kay.Daly@oig.hhs.gov). Please refer to report number A-03-13-00357 in all correspondence.

Attachment



**DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
**Health Resources and Services Administration**

<b>Resource Summary</b>	<b>Dollars in Millions</b>
	<b>FY 2012 Obligated</b>
<b>Drug Resources by Function</b>	
Prevention	\$3.5
Treatment	\$14.2
<b>Total Drug Resources by Function</b>	<b>\$17.7</b>
<b>Drug Resources by Decision Unit</b>	
Bureau of Primary Health Care	\$17.7
<b>Total Drug Resources by Decision Unit</b>	<b>\$17.7</b>

- 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 (FY 2011), 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 2012 Obligated Level: \$17.7 million

\$17.7 million      SA% (.73%) x FY 2012 Health Center Program grants awarded for health center services (\$2.43 billion)

- Methodology Modification:** None
- Material Weaknesses or Other Findings:** None
- Reprogrammings or Transfers:** None
- Other Disclosures:** None



DEPARTMENT OF HEALTH AND HUMAN SERVICES

# OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



JAN 18 2013

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

**FROM:**

Gloria L. Jarmon

A handwritten signature in black ink, appearing to read "Gloria L. Jarmon".

Deputy Inspector General for Audit Services

**SUBJECT:** Independent Attestation Review: Indian Health Service Assertions Concerning Drug Control Accounting for Fiscal Year 2012 (A-03-13-00355)

This report provides the results of our attestation review of the Indian Health Service (IHS) fiscal year (FY) 2012 assertions concerning drug control accounting and the accompanying table of FY 2012 Drug Control Obligations (Table).

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 (21 U.S.C. § 1704(d)(A)). The section further requires that the accounting 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 the Federal statute (21 U.S.C. § 1704(d)(A)), we reviewed the attached IHS report entitled “Assertions Concerning Drug Control Accounting” dated November 9, 2012. 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 reported obligations totaling \$91,578,813.

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 6(b)(2) of the ONDCP Circular,
- the drug methodology that 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.

\*\*\*\*\*

Although this report is an unrestricted public document, the information it contains 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 for Audit Services, at (202) 619-1156 or through email at [Kay.Daly@oig.hhs.gov](mailto:Kay.Daly@oig.hhs.gov). Please refer to report number A-03-13-00355 in all correspondence.

Attachment





November 9, 2012

**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):

**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.

**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 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 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.

Page 2 – Director, Office of National Drug Control Policy

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 Urban Indian Health Program 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.

#### **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.

#### **Reprogramming or Transfers**

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

#### **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

Attachments: <sup>1</sup>

1. Table – Alcoholism and Substance Abuse Prevention Treatment Program Authorized Under P.L. 102-573
2. Table – FY 2012 Drug Control Obligations

<sup>1</sup> 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*.

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

<u>Amount of Funds</u>	<u>FY 2008 Enacted</u>	<u>FY 2009 Enacted</u>	<u>FY 2010 Enacted</u>	<u>FY 2011 Enacted</u>	<u>FY 2012 Enacted</u>	<u>Drug Control &amp; Moyer Reports</u>
<b>ALCOHOL &amp; SUBSTANCE ABUSE</b>						
Adult Treatment.....	\$89,161	\$96,607	\$102,748	\$102,781	\$102,731	Excluded*
Regional Treatment Centers	\$23,403	\$19,957 <sup>2/</sup>	\$21,226	\$21,226	\$21,215	Treatment
Community Education & Training.....	\$8,282	\$8,974	\$9,544	\$9,544	\$9,540	Prevention
Community Rehabilitation/ Aftercare.....	\$26,903	\$29,150	\$31,003	\$31,003	\$30,988	Treatment
Gila River.....	\$206	\$223	\$237	\$237	\$237	Treatment
Contract Health Service.....	\$9,471	\$10,262	\$10,914	\$10,914	\$10,909	Treatment
Navajo Rehab. Program....	\$365	\$395	\$420	\$420	\$420	Treatment
Urban Clinical Services.....	\$776	\$841	\$895	\$895	\$894	Treatment
Wellness Beyond Abstinence.....	\$894	\$969	\$1,031	\$1,031	\$1,031	Prevention
Meth Prev & Treatment.....	\$13,782	\$16,391	\$16,391	\$16,358	\$16,332	50/50 Tx & Prev
<b>Total.....</b>	<b><u>\$173,243</u></b>	<b><u>\$183,769</u></b>	<b><u>\$194,409</u></b>	<b><u>\$194,409</u></b>	<b><u>\$194,297</u></b>	
<b>URBAN HEALTH PROGRAM <sup>1/</sup></b>						
<u>Amount of Funds</u>	<u>FY 2008 Enacted</u>	<u>FY 2009 Enacted</u>	<u>FY 2010 Enacted</u>	<u>FY 2011 Enacted</u>	<u>FY 2012 Enacted</u>	
Expand Urban Programs....	\$3,407	\$4,356	\$4,239	\$4,403	\$4,403	Treatment
<b>INDIAN HEALTH FACILITIES <sup>3/</sup></b>						
<u>Amount of Funds</u>	<u>FY 2008 Approp</u>	<u>FY 2009 Approp</u>	<u>FY 2010 Approp</u>	<u>FY 2011 Approp</u>	<u>FY 2012 Approp</u>	
Construction.....	0	0	0	0	\$1,997	
<b>Alcohol/Substance Abuse</b>	<b>\$173,243</b>	<b>\$183,769</b>	<b>\$194,409</b>	<b>\$194,409</b>	<b>\$194,297</b>	
<b>Urban Health Program</b>	<b>3,407</b>	<b>4,356</b>	<b>4,239</b>	<b>4,403</b>	<b>4,403</b>	
<b>Facilities Construction</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,997</b>	
<b>GRAND TOTAL.....</b>	<b><u>\$176,650</u></b>	<b><u>\$188,125</u></b>	<b><u>\$198,648</u></b>	<b><u>\$198,812</u></b>	<b><u>\$200,697</u></b>	

<sup>1/</sup> The Urban Program was funded under P.L. 100-690, and is now funded under P.L. 102-573.

<sup>2/</sup> The FY 2009 funding for the Regional Treatment Centers was adjusted based on Area Office reports of funding levels.

<sup>3/</sup> FY 2012 Indian Health Facilities funds are to initiate the design/site grading for the Southern California Youth Regional Treatment Center (YRTC)

\*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.

**INDIAN HEALTH SERVICE  
FY 2012 Drug Control Obligations**

	<b>Enacted</b>	<b>(\$000) Obligated</b>
<b>Drug Resources by Function</b>		
Prevention	\$18,736	\$15,988
Treatment	\$77,233	\$74,381
Construction	\$1,997	\$1,209
	<hr/> \$97,966	<hr/> \$91,578
<b>Drug Resources by Decision Unit</b>		
Alcohol and Substance Abuse	\$91,566	\$85,966
Urban Indian Health Program	\$4,403	\$4,403
Facilities Construction	\$1,997	\$1,209
	<hr/> \$97,966	<hr/> \$91,578



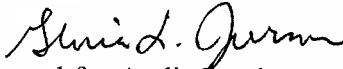
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**

WASHINGTON, DC 20201



JAN 18 2013

**TO:** Judit O'Connor  
Chief Financial Officer  
National Institute on Alcohol Abuse and Alcoholism  
National Institutes of Health

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

**SUBJECT:** Independent Attestation Review: National Institute on Alcohol Abuse and Alcoholism Assertions Concerning Drug Control Accounting for Fiscal Year 2012 (A-03-13-00359)

This report provides the results of our attestation review of the National Institute on Alcohol Abuse and Alcoholism (NIAAA) fiscal year (FY) 2012 assertions concerning drug control accounting and accompanying table of FY 2012 Actual Obligations (Table).

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 (21 U.S.C. § 1704(d)(A)). The section further requires that the accounting be "authenticated by the Inspector General for each agency prior to submission to the Director." The report and related assertions are the responsibility of NIAAA's management and were prepared by NIAAA as specified in section 6 of the ONDCP Circular entitled *Drug Control Accounting*, dated May 1, 2007.

As required by the Federal statute (21 U.S.C. § 1704(d)(A)), we reviewed the attached NIAAA report entitled "Assertions Concerning Drug Control Accounting," dated November 29, 2012. 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.

## **NATIONAL INSTITUTE ON ALCOHOL ABUSE AND ALCOHOLISM**

NIAAA reported obligations totaling \$61,732,956.

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

- NIAAA reported its actual obligations from its accounting system of record for the reported budget decision unit,
- NIAAA'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 that NIAAA disclosed in its report was the actual methodology used to generate the required Table,
- NIAAA had no budgetary transfers of obligations to report, and
- NIAAA reported obligations against a financial plan that complied with ONDCP requirements.

We performed review procedures on NIAAA'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 NIAAA's assertions and accompanying Table were not fairly stated, in all material respects, based on the ONDCP Circular.

\*\*\*\*\*

Although this report is an unrestricted public document, the information it contains is intended solely for the information and use of Congress, ONDCP, and NIAAA 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](mailto:Kay.Daly@oig.hhs.gov). Please refer to report number A-03-13-00359 in all correspondence.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service  
National Institutes of Health

National Institute on Alcohol  
Abuse and Alcoholism  
5635 Fishers Lane  
Bethesda, MD 20892-9304

November 29, 2012

**MEMORANDUM TO:** Director Office of National Drug Control Policy

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

**FROM:** Judit O'Connor *Judit O'Connor*  
Chief Financial Officer  
National Institute on Alcohol Abuse and Alcoholism

*11/29/2012*

**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 National Institutes of Health (NIH) financial accounting system for this budget decision unit after using the National Institute on Alcohol Abuse and Alcoholism's (NIAAA) internal system to reconcile the NIH accounting system during the year.

**Methodology**

I assert that the 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. Obligations of prior year underage drinking control budgetary resources are calculated as follows:

The NIAAA prevention and treatment components of its underage drinking research are included in the ONDCP drug control budget. Underage drinking research is defined as research that focuses on alcohol use, abuse and dependence in minors (children under the legal drinking age of 21). It includes all alcohol related research in minors, including behavioral research, screening and intervention studies and longitudinal studies with the exception of research on fetal alcohol spectrum disorders resulting from alcohol use by the mother during pregnancy. Beginning with

the reporting of FY 2010 actual obligations, NIAAA's methodology for developing budget numbers uses the NIH research categorization and disease coding (RCDC) fingerprint for underage drinking that allows for an automated categorization process based on electronic text mining to make this determination. Once all underage drinking projects and associated amounts are determined using this methodology, NIAAA conducts a manual review and identifies just those projects and amounts relating to prevention and treatment. This subset makes up the NIAAA ONDCP drug control budget. Prior to FY 2010, there was no validated fingerprint for underage drinking, and the NIAAA methodology was completely dependent upon a manual review by program officers.

### **Application of Methodology**

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

### **Reprogramming or Transfers**

I assert that NIAAA did not reprogram or transfer any funds included in its drug control budget.

### **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 ALCOHOL ABUSE  
AND ALCOHOLISM  
FY 2012 ACTUAL OBLIGATIONS  
(Dollars in Thousands)**

	FY 2012 Actual
<b>Drug Resources by Function:</b>	
Research and Development: Prevention	\$53,755
Research and Development: Treatment	\$7,978
Total Drug Resources by Function	\$61,733
<b>Drug Resources by Decision Unit:</b>	
National Institute on Alcohol Abuse and Alcoholism	\$61,733





DEPARTMENT OF HEALTH AND HUMAN SERVICES


**OFFICE OF INSPECTOR GENERAL**

WASHINGTON, DC 20201



**JAN 18 2013**

**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 2012 (A-03-13-00353)

This report provides the results of our attestation review of the National Institute on Drug Abuse (NIDA) fiscal year (FY) 2012 assertions concerning drug control accounting and accompanying table of FY 2012 Actual Obligations (Table).

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 (21 U.S.C. § 1704(d)(A)). The section further requires that the accounting 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 the Federal statute (21 U.S.C. § 1704(d)(A)), we reviewed the attached NIDA report entitled “Assertions Concerning Drug Control Accounting,” dated November 2, 2012. 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.

## **NATIONAL INSTITUTE ON DRUG ABUSE REPORT**

NIDA reported obligations totaling \$1,052,368,102.

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 that 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 FY 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 were not fairly stated, in all material respects, based on the ONDCP Circular.

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Although this report is an unrestricted public document, the information it contains 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](mailto:Kay.Daly@oig.hhs.gov). Please refer to report number A-03-13-00353 in all correspondence.

Attachment




NOV 2 2012

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   
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 2012 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

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 original appropriation for 2012 was \$1,055,362,000. The Consolidated Appropriations Act of 2012 reduced NIDA's appropriation by \$1,994,634 as part of a rescission to the NIH of .189%. In addition, a Secretary's Transfer in the amount of \$300,000 for AIDS drug assistance programs and another transfer for Alzheimer Disease in the amount of \$694,000 reduced to the NIDA appropriation to \$1,052,373,271. NIDA obligated \$1,052,368,102 and \$5,169 lapsed. The actual amount obligated reconciles to the NIDA Database system. The total of \$1,052,373,271 does not reconcile to the FY 2012 column of the FY 2013 Congressional Justification (CJ). This is because the FY 2012 column of the FY 2013 CJ includes 1 comparable transfer totaling \$953,000 but not the Secretary's Transfer for Alzheimer Disease in the amount of \$694,000.

### **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 2012 are for the same reasons described above for the FY 2012 column of the FY 2013 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 occurred during the fiscal year. As described above, NIDA had the following adjustments to its appropriation for FY 2012: (1) a Secretary's Transfer of \$300,000 for AIDS drug assistance programs, (2) a Secretary's Transfer for Alzheimer Disease in the amount of \$694,000.

**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 2012 Actual Obligations  
(Dollars in Thousands)**

**I. RESOURCE SUMMARY**

	<b>FY 2012 Actual</b>
<b>Drug Resources by Function:</b>	
Research and Development Prevention	370,794
Research and Development Treatment	681,574
Total	1,052,368
<b>Drug Resources by Decision Unit:</b>	
National Institute on Drug Abuse	1,052,368
Total	1,052,368

**Differences Between (1) Actual Obligations and (2) the FY 12 Column of the  
FY 13 CJ and the National Drug Control Strategy Budget Summary  
(Dollars in Thousands)**

Total 2012 Col. of the FY 2013 CJ; National Drug Control Strategy	1,052,114
1 Comparable Transfers	953
Secretary's Transfer for Alzheimer Disease	-694
Lapse of Funds	-5
	<hr/>
<b>Total Obligations</b>	<b>1,052,368</b>



DEPARTMENT OF HEALTH AND HUMAN SERVICES


## OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



JAN 18 2013

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

**FROM:** Gloria L. 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 2012 (A-03-13-00351)

This report provides the results of our attestation review of the Substance Abuse and Mental Health Services Administration (SAMHSA) fiscal year (FY) 2012 assertions concerning drug control accounting and accompanying Table of Prior Year Drug Control Obligations: FY 2012 (Table).

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 (21 U.S.C. § 1704(d)(A)). The section further requires that the accounting 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 the Federal statute (21 U.S.C. § 1704(d)(A)), we reviewed the attached SAMHSA report entitled “Assertions Concerning Drug Control Accounting,” dated November 9, 2012. 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.

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

SAMHSA reported obligations of \$2,640,190,837.

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 that 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 FY 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.

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Although this report is an unrestricted public document, the information it contains 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](mailto:Kay.Daly@oig.hhs.gov). Please refer to report number A-03-13-00351 in all correspondence.

Attachment



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

NOV 09 2012

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.

**Reprogrammings or Transfers**

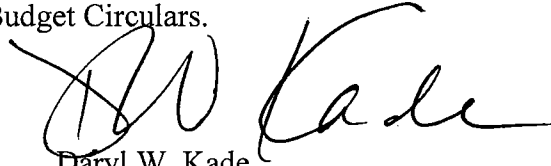
I assert that the data presented are associated with obligations against a financial plan that was revised during the fiscal year to include funds received from ONDCP in support of the Drug

Page 2 - Director, Office of National Drug Control Policy

Free Communities Program. SAMHSA received a total of \$91,125,070 from ONDCP via Interagency Agreements to fund activities of the Drug Free Communities Program in FY 2012. SAMHSA had no other reportable reprogrammings or transfers in FY 2012.

**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.

A handwritten signature in black ink, appearing to read "D. W. Kade", written in a cursive style.

Daryl W. Kade  
Chief Financial Officer

Attachments:

Table of Prior Year Drug Control Obligations, FY 2012  
Exhibit A - Drug Control Methodology

## SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION

### Table of Prior Year Drug Control Obligations FY 2012 (Dollars in millions)

#### Drug Resources by Function

Prevention .....	572.8
Treatment .....	1,976.3
<b>Total .....</b>	<b>\$2,549.1</b>

#### Drug Resources by Decision Unit

Substance Abuse Prevention	
<i>Programs of Regional and National Significance (Non-add)</i> <sup>1/</sup> .....	185.9
<i>Substance Abuse Prevention and Treatment Block Grant (Non-add)</i> <sup>2/</sup> .....	360.0
<b>Sub-Total .....</b>	<b>\$545.9</b>
Substance Abuse Treatment	
<i>Programs of Regional and National Significance (Non-add)</i> <sup>1/</sup> .....	428.9
<i>Substance Abuse Prevention and Treatment Block Grant (Non-add)</i> <sup>2/</sup> .....	1,440.0
<b>Sub-Total .....</b>	<b>\$1,868.9</b>
Health Surveillance and Program Support <sup>3/</sup>	
<i>Prevention (Non-add)</i> .....	26.8
<i>Treatment (Non-add)</i> .....	107.3
<b>Sub-Total .....</b>	<b>\$134.1</b>
<b>Total, Drug Resources by Decision Unit .....</b>	<b>\$2,549.1</b>
Drug Resources Personnel Summary	
<i>Total FTEs (direct only)</i> .....	591
Drug Resources as a Percent of Budget	
<i>Total Agency Budget</i> .....	\$3,567.1
<i>Drug Resources Percentage</i> .....	71.5%
Drug Free Communities Program <sup>4/</sup> .....	\$91.1
<b>Total with Drug Free Communities .....</b>	<b>\$2,640.2</b>

#### *Footnotes:*

<sup>1/</sup> 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.

<sup>2/</sup> SAPT Block Grant obligations include funds provided to SAMHSA from the PHS evaluation fund.

<sup>3/</sup> HSPS 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. HSPS obligations include funds provided to SAMHSA from the PHS evaluation fund.

<sup>4/</sup> Drug Free Communities Program funding was provided to SAMHSA/CSAP via Interagency Agreements.

***TOTALS MAY NOT ADD DUE TO ROUNDING***

**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;
- 20% of the actual obligations of the Substance Abuse Prevention and Treatment Block Grant (SAPTBG) funds, including obligations related to receipt of PHS evaluation funds;
- Drug Free Community Program funds provided by Interagency Agreements with ONDCP; <sup>1/</sup> and,
- Of the portion from SAMHSA Health Surveillance and Program Support funds, including obligations related to receipt of PHS evaluation funds, the assumptions are as follows:
  - Public Awareness and Support(PAS) funds were split 50/50 between Substance Abuse and Mental Health and 20% of the Substance Abuse portion is considered Prevention;
  - Performance and Quality Information Systems (PQIS) funds were split 70/30 between Substance Abuse and Mental Health and 20% of the Substance Abuse portion is considered Prevention;
  - 20% of Program Support is considered Prevention;
  - Agency Wide initiatives were split 50/50 between Substance Abuse and Mental Health and 20% of the Substance Abuse portion is considered Prevention; and
  - 20% of the Substance Abuse portions of Health Surveillance funding is considered Prevention.

**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 Prevention and Public Health Fund
- 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,
- Of the portion from SAMHSA Health Surveillance and Program Support funds, including obligations related to receipt of PHS evaluation funds, the assumptions are as follows:
  - Public Awareness and Support(PAS) funds were split 50/50 between Substance Abuse and Mental Health and 80% of the Substance Abuse portion is considered Treatment;
  - Performance and Quality Information Systems (PQIS) funds were split 70/30 between Substance Abuse and Mental Health and 80% of the Substance Abuse portion is considered Treatment;
  - 80% of Program Support is considered Treatment;

- Agency Wide initiatives were split 50/50 between Substance Abuse and Mental Health and 80% of the Substance Abuse portion is considered Treatment; and
- 80% of the Substance Abuse portions of Health Surveillance funding is considered Treatment.

**(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/CSAP); and
- Program Management<sup>2/</sup> - SAMHSA.
  - In addition to the above, the Drug Free Communities Program funds provided by ONDCP through Interagency Agreements with SAMHSA are included as a separate line item on the Table of Prior Year Drug Control Obligations.

Included in this Drug Control Accounting report for FY 2012 are 100% of the actual obligations for these five 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** – The methodology has been updated to coincide with the SAMHSA change from one appropriation to four as described in the FY 2013 Congressional Justification. A key change includes the following:
- Program Management activities are represented in an 80%/20% ratio from the HSPS appropriation for those activities supporting Treatment and Prevention (more details in 1(a) of this document.)
- (3) **Reprogrammings or Transfers** – SAMHSA entered into Interagency Agreements with ONDCP in the amount of \$91,125,070 to fund activities of the Drug Free Communities Program in FY 2012. SAMHSA had no other reportable reprogrammings or transfers in FY 2012.
- (4) **Other Disclosures** – None.

<sup>1/</sup> The Drug Free Community Program is considered part of Prevention, but is reflected as a separate line item on the Table of Prior Year Drug Control Obligations as it is a reimbursable funding amount and not part of direct funding.

<sup>2/</sup> Program Management is now shown within Health Surveillance and Program Support funds as consistent with SAMHSA's change from one appropriation to four appropriations.



# Tab E

## Department of Homeland Security



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

**JAN 31 2013**

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

FROM: Anne L. Richards *Anne Richards*  
Assistant Inspector General for Audits

SUBJECT: *Independent Review of U.S. Customs and Border  
Protection's Reporting of FY 2012 Drug Control Obligations*

Attached for your information is our final report, *Independent Review of U.S. Customs and Border Protection's Reporting of FY 2012 Drug Control Obligations*. U.S. Customs and Border Protection's management prepared the Table of FY 2012 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.

We contracted with the independent public accounting firm KPMG LLP to perform the review. KPMG LLP is responsible for the attached independent accountants' report, dated January 22, 2013, and the conclusions expressed in it. We do not express an opinion on the Table of FY 2012 Drug Control Obligations and related disclosures. This report contains no recommendations.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Mark Bell, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



# Department of Homeland Security Office of Inspector General

## Independent Review of U.S. Customs and Border Protection's Reporting of FY 2012 Drug Control Obligations





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

## **Independent Accountants' Report**

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

We have reviewed the accompanying Table of FY 2012 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, 2012. We have also reviewed the accompanying management's assertions for the year ended September 30, 2012. CBP's management is responsible for the preparation of the Table of FY 2012 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 2012 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 2012 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, except as described in the paragraph below, nothing came to our attention that caused us to believe that (1) the Table of FY 2012 Drug Control Obligations and related disclosures for the year ended September 30, 2012, 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.

In the accompanying management's assertions for the year ended September 30, 2012, management did not assert that the assumptions used in the estimation methods for determining obligations by drug control decision were subjected to periodic review to confirm their continued validity as required by section 6b(b) of the Circular. Additionally, management did not provide supporting documentation evidencing the periodic review of those assumptions.

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 22, 2013



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

**JAN 22 2013**

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:

Enclosed is the U.S. Customs and Border Protection (CBP) Fiscal Year (FY) 2012 Detailed Accounting Submission on National Drug Control Funding. In FY 2012, CBP reported direct obligations of approximately \$2,249 million.

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

A handwritten signature in cursive script that reads "Deborah J. Schilling".

Deborah J. Schilling  
Chief Financial Officer

Enclosure

**U.S. DEPARTMENT OF HOMELAND SECURITY  
U.S. CUSTOMS AND BORDER PROTECTION  
Detailed Accounting Submission of FY 2012 Drug Control Funds**

## DETAILED ACCOUNTING SUBMISSION

## A. Table of FY 2012 Drug Control Obligations

<b>(Dollars in Millions)</b>	
	<b>FY 2012</b>
<b>Drug Resources by Budget Decision Unit and Function</b>	
Salaries & Expenses	
Intelligence	\$239.980
Interdiction	\$1,565.583
<b>Total, Salaries and Expenses</b>	<b>\$1,805.563</b>
Air & Marine Operations	
Intelligence	\$71.258
Interdiction	\$319.409
<b>Total, Air &amp; Marine Operations</b>	<b>\$390.667</b>
Border Security Fence Infrastructure & Technology (BSFIT)	
Interdiction	\$52.947
<b>Total, Border Security Fence Infrastructure &amp; Technology</b>	<b>\$52.947</b>
<b>Total Obligations</b>	<b>\$2,249.177</b>
High Intensity Drug Traffic Area (HIDTA)	
Intelligence	\$0.009
Interdiction	\$0.237
<b>Total, High Intensity Drug Traffic Area (HIDTA)</b>	<b>\$0.246</b>

## 1. 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, six organizations within CBP, the Offices of: Border Patrol (OBP); Field Operations (OFO); Information Technology (OIT); Training and Development (OTD); Office of Technology Innovation & Acquisition (OTIA), and Air and Marine (OAM) were provided with guidance on preparing submissions for the FY 2012 annual reporting of drug control obligations. OBP, OAM, OIT, OTD, OTIA, 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 six organizations identified resources in their financial plans that support the drug enforcement mission of the agency. OIT, OFO, OBP, and OAM attribute their resources to both intelligence and interdiction functions; while OTIA and OTD attribute their resources solely to interdiction.

#### OFFICE OF BORDER PATROL

OBP is responsible for controlling almost 6,000 miles of land borders between ports of entry with Canada and Mexico and nearly 2,700 miles of coastal waters surrounding the Florida Peninsula and Puerto Rico. There were 21,165 Border Patrol agents as of September 22, 2012, 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, thus preventing their illegal entry. It has been determined that 15 percent of the total agent time nationwide is related to drug activities. This percentage was determined based on a review of the hours worked by agents, K9 officers, and core personnel at various border check-points with narcotic-intensive 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. These activities include staffing 35 permanent border traffic checkpoints nationwide including 950 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 2012, there were 4,214 CBP officer positions related to drug enforcement on Anti-Terrorism Contraband Enforcement Teams (A-TCET). CBP established these teams in 2003, uniting the former Contraband Enforcement Teams (CET), Manifest Review Units (MRU), Non-Intrusive Inspection, Canine, and Outbound teams to form a single A-TCET enforcement team. The A-TCET also works closely with the Passenger Enforcement Rover Team (PERT) and Passenger Analytical Unit (PAU) teams to coordinate all enforcement activities. CBP estimates that 69 percent of the A-TCET is devoted to drug enforcement. This estimation was made by experts in the field who used best estimates to determine the amount of time officers and Agriculture Specialists spent in the field on activities devoted to narcotics seizures like cargo and passenger inspections. The smuggling methodologies and their indicators are similar for both narcotics and anti-terrorism activities.

As of September 2012, there were 680 Canine Enforcement Officers with assigned dogs. Among the dogs paired with an officer, 112 were Narcotics Detection Teams, 52 Currency Firearms Detection Teams, and 355 Narcotics/Human Smuggling Detection Teams that were nearly 100 percent devoted to smuggling interdiction. Also included in the total, but not scored for narcotics enforcement were 115 Agricultural Teams and 46 K-9 Trainers and Field Advisors.

Eight dog handlers did not have dogs at the time that this data was collected. This was due to recent canine retirements and extended leave/light duty assignments.

As of September 2012, there were also 16,827 other CBP officers, who, in addition to the interdiction of contraband and illegal drugs, enforce hundreds of laws and regulations of many other Federal government agencies. The other Federal Agencies include, for example, the U.S. Fish and Wildlife Service, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the Bureau of Export Administration among many others. CBP subject matter experts estimate that roughly 30 percent of these officers' time is devoted to drug-related activities.

#### OFFICE OF INFORMATION TECHNOLOGY

OIT supports the drug enforcement mission through the acquisition, and support and maintenance of technology, such as non-intrusive inspection (NII) systems and mission critical targeting software systems. Of OIT's spending, 30 percent of the Enforcement Technology Center (based on NII technology deployed); 25 percent of Automated Targeting Systems (Passenger, Narcotics, and Anti-Terrorism) software costs; 10 percent of the Treasury Enforcement Communications System (TECS); and 10 percent of data center operations costs is estimated in support of the drug mission. Of the percent of OIT's resources related to drug activities, 36 percent is related to intelligence and 64 percent are related to drug interdiction.

#### OFFICE OF TRAINING AND DEVELOPMENT

OTD provides training courses 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. These specific training programs provided by OTD are related to drug interdiction activities and not intelligence activities. 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 National Training Plan and for each course compares drug interdiction course hours against total course hours to determine the percentage for drug interdiction.

#### OFFICE OF TECHNOLOGY INNOVATION & ACQUISITION

CBP is the lead agency within Department of Homeland Security for the development and deployment of border technology and tactical infrastructure to secure America's borders. OTIA's Border Security, Fencing, Infrastructure, and Technology (BSFIT) programs deliver detection and surveillance technology systems to both the southwest and northern borders. These technologies increase situational awareness and assist law enforcement personnel in identifying and resolving illegal activity. For this drug control estimate, based on the nature of these expenditures, OTIA is applying the Border Patrol ratio of 15 percent to the entire account. OTIA funding is solely related to drug interdiction activities as OTIA does not provide intelligence support.

## OFFICE OF AIR & MARINE OPERATIONS

OAM's core competencies are air and marine interdiction, air and marine law enforcement, and air domain security. In this capacity, the OAM targets the conveyances that illegally transport narcotics, arms, and aliens across our borders and in the Source, Transit and Arrival Zones. In past support of Source and Transit Zone interdiction operations, the Air and Marine P-3 Program has dedicated a minimum of 7,200 hours a year in support of Joint Interagency Task Force – South.

Although OAM's P-3 fleet continued its Service Life Extension Program (SLEP) and wing replacement program in Fiscal Year (FY) 2012, the P-3's flew over 5,500 flight hours accounting for 129,849 pounds of illegal drugs disrupted or seized. Successful completion of the SLEP program will add 15,000 flight hours to the service life of each OAM P-3 aircraft. The first set of wings was delivered to Lockheed Martin in November 2009, where the initial wing installation was completed. The aircraft was returned to service in September 2010. As of September 2012, 5 of the 14 P-3s have completed the rewinging and have returned to service. The installation of the last set of wings and tails are scheduled for 2016, increasing the total service life of the CBP P-3 fleet to 210,000 flight hours. The P-3 fleet will continue to play a significant role in interdiction, law enforcement, and air domain security in Source, Transit, and Arrival Zones through FY 2027.

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

Using flight hours spent performing drug related activities, OAM has determined that 81.83 percent of the budget resources that support OAM are considered to be drug-related. Of the total flight hours flown by OAM, 18.2 percent were related to intelligence.

### 2. Methodology Modifications

The drug control methodology for obligations used in FY 2012 remained the same as the methodology used in FY 2011 for the previously reported offices. In FY 2012 CBP, added the decision unit for the BSFIT appropriation because its programs and activities support OBP's drug control efforts.

### 3. Material Weaknesses or Other Findings

Pursuant to CBP's FY 2012 Internal Control Assurance Statement, the following financial weaknesses, reportable conditions, or non-conformance could affect the reporting of drug control budget obligations.

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

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

The DHS Office of the Inspector General (OIG) has noted that there continues to be Information Technology (IT) general and application control weaknesses at CBP. During FY 2012, CBP completed remediation work on 15 of the 36 findings issued in the FY 2011 Financial Statement Audit. CBP had 25 new findings during FY 2012. CBP reviewed the procedural changes and concluded that the weaknesses had been remediated. CBP will continue to remediate IT findings in FY 2013.

4. Reprogrammings or Transfers

CBP submitted pay shortfall reprogrammings/transfers for the OBP and OFO in FY 2012. The reprogrammings were approved by ONDCP.

5. Other Disclosures

There are no other disclosures that CBP has determined are necessary to clarify any issues regarding the data reported under ONDCP Circular, 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. During FY 2012, CBP did not conduct periodic reviews of our drug budget methodologies; however, CBP intends to revisit the methodologies of all program offices in FY 2013.

#### c. Financial Systems

Despite the IT general and application control weaknesses noted in section A.3, 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 submitted reprogrammings / transfers that affected the drug control budget during FY 2012.

Reprogrammings and transfers made to the OBP and OFO in FY 2012 were approved by ONDCP's Acting Associate Director for Performance and Budget on July 16, 2012 and August 14, 2012.

### 5. Fund Control Notices

The Director of National Drug Control Policy did not issue a Fund Control Notice for CBP for FY 2012.



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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**Appendix A**  
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**Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

**Office of National Drug Control Policy**

Associate Director for Planning and Budget

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

Commissioner  
Chief Financial Officer  
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**Congress**

Congressional Oversight and Appropriations Committees, as appropriate

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For additional information, visit our website at: [www.oig.dhs.gov](http://www.oig.dhs.gov), or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).

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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

**JAN 29 2013**

MEMORANDUM FOR: Edward Johnson  
Chief Financial Officer  
Federal Emergency Management Agency

FROM: Anne L. Richards *Anne L. Richards*  
Assistant Inspector General for Audits

SUBJECT: *Independent Review of the Federal Emergency  
Management Agency's Reporting of FY 2012 Drug Control  
Obligations*

Attached for your information is our final report, *Independent Review of the Federal Emergency Management Agency's Reporting of FY 2012 Drug Control Obligations*. Federal Emergency Management Agency's management prepared the Table of Prior Year Drug Control Obligations and the accompanying Unreasonable Burden Statement to comply with the requirements of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007.

We contracted with the independent public accounting firm KPMG LLP to perform the review. KPMG LLP is responsible for the attached independent accountants' report, dated January 18, 2013, and the conclusions expressed in it. We do not express an opinion on the Table of Prior Year Drug Control Obligations or the accompanying Unreasonable Burden Statement. This report contains no recommendations.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact 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 Federal Emergency Management Agency's Reporting of FY 2012 Drug Control Obligations





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

## Independent Accountants' Report

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

We have reviewed the accompanying Table of Prior Year Drug Control Obligations of the U.S. Department of Homeland Security's (DHS) Federal Emergency Management Agency (FEMA) for the year ended September 30, 2012. We have also reviewed the accompanying statement that full compliance with the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 (the Circular) would constitute an unreasonable burden (Unreasonable Burden Statement). FEMA's management is responsible for the preparation of the Table of Prior Year Drug Control Obligations and the Unreasonable Burden Statement (collectively the Alternative Report).

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 Alternative Report. Accordingly, we do not express such an opinion.

Management of FEMA prepared the Alternative Report to comply with the requirements of the Circular.

Based on our review, nothing came to our attention that caused us to believe that the Table of Prior Year Drug Control Obligations and Unreasonable Burden Statement for the year ended September 30, 2012, are not presented, in all material respects, in conformity with the Circular. The information included in the ONDCP Performance Summary Report section is presented for the purposes of additional analysis and is not a required part of the Alternative Report. Such information has not been subjected to the review procedures applied in the review of the Alternative Report and, accordingly, we do not provide any assurance on the ONDCP Performance Summary Report section.

This report is intended solely for the information and use of the management of DHS and FEMA, 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 18, 2013



FEMA

January 18, 2013

MEMORANDUM FOR: Ms. Anne L. Richards  
Assistant Inspector General for Audit  
U.S. Department of Homeland Security

FROM: David J. Kaufman  
Acting Assistant Administrator, Grant Programs Directorate

SUBJECT: FY 2012 Office of National Drug Control Policy (ONDCP)  
Alternative Report-Federal Emergency Management Agency (FEMA)

Attached for your review and response is the ONDCP 2012 Alternative Report and Performance Summary Report for FEMA. As required by the ONDCP Circular: Drug Control Accounting dated May 1, 2007, the report show that FEMA's 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 Grant Programs Directorate at [ASKCsid@fema.gov](mailto:ASKCsid@fema.gov).

Attachments:

ONDCP Alternative Report – FEMA Resource Summary



# FEMA

## ONDCP 2012 Alternative Report – FEMA Resource Summary

Prior Year Drug Control Obligations	FY 2009	FY 2010	FY 2011	FY 2012
Function: State and Local Assistance				
Decision Unit: Operation Stonegarden Grant Program	\$28,249,460	\$25,903,027	\$23,826,599	\$20,500,000

The information above represents data submitted by grantees reflecting the total funding obligated to grantees (drawdowns) for personnel costs as a percentage of total OPSG awards for the Fiscal Years 2009, 2010, and 2011. Since data is not yet available for FY 2012, based on the two most recent years' draw downs, FEMA estimates the amount of funding that will be drawn down by grantees on personnel costs will be similar and approximately 44.0%, equivalent to \$20.5 million (out of a total obligation of \$46.6 million for OPSG). Total obligations from OPSG to grantees for drug interdiction are likely less than \$1 million/year, but, because all personnel costs are reported together, the specific amounts obligated for drug enforcement cannot be determined.

There are two funding categories for which grantees can use OPSG funds: equipment and organization (personnel). Since no equipment is purchased for drug interdiction using OPSG funds, personnel costs are the only category of funds used to estimate possible drug interdiction activities under this grant program. Personnel activities supported with OPSG funds include protection from various criminal activities such as (in order of prevalence): vehicle stops, citations for offenses including drinking and driving, penal violations as well as minor and significant seizures (which may include firearms, stolen goods and drugs).

Pursuant to provisions in Paragraph 9 of the ONDCP Circular issued May 1, 2007, I hereby state that full compliance with this Circular constitutes an unreasonable reporting burden on the agency and that the obligations reported under this section constitute the statutorily required detailed accounting.

David J. Kaufman, Acting Assistant Administrator  
Grant Programs Directorate

1/18/13  
Date





**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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**Appendix A**  
**Report Distribution**

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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

**JAN 9 9 2013**

MEMORANDUM FOR: Connie L. Patrick  
Director  
Federal Law Enforcement Training Center

FROM: Anne L. Richards *Anne L. Richards*  
Assistant Inspector General for Audits

SUBJECT: *Independent Review of the Federal Law Enforcement  
Training Center's Reporting of FY 2012 Drug Control  
Obligations*

Attached for your information is our final report, *Independent Review of the Federal Law Enforcement Training Center's Reporting of FY 2012 Drug Control Obligations*. Federal Law Enforcement Training Center's management prepared the Table of Prior Year Drug Control Obligations and the accompanying Unreasonable Burden Statement to comply with the requirements of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007.

We contracted with the independent public accounting firm KPMG LLP to perform the review. KPMG LLP is responsible for the attached independent accountants' report, dated January 18, 2013, and the conclusions expressed in it. We do not express an opinion on the Table of Prior Year Drug Control Obligations or the accompanying Unreasonable Burden Statement. This report contains no recommendations.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact 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 Federal Law Enforcement Training Center's Reporting of FY 2012 Drug Control Obligations





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

## **Independent Accountants' Report**

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

We have reviewed the accompanying Table of Prior Year Drug Control Obligations of the U.S. Department of Homeland Security's (DHS) Federal Law Enforcement Training Center (FLETC) for the year ended September 30, 2012. We have also reviewed the accompanying statement that full compliance with the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007 (the Circular) would constitute an unreasonable burden (Unreasonable Burden Statement). FLETC's management is responsible for the preparation of the Table of Prior Year Drug Control Obligations and the Unreasonable Burden Statement (collectively the Alternative Report).

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 Alternative Report. Accordingly, we do not express such an opinion.

Management of FLETC prepared the Alternative Report to comply with the requirements of the Circular.

Based on our review, nothing came to our attention that caused us to believe that the Table of Prior Year Drug Control Obligations and Unreasonable Burden Statement for the year ended September 30, 2012, are not presented, in all material respects, in conformity with the Circular. The information included in the ONDCP Performance Summary Report section is presented for the purposes of additional analysis and is not a required part of the Alternative Report. Such information has not been subjected to the review procedures applied in the review of the Alternative Report, and accordingly, we do not provide any assurance on the ONDCP Performance Summary Report section.

This report is intended solely for the information and use of the management of DHS and FLETC, 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 18, 2013

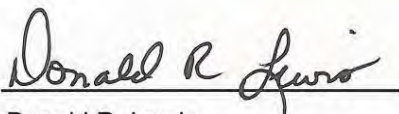
**U.S. DEPARTMENT OF HOMELAND SECURITY  
Federal Law Enforcement Training Center (FLETC)**

2012

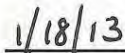
**Prior Year Drug Control Obligations**

	Obligations (in Millions)	
	FY 2011	FY 2012
<b>Drug Resources by Function</b>		
Investigations	\$46.160	\$45.672
State & Local Assistance	\$1.466	\$1.304
International	\$0.317	\$0.150
<b>Total Drug Resources by Function</b>	<b>\$47.943</b>	<b>\$47.126</b>
<b>Drug Resources by Decision Unit</b>		
Salaries & Expenses	\$47.943	\$47.126
<b>Total Drug Resources by Decision Unit</b>	<b>\$47.943</b>	<b>\$47.126</b>
<b>Drug Resources Personnel Summary</b>		
Total FTEs (direct only)	224	224
<b>Drug Resources as a Percent of Budget</b>		
Total Agency Budget (in billions)	\$ 0.270	\$ 0.270
Drug Resources Percentage	<b>17.8%</b>	<b>17.4%</b>

The FLETC has less than \$50 million in drug-related obligations per year. As such, full compliance with the ONDCP Circular: Drug Control Accounting, would constitute an unreasonable reporting burden.



Donald R. Lewis  
Chief Financial Officer



Date

The Drug Resources as a Percent of Budget is computed as follows:

Obligations	FY	Budget Authority		
\$47,126	FY2012	\$270,109	$47,126 / 270,109 =$	17.4%
\$47,943	FY2011	\$269,523	$47,943 / 269,523 =$	17.8%



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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**Appendix A**  
**Report Distribution**

**Department of Homeland Security**

Secretary  
Deputy Secretary  
Chief of Staff  
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Executive Secretary  
Director, GAO/OIG Liaison Office  
Assistant Secretary for Office of Policy  
Assistant Secretary for Office of Public Affairs  
Assistant Secretary for Office of Legislative Affairs  
Acting Chief Privacy Officer

**Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

**Office of National Drug Control Policy**

Associate Director for Planning and Budget

**Federal Law Enforcement Training Center**

Director  
Chief Financial Officer  
Audit Liaison

**Congress**

Congressional Oversight and Appropriations Committees, as appropriate

## ADDITIONAL INFORMATION AND COPIES

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For additional information, visit our website at: [www.oig.dhs.gov](http://www.oig.dhs.gov), or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).

## OIG HOTLINE

To expedite the reporting of alleged fraud, waste, abuse or mismanagement, or any other kinds of criminal or noncriminal misconduct relative to Department of Homeland Security (DHS) programs and operations, please visit our website at [www.oig.dhs.gov](http://www.oig.dhs.gov) and click on the red tab titled "Hotline" to report. You will be directed to complete and submit an automated DHS OIG Investigative Referral Submission Form. Submission through our website ensures that your complaint will be promptly received and reviewed by DHS OIG.

Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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





**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

**JAN 29 2013**

**MEMORANDUM FOR:** Radha Sekar  
Acting Executive Associate Director  
Management and Administration  
U.S. Immigration and Customs Enforcement

**FROM:** Anne L. Richards *Anne L. Richards*  
Assistant Inspector General for Audits

**SUBJECT:** *Independent Review of U.S. Immigration and Customs  
Enforcement's Reporting of FY 2012 Drug Control  
Obligations*

Attached for your information is our final report, *Independent Review of U.S. Immigration and Customs Enforcement's Reporting of FY 2012 Drug Control Obligations*. 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.

We contracted with the independent public accounting firm KPMG LLP to perform the review. KPMG LLP is responsible for the attached independent accountants' report, dated January 22, 2013, and the conclusions expressed in it. We do not express an opinion on the Table of Prior Year Drug Control Obligations or related disclosures. This report contains no recommendations.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Mark Bell, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment

# Department of Homeland Security Office of Inspector General

## Independent Review of U.S. Immigration and Customs Enforcement's Reporting of FY2012 Drug Control Obligations





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

## Independent Accountants' Report

Deputy 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, 2012. We have also reviewed the accompanying management's assertions for the year ended September 30, 2012. 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, except as described in the paragraph below, 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, 2012 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.

In the Table of Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2012, management utilized and disclosed a revised methodology for calculating the obligations related to both domestic and international intelligence operations that was not approved by ONDCP as required by section 6a(1)(b) of the Circular.

The information included in Exhibit 1 to the Table of Prior Year Drug Control Obligations, is presented for the purposes of additional analysis and is not a required part of the Table of Prior Year Drug Control Obligations, related disclosures, and management's assertions. Such information has not been subjected to the review procedures applied in the review of the Table of Prior Year Drug Control Obligations, related disclosures, and management's assertions, and accordingly, we do not provide any assurance on this information.

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 22, 2013

U.S. Department of Homeland Security  
500 12th Street, SW  
Washington, D.C. 20536



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

January 22, 2013

Ms. Anne L. Richards  
Assistant Inspector General for Audit  
U.S. Department of Homeland Security  
Office of the Inspector General  
1120 Vermont Avenue NW, 10<sup>th</sup> Floor  
Washington, DC 20005

Dear Ms. Richards,

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 2012 drug obligations, drug control, methodology and assertions.

If you require further assistance on this information, please contact Jamie Sturgis at (202) 732-6188.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew McIlroy".

Andrew McIlroy  
Deputy 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 2012**

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

	FY 2012 Final (In Millions)
<b>Salaries and Expense</b>	
Domestic Investigations	\$476.918
International Affairs	\$7.216
Intelligence: Domestic	\$15.991
Intelligence: International	\$0.768
<b>Total Salaries and Expense</b>	<b>\$500.893</b>
<b>Total Funding</b>	<b>\$500.893</b>
High Intensity Drug Trafficking Area (HIDTA) Transfer	\$1.335

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 investigative work they perform in this system which interfaces with TECS, a system used to identify and report case hours coded to specific investigative categories. Following the close of the fiscal year, ICE uses TECS reports to identify and report the total investigative case hours that are coded as general narcotics cases and money laundering narcotics cases. A second TECS report shows 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 2012, the actual percentage for Domestic Investigations was 28.2%. To calculate a dollar amount of obligations, this percentage was applied to actual obligations incurred by Domestic Investigations, excluding reimbursable authority. ICE uses the Federal Financial Management System (FFMS) to identify the 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 system. Following the close of the fiscal year, a TECS report is run showing investigative case hours that are coded as general narcotics cases and money laundering narcotics cases. A second report is run showing all investigative case hours logged. A percentage is derived by dividing the number of investigative case hours linked to drug control activities by the total number of investigative case hours. For International Affairs, the actual percentage of hours that were counter-narcotics related was 6.3% in FY 2012. 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 intelligence case hours recorded in ICE's automated Case Management System. ICE intelligence officers record the type of work they perform in this system, which interfaces with the TECS system. 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 logged for Intelligence. For FY 2012, 22.0% of the total case hours for Intelligence were in support of drug control activities. To calculate a dollar amount of drug control 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.

ICE officers provide intelligence services for Domestic Investigations and International Affairs to support criminal investigations aimed at disrupting and dismantling criminal organizations involved in transnational drug trade and associated money laundering crimes. Intelligence case hours recorded in TECS are not designated domestic or international, although Intelligence equally supports both transnational and domestic criminal investigations that are conducted by Domestic Investigations as well as International Affairs and both together. ICE takes the total investigative hours in TECS for agents overseas divided by the total investigative hours in TECS (both domestic and international) to obtain a percentage of the total investigative hours that are international. The resulting percentage is used to determine the amount of work that Intelligence does for international activities (4.58 %) and domestic activities (95.42%) The respective percentages are applied to the total Intelligence drug related obligations as determined above to identify the relative international and domestic obligations expended by Intelligence for drug control activities.

### Disclosure No. 2: Methodology Modifications

In FY 2012, ICE revised the method for determining Intelligence obligations that are domestic and international. The previous method was based on the ratio of Requests for Information (RFI) prepared for International Affairs and Domestic Investigations that were recorded in the Intelligence Information Management System (IIMS). Beginning in FY 2012, ICE revised the process and criteria for designating RFI to align with the DHS Intelligence Enterprise Policy Directive 8310 (DHS PD8310). As a result, the scope of intelligence products that meet the RFI criteria specified by DHS PD8310 changed, and henceforth, fewer RFI were recorded in IIMS. Additionally, ICE found the international/domestic ratio of RFI requests recorded in IIMS no longer reflected Intelligence products nor workload that were international or domestic. Consequently, ICE revised the methodology used to identify Intelligence drug related obligations that are domestic or international. The new method uses the relative TECS investigative case hours that are domestic or international. ICE has initiated discussion to obtain ONDCP approval of the change to the methodology.

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

In the Fiscal Year 2012 Financial Statement Audit, ICE contributed to material weaknesses at the Department of Homeland Security consolidated financial statement level.

During FY 2012, ICE continued to have issues with the validity of undelivered orders (UDO). Verification and validation (V&V) reviews performed by ICE financial managers indicate reliance on responses from field office personnel to determine the validity of open obligations which are sometimes inaccurate, or do not provide sufficient information for the ICE financial managers to make an informed decision about the balance, rendering the V&V process ineffective. ICE's verification and validation process was not adequate to identify invalid UDOS, which resulted in the overstatement of undelivered orders, as obligations are not closed out in a timely manner. Additionally, ICE does not have an effective process to match advances to obligations at the transaction level. In FY 2013, ICE is identifying immediate steps to review the Open Document File for all undelivered orders, and close out and deobligate any invalid UDOS. Additionally, a longer-term solution will involve the end-to-end review the obligations management process, determine improvement areas, and identify long-term solutions.

The contributions to material weaknesses identified above did not impair ICE's ability to report complete and accurate obligation data in the Table of Prior Year Drug Control Obligations.

### Disclosure No. 4: Reprogrammings or Transfers

No Reprogrammings or Transfers of drug-related budget resources occurred during FY 2012.

### 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 system discussed in the methodology section above and is based on work performed between October 1, 2011 and September 30, 2012. 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.

ICE revised the methodology used to determine overseas and domestic intelligence drug obligations to maintain conformance to ONDCP circular requirements. ICE did not obtain advance ONDCP approval of the revised methodology, but we have initiated contact with ONDCP to discuss and obtain their approval.

### 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 2012. The data presented are associated with obligations against a financial plan that was sent to ONDCP in FY 2012.

### 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 2012.





**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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**Appendix A**  
**Report Distribution**

**Department of Homeland Security**

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Executive Secretary  
Director, GAO/OIG Liaison Office  
Assistant Secretary for Office of Policy  
Assistant Secretary for Office of Public Affairs  
Assistant Secretary for Office of Legislative Affairs  
Acting Chief Privacy Officer

**Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

**Office of National Drug Control Policy**

Associate Director for Planning and Budget

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

Director  
Chief Financial Officer  
Audit Liaison

**Congress**

Congressional Oversight and Appropriations Committees, as appropriate

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For additional information, visit our website at: [www.oig.dhs.gov](http://www.oig.dhs.gov), or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).

## OIG HOTLINE

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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

**JAN 29 2013**

**MEMORANDUM FOR:** Rear Admiral Stephen P. Metruck  
Chief Financial Officer  
U.S. Coast Guard

**FROM:** Anne L. Richards *Anne Richards*  
Assistant Inspector General for Audits

**SUBJECT:** *Independent Review of U.S. Coast Guard's Reporting of  
FY 2012 Drug Control Obligations*

Attached for your information is our final report, *Independent Review of U.S. Coast Guard's Reporting of FY 2012 Drug Control Obligations*. U.S. Coast Guard's management prepared the Table of FY 2012 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.

We contracted with the independent public accounting firm KPMG LLP to perform the review. KPMG LLP is responsible for the attached Independent Accountants' Report, dated January 22, 2013, and the conclusions expressed in it. We do not express an opinion on the Table of FY 2012 Drug Control Obligations and related disclosures. This report contains no recommendations.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Mark Bell, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment

# Department of Homeland Security Office of Inspector General

## Independent Review of U.S. Coast Guard's Reporting of FY 2012 Drug Control Obligations





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

## Independent Accountants' Report

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

We have reviewed the accompanying Table of FY 2012 Drug Control Obligations and related disclosures of the U.S. Department of Homeland Security's (DHS) United States Coast Guard (USCG) for the year ended September 30, 2012. We have also reviewed the accompanying management's assertions for the year ended September 30, 2012. USCG's management is responsible for the Table of FY 2012 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 USCG prepared the Table of FY 2012 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 2012 Drug Control Obligations and related disclosures for the year ended September 30, 2012 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 USCG, 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 22, 2013

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) 372-3513  
Fax: (202)372-2311  
Email:John.F.McCarthy@uscg.mil

7110

JAN 22 2013

Ms. Sandra John  
Department of Homeland Security  
Director of Financial Management  
Office of the Inspector General

Dear Ms. John,

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 FY 2012 Detailed Accounting Submission.

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

Sincerely,

A handwritten signature in blue ink that reads "Andrew J. Frongson" with "CAPT USCG" written in smaller letters to the right.

A. J. FRONGSON  
Captain, U.S. Coast Guard  
Chief, Office of Budget and Programs

Enclosures:

(1) USCG FY 2012 Detailed Accounting Submission

Copy: DHS Budget Office

**DEPARTMENT OF HOMELAND SECURITY  
UNITED STATES COAST GUARD  
Detailed Accounting Submission of FY 2012 Drug Control Funds**

**DETAILED ACCOUNTING SUBMISSION**

**A. Table of FY 2012 Drug Control Obligations**

<b>RESOURCE SUMMARY (Dollars in Millions)</b>	<b>2012 Actual Obligations</b>
<b>Drug Resources by Drug Control Function:</b>	
• Interdiction	\$1,296.14
• Research and Development	\$5.579
<b>Total Resources by Function</b>	<b>\$1,301.719</b>
<b>Drug Resources by Budget Decision Unit:</b>	
• Operating Expenses (OE)	\$852.850
• Reserve Training (RT)	\$16.007
• Acquisition, Construction, and Improvements (AC&I)	\$427.283
• Research, Development, Test and Evaluation (RDT&E)	\$5.579
<b>Total Drug Control Obligations</b>	<b>\$1,301.719</b>

**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 the 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 and operational employment data.

The 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 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.)**

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 is derived as 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. Within the OE and RT decision units the direct, support, and overhead costs of Coast Guard assets are coupled with the employment of these assets across the Coast Guard's 11 statutory missions. Obligations within the drug interdiction program are derived by allocating a share of the actual obligations of assets and activities based upon the percent of time aircraft, cutters, and boats spent conducting drug interdiction activities (as reported in web-based data collection systems).

The two chief input drivers to the MCM are:

- *The Coast Guard's Standard Rate and User Fee (SRUF)* - The SRUF model calculates the total cost, including direct, support and overhead, of operating the Coast Guard's assets, as well as missions or services that the Coast Guard performs but does not have related standard rates or user fees.
- *Abstract of Operations (AOPS) and Aviation Logistics Management Information System (ALMIS)* - Cutter and boat activities (i.e. underway hours) are captured by AOPS system while aircraft operational hours (flight time) are entered into ALMIS. Expenses allocated to missions or services, and not assets, are driven to each of the employment categories by percentages. Those percentages are determined by surveys of those activities (e.g. Marine Safety units).

The Coast Guard tracks the resource hours spent on each of the 11 Coast Guard statutory missions using AOPS and ALMIS. This data is then used to determine the amount of time each asset class spends conducting each Coast Guard mission as a ratio of the total resource hours spent on all missions. In addition, using financial data gathered from over 3,000 cost centers around the United States along with the AOPS and ALMIS 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.

By design, the MCM is based on the OE decision unit. While mission-program spreads derived from MCM can be directly applied to OE and RT decision units, AC&I and RDT&E decision units must be calculated separately. This is due to the structure of the AC&I and RDT&E decision units, which are presented as individual projects in the Coast Guard's budget submission. Within AC&I and RDT&E, individual projects are allocated to missions based on an established profile (largely based on utilization). The drug interdiction attributions of each of these projects are then combined to determine the total contribution to the drug interdiction mission.

The program percentages derived from the MCM are applied to OE, RT, AC&I and RDT&E decision units per the above methodology (see Attachments A, B, C and D, respectively). Obligation data is derived from the final financial accounting Report on Budget Execution (SF-133).



## 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 FY 2012 Independent Auditors' Report, the Coast Guard contributed to Departmental material weaknesses in the following internal control areas: financial reporting, property management, and environmental and other liabilities. Despite these internal controls material weaknesses, the Coast Guard can provide reasonable assurance that obligations data presented is fairly reported.

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. As of November 15, 2012, the Coast Guard has helped the Department of Homeland Security achieve a qualified audit opinion on all the FY 2012 DHS financial statements.

Per the DHS FY 2012 Annual Financial Report, the Coast Guard made significant improvements to previously reported material weaknesses contributing to the progress of strengthening Department-wide internal controls over financial reporting. Specifically, Coast Guard corrective actions significantly reduced risk related to financial scripts and Fund Balance with Treasury reconciliations resulting in reducing the severity of IT Controls and System Functionality and fully remediating weaknesses related to Fund Balance with Treasury. In addition, the U.S. Coast Guard implemented the Audit Command Language as a mitigating control and reduced the severity of weaknesses related to Budgetary Accounting.

## 4) **Reprogrammings or Transfers**

During FY 2012, the Coast Guard had no reports of 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 2012 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 repeatable and is based on the attribution of direct, support and overhead costs proportionally allocated to reflect historical mission employment data presented in AOPS. This methodology is consistently used by the Coast Guard to develop 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 the Core Accounting system (CAS) and Surface Forces Logistics Center (SFLC) systems. No other financial system or information is used in developing program or mission area allocations. Although the Coast Guard has not fully implemented corrective actions to remediate weaknesses identified by the independent auditors during the annual DHS CFO Act audits, the Coast Guard can provide reasonable assurances to the effectiveness of internal controls over budgetary resource management. To mitigate the risk of inaccurate or incomplete accounting records, compensating controls including transactional level ACL tie points analytics, substantive testing over budget authority and reimbursable agreements, fund controls enacted in field-level financial systems, and quarterly reviews over open transactions significantly minimize the risk of potential misstatements.

### 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 2012, 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 the Coast Guard a Fund Control Notice for FY 2012.

## Attachment A

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

	(dollars in thousands)	
	FY 2012	
	Obligations	% of total
<b>1. Search and Rescue (SAR)</b>	<b>812,482</b>	<b>11.53%</b>
<b>2. Marine Safety (MS)</b>	<b>654,840</b>	<b>9.29%</b>
<b>3. Aids to Navigation (ATON)</b>	<b>1,355,514</b>	<b>19.23%</b>
<b>4. Ice Operations (IO)</b>	<b>95,824</b>	<b>1.36%</b>
<b>5. Marine Environmental Protection (MEP)</b>	<b>169,543</b>	<b>2.41%</b>
<b>6. Living Marine Resources (LMR)</b>	<b>633,288</b>	<b>8.98%</b>
<b>7. Drug Interdiction</b>	<b>852,850</b>	<b>12.10%</b>
<b>8. Other Law Enforcement (OTH-LE)</b>	<b>99,508</b>	<b>1.41%</b>
<b>9. Migrant Interdiction</b>	<b>488,870</b>	<b>6.94%</b>
<b>10. Ports, Waterways &amp; Coastal Security (PWCS)</b>	<b>1,531,624</b>	<b>21.73%</b>
<b>11. Defense Readiness</b>	<b>354,291</b>	<b>5.03%</b>
<b>Total OE Obligations</b>	<b>\$ 7,048,634</b>	<b>100%</b>

## Attachment B

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

	(dollars in thousands)	
	FY 2012	
	Obligations	% of total
1. Search and Rescue (SAR)	15,249	11.53%
2. Marine Safety (MS)	12,291	9.29%
3. Aids to Navigation (ATON)	25,441	19.23%
4. Ice Operations (IO)	1,799	1.36%
5. Marine Environmental Protection (MEP)	3,182	2.41%
6. Living Marine Resources (LMR)	11,886	8.98%
7. Drug Interdiction	16,007	12.10%
8. Other Law Enforcement (OTH-LE)	1,868	1.41%
9. Migrant Interdiction	9,176	6.94%
10. Ports, Waterways & Coastal Security (PWCS)	28,747	21.73%
11. Defense Readiness	6,650	5.03%
<b>Total RT Obligations</b>	<b>\$ 132,295</b>	<b>100%</b>

## Attachment C

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

	(dollars in thousands)	
	FY 2012	
	Obligations	% of total
1. Search and Rescue (SAR)	99,652	8.08%
2. Marine Safety (MS)	7,280	0.59%
3. Aids to Navigation (ATON)	35,522	2.88%
4. Ice Operations (IO)	16,862	1.37%
5. Marine Environmental Protection (MEP)	9,510	0.77%
6. Living Marine Resources (LMR)	241,155	19.55%
7. Drug Interdiction	427,283	34.64%
8. Other Law Enforcement (OTH-LE)	66,980	5.43%
9. Migrant Interdiction	102,194	8.28%
10. Ports, Waterways & Coastal Security (PWCS)	105,978	8.59%
11. Defense Readiness	121,252	9.83%
<b>Total AC&amp;I Obligations</b>	<b>\$ 1,233,669</b>	<b>100%</b>

## Attachment D

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

	(dollars in thousands)	
	FY 2012	
	Obligations	% of total
1. Search and Rescue (SAR)	8,094	21.15%
2. Marine Safety (MS)	3,400	8.88%
3. Aids to Navigation (ATON)	2,007	5.24%
4. Ice Operations (IO)	650	1.70%
5. Marine Environmental Protection (MEP)	6,640	17.35%
6. Living Marine Resources (LMR)	2,531	6.61%
7. Drug Interdiction	5,579	14.58%
8. Other Law Enforcement (OTH-LE)	683	1.78%
9. Migrant Interdiction	2,554	6.67%
10. Ports, Waterways & Coastal Security (PWCS)	4,744	12.40%
11. Defense Readiness	1,384	3.62%
<b>Total RDT&amp;E Obligations</b>	<b>\$ 38,267</b>	<b>100%</b>



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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**Appendix A**  
**Report Distribution**

**Department of Homeland Security**

Secretary  
Deputy Secretary  
Chief of Staff  
Deputy Chief of Staff  
General Counsel  
Executive Secretary  
Director, GAO/OIG Liaison Office  
Assistant Secretary for Office of Policy  
Assistant Secretary for Office of Public Affairs  
Assistant Secretary for Office of Legislative Affairs  
Acting Chief Privacy Officer

**Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

**Office of National Drug Control Policy**

Associate Director for Planning and Budget

**U.S. Coast Guard**

Commandant  
Chief Financial Officer  
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**Congress**

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## ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this document, please call us at (202) 254-4100, fax your request to (202) 254-4305, or e-mail your request to our Office of Inspector General (OIG) Office of Public Affairs at: [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov).

For additional information, visit our website at: [www.oig.dhs.gov](http://www.oig.dhs.gov), or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).

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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

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



# Tab F

# Department of the Interior



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

FEB 28 2013

Memorandum

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

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

Subject: Office of Inspector General's Independent Report on the Bureau of Indian Affairs' Fiscal Year 2012 Accounting and Performance Summary Review Reports for the Office of National Drug Control Policy  
Report No. ZZ-IN-BIA-0002-2013

The Office of Inspector General (OIG) has reviewed two fiscal year (FY) reports prepared by the Bureau of Indian Affairs (BIA) for the Office of National Drug Control Policy (ONDCP). BIA management is responsible for these reports.

The reports, FY 2012's "Accounting Report" (Attachment 1) and "Performance Summary Review Report" (Attachment 2), are presented in place of the "Detailed Accounting Submission and Performance Summary Report" required by the ONDCP Circular titled "Drug Control Accounting," dated May 1, 2007. The Circular allows this alternative reporting method when an agency's prior-year drug-control obligations are less than \$50 million and full compliance with the Circular constitutes an unreasonable burden. BIA management has asserted that it met these criteria in FY 2012.

We reviewed this assertion in accordance with the Generally Accepted Government Auditing Standards applicable to attestations that incorporate the 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 the assertion that full compliance with the requirements of the Circular constituted an unreasonable burden and that BIA's drug control obligations were under \$50 million. 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 caused us to believe that BIA management had not made its assertion in accordance with the Circular.

This report is intended solely for the information of and use by BIA and ONDCP management, as well as the U.S. Congress. It should not be used by anyone other than these

parties. The distribution of our report, however, is not limited. If you have any comments or questions regarding this report, please do not hesitate to contact me at 202-208-5512.

Attachments (2)



IN REPLY REFER TO:

# United States Department of the Interior

Attachment 1


BUREAU OF INDIAN AFFAIRS

Washington, D.C. 20240

**FEB 12 2013**

## Memorandum

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

From: Acting Deputy Assistant Secretary – Management 

Subject: Office of Inspector General's Independent Report on the Office of National Drug Control Policy (ONDCP) 2012 Accounting Report – Indian Affairs

Attached for your review and response is the ONDCP 2012 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, Charles Addington, Associate Director at 202-208-5787.


Attachment


## ONDCP 2012 Accounting Report – Indian Affairs

## Resource Summary

Prior Year Drug Control Obligations		FY 2012
Function: Prevention		(millions)
J33	Special Initiatives	9,984
	Substance Abuse - Meth Initiative	9,984
	Total FTE (Direct ONLY)	60
J34	Indian Police Academy	505
	Total ALL Functions	10,489

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

  
 Acting Deputy Assistant Secretary - Management

  
 Date



# United States Department of the Interior

BUREAU OF LAND MANAGEMENT  
Office of Law Enforcement and Security  
1849 C Street NW, Room 5641  
Washington, D.C. 20240

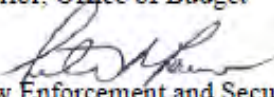


April 18, 2013

In Reply Refer To:  
9260 (WO-120)

## Memorandum

To: Director,  
Department of the Interior, Office of Budget

From: Salvatore R. Lauro,   
Director, Office of Law Enforcement and Security

Subject: Fiscal Year 2012 Summary Accounting of Drug Control Funding

In accordance with *ONDCP Circular: Accounting of Drug Control Finding and Performance Summary, January 18, 2013* (the Circular), the Bureau of Land Management (BLM) is hereby submitting this alternative report of drug control funding. Per Section 9 a. of the Circular, this report is submitted in lieu of the *Detailed Accounting Submission* required by Section 6.

Table of Drug Control Obligations – Fiscal Year 2012	
<b>Drug Control Functions:</b>	
Interdiction	408
Investigations	4,080
State and Local Assistance	612
<b>Total ALL Functions</b>	<b>5,100</b>
<b>Budget Decision Unit:</b>	
Resource Protection and Law Enforcement	5,100
<b>Total ALL Decision Units</b>	<b>5,100</b>
<b>Drug Resource Personnel Summary</b>	
Total FTE (Direct Only)	20

The BLM, Director of the Office of Law Enforcement and Security attests that full compliance with the Circular would constitute an unreasonable reporting burden. If you have any questions, please contact Daniel Fowler at 202-912-7587.

To: Director, DOI Office of Budget  
From: Budget Officer, National Park Service  
Subject: Fiscal Year 2012 Accounting Summary for the Office of National Drug Control Policy

Attached for your review and response is the ONDCP 2012 Accounting Report for the National Park Service.

The report is presented in place of the Detailed Accounting Submission 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. NPS management asserts that full compliance would be an unreasonable burden and that the obligations reported constitute the statutorily required detailed accounting.

If you have any questions, please contact Sonya Rowe at 202-513-7231.

Attachment



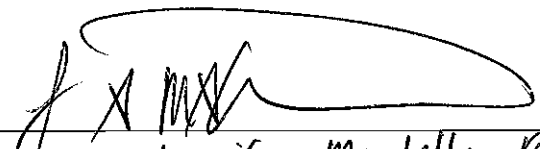
Attachment 1

## ONDCP 2012 Accounting Report – National Park Service Resource Summary

### Prior Year Drug Control Obligations FY 2012

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

(\$000)	FY 2012
<b>Function: Investigations</b>	3,700
<b>Total ALL Functions</b>	<b>3,700</b>
<b>Decision Unit: National Park Protection</b>	3,700
<b>Total ALL Decision Units</b>	<b>3,700</b>
<b>Drug Resource Summary of Personnel</b>	
<b>Total Direct FTE Only</b>	<b>34</b>

  
 Title Jennifer Madello, Budget officer

3/11/13

Date



# Tab G

# Department of Justice



Office of the Inspector General

---

January 30, 2013

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 2012 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 "Michael E. Horowitz".

Michael E. Horowitz  
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

Steven Gill  
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 2012**

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

Report 13-15  
January 2013

# ANNUAL ACCOUNTING AND AUTHENTICATION OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE FISCAL YEAR 2012

## EXECUTIVE SUMMARY

This report contains the attestation review reports of the U.S. Department of Justice's Assets Forfeiture Fund, Criminal Division, Drug Enforcement Administration, Federal Bureau of Prisons, Office of the Federal Detention Trustee, Office of Justice Programs, Offices of the United States Attorneys, Organized Crime Drug Enforcement Task Forces Program, and United States Marshals Service's annual accounting and authentication of drug control funds and related performance for the fiscal year ended September 30, 2012. 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 National Drug Intelligence Center's (NDIC) fiscal year 2012 drug control obligations were less than \$50 million. Furthermore, NDIC discontinued operations effective June 16, 2012. Therefore, pursuant to the unreasonable burden exception in paragraph 9 of the Office of National Drug Control Policy Circular, *Drug Control Accounting*, dated May 1, 2007, we did not perform an attestation review of NDIC. However, we have presented NDIC's limited report containing its Table of Drug Control Obligations and Performance Information within this report.

The Office of the Inspector General prepared the attestation review 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 2012

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**ASSETS FORFEITURE FUND**



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

Director  
Asset Forfeiture Management Staff  
U.S. Department of Justice

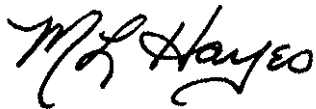
We have reviewed the accompanying Detailed Accounting Submission, which includes Management's Assertion Statement, Table of Drug Control Obligations, and the Related Disclosures; and the Performance Summary Report, which includes Management's Assertion Statement and the Related Performance Information, of the U.S. Department of Justice's Assets Forfeiture Fund (AFF) for the fiscal year ended September 30, 2012. The AFF'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 Detailed Accounting Submission and the Performance Summary Report. Accordingly, we do not express such an opinion.

Management of the AFF prepared the Detailed Accounting Submission and the Performance Summary Report to comply with the requirements of the Office of National Drug Control Policy (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, 2012, 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 AFF 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, 2013



**U.S. Department of Justice**  
Justice Management Division  
*Asset Forfeiture Management Staff*  
145 N St., N.E., Suite 5W.511  
Washington, DC 20530

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(202) 616-8000

**Detailed Accounting Submission  
Management's Assertion Statement  
For Fiscal Year Ended September 30, 2012**

On the basis of the Asset Forfeiture Management Staff (AFMS) 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 AFMS 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 AFMS accounting system of record for these budget decision units.
2. The drug methodology used by AFMS 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 2012.
5. AFMS did not have any ONDCP Fund Control Notices issued in FY 2012.

A handwritten signature in black ink that reads "Robert A. Marca".

Robert A. Marca, Deputy Director

A handwritten date in black ink that reads "1/15/13".

Date

**U.S. Department of Justice  
 Asset Forfeiture Management Staff  
 Detailed Accounting Submission  
 Table of Drug Control Obligations  
 For Fiscal Year Ended September 30, 2012  
 (Dollars in Millions)**

<b>Drug Obligations by Budget Decision Unit and Function:</b>		<b>FY 2012</b>
<b>Decision Unit #1: Asset Forfeiture</b>		<b>Actual Obligations</b>
	Investigations	\$ 161.50
	State and Local Assistance	68.70
<b>Total Asset Forfeiture</b>		<b>\$ 230.20</b>
<b>Total Drug Control Obligations</b>		<b>\$ 230.20</b>

**U.S. Department of Justice  
Asset Forfeiture Management Staff  
Detailed Accounting Submission  
Related Disclosures  
For Fiscal Year Ended September 30, 2012**

Disclosure 1: Drug Methodology

The Assets Forfeiture Fund (AFF) was established to be a repository of the proceeds of forfeiture and to provide funding to cover the costs associated with forfeiture. These costs include, but are not limited to; seizing, evaluating, maintaining, protecting, and disposing of an asset. Public Law 102-393, referred to as the 1993 Treasury Appropriations Act, amended Title 28 U.S.C. 524(c), and enacted new authority for the AFF to pay for "overtime, travel, fuel, training, equipment, and other similar costs of state or local law enforcement officers that are incurred in a joint law enforcement operation with a Federal law enforcement agency participating in the Fund." Such cooperative efforts have significant potential to benefit federal, state, and local law enforcement efforts. The Department of Justice supports state and local assistance through the allocation of AFF monies, commonly referred to as Joint Law Enforcement program operations expenses. All AFF funded drug investigative monies for the Drug Enforcement Administration (DEA) and Organized Crime Drug Enforcement Task Forces (OCDETF) are allocated in the following program operations expenses: Investigative Cost Leading to Seizure, Awards Based on Forfeiture, Contract to Identify Assets, Special Contract Services, and Case Related Expenses. The funding provided for these particular program expenses are identified below and aid in the process of perfecting a forfeiture.

Investigative Costs Leading to Seizure – These expenses are for certain investigative techniques that are used for drug related seizures.

Awards Based on Forfeiture - These expenses are for the payment of awards for information or assistance leading to a civil or criminal forfeiture.

Contract to Identify Assets - These expenses are incurred in the effort of identifying assets by accessing commercial database services. Also included in this section is the procurement of contractor assistance needed to trace the proceeds of crime into assets subject to forfeiture.

Special Contract Services - These expenses are for contract services that support services directly related to the processing, data entry, and accounting for forfeiture cases.

Case Related Expenses - These are expenses incurred in connection with normal forfeiture proceedings. They include fees, advertising costs, court reporting and deposition fees, expert witness fees, courtroom exhibit costs, travel, and subsistence costs related to a specific proceeding. If the case involves real property, the costs to retain attorneys or other specialists under state real property law are also covered. In addition, the Deputy Attorney General may approve expenses for retention of foreign counsel.

All AFF accounting information is derived from the DOJ Financial Management Information System 2 (FMIS2). Obligations that are derived by this system reconcile with the enacted appropriations and carryover balance.

Disclosure 2: Methodology Modifications

Prior to FY 2012 the AFF did not report drug related obligations. In FY 2010, the Office of National Drug Control Policy (ONDCP) convened a panel of experts to determine which federal agency programs should be included in the National Drug Control Budget. This panel applied a two-pronged test: first, to determine whether the program had a drug-control nexus, and second to determine whether the program had an acceptable budget estimation methodology. Based on the panel's recommendation, beginning in FY 2012 the AFF was added to the National Drug Control Budget.

Disclosure 3: Material Weaknesses or Other Findings

For the FY 2012 financial statement audit, the Assets Forfeiture Fund and Seized Asset Deposit Fund received an unqualified audit opinion, with no reported material weaknesses or significant deficiencies. This indicates that the financial statements, results, and operations can be relied upon and is in compliance with U.S. generally accepted accounting principles.

Disclosure 4: Reprogrammings or Transfers

There were no reprogrammings or transfers that affected drug-related budgetary resources.

**CRIMINAL DIVISION**

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

Assistant Attorney General  
Criminal Division  
U.S. Department of Justice

We have reviewed the accompanying 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 Criminal Division (CRM) for the fiscal year ended September 30, 2012. The CRM's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

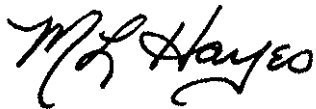
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the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

Management of the CRM prepared the Detailed Accounting Submission and the Performance Summary Report to comply with the requirements of the Office of National Drug Control Policy (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, 2012, 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 CRM 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 "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, 2013



**U.S. Department of Justice**

Criminal Division

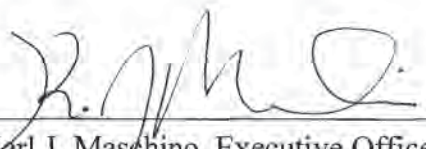
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Washington, D.C. 20530

**Detailed Accounting Submission  
Management's Assertion Statement  
For Fiscal Year Ended September 30, 2012**

On the basis of the Criminal Division (CRM) 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 CRM 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 CRM's accounting system of record for these budget decision units.
2. The drug methodology used by the CRM 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 2012.
5. CRM did not have any ONDCP Fund Control Notices issued in FY 2012.

  
Karl J. Maschino, Executive Officer

  
Date

**U.S. Department of Justice  
Criminal Division  
Detailed Accounting Submission  
Table of Drug Control Obligations  
For Fiscal Year Ended September 30, 2012  
(Dollars in Millions)**

<b>Drug Obligations by Budget Decision Unit and Function:</b>	<b>FY 2012</b>
<b>Decision Unit: Enforce Federal Criminal Laws</b>	<b>Actual Obligations</b>
Prosecution	\$ 12.24
<b>Total Enforce Federal Criminal Laws</b>	<b>\$ 12.24</b>
<b>Total Drug Control Obligations</b>	<b>\$ 12.24</b>

**U.S. Department of Justice  
Criminal Division  
Detailed Accounting Submission  
Related Disclosures  
For Fiscal Year Ended September 30, 2012**

Disclosure 1: Drug Methodology

The Criminal Division (CRM) develops, enforces, and supervises the application of all Federal criminal laws except those specifically assigned to other divisions. In executing its mission, the Criminal Division dedicates specific resources in support of the National Drug Control Strategy that focus on disrupting domestic drug trafficking and production, and strengthening international partnerships. The CRM's drug budget is the funding available for the Division's Narcotic and Dangerous Drug Section (NDDS). The NDDS supports reducing the supply of illegal drugs in the United States by investigating and prosecuting priority national and international drug trafficking and narcoterrorists groups and by providing sound legal, strategic, and policy guidance in support of that goal.

Since the CRM's accounting system, DOJ's Financial Management Information System 2 (FMIS2), does not track obligation and expenditure data by ONDCP's drug activities, the Criminal Division's drug resources figures are derived by estimating the level of involvement of each Division component in drug-related activities. Each component is required to estimate the percentage of work/time that is spent addressing drug-related issues. This percentage is then applied against each component's overall resources to develop an estimate of those resources dedicated to drug-related activities. Component totals are then aggregated to determine the Division total.

For FY 2012, the CRM's drug-related activities only included resources from its NDDS. The NDDS reported that 100% of its FY 2012 resources were dedicated to addressing drug use and its consequences. This total is equivalent to seven percent of the Criminal Division's overall FY 2012 actual expenditures.

Data – All accounting information for the Criminal Division is derived from DOJ's Financial Management Information System 2 (FMIS2).

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

Disclosure 2: Methodology Modifications

Prior to FY 2012 the CRM did not report drug related obligations. In FY 2010, the Office of National Drug Control Policy (ONDCP) convened a panel of experts to determine which federal agency programs should be included in the National Drug Control Budget. This panel applied a two-pronged test: first, to determine whether the program had a drug-control nexus, and second to determine whether the program had an acceptable budget estimation methodology. Based on the panel's recommendation, beginning in FY 2012 the CRM was added to the National Drug Control Budget.

### Disclosure 3: Material Weaknesses or Other Findings

The Criminal Division is a component within the DOJ Offices, Boards and Divisions (OBDs). The OBD's FY 2012 *Independent Auditors' Report on Internal Control over Financial Reporting* revealed no material weaknesses.

Although no material weaknesses were noted in the FY 2012 OBDs audit report on internal controls, one significant deficiency was reported. The significant deficiency related to inadequate accounting and reporting of internal use software (IUS) project costs. Specifically, financial and management controls are not adequate to ensure that the compilation of internal use software cost data submitted for capitalization are in accordance with the applicable generally accepted accounting principles, and that recorded amounts are proper, accurate, and complete. This finding, while not a material weakness, nor specifically directed to Criminal Division, is being reported by Criminal Division as an "other finding" because it has an undetermined impact on the presentation of drug related obligations.

The DOJ Justice Management Division (JMD) Finance Services (FS) and the Unified Financial Management System (UFMS) Project Management Office (PMO) concur with the finding. The JMD FS and UFMS PMO are currently working on a number of initiatives that will ensure that IUS is accounted for properly and recorded accurately in the annual financial statements.

### Disclosure 4: Reprogrammings or Transfers

No reprogrammings or transfers occurred that affected the Criminal Division's drug-related budgetary resources.

**DRUG ENFORCEMENT  
ADMINISTRATION**

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

Administrator  
Drug Enforcement Administration  
U.S. Department of Justice

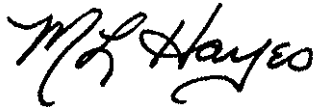
We have reviewed the accompanying Detailed Accounting Submission, which includes Management's Assertion Statement, Table of Drug Control Obligations, and the Related Disclosures; and the Performance Summary Report, which includes Management's Assertion Statement and the Related Performance Information, of the U.S. Department of Justice's Drug Enforcement Administration (DEA) for the fiscal year ended September 30, 2012. 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 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 Office of National Drug Control Policy (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, 2012, 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, 2013





**U. S. Department of Justice**  
**Drug Enforcement Administration**

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*www.dea.gov*

**Detailed Accounting Submission**  
**Management's Assertion Statement**  
**For Fiscal Year Ended September 30, 2012**

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 2012.

A handwritten signature in blue ink that reads "Frank M. Kalder".

Frank M. Kalder, Chief Financial Officer

1/18/13

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Date

**U.S. Department of Justice  
Drug Enforcement Administration  
Detailed Accounting Submission  
Table of Drug Control Obligations  
For Fiscal Year Ended September 30, 2012  
(Dollars in Millions)**

	<b>FY 2012 Actual Obligations</b>
<b>Drug Obligations by Budget Decision Unit and Function:</b>	
<b>Decision Unit #1: Diversion Control Fee Account</b>	
Intelligence	\$ 8.270
Investigations	285.706
Prevention	0.021
<b>Total Diversion Control Fee Account</b>	<b>\$ 293.997</b>
<b>Decision Unit #2: S&amp;E Domestic Enforcement</b>	
Intelligence	\$ 174.363
Investigations	1,511.600
Prevention	2.006
<b>Total S&amp;E Domestic Enforcement</b>	<b>\$ 1,687.969</b>
<b>Decision Unit #3: S&amp;E International Enforcement</b>	
Intelligence	\$ 23.262
International	418.344
<b>Total S&amp;E International Enforcement</b>	<b>\$ 441.606</b>
<b>Decision Unit #4: S&amp;E State and Local Assistance</b>	
State and Local Assistance	\$ 15.246
<b>Total S&amp;E State and Local Assistance</b>	<b>\$ 15.246</b>
<b>Total Drug Control Obligations</b>	<b>\$ 2,438.818</b> *
High-Intensity Drug Trafficking Area (HIDTA) Obligations	\$ 16.081

\* 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, 2012**

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 accounts and decision units to ONDCP's drug functions. The Salaries and Expense appropriated account is divided into three decision units, Domestic Enforcement, International Enforcement, and State and Local Assistance. The Diversion Control Fee Account (DCFA) is fee funded by Registrants and covers the full costs of DEA's Diversion Control Program's operations. Thus, the total DCFA cost is tracked and reported as a decision unit by itself to distinguish it from the appropriated S&E account. Although not appropriated funding, the DCFA as authorized by Congress is subject to all rules and limitations associated with Appropriations Law.

Data: All accounting data for the DEA are maintained in UFMS. UFMS tracks 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.

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 four 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
Diversion Control Fee Account	97.18%	Investigations
	2.81%	Intelligence
	0.01%	Prevention
Domestic Enforcement	89.55%	Investigations
	10.33%	Intelligence
	0.12%	Prevention
International Enforcement	94.73%	Investigations
	5.27%	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 Equivalent (FTE): One hundred percent of the DEA FTEs are dedicated to drug enforcement efforts. The DEA's Direct FTE total for FY 2012, including Salaries & Expenses (S&E) and Diversion Control Fee Account (DCFA) appropriations, was 8,304 through pay period 19, ending September 22, 2012.

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 2012 obligations from three decision units to ONDCP's drug functions.

#### Disclosure 3: Material Weaknesses and Other Findings

For the FY 2012 financial statement audit, DEA received an unqualified audit opinion, completely free of any material weaknesses or significant deficiencies.

#### Disclosure 4: Reprogrammings and Transfers

There were no reprogrammings in FY 2012.

The DEA had several transfers during FY 2012 (see the attached Table of FY 2012 Reprogrammings and Transfers). There were thirteen transfers into DEA's S&E account. One transfer from the Department of Justice (DOJ), Community Oriented Policing Services (COPS) program in the amount of \$12,500,000. Six transfers were from ONDCP's High Intensity Drug Trafficking Area (HIDTA) program for a total of \$16,095,525. Six were internal transfers from

expired FY 2007/FY 2008/FY 2009/FY 2010 & FY 2011 to DEA's S&E No-Year account for a total amount of \$60,056,201.

A total of four transfers went out: \$22,448 and \$666,488 to Working Capital Fund and Domestic Narrowband Communication respectively; \$438,658 unobligated balance was returned to the Department of State, International Narcotics and Law Enforcement Bureau; and \$213,793 in prior year balances was returned to ONDCP's HIDTA program.

Transfers under the Drug Resources by Function section in the Table of FY 2012 Reprogramming and Transfers are based on the same MCA allocation percentages as the Table of Drug Control Obligations.

#### Disclosure 5: Reimbursable Agreement for NDIC

While the 2012 spend plan approved by Congress and ONDCP includes a planned \$6.6M reprogramming from DOJ's Working Capital Fund Unobligated Balance Transfer account (WCF-UBT) to DEA for costs associated with NDIC's realignment into DEA, this reprogramming was actually executed as a reimbursable agreement between DEA and WCF-UBT, rather than a reprogramming. Therefore, this amount is appropriately not reflected in DEA's Table of Drug Control Obligations, or in the Table of Reprogrammings and Transfers. DEA's reimbursable agreement with WCF-UBT amounted to approximately \$5.572M for information technology requirements that were used to fund costs of transfer of personnel from NDIC to DEA.

<b>Drug Resources by Budget Decision Unit and Function:</b>	<b>Transfers-in</b>	<b>Transfers-out</b>	<b>Total</b>
<b>Diversion Control Fee Account</b>			
Intelligence	\$ -	\$ -	\$ -
Investigations			
Prevention			
<b>Total Diversion Control Fee Account</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Domestic Enforcement</b>			
Intelligence	\$ 6.204	\$ (0.071)	\$ 6.133
Investigations	53.780	(0.617)	53.163
Prevention	0.072	(0.001)	0.071
<b>Total Domestic Enforcement</b>	<u>\$ 60.056</u>	<u>\$ (0.689)</u>	<u>\$ 59.367</u>
<b>International Enforcement</b>			
Intelligence		\$ (0.023)	\$ (0.023)
International		(0.415)	(0.415)
<b>Total International Enforcement</b>	<u>\$ -</u>	<u>\$ (0.438)</u>	<u>\$ (0.438)</u>
<b>State and Local Assistance</b>			
State and Local Assistance	\$ 12.500		\$ 12.500
<b>Total State and Local Assistance</b>	<u>\$ 12.500</u>	<u>\$ -</u>	<u>\$ 12.500</u>
<b>Total</b>	<u>\$ 72.556</u>	<u>\$ (1.127)</u>	<u>\$ 71.429</u>
High-Intensity Drug Trafficking Area (HIDTA) Transfers	\$ 16.096	\$ (0.214)	\$ 15.882

**FEDERAL BUREAU OF PRISONS**



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

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

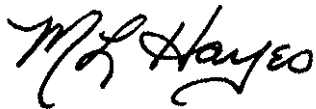
We have reviewed the accompanying Detailed Accounting Submission, which includes Management's Assertion Statement, Table of Drug Control Obligations, and the Related Disclosures; and the Performance Summary Report, which includes Management's Assertion Statement and the Related Performance Information, of the U.S. Department of Justice's Federal Bureau of Prisons (BOP) for the fiscal year ended September 30, 2012. 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 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 Office of National Drug Control Policy (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, 2012, 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, 2013



U.S. Department of Justice

Federal Bureau of Prisons

Washington, DC 20534

**Detailed Accounting Submission  
Management's Assertion Statement  
For Fiscal Year Ended September 30, 2012**

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 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. BOP did not have any ONDCP Fund Control Notices issued in FY 2012.

A handwritten signature in blue ink, reading "W.F. Dalius, Jr.", is written over a horizontal line.

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

1/18/2013

Date

**U.S. Department of Justice  
Federal Bureau of Prisons  
Detailed Accounting Submission  
Table of Drug Control Obligations  
For Fiscal Year Ended September 30, 2012  
(Dollars in Millions)**

<b>Drug Obligations by Budget Decision Unit and Function:</b>	<b>FY 2012</b>
<b>Decision Unit: Inmate Care and Programs</b>	<b>Actual Obligations</b>
Treatment	\$ 95.45
Corrections	1,143.90
<b>Total Inmate Care and Programs</b>	<u>\$ 1,239.35</u>
<b>Decision Unit: Institution Security and Administration</b>	
Corrections	\$ 1,443.89
<b>Total Institution Security and Administration</b>	<u>\$ 1,443.89</u>
<b>Decision Unit: Contract Confinement</b>	
Corrections	\$ 508.99
<b>Total Contract Confinement</b>	<u>\$ 508.99</u>
<b>Decision Unit: Management and Administration</b>	
Corrections	\$ 102.05
<b>Total Management and Administration</b>	<u>\$ 102.05</u>
<b>Decision Unit: New Construction</b>	
Corrections	\$ 27.84
<b>Total New Construction</b>	<u>\$ 27.84</u>
<b>Decision Unit: Modernization and Repair</b>	
Corrections	\$ 36.45
<b>Total Modernization and Repair</b>	<u>\$ 36.45</u>
<b>Total Drug Control Obligations</b>	<u>\$ 3,358.57</u>

**U.S. Department of Justice  
Federal Bureau of Prisons  
Detailed Accounting Submission  
Related Disclosures  
For Fiscal Year Ended September 30, 2012**

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 amount of obligations with a drug-related nexus (Corrections function) is calculated by applying a factor (percentage of inmates sentenced for drug related crimes) to the amount of obligations in each decision unit.

For the BOP's drug treatment program, 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.

Data - All accounting information for the BOP is derived from the Department of Justice (DOJ) Financial Management Information System 2 (FMIS2).

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 been modified. Under the new methodology, the BOP's drug control obligations are the percentage of the total obligations, broken out by Treatment and Corrections functions. The Corrections portion of the drug obligations is based on the number of inmates incarcerated for drug crimes (50.2% for FY 2012). The percentage of the drug obligations for Drug Treatment Programs has not been modified and remains one hundred percent.

With the new methodology, resources of \$3.359 billion are reported as direct obligations for drug control purposes. If the old drug methodology would have been utilized, resources of \$95.45

million would have been reported. In FY 2011, only direct obligations associated with Drug Treatment Programs in the Table of Drug Control Obligations were 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

BOP's FY 2012 obligations include all approved transfers and there were no reprogrammings in FY 2012 (see the attached Table of Reprogrammings and Transfers).

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 2012, \$578,000 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 five PHS Full Time Equivalents related to drug treatment during FY 2012. Therefore, the allocated obligations were included in BOP's Table of Drug Control Obligations.

**U.S. Department of Justice  
Federal Bureau of Prisons  
Detailed Accounting Submission  
Table of Reprogrammings and Transfers  
For Fiscal Year Ended September 30, 2012  
(Dollars in Millions)**

<b>Drug Resources by Budget Decision Unit and Function:</b>	<b>Transfers -in</b>	<b>Transfers-out</b>	<b>Total</b>
<b>Decision Unit: Inmate Care and Programs</b>			
Corrections	\$ 48.69	\$ (48.69)	\$ 0
<b>Total Inmate Care and Programs</b>	<u>\$ 48.69</u>	<u>\$ (48.69)</u>	<u>\$ 0</u>
<b>Decision Unit: Contract Confinement</b>			
Corrections	\$ 0.65	\$ (4.52)	\$ (3.87)
<b>Total Contract Confinement</b>	<u>\$ 0.65</u>	<u>\$ (4.52)</u>	<u>\$ (3.87)</u>
<b>Decision Unit: New Construction</b>			
Corrections	\$ 4.52	\$ -	\$ 4.52
<b>Total New Construction</b>	<u>\$ 4.52</u>	<u>\$ -</u>	<u>\$ 4.52</u>
<b>Total</b>	<u>\$ 53.86</u>	<u>\$ (53.21)</u>	<u>\$ 0.65</u>

**OFFICE OF THE FEDERAL  
DETENTION TRUSTEE**



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

Federal Detention Trustee  
Office of the Federal Detention Trustee  
U.S. Department of Justice

We have reviewed the accompanying 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 the Federal Detention Trustee (OFDT) for the fiscal year ended September 30, 2012. The OFDT's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

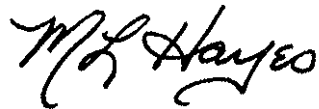
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the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

Management of the OFDT prepared the Detailed Accounting Submission and the Performance Summary Report to comply with the requirements of the Office of National Drug Control Policy (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, 2012, 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 OFDT 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".

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

January 18, 2013

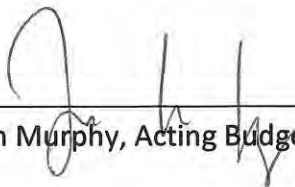


Washington, D.C. 20530

**Detailed Accounting Submission  
Management's Assertion Statement  
For Fiscal Year Ended September 30, 2012**

On the basis of the Office of the Federal Detention Trustee (OFDT) 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 OFDT 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 OFDT's accounting system of record for these budget decision units.
2. The drug methodology used by the OFDT 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 2012.
5. OFDT did not have any ONDCP Fund Control Notices issued in FY 2012.

  
\_\_\_\_\_  
Jim Murphy, Acting Budget Officer

1/18/2013  
\_\_\_\_\_  
Date

**U.S. Department of Justice  
Office of the Federal Detention Trustee  
Detailed Accounting Submission  
Table of Drug Control Obligations  
For Fiscal Year Ended September 30, 2012  
(Dollars in Millions)**

<b>Drug Obligations by Budget Decision Unit and Function:</b>		<b>FY 2012</b>
<b>Decision Unit #1: Detention Services</b>		<b>Actual Obligations</b>
	Corrections	\$ 528.00
<b>Total Detention Services</b>		<b>\$ 528.00</b>
<b>Total Drug Control Obligations</b>		<b>\$ 528.00</b>

**U.S. Department of Justice  
Office of the Federal Detention Trustee  
Detailed Accounting Submission  
Related Disclosures  
For Fiscal Year Ended September 30, 2012**

Disclosure 1: Drug Methodology

The mission of the Office of the Federal Detention Trustee (OFDT) is to manage and regulate the Federal detention programs and the Justice Prisoner and Alien Transportation System (JPATS) by establishing a secure and effective operating environment that drives efficient and fair expenditure of appropriated funds. The Office of the Federal Detention Trustee has oversight responsibility for Federal detention services relating to the housing and care for Federal detainees remanded to U. S. Marshals Service (USMS) custody, including detainees booked for drug offenses.

The Federal Prisoner Detention appropriation does not include specific resources dedicated to housing the drug prisoner population. The primary drivers of detention expenditures are the number of prisoners booked by the USMS, the length of time those prisoners are held in detention, and the cost. A Detention Population Forecasting Model is used to take a statistical approach for predicting detention needs using factors such as population, demographic trends, number and type of criminal cases processed, average processing time per type of case, and authorized/requested positions of the federal law enforcement, U.S. Attorneys, U.S. District court judges, and immigration judges.

Actual data is based on the population counts that OFDT receives daily from USMS for each detention facility housing USMS prisoners. Using these daily population counts and corresponding per diem rate data, OFDT is able to capture actuals for the detention population count and for the expenditures to house the population. Data describing the actual price charged by state, local, and private detention facility operators is maintained by the USMS in their Justice Detainee Information System (JDIS) and it is updated on an as needed, case-by-case basis when rate changes are implemented. Rate information for specific facilities is maintained by USMS headquarters staff. For those private facilities where OFDT has a direct contract for bed space, the effective per diem is calculated using information obtained from OFDT's Procurement Division. In conjunction with daily reports to OFDT of prisoners housed, OFDT compiles reports describing the price paid for non-federal detention space on a weekly and monthly basis. Data are reported on both district and national levels.

The methodology to determine the cost associated with the drug prisoner population is to use the average daily population (ADP) for drug offenses multiplied by the per diem rate (cost per day to house) multiplied by the number of days in the year. Projections for out-year costs are based on projected future bookings by offense and the time offenders are expected to be held in detention at the projected per diem rates.

Data – All accounting information for the OFDT is derived from DOJ's Financial Management Information System 2 (FMIS2).

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

#### Disclosure 2: Methodology Modifications

Prior to FY 2012 the OFDT did not report drug related obligations. In FY 2010, the Office of National Drug Control Policy (ONDCP) convened a panel of experts to determine which federal agency programs should be included in the National Drug Control Budget. This panel applied a two-pronged test: first, to determine whether the program had a drug-control nexus, and second to determine whether the program had an acceptable budget estimation methodology. Based on the panel’s recommendation, beginning in FY 2012 the OFDT was added to the National Drug Control Budget.

#### Disclosure 3: Material Weaknesses or Other Findings

The OFDT is a component within the DOJ Offices, Boards and Divisions (OBDs). The OBD’s FY 2012 *Independent Auditors’ Report on Internal Control over Financial Reporting* revealed no material weaknesses.

Although no material weaknesses were noted in the FY 2012, OBDs audit report on internal controls, one significant deficiency was reported. The significant deficiency related to inadequate accounting and reporting of internal use software (IUS) project costs. Specifically, financial and management controls are not adequate to ensure that the compilation of internal use software cost data submitted for capitalization are in accordance with the applicable generally accepted accounting principles, and that recorded amounts are proper, accurate, and complete. This finding, while not a material weakness, nor specifically directed to OFDT, is being reported by OFDT as an “other finding” because it has an undetermined impact on the presentation of drug related obligations.

The DOJ Justice Management Division (JMD) Finance Staff (FS) and the Unified Financial Management System (UFMS) Project Management Office (PMO) concur with the finding. The JMD FS and UFMS PMO are currently working on a number of initiatives that will ensure that IUS is accounted for properly and recorded accurately in the annual financial statements.

#### Disclosure 4: Reprogrammings or Transfers

There were no drug related reprogrammings or transfers during FY 2012.

**OFFICE OF JUSTICE PROGRAMS**

## **Office of the Inspector General's Independent 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 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, 2012. OJP's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

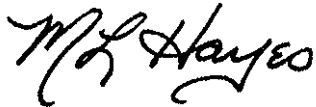
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the 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 Office of National Drug Control Policy (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, 2012, 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, appearing to read "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, 2013



Washington, D.C. 20531

**Detailed Accounting Submission  
Management's Assertion Statement  
For Fiscal Year Ended September 30, 2012**

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 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. OJP did not have any ONDCP Fund Control Notices issued in FY 2012.

Leigh Benda  
Chief Financial Officer

1/18/13  
Date

**U.S. Department of Justice  
Office of Justice Programs  
Table of Drug Control Obligations  
For Fiscal Year Ended September 30, 2012  
(Dollars in Millions)**

<b>Drug Obligations by Budget Decision Unit and Function:</b>	<b>FY 2012 Actual Obligations <sup>1/</sup></b>
<b>Decision Unit #1: Regional Information Sharing System</b>	
State and Local Assistance	\$ 24.68
<b>Total, Regional Information Sharing System</b>	<u>\$ 24.68</u>
<b>Decision Unit #2: Enforcing Underage Drinking Laws</b>	
Prevention	\$ 4.62
<b>Total, Enforcing Underage Drinking Laws</b>	<u>\$ 4.62</u>
<b>Decision Unit #3: Drug Court Program</b>	
State and Local Assistance	\$ 33.48
<b>Total, Drug Court Program</b>	<u>\$ 33.48</u>
<b>Decision Unit #4: Residential Substance Abuse Treatment</b>	
Treatment	\$ 9.60
<b>Total, Residential Substance Abuse Treatment</b>	<u>\$ 9.60</u>
<b>Decision Unit #5: Prescription Drug Monitoring Program</b>	
State and Local Assistance	\$ 6.56
<b>Total, Prescription Drug Monitoring Program</b>	<u>\$ 6.56</u>
<b>Decision Unit #6: Border Initiatives</b>	
State and Local Assistance	\$ 9.53
<b>Total, Border Initiatives</b>	<u>\$ 9.53</u>
<b>Decision Unit #7 Second Chance Act Program</b>	
State and Local Assistance	\$ 28.00
<b>Total, Second Chance Act Program</b>	<u>\$ 28.00</u>
<b>Decision Unit #8: Byrne Criminal Justice Innovation</b>	
State and Local Assistance	\$ 13.75
<b>Total, Byrne Criminal Justice Innovation</b>	<u>\$ 13.75</u>
<b>Total Drug Control Obligations</b>	<u><u>\$ 130.20</u></u>
Methamphetamine Enforcement and Lab Cleanup <sup>2/</sup>	\$ 12.50

<sup>1/</sup> Program obligations reflect direct program obligations plus estimated management and assessment obligations

<sup>2/</sup> 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 2012 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  
For Fiscal Year Ended September 30, 2012**

**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) 2012 drug obligations have a total of 11 decision units identified for the National Drug Control Budget. Of the 11 decision units identified, eight 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 2012 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 2012 actual obligations total on OJP's Table of Drug Control Obligations.

The FY 2012 decision units include the following:

- Regional Information Sharing System
- Weed and Seed Program<sup>1</sup>
- Enforcing Underage Drinking Laws
- Drug Court Program

<sup>1</sup> In FY 2012, the Weed and Seed Program and the Drug Prevention Demonstration Program had no actual obligations or prior year unobligated balances. As such, these programs are not listed on OJP's Table of Drug Control Obligations.

- Residential Substance Abuse Treatment Program
- Prescription Drug Monitoring Program
- Border Initiatives<sup>2</sup>
- Second Chance Act Program
- Byrne Criminal Justice Innovation Program
- Drug Prevention Demonstration Program<sup>1</sup>
- Methamphetamine Enforcement and Lab Cleanup (COPS Program)

In determining the level of resources used in support of the eight active budget decision units (excluding Drug Prevention Demonstration Program, Weed and Seed, and Methamphetamine Enforcement and Lab Cleanup), OJP used the following methodology:

Drug Program Obligations by Decision Unit: Data on obligations, as of September 30, 2012, were gathered from DOJ's Financial Management Information System 2 (FMIS2). The total obligations presented for OJP are net of funds obligated under the Crime Victims Fund, and Public Safety Officers' Benefits Program.

Management and Administration (M&A) Data. In FY 2012, OJP did not have a Salaries and Expenses (S&E) appropriation. This resulted in funds being assessed at the programmatic level. Therefore, M&A obligations were obtained from FMIS2 (OJP's Financial System). The obligation amounts were allocated to each decision unit by applying the relative percentage of Full-Time Equivalents (FTE) assigned to the eight active drug-related decision units to the total M&A obligations for OJP. There were no M&A obligations associated with the Weed and Seed Program or the Drug Prevention Demonstration Program, as these programs did not have any actual obligations. The Methamphetamine Enforcement and Lab Cleanup program is not administered by OJP. Therefore, M&A obligations are also not associated with this program.

Overall, OJP program activities support all four goals of the National Drug Control Strategy: (1) Substance Abuse Prevention, (2) Substance Abuse Treatment, (3) Domestic Law Enforcement, and (4) Interdiction and International Counterdrug Support. Functionally, OJP program activities fall under the following functions: Prevention, State and Local Assistance, and Treatment. To determine the function amount, OJP used an allocation method that was derived from an annual analysis of each program's mission and by surveying program officials. OJP then applied that function allocation percentage to the obligations associated with each decision unit line item. For FY 2012, all eight active decision units had a function allocation of 100 percent.

The Table of Drug Control Obligations amounts were calculated as follows:

<sup>2</sup> In FY 2012, the Southwest Border and Northern Border programs were consolidated into the "Border Initiatives" program.

Function: The appropriate drug-related percentage was applied to each decision unit line item and totaled by function. For FY 2012, all decision units had a function allocation of 100 percent.

Decision Unit: In accordance with the ONDCP Circulars, 100 percent of the actual obligations for seven of the eight active budget decision units are included in the Table of Drug Control Obligations. As directed by ONDCP, only 50 percent of the actual obligations for the Second Chance Act Program are included.

As specified in the ONDCP Circular, *Budget Formulation*, dated May 1, 2007, in FY 2012, OJP is reporting 100 percent of the actual obligations related to seven of the eight active budget decision units included in the National Drug Control Budget. 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 was directed to 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 guidance, the percentage applied to the total Second Chance Act obligations to determine the drug-related activities increased from 30 percent to 50 percent. In FY 2012, OJP continues to report 50 percent for the Second Chance Act for drug-related activities.

## **Disclosure 2: Methodology Modifications**

The overall methodology used to report obligations has not changed from prior year methodologies.

## **Disclosure 3: Material Weaknesses and Other Findings**

The FY 2012 *Independent Auditors' Report on Internal Control over Financial Reporting* cited no material weaknesses. However, one significant deficiency was identified during the audit. The significant deficiency related to system software change management. Specifically, during the vulnerability assessment documentation review and network scanning, it was noted that OJP continues to have improper configurations, missing patches, and default/insufficient passwords within their environment. This finding, while not a material weakness, is being reported by OJP as an "other finding" because it has an undetermined impact on the presentation of drug-related obligations.

OJP management concurred with the finding. In June and September 2012, OJP's Office of the Chief Information Officer (OCIO) conducted an enterprise-wide security configuration assessment of its environments (NextGen, ENS, E-Gov, etc.). The OCIO is continuing to improve the assessment activity as a component of the overall vulnerability management program. Furthermore, in June 2012, the OCIO revised the vulnerability program standard operating procedure (SOP) – OCIO 25, which added scanning responsibilities for two of the OCIO's divisions to ensure staff flexibility on the discovery and remediation of vulnerabilities between the OCIO's Information Technology Security Division's (ITSD) assessments.

Following the SOP revision, the OCIO then revised the vulnerability management process to address priorities as part of an overall risk management function. As the OCIO continues to refine the process and associated responsibilities, SOP OCIO 25 will be updated appropriately. Lastly, OJP's Chief Information Officer (CIO) has requested authority to recruit and hire a senior IT Specialist, to direct Information Risk Management activities. OJP will continue to work with Department of Justice approving officials with the understanding that the Federal government and Department of Justice budgetary and personnel hiring constraints may impact the OCIO's recruitment of this resource. As such, in June 2012, a senior member within the OCIO, and independent of the ITSD and IT Operations and Development Division, was assigned the responsibilities of directing near term actions related to the finding and overall risk management, as well as conducting regular briefings to the Deputy CIO, CIO, and other OJP executives on the status of management response and the actions listed here.

#### **Disclosure 4: Reprogrammings or Transfers**

In accordance with the ONDCP's Circular, *Drug Control Accounting*, dated May 1, 2007, OJP has provided the attached Table of Reprogrammings and Transfers. In FY 2012, OJP had no reprogrammings, and \$10.5 and \$14 million in drug-related transfers-in and transfers-out, respectively. The transfers-in amounts include OJP's FY 2012 prior-year recoveries associated with the reported decision units. The transfers-out amounts reflect the assessments for the Research, Evaluation, and Statistics (RES) two-percent set-aside and the M&A assessments against OJP programs. The RES two percent set-aside was directed by Congress for funds to be transferred to and merged with funds provided to the National Institute of Justice and the Bureau of Justice Statistics to be used for research, evaluation, or statistical purposes. In FY 2012, Congress provided OJP the authority to assess programs for administrative purposes. The amounts reflected in the table show the dollar amount that each program contributed to OJP's M&A.

#### **Disclosure 5: Other Disclosures**

Of the total FY 2012 actual drug obligations, \$18.2 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, 2012**  
**(Dollars in Millions)**

<b>Drug Resources by Function:</b>	<b>Transfers-in</b>	<b>Transfers-Out</b>	<b>Total</b>
Prevention	\$ 0.61	\$ (0.51)	\$ 0.11
State and Local Assistance	8.27	(8.95)	(0.68)
Treatment	1.61	(4.55)	(2.95)
<b>Total Drug Resources by Function</b>	<b>\$ 10.49</b>	<b>\$ (14.01)</b>	<b>\$ (3.52)</b>
<b>Drug Resources by Budget Decision Unit:</b>			
Regional Information Sharing System	\$ -	\$ (2.73)	\$ (2.73)
Weed and Seed Program	1.27	-	1.27
Enforcing Underage Drinking Laws	0.49	(0.51)	(0.02)
Drug Court Program	1.42	(3.54)	(2.12)
Residential Substance Abuse Treatment	0.18	(1.01)	(0.83)
Prescription Drug Monitoring Program	0.44	(0.71)	(0.27)
Border Initiatives	2.41	(1.01)	1.40
Second Chance Act	0.59	(2.98)	(2.39)
Byrne Criminal Justice Innovation Program	3.68	(1.52)	2.17
<b>Total Drug Resources by Budget Decision Unit</b>	<b>10.49</b>	<b>(14.01)</b>	<b>(3.52)</b>



**OFFICES OF THE  
UNITED STATES ATTORNEYS**

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

Director  
Executive Office for U.S. Attorneys  
U.S. Department of Justice

We have reviewed the accompanying 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 Offices of the United States Attorneys (OUSA) for the fiscal year ended September 30, 2012. The OUSA's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

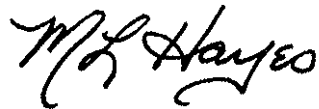
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the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

Management of the OUSA prepared the Detailed Accounting Submission and the Performance Summary Report to comply with the requirements of the Office of National Drug Control Policy (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, 2012, 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 OUSA 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".

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

January 18, 2013



**U.S. Department of Justice**

Executive Office for United States Attorneys

Resource Management and Planning Staff

Suite 2200, Bicentennial Building  
600 E Street, NW  
Washington, DC 20530

(202) 252-5600  
FAX (202) 252-5601

**Detailed Accounting Submission  
Management's Assertion Statement  
For Fiscal Year Ended September 30, 2012**

On the basis of the United States Attorneys 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 United States Attorneys' system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are estimated obligations derived from the actual obligations from the United States Attorneys' accounting system of record for these budget decision units.
2. The drug methodology used by the United States Attorneys to calculate estimated 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 2012.
5. The United States Attorneys did not have any ONDCP Fund Control Notices issued in FY 2012.

Handwritten signature of Lisa A. Bevels in cursive.

Lisa A. Bevels, Chief Financial Officer

Handwritten date "1/18/13" in cursive.

Date

**U.S. Department of Justice  
United States Attorneys  
Detailed Accounting Submission  
Table of Drug Control Obligations  
For Fiscal Year Ended September 30, 2012  
(Dollars in Millions)**

<b>Drug Obligations by Budget Decision Unit and Function:</b>	<b>FY 2012</b>
<b>Decision Unit: Criminal</b>	<b>Actual Obligations</b>
Prosecution	\$ 89.187
<b>Total Criminal Decision Unit</b>	<u>\$ 89.187</u>
<b>Total Drug Control Obligations</b>	<u>\$ 89.187</u>
<b>High Intensity Drug Trafficking Area (HIDTA) Obligations</b>	\$ 0.666

**U.S. Department of Justice  
United States Attorneys  
Detailed Accounting Submission  
Related Disclosures  
For Fiscal Year Ended September 30, 2012**

Disclosure 1: Drug Methodology

The United States Attorneys work in conjunction with law enforcement to disrupt domestic and international drug trafficking and narcotics production through comprehensive investigations and prosecutions of criminal organizations. A core mission of each of the United States Attorneys' Offices (USAOs) is to prosecute violations of federal drug trafficking, controlled substance, money laundering, and related laws in order to deter continued illicit drug distribution and use in the United States. This mission includes utilizing the grand jury process to investigate and uncover criminal conduct and subsequently presenting the evidence in court as part of prosecution of individuals and organizations who violate Federal law. USAOs also work to dismantle criminal drug organizations through asset forfeiture, thereby depriving drug traffickers of the proceeds of illegal activities.

In addition to this traditional prosecutorial role, efforts to discourage illegal drug use and to prevent recidivism by convicted drug offenders also form important parts of the drug control mission of the USAOs. Each USAO is encouraged to become involved in reentry programs that may help prevent future crime, including drug crimes. Reentry programs, such as reentry courts, typically include access to drug treatment and support for recovery. Prosecutors and USAO staff also participate in community outreach through initiatives that educate communities about the hazards of drug abuse.

The United States Attorneys community does not receive a specific appropriation for drug-related work in support of the National Drug Control Strategy. The United States Attorneys drug resources are part of, and included within, the United States Attorneys annual Salaries and Expenses (S&E) Appropriation. As a result of not having a specific line item within our appropriation, the United States Attorneys have developed a drug budget methodology based on workload data. The number of workyears dedicated to non-OCDETF drug related prosecutions are taken as a percentage of total workload and then this percentage is multiplied against total obligations to derive estimated drug related obligations.

Data – All financial information for the United States Attorneys is derived from Department of Justice's (DOJ's) Financial Management System 2 (FMIS2). Workload information is derived from the United States Attorneys' USA-5 Reporting System.

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

## Disclosure 2: Methodology Modifications

Prior to FY 2012 the USAOs did not report drug related obligations. In FY 2010, the Office of National Drug Control Policy (ONDCP) convened a panel of experts to determine which federal agency programs should be included in the National Drug Control Budget. This panel applied a two-pronged test: first, to determine whether the program had a drug-control nexus, and second to determine whether the program had an acceptable budget estimation methodology. Based on the panel's recommendation, beginning in FY 2012 the USAOs was added to the National Drug Control Budget.

## Disclosure 3: Material Weaknesses or Other Findings

The United States Attorneys community is a component within the DOJ Offices, Boards and Divisions (OBDs). The OBDs FY 2012 *Independent Auditors' Report on Internal Control over Financial Reporting* revealed no material weaknesses.

Although no material weaknesses were noted in the FY 2012 OBDs audit report on internal controls, one significant deficiency was reported. The significant deficiency related to inadequate accounting and reporting of internal use software (IUS) project costs. Specifically, financial and management controls are not adequate to ensure that the compilation of internal use software cost data submitted for capitalization are in accordance with the applicable generally accepted accounting principles, and that recorded amounts are proper, accurate, and complete. This finding, while not a material weakness, nor specifically directed to United States Attorneys, is being reported by United States Attorneys as an "other finding" because it has an undetermined impact on the presentation of drug related obligations.

The DOJ Justice Management Division (JMD) Finance Services (FS) and the Unified Financial Management System (UFMS) Project Management Office (PMO) concur with the finding. The JMD FS and UFMS PMO are currently working on a number of initiatives that will ensure that IUS is accounted for properly and recorded accurately in the annual financial statements.

## Disclosure 4: Reprogrammings or Transfers

There were no drug related reprogrammings or transfers in FY 2012.

**ORGANIZED CRIME DRUG ENFORCEMENT  
TASK FORCES PROGRAM**



**Office of the Inspector General's Independent 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 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 Organized Crime Drug Enforcement Task Forces (OCDETF) for the fiscal year ended September 30, 2012. The OCDETF's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

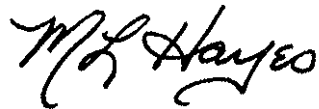
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the 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 Office of National Drug Control Policy (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, 2012, 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, 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, 2013



**U.S. Department of Justice**


Executive Office for Organized Crime Drug  
Enforcement Task Forces

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**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, 2012**

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 2012.

  
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, 2012**

**Actual 2012 Obligations**  
**Dollars in Millions**

**Decision Unit Crosswalk**

	<b>Total FY 2012 Actual Obligations</b>	<b>1/</b>
<b>Drug Obligations by Decision Unit and Function</b>		
<b>Investigations:</b>		
Drug Enforcement Administration (DEA)	\$206.846	
Federal Bureau of Investigation (FBI)	142.168	
U.S. Marshals Service (USMS)	8.846	
Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)	11.891	
OCDETF Fusion Center (OFC)	11.530	
<b>TOTAL INVESTIGATIVE DECISION UNIT</b>	<b>381.281</b>	
<b>Prosecutions:</b>		
U.S. Attorneys (USAs)	147.000	
Criminal Division	2.141	
EXO Threat Response Unit (TRU)	0.912	
<b>TOTAL PROSECUTORIAL DECISION UNIT</b>	<b>150.053</b>	
Total Agency Obligations/Resources	\$531.334	
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, 2012**

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 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.

The OCDETF Program's Decision Units are divided according to the two major activities of the Task Force – Investigations and Prosecutions – 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. 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.

#### Disclosure No 2: Methodology Modifications

The overall methodology to calculate drug control obligations has not been modified in the Table of Drug Control Obligations.

#### Disclosure No 3. - Material Weaknesses or Other Findings

OCDETF is a component within the DOJ Offices, Boards and Divisions (OBDs). The OBDs FY 2012 *Independent Auditors' Report on Internal Control over Financial Reporting* revealed no material weaknesses.

Although no material weaknesses were noted in the FY 2012 OBDs audit report on internal controls, one significant deficiency was reported. The significant deficiency related to inadequate accounting and reporting of internal use software (IUS) project costs. Specifically, financial and management controls are not adequate to ensure that the compilation of internal use software cost data submitted for capitalization are in accordance with the applicable generally

accepted accounting principles, and that recorded amounts are proper, accurate, and complete. This finding, while not a material weakness, nor specifically directed to OCDETF, is being reported by OCDETF as an “other finding” because it has an undetermined impact on the presentation of drug related obligations.

The DOJ Justice Management Division (JMD) Finance Services (FS) and the Unified Financial Management System (UFMS) Project Management Office (PMO) concur with the finding. The JMD FS and UFMS PMO are currently working on number of initiatives that will ensure that IUS is accounted for properly and recorded accurately in the annual financial statements.

#### Disclosure Number 4: Reprogrammings or Transfers

There was no reprogramming in FY 2012.

Total availability consists of enacted budget authority for FY 2012, plus unobligated balances and recoveries brought forward from prior years. The OCDETF Program’s FY 2012 obligations include all re-allowed carryover funds and transfers. In FY 2012, the OCDETF Program re-allowed \$4,497,000 from its no-year account (15X0323) as follows: \$125,000 for the El Paso Strike Force; \$813,000 for the Atlanta Strike Force; \$2,505,000 for DEA Strike Force operations; \$24,000 for DEA operational support; \$86,000 for USMS operational costs in Chicago; \$105,000 for ATF Strike Force Operations; \$750,000 for EOUSA litigation support; \$12,000 for CRM financial litigation investigative training; and \$76,000 for ICE Strike Force support.

In FY 2012, \$6,414,911 in unobligated balances and prior year recoveries was brought forward from FY 2011 and available for new obligations. Of this amount, \$4,497,000 was established as new obligations during FY 2012.

**U.S. Department of Justice  
Organized Crime Drug Enforcement Task Forces (OCDETF) Program  
Detailed Accounting Submission  
Reprogrammings and Transfers  
For the Fiscal Year Ended September 30, 2012  
(Dollars in Millions)**

Line Item	Transfer 1/	Total Availability
<b>Drug Resources by Decision Unit and Function</b>		
<b>Investigations:</b>		
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
<b>TOTAL INVESTIGATIONS DECISION UNIT</b>	<b>(0.602)</b>	<b>(0.602)</b>
<b>Prosecutions:</b>		
U.S. Attorneys (USAs)	0.000	0.000
Criminal Division (CRM)	0.000	0.000
EXO Threat Response Unit (TRU)	0.000	0.000
<b>TOTAL PROSECUTIONS DECISION UNIT</b>	<b>0.000</b>	<b>0.000</b>
Total Resources	<b>(\$0.602)</b>	<b>(\$0.602)</b>

<sup>1/</sup>Represents radio resources transferred to the DOJ Wireless Law Enforcement Communications Account as required by the FY 2012 DOJ Appropriations Act (P.L. 112-55).



**UNITED STATES MARSHALS SERVICE**

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

Director  
United States Marshals Service  
U.S. Department of Justice

We have reviewed the accompanying 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 United States Marshals Service (USMS) for the fiscal year ended September 30, 2012. The USMS's management is responsible for the Detailed Accounting Submission and the Performance Summary Report.

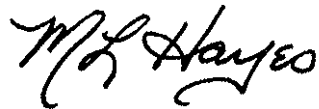
Our review was conducted in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the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

Management of the USMS prepared the Detailed Accounting Submission and the Performance Summary Report to comply with the requirements of the Office of National Drug Control Policy (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, 2012, 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 USMS 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".

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

January 18, 2013



**U.S. Department of Justice**  
United States Marshals Service  
*Financial Services Division*

*Alexandria, Virginia 22301-1025*

**Detailed Accounting Submission  
Management's Assertion Statement  
For Fiscal Year Ended September 30, 2012**

On the basis of the United States Marshals Service (USMS) 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 USMS's system of accounting, use of estimates, and systems of internal controls provide reasonable assurance that:

1. Obligations reported by budget decision unit are estimated obligations derived from the actual obligations from the USMS's accounting system of record for these budget decision units.
2. The drug methodology used by the USMS 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 2012.
5. USMS did not have any ONDCP Fund Control Notices issued in FY 2012.

  
Holley O'Brien  
Chief Financial Officer

  
Date

**U.S. Department of Justice  
United States Marshals Service  
Detailed Accounting Submission  
Table of Drug Control Obligations  
For Fiscal Year Ended September 30, 2012  
(Dollars in Millions)**

<b>Drug Obligations by Budget Decision Unit and Function:</b>	<b>FY 2012</b>
<b>Decision Unit #1: Fugitive Apprehension</b>	<b>Actual Obligations</b>
International	\$ 1.30
Investigations	132.20
<b>Total Fugitive Apprehension</b>	<u>\$ 133.50</u>
<b>Decision Unit #2: Judicial and Courthouse Security</b>	
State and Local Assistance	\$ 75.10
<b>Total Judicial and Courthouse Security</b>	<u>\$ 75.10</u>
<b>Decision Unit #3: Prisoner Security and Transportation</b>	
State and Local Assistance	\$ 40.20
<b>Total Prisoner Security and Transportation</b>	<u>\$ 40.20</u>
<b>Total Drug Control Obligations</b>	<u>\$ 248.80</u>

**U.S. Department of Justice  
United States Marshals Service  
Detailed Accounting Submission  
Related Disclosures  
For Fiscal Year Ended September 30, 2012**

Disclosure 1: Drug Methodology

The USMS does not receive a specific appropriation for drug-related work in support of the National Drug Control Strategy. Therefore, the USMS uses drug-related workload data to develop drug control ratios and formulate the drug-related portion of the budget. For the Fugitive Apprehension decision unit, the USMS uses ratios based on the number of warrants cleared including felony offense classifications for federal, and state and local warrants such as narcotics possession, manufacture, and distribution. For the Judicial & Courthouse Security and Prisoner Security & Transportation decision units, the USMS uses workload percentages based only on primary federal offenses in custody such as various narcotics possession, manufacture, and distribution. Primary offenses refer to the crime that the accused is charged with that usually carries the most severe sentence. For each decision unit, the drug-related offenses in custody or drug-related warrants cleared are divided by the total number of offenses in custody or warrants cleared to calculate the drug-related percentages. The percentage is then multiplied by the respective decision unit's budget to formulate the drug-related crosscuts. The USMS derives its drug-related obligations starting with the USMS Salaries and Expenses (S&E) Appropriation actual obligations at fiscal year-end as reported in the SF-133, Report on Budget Execution and Budgetary Resources. Drug workload ratios are applied towards decision units that impact drug work to derive the drug-related obligations.

Data – All accounting information for the USMS is derived from USMS Standardized Tracking Accounting and Reporting System (STARS).

Financial Systems – STARS is USMS's financial system that provides USMS with obligation data. Obligations in this system can also be reconciled with the enacted appropriation. Beginning in FY 2013 the USMS converted its financial management system to the Unified Financial Management System.

Disclosure 2: Methodology Modifications

Prior to FY 2012 the USMS did not report drug related obligations. In FY 2010, the Office of National Drug Control Policy (ONDCP) convened a panel of experts to determine which federal agency programs should be included in the National Drug Control Budget. This panel applied a two-pronged test: first, to determine whether the program had a drug-control nexus, and second to determine whether the program had an acceptable budget estimation methodology. Based on the panel's recommendation, beginning in FY 2012 the USMS was added to the National Drug Control Budget.

### Disclosure 3: Material Weaknesses or Other Findings

The USMS' FY 2012 *Independent Auditors' Report on Internal Control over Financial Reporting* revealed no material weaknesses.

Although no material weaknesses were noted in the FY 2012 USMS audit report on internal controls, one significant deficiency was reported. The significant deficiency related to inadequate funds management controls and was an improvement from the prior year reported material weakness. Specifically, the audit found instances where the USMS does not have adequate financial and compliance controls to ensure that obligation transactions are executed and recorded in accordance with laws and regulations, and that related undelivered orders and accounts payable balances are accurate and complete. This finding, while not a material weakness, has an undetermined impact on the presentation of drug-related obligations. It is important to note that errors identified during the audit were not material enough to warrant adjustment of the USMS financial statements.

The USMS Management concurs with the finding. This year, the Financial Services Division (FSD) leadership conducted both District and Headquarters Program Office Administrative Officer (AO) Training, which served to inform and educate AOs on key business process changes; FY 12 Office of the Inspector (OIG) audit readiness insights; the Unified Financial Management System (UFMS) integration and implementation updates; and key administrative and operational messages from Executive and Program Office Leadership. Quarterly Execution Reviews (QERs) were implemented by executive leadership with the Program Offices, focusing on operating plans versus spending in all areas, as well as monthly District reviews conducted by the FSD.

### Disclosure 4: Reprogrammings or Transfers

There were no reprogrammings or transfers that directly affect drug-related budgetary resources.

**NATIONAL DRUG  
INTELLIGENCE CENTER  
LIMITED REPORT**





Washington, D.C. 20530

January 04, 2013

Mr. Jon Rice  
Associate Director for Performance and Budget  
Office of the National Drug Control Program  
750 17<sup>th</sup> Street, NW  
Washington, D.C. 20503

Dear Mr. Rice:

Attached for your review is the Detailed Accounting Submission, Table of Drug Control Obligations for the U.S. Department of Justice's National Drug Intelligence Center (NDIC) for fiscal year ended September 30, 2012; and the requested Performance Summary Report, Related Performance Information for the period October 1, 2011, through June 15, 2012.

As illustrated in the Table of Drug Control Obligations, NDIC's prior year drug control obligations are less than \$50 million. Furthermore, NDIC discontinued operations effective June 16, 2012. In accordance with the Office of National Drug Control Policy's Circular, *Drug Control Accounting*, dated May 1, 2007, full reporting for NDIC would constitute an unreasonable reporting burden. Therefore, only a limited report is presented to satisfy the statutory requirement.

If you have any questions, please contact Lee J. Lofthus at (202) 514-3101 or Michael E. Horowitz at (202) 514-3435.

Lee J. Lofthus  
Assistant Attorney General  
for Administration  
Chief Financial Officer  
Justice Management Division  
U.S. Department of Justice

Michael E. Horowitz  
Inspector General  
Office of the Inspector General  
U.S. Department of Justice

**U.S. Department of Justice  
National Drug Intelligence Center  
Detailed Accounting Submission  
Table of Drug Control Obligations  
For Fiscal Year Ended September 30, 2012  
(Dollars in Millions)**

<b>Drug Obligations by Budget Decision Unit and Function:</b>	<b>FY 2012</b>
<b>National Drug Intelligence Center Salaries and Expenses</b>	<b>Actual Obligations</b>
Intelligence	\$ 18.41
<b>Total NDIC Salaries and Expenses</b>	<u>\$ 18.41</u>
<b>Total Drug Control Obligations</b>	<u>\$ 18.41</u>



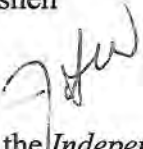
# Tab H

# Department of State

February 5, 2013

MEMORANDUM

TO:           OIG/AUD/FM – Gayle Voshell

FROM:        INL/RM – James Walsh 

SUBJECT:     Representations Related to the *Independent Review of the Department of State Accounting of FY 2012 Drug Control Funds and Related Performance Report*

INL is providing this memorandum in connection with the Office of Inspector General's review of the Accounting of FY 2012 Drug Control Funds and Related Performance Report prepared for the Office of National Drug Control Policy (ONDCP).

INL confirms, to the best of our knowledge and belief, that the following representations made to you during the review are valid as of the date of your auditor's report and pertain to the period covered by the ONDCP report:

- The Bureau of International Narcotics and Law Enforcement Affairs (INL) is responsible for the assertions made in the ONDCP report.
- INL is not aware of any information that has not been provided to the auditors that might contradict the assertions.
- INL has made all records and other information relevant to the review available to the auditors.
- INL is not aware of any events subsequent to the period covered by the report that would have a material effect on the assertions.

**U.S. Department of State  
Bureau of International Narcotics and Law Enforcement Affairs**

**Accounting and Authentication of FY 2012 Drug Control Funds and Related  
Performance Report**

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

**SECTION 6 Reporting – Detailed Accounting Submission**

The Department is providing a Detailed Accounting Submission on the drug control program obligations of the Bureau of International Narcotics and Law Enforcement Affairs (INL) in accordance with Section 6(a) of the ONDCP Circular, *Drug Control Accounting*. The Detailed Accounting Submission consists of this report which includes (a) a table highlighting prior year drug control obligations data, and (b) a narrative section making assertions regarding the prior year obligations data.

**Section 6(a). Table of Prior Year Drug Control Obligations**

The following table presents the obligations of the drug control budgetary resources appropriated and available in FY 2012 by Drug Control Function and Budget Decision Unit.

**Bureau of International Narcotics and Law Enforcement Affairs**

**Drug Control Obligations (\$ in Millions):**

	<u><b>FY 2012 Actual</b></u>
<b>Drug Resources by Drug Control Function</b>	
International	312.601
Total	<u>312.601</u>
<b>Drug Resources by Decision Unit</b>	
International Narcotics Control and Law Enforcement (INCLE)	312.601
Total	<u>312.601</u>
<b>Information</b>	
Total INCLE Budget	<u>1,779,705</u>

## **Section 6(a)(1). Drug Methodology**

**The mission of the Bureau of International Narcotics and Law Enforcement Affairs (INL) is to minimize the impact of international crime and illegal drugs on the United States and its citizens through providing effective foreign assistance and through fostering global cooperation.**

To help achieve this mission, INL targets drugs at the source and in transit. Bureau goals include reducing drug cultivation through enforcement, eradication, and alternative development programs; strengthening the capacity of law enforcement institutions to investigate and prosecute major drug trafficking organizations and to block and seize their assets; improving the capacity of host national police and military forces to attack narcotics production and trafficking centers; and fostering regional and global cooperation against drug trafficking. INL functions include foreign policy formulation and coordination, program management and diplomatic initiatives.

The Department's accounting system tracks the international anticrime obligations separately from those of drug control programs through a combination of the appropriation point limitation and the allotment. This arrangement separates all the drug control obligations being reported from other funds managed by INL.

Since many INL programs now have a significant portion of their funding allocated to non-drug control programs (e.g. rule of law and anti-crime), exclusively using the financial data from the Department's accounting system by each program's appropriation point limitation and allotment does not distinguish how much is for drug control and how much is for non-drug control. For these programs, we reported only the obligations for the drug control projects using our project accounting ledgers and other supporting documentation as the primary data source. These obligations were reconciled with the obligation data in the accounting system.

**(a) - Obligations by Drug Control Function - All obligations presented in the INL table of drug control obligations are 100 percent drug-related. In FY 2010 and prior years, INL reported obligations under the International and Interdiction drug control functions. Beginning in FY 2011, all INCLE**

obligations are reported only under the International drug control function. (see *Section 6(a)(2) Methodology Modifications* below).

- (b) - Obligations by Budget Decision Unit** – Beginning in FY 2010, INL reported drug control obligations only under the International Narcotics Control and Law Enforcement (INCLE) decision unit.

### **Section 6(a)(2). Methodology Modifications**

INL and ONDCP agreed that beginning with FY 2011 funding, INCLE funds should be exclusively accounted for under ONDCP International drug control function. In FY 2010 and prior years, INCLE funds directed at drug control in Mexico, Central America, and the Caribbean were accounted for under the Interdiction drug control function.

### **Section 6(a)(3). Material Weaknesses or Other Findings**

An independent auditor issued an unqualified opinion for the Department's FY 2012 and FY 2011 financial statements. During the audit, the independent auditor identified one material internal control weakness and five significant internal control deficiencies. Two of these significant deficiencies – Budgetary Accounting and Validity and Accuracy of Unliquidated Obligations—relate to the presentation of drug-related obligation data. The significant deficiency related to Budgetary Accounting stated that the Department did not have sufficient funds control over its accounting and business process to endure budgetary transactions were properly recorded, monitored, and reported. For instance, the independent auditor found unsupported and untimely obligations. The significant deficiency related to the Validity and Accuracy of Unliquidated Obligations stated that the independent auditor had identified a significant amount of obligations that were invalid. These significant deficiencies pertained to all Department programs, including drug-related obligations. The conditions noted were not indicative of misuse or loss of funds, but rather were indicative of 1) the timely deobligation of funds that will either remain available to the Department or will expire and be returned to the Treasury at no loss to taxpayers, 2) the timely obligation of funds within the fiscal year, and 3) the lack of supporting documentation for certain obligations. These conditions do not specifically relate to the classification of obligations as drug-related. The Department will continue to work with the independent auditor and the Office of Inspector General to resolve these issues in FY 2013 and beyond.

### **Section 6(a)(4). Reprogrammings or Transfers**

There were no reprogrammings or transfers that affected FY 2012 drug-related budgetary resources.

**Section 6(a)(5). Other Disclosures**

There are no other disclosures to report.

**Section 6(b) Assertions**

**Section 6(b)(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.

**Section 6(b)(2). Drug Methodology**

I assert that the drug methodology used to calculate obligations of prior year budgetary resources is reasonable, that the data presented is complete, and that the financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregated obligations from which the drug-related obligations are derived.

**Section 6(b)(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 6(a), that the calculations are sufficiently documented to independently reproduce these data, and the calculation provides a means to ensure consistency of data between reporting years.

**Section 6(b)(4). Reprogrammings or Transfers**

I assert that the data presented are associated with obligations against a financial plan that was approved by ONDCP and that there were no reprogrammings or transfers affecting drug-related resources.



**Section 6(b)(5). Fund Control Notices**

I assert that the data presented are associated with obligations against a financial plan that was approved by ONDCP. ONDCP did not issue any Fund Control Notices to the Department in FY 2012.

For purposes of Section 6a reporting, I certify that all the information presented for the Bureau of International Narcotics and Law Enforcement Affairs (INL) is true and correct and concur with all assertions associated with INL.

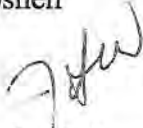
James A. Walsh, Acting Executive Director  
Bureau of International Narcotics and Law Enforcement Affairs



February 5, 2013

MEMORANDUM

TO:           OIG/AUD/FM – Gayle Voshell

FROM:        INL/RM – James Walsh 

SUBJECT:     Representations Related to the *Independent Review of the Department of State Accounting of FY 2012 Drug Control Funds and Related Performance Report*

INL is providing this memorandum in connection with the Office of Inspector General's review of the Accounting of FY 2012 Drug Control Funds and Related Performance Report prepared for the Office of National Drug Control Policy (ONDCP).

INL confirms, to the best of our knowledge and belief, that the following representations made to you during the review are valid as of the date of your auditor's report and pertain to the period covered by the ONDCP report:

- The Bureau of International Narcotics and Law Enforcement Affairs (INL) is responsible for the assertions made in the ONDCP report.
- INL is not aware of any information that has not been provided to the auditors that might contradict the assertions.
- INL has made all records and other information relevant to the review available to the auditors.
- INL is not aware of any events subsequent to the period covered by the report that would have a material effect on the assertions.

**U.S. Department of State  
Bureau of International Narcotics and Law Enforcement Affairs**

**Accounting and Authentication of FY 2012 Drug Control Funds and Related  
Performance Report**

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

**SECTION 6 Reporting – Detailed Accounting Submission**

The Department is providing a Detailed Accounting Submission on the drug control program obligations of the Bureau of International Narcotics and Law Enforcement Affairs (INL) in accordance with Section 6(a) of the ONDCP Circular, *Drug Control Accounting*. The Detailed Accounting Submission consists of this report which includes (a) a table highlighting prior year drug control obligations data, and (b) a narrative section making assertions regarding the prior year obligations data.

**Section 6(a). Table of Prior Year Drug Control Obligations**

The following table presents the obligations of the drug control budgetary resources appropriated and available in FY 2012 by Drug Control Function and Budget Decision Unit.

**Bureau of International Narcotics and Law Enforcement Affairs**

**Drug Control Obligations (\$ in Millions):**

	<u><b>FY 2012 Actual</b></u>
<b>Drug Resources by Drug Control Function</b>	
International	312.601
Total	<u>312.601</u>
<b>Drug Resources by Decision Unit</b>	
International Narcotics Control and Law Enforcement (INCLE)	312.601
Total	<u>312.601</u>
<b>Information</b>	
Total INCLE Budget	<u>1,779,705</u>

## **Section 6(a)(1). Drug Methodology**

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To help achieve this mission, INL targets drugs at the source and in transit. Bureau goals include reducing drug cultivation through enforcement, eradication, and alternative development programs; strengthening the capacity of law enforcement institutions to investigate and prosecute major drug trafficking organizations and to block and seize their assets; improving the capacity of host national police and military forces to attack narcotics production and trafficking centers; and fostering regional and global cooperation against drug trafficking. INL functions include foreign policy formulation and coordination, program management and diplomatic initiatives.

The Department's accounting system tracks the international anticrime obligations separately from those of drug control programs through a combination of the appropriation point limitation and the allotment. This arrangement separates all the drug control obligations being reported from other funds managed by INL.

Since many INL programs now have a significant portion of their funding allocated to non-drug control programs (e.g. rule of law and anti-crime), exclusively using the financial data from the Department's accounting system by each program's appropriation point limitation and allotment does not distinguish how much is for drug control and how much is for non-drug control. For these programs, we reported only the obligations for the drug control projects using our project accounting ledgers and other supporting documentation as the primary data source. These obligations were reconciled with the obligation data in the accounting system.

- (a)- Obligations by Drug Control Function** - All obligations presented in the INL table of drug control obligations are 100 percent drug-related. In FY 2010 and prior years, INL reported obligations under the International and Interdiction drug control functions. Beginning in FY 2011, all INCLE

obligations are reported only under the International drug control function. (see *Section 6(a)(2) Methodology Modifications* below).

- (b) - Obligations by Budget Decision Unit** – Beginning in FY 2010, INL reported drug control obligations only under the International Narcotics Control and Law Enforcement (INCLE) decision unit.

### **Section 6(a)(2). Methodology Modifications**

INL and ONDCP agreed that beginning with FY 2011 funding, INCLE funds should be exclusively accounted for under ONDCP International drug control function. In FY 2010 and prior years, INCLE funds directed at drug control in Mexico, Central America, and the Caribbean were accounted for under the Interdiction drug control function.

### **Section 6(a)(3). Material Weaknesses or Other Findings**

An independent auditor issued an unqualified opinion for the Department's FY 2012 and FY 2011 financial statements. During the audit, the independent auditor identified one material internal control weakness and five significant internal control deficiencies. Two of these significant deficiencies – Budgetary Accounting and Validity and Accuracy of Unliquidated Obligations—relate to the presentation of drug-related obligation data. The significant deficiency related to Budgetary Accounting stated that the Department did not have sufficient funds control over its accounting and business process to endure budgetary transactions were properly recorded, monitored, and reported. For instance, the independent auditor found unsupported and untimely obligations. The significant deficiency related to the Validity and Accuracy of Unliquidated Obligations stated that the independent auditor had identified a significant amount of obligations that were invalid. These significant deficiencies pertained to all Department programs, including drug-related obligations. The conditions noted were not indicative of misuse or loss of funds, but rather were indicative of 1) the timely deobligation of funds that will either remain available to the Department or will expire and be returned to the Treasury at no loss to taxpayers, 2) the timely obligation of funds within the fiscal year, and 3) the lack of supporting documentation for certain obligations. These conditions do not specifically relate to the classification of obligations as drug-related. The Department will continue to work with the independent auditor and the Office of Inspector General to resolve these issues in FY 2013 and beyond.

### **Section 6(a)(4). Reprogrammings or Transfers**

There were no reprogrammings or transfers that affected FY 2012 drug-related budgetary resources.

**Section 6(a)(5). Other Disclosures**

There are no other disclosures to report.

**Section 6(b) Assertions**

**Section 6(b)(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.

**Section 6(b)(2). Drug Methodology**

I assert that the drug methodology used to calculate obligations of prior year budgetary resources is reasonable, that the data presented is complete, and that the financial systems supporting the drug methodology yield data that fairly present, in all material respects, aggregated obligations from which the drug-related obligations are derived.

**Section 6(b)(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 6(a), that the calculations are sufficiently documented to independently reproduce these data, and the calculation provides a means to ensure consistency of data between reporting years.

**Section 6(b)(4). Reprogrammings or Transfers**

I assert that the data presented are associated with obligations against a financial plan that was approved by ONDCP and that there were no reprogrammings or transfers affecting drug-related resources.

### Section 6(b)(5). Fund Control Notices

I assert that the data presented are associated with obligations against a financial plan that was approved by ONDCP. ONDCP did not issue any Fund Control Notices to the Department in FY 2012.

For purposes of Section 6a reporting, I certify that all the information presented for the Bureau of International Narcotics and Law Enforcement Affairs (INL) is true and correct and concur with all assertions associated with INL.

James A. Walsh, Acting Executive Director  
Bureau of International Narcotics and Law Enforcement Affairs





*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 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, 2012. 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 2012 obligation and performance targets and results for fiscal year ended September 30, 2012 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.

Tim Cox  
Assistant Inspector General for Audit





**USAID**  
FROM THE AMERICAN PEOPLE

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

March 22, 2013

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 2012 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) 567-4793.

Sincerely,

Kent Kuyumjian  
Acting Chief Financial Officer

**Enclosures:**

- 1) Accounting and Authentication of Drug Control Funds and Related Performance Report
- 2) USAID Inspector General Attestation Report
- 3) FY2012 Independent Auditors' report
- 4) Management Comments (Appendix II, Financial Section, USAID FY 2012 Financial Report)

**Agency for International Development**

**Accounting and Authentication of Drug Control Funds and Related Performance  
Report for 2012**

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

**6. Detailed Accounting Submission**

**6. a. Table of Prior Year Drug Control Obligations**

**Table 1 2012  
Agency for International Development**

**Drug Control Obligations:**

		\$ in Millions FY 2012 Actual
<b>Drug Resources by Drug Control Function</b>		
International		100.9
	<b>Total</b>	<u>100.9</u>
<b>Drug Resources by Decision Unit</b>		
Alternative Development and Alternative Livelihoods-Afghanistan		0.0
Alternative Development and Alternative Livelihoods-Andean Region		100.9
	<b>Total</b>	<u>100.9</u>
<b>Drug Resources by Function and Decision Unit</b>		
International-Alternative Development and Alternative Livelihoods-Afghanistan		0.0
International-Alternative Development and Alternative Livelihoods-Andean Region		100.9
	<b>Total</b>	<u>100.9</u>
<b>Information</b>		
Total Agency Budget*		11,575.6
Drug Related Percentage**		1%

\* USAID 2012 Agency-wide Appropriations per 2012 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 2012 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 2012.

At the request of ONDCP we also report herein that during FY 2012 USAID obligated \$5.3 Million in the Andean Region and \$60.9 Million in Afghanistan from funds appropriated prior to FY 2012. 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 2012 has not been modified from the previous year, 2011.

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

As identified in the U.S. Agency for International Development (USAID) Chief Financial Officers (CFO) Act of 1990 audit and feedback provided in the enclosed FY2012 Independent Auditors' report (Enclosure 3), the Office of Inspector General (OIG) has issued a qualified opinion on USAID's financial report with respect to the material weaknesses in USAID's reconciliation of its Fund Balance With Treasury account with Treasury and recording of adjustments to its general ledger. For each material weakness, corrective actions currently underway as identified in Management Comments (Enclosure 4).

**6. a. (4) Reprogrammings or Transfers**

USAID did not submit any reprogrammings or transfers to ONDCP in FY 2012

**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 2012 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 2012.

The financial plan against which the obligations in Table 1, above, are associated is USAID's FY 2012 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 2012.

**(4) Discuss the procedures for collection of valid data and targets:** Data on creation of licit jobs is collected from a variety of sources, including relevant literature and sector studies, household surveys, market trends and from our 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. In cases where the number of farms or agribusinesses is not too large, the data is collected from each individual entity. In cases where individual collection is not practical, then a random sample of farms/agribusinesses is undertaken.

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*

November 16, 2012

**MEMORANDUM**

**TO:** David D. Ostermeyer, Chief Financial Officer  
**FROM:** Tim Cox, AIG/A   
**SUBJECT:** Audit of USAID's Financial Statements for Fiscal Years 2012 and 2011

The Office of Inspector General (OIG) is transmitting its report on the Audit of USAID's Financial Statements for Fiscal Years 2012 and 2011. Pursuant to the Government Management Reform Act of 1994, Public Law 103-356, USAID is required to prepare consolidated financial statements for the fiscal year. Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements," requires USAID to submit a Performance and Accountability Report, including audited financial statements, to OMB, the Department of the Treasury, and the Government Accountability Office by November 16, 2012. In accordance with the requirements of OMB Circular A-136, USAID has elected to prepare an alternative Agency Financial Report that includes an Agency Head Message, Management's Discussion and Analysis, and a Financial Section.

OIG has issued a qualified opinion on USAID's principal financial statements for fiscal year 2012 and an unqualified opinion on the 2011 financial statements. With respect to internal control, we identified two deficiencies that we consider material weaknesses. The material weaknesses pertain to USAID's processes for (1) reconciling its fund balance with the U.S. Treasury and (2) recording adjustments to the general ledger. Additionally, we identified six deficiencies in internal control that we consider significant deficiencies. The significant deficiencies pertain to USAID's processes for (1) reconciling loans receivable, (2) deobligating unliquidated obligations, (3) accounting for advances, (4) estimating and recording accounts payable and accrued expenses, (5) accounting for payroll activities, and (6) reconciling intragovernmental transactions.

We found no instances of substantial noncompliance with requirements for federal financial management systems, federal accounting standards, or the U.S. Standard General Ledger at the transaction level as a result of our tests required under Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). However, we reported one significant deficiency in the Agency's annual Federal Information Security Management Act report, No. A-000-13-003-P dated November 14, 2012, which we classified as an instance of substantial noncompliance with FFMIA as required by OMB Bulletin 07-04, "Audit Requirements for Federal Financial Statements."

U.S. Agency for International Development  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523  
<http://oig.usaid.gov>

**This report contains six recommendations to improve USAID's internal control over financial reporting.**

**We have considered your response to the draft report and the recommendations included therein. We acknowledge your management decisions on the recommendations. Please forward all information to your Office of Audit, Planning and Coordination for final action. (See Appendix II for USAID's Management comments.)**

**We appreciate the cooperation and courtesies extended to us during the audit. OIG is looking forward to working with you on our audit of USAID's fiscal year 2013 financial statements.**

# INDEPENDENT AUDITOR'S REPORT ON USAID'S FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of USAID as of September 30, 2012 and 2011, and the consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources of USAID for the years ended September 30, 2012 and 2011. These financial statements are the responsibility of USAID's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audits in accordance with auditing standards generally accepted in the United States; generally accepted *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin 07-04, "Audit Requirements for Federal Financial Statements," as amended. Those standards and OMB Bulletin 07-04 require that we plan and perform the audits to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that these audits provide a reasonable basis for our opinion.

USAID recorded a series of unsupported adjustments to bring its general ledger into agreement with its accounting journal (budget module) and its Fund Balance With Treasury general ledger account into agreement with the U.S. Treasury balance. Subsequently, USAID recorded another series of unsupported adjustments to match its budgetary accounts to its proprietary accounts. We were not able to obtain evidence to support the adjustments, nor were we able to perform alternative procedures to determine the veracity of the adjustments. These unsupported adjustments resulted in changes to the accounts and statements as indicated in Table 2.

**Table 2. Unsupported Adjustments**

Account Name	Increase or (Decrease) (\$ million)	Statement (FY 2012)
Outstanding Advances	478	Balance Sheet
Expended Appropriations	418	Statement of Changes in Net Position
Undelivered Orders, Prepaid	420	Statement of Budgetary Resources
Delivered Orders, Unpaid	264	Statement of Budgetary Resources
Fund Balance With Treasury	(58)	Balance Sheet
Unexpended Appropriations Used	(418)	Statement of Changes in Net Position
Operating Expenses/Program Costs	(420)	Statement of Net Costs
Delivered Orders, Paid	(278)	Statement of Budgetary Resources
Undelivered Orders, Unpaid	(406)	Statement of Budgetary Resources

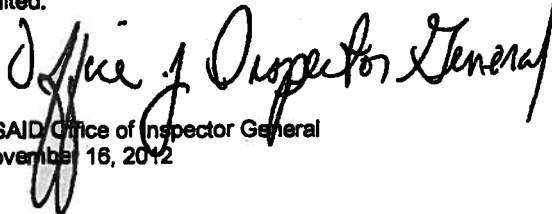


In our opinion, except for the effects of the unsupported adjustments on the 2012 financial statements as shown in the table on the preceding page, the financial statements referred to above present fairly, in all material respects, USAID's assets, liabilities, and net position; net costs; changes in net position; and budgetary resources as of September 30, 2012 and 2011, and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Required Supplementary Information sections are not required parts of the consolidated financial statements but represent supplementary information required by OMB Circular A-136, "Financial Reporting Requirements." We have applied certain limited procedures to this information, primarily consisting of Inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we do not express an opinion on it.

In accordance with generally accepted *Government Auditing Standards*, we have also issued reports, dated November 16, 2012, on our consideration of USAID's internal control over financial reporting and on our tests of USAID's compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report.

This report is intended solely for the information and use of those charged with governance at USAID (the USAID Administrator, Deputy Administrator, Assistant Administrator for Management, and Chief Financial Officer) and others within USAID, as well as for OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



USAID Office of Inspector General  
November 16, 2012


# MANAGEMENT COMMENTS



November 15, 2012

## MEMORANDUM

TO: AIG/A, Tim Cox

FROM: M/CFO, David D. Ostermeyer 

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2012 and 2011 (Report No. 0-000-13-001-C)

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2012 and 2011* and for the information provided by your staff throughout this process. We understand the basis for the issuance of a qualified opinion on USAID's principal financial statements for FY 2012 and unqualified opinion on its FY 2011 financial statements, by the USAID Office of the Inspector General.

The Agency will continue work to improve its financial systems and processes to receive an unqualified opinion on future statements. Our comments and management decisions regarding the findings and proposed audit recommendations follow.

**Material Weakness: USAID Recorded Unsupported Adjustments to Bring Its Fund Balance With Treasury Account into Agreement With the U.S. Treasury's Balance**

**Recommendation No 1:** We recommend that the Chief Financial Officer verify that all differences between USAID and the Department of the Treasury are researched and resolved in a timely manner in accordance with Treasury financial manual reconciliation procedures.

**Management Decision:** The Office of the Chief Financial Officer accepts the recommendation.

In FY 2013, we will focus our attention to research and resolve the \$114 million difference and all web-based Cash Reconciliation System (eCART) outstanding differences over one year old.

USAID is proud that it has effectively addressed the inconsistencies between the Department of the Treasury (Treasury) cash balances and the General Ledger (GL) cash balances. We have corrected the inconsistencies between our GL and our subsidiary accounting journal except for issues related to advance refunds. The support for our changes at Treasury and in the GL is provided by the millions of underlying source transactions in our subsidiary accounting journals.

We acknowledge that the advance inconsistency has caused problems with our GL and recognize that our Inspector General was not satisfied with the explanations provided to justify the adjustments.

During FY 2012, USAID successfully eliminated virtually all of the differences between the Fund Balance with Treasury (FBWT or cash) account recorded in the GL of its financial accounting system (Phoenix) and the Fund Balance reported by Treasury. USAID adjusted its Treasury cash balances to its GL cash balances plus outstanding cash reconciling items in all appropriations except one. USAID consolidated all Treasury/GL cash differences into a single appropriation at Treasury. In that appropriation, Treasury cash was \$114 million more than GL Cash plus outstanding items. The \$114 million difference is partially caused by GL issues and partially caused by prior year cash reconciliation issues.

We implemented processes in 2012 to enable us to avoid future cash reconciliation problems. A process tool implemented in May 2012 is the web-based Cash Reconciliation System (eCART). We appreciate the Inspector General's acknowledgement of eCART. This tool enables missions and headquarters to monitor all outstanding cash reconciliation items for USAID's approximately 100 Agency Location Codes in a timely manner. We have also improved our reconciliation process for payments made by our third party payment service providers related to USAID grants and payroll.

Target completion date: March 29, 2013

**Material Weakness: USAID Made Adjustments to Various Accounts In Its General Ledger That it Could Not Justify**

**Recommendation: No. 2:** We recommend that the Chief Financial Officer augments its general ledger reconciliation processes to ensure that (a) the postings in the general ledger are reconciled periodically with the postings in the subsidiary ledgers, (b) general ledger differences are researched and resolved in a timely manner, (c) errors are corrected in a timely manner to maintain accurate account balances in the general ledger, and (d) detailed documentation of analysis and reconciliations supporting adjustments are maintained and easily retrievable for examination.

**Management Decision:** The Office of the Chief Financial Officer accepts the recommendation.

We accept the finding that adjustments were recorded without first researching and resolving the differences in the account balances at the level of detail provided by the cited guidance. Given the large number of accounts, we chose to correct the GL based on summaries of the source transactions. We note with respect to part (d) that we already maintain the detailed documentation described in the finding but we will reassess its accessibility.

The primary support for our changes at Treasury and in the GL is provided by the millions of underlying source transactions in our subsidiary accounting journals. We believe that in the coming months, we can provide additional information to further support these adjustments.

We chose to take these measures to eliminate the inconsistencies because we were determined to solve a material weakness first identified in our FY 2008 Annual Financial Reports. Our approach was to calculate what the cash balances should be based on the last 12 years' worth of source transactions in the subsidiary accounting journals that support our Budget Module. We then corrected the GL cash totals to make them consistent with the cash

totals in the subsidiary accounting journals. We used the same source transactions to correct the budgetary status GL accounts so that they would meet other tie point tests as prescribed by Treasury. Finally, we corrected the cash balances for our appropriations at Treasury and made them consistent with both the GL and the source transactions in our subsidiary journals.

In making our decisions, we were guided by the following principles:

**SFFAS 1, Paragraph 110:**

*A fund balance is created by budget authority. An appropriation is the major form of budget authority that creates a fund balance with Treasury for an entity. Thus, the relationship between fund balance with Treasury and budget authority cannot be ignored.*

**Fund Balance with Treasury Reconciliation Procedures, A Supplement to the TFM**

*Also, the accounting system should be capable of producing subsidiary reports that provide a detailed history of receipt and disbursement activity recorded during the month, by fund. The subsidiary report balances should agree with the G/L.*

As stated in the Inspector General's report, we did not follow established procedures for reconciling general ledger accounts that require reviewing each transaction, determining the validity of transaction errors, and maintaining documentation to show the cause of each error and their resulting adjustments. It was not feasible to correct our Subsidiary accounting journal/GL cash balance inconsistencies by individually identifying and correcting errors since the errors were part of thousands of transactions occurring over more than a decade. We did, however, identify and correct most of the causes that created these inconsistencies to meet the principles of the Treasury guidance.

Target completion date: June 30, 2013

**Significant Deficiency: USAID's Process for Reconciling Loans Receivable Is Not Effective and Does Not Resolve Differences in a Timely Manner (Repeat Finding)**

Based on recommendations for this finding made in last year's audit, USAID implemented a plan to address the recommendation that the Office of the Chief Financial Officer (CFO) (a) develop and implement a plan to complete its reconciliation of loan balances in the Phoenix accounting system with balances maintained in PNC's Enterprise Loan System and (b) ensure that all Enterprise Loan System transactions transmitted to Phoenix via the interface are properly accounted for and recorded in Phoenix.

As noted by the Inspector General, USAID implemented this plan in FY 2012. Our progress in reconciling loan restructurings was significant in FY 2012 and we expect to complete our work in FY 2013 to fully address this finding. We will provide information to the IG so they may monitor our progress in completing the reconciliation.

Target completion date: June 30, 2013

**Significant Deficiency: USAID's Process for Reviewing and Deobligating Unliquidated Obligations Is Not Effective (Repeat Finding)**

**Recommendation No. 3:** We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance and relevant Bureau Assistant Administrators to (a) initiate targeted reviews of awards that are more than 3 years old with unliquidated obligation balances

and (b) ensure that obligation managers conduct the periodic reviews required to initiate deobligation action on unliquidated obligations.

**Management Decision:** The Office of the Chief Financial Officer accepts the recommendation.

USAID will continue to identify and reduce the current contract and obligation closeout, and employ the services of an independent accounting firm to assist in the review and process but does not agree that our review process is ineffective.

Based on prior audits, USAID management acknowledged that a significant cause of unliquidated obligation balances was caused by the backlog of contract closeouts, a required step in the Federal procurement process, and made significant progress in addressing this issue.

Target completion date: September 30, 2013

**Significant Deficiency: USAID's Process for Accounting for Advances is Not Effective (Repeat Finding)**

**Recommendation No. 4:** We recommend that the Chief Financial Officer (a) continue to upgrade controls at missions, (b) update Automated Directives System 636 to include the desktop procedures that were implemented by Cash Management and Payment Division, (c) clarify when an outstanding advance should be reported to the contracting or agreement officer for debt determination, (d) research and resolve all outstanding amounts that remain in the Department of Health and Human Services synchronization report from prior years, and (e) implement a review and approval process to accurately reclassify expenses as advances for amounts that were reported by the Department of Health and Human Services Payment Management System.

**Management Decision:** The Office of the Chief Financial Officer accepts the recommendation.

We will continue to strengthen and improve business processes to reduce the Agency's outstanding advances to address this finding. Each recommendation component will be addressed by the following actions: (a) continue to upgrade controls at missions by; (b) revising ADS 636 Program Advances to include Internal Mandatory References related to procedures which enhance the liquidation process for both Washington and Missions; (c) revising ADS 636 Program Advances to clarify when an outstanding advance should be reported to the contracting or agreement officer for debt determination and cross reference ADS 636 and 625; (d) USAID resolved a \$4.9 million item related to non-pooled advances and will resolve the remaining items totaling \$2.9 million; and (e) strengthen the review and approval process for reclassifying expenses as advances for amounts reported by the Department of Health and Human Services Payment Management System.

Target completion dates: September 30, 2013 for (a) – (c); March 31, 2013 for (d) and (e).

**Significant Deficiency: USAID's Process to Calculate and Record Accounts Payable and Accrued Expenses Needs Improvement**

**Recommendation No. 5:** We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance to implement procedures to verify that contracting officer representatives review, validate, and modify as necessary the quarterly accounts payable and

accrued expenses generated by the Accrual Reporting System before that information is recorded in the general ledger.

**Management Decision:** The Office of the Chief Financial Officer accepts this recommendation and will coordinate with the Office of Acquisition and Assistance to issue procedural reminders to assure the appropriate review of information generated by the Phoenix Accruals Query.

Target completion date: June 30, 2013

**USAID's Process to Record Payroll Deductions and Entitlement Payment is Not Effective**

**Recommendation No. 6:** We recommend that the Chief Financial Officer in coordination with the Office of Human Resources (a) ensure that personnel files are updated to reflect all personnel actions and (b) a reconciliation with National Finance Center records are performed to ensure that bi-weekly and annual salary pay caps are not exceeded.

**Management Decision:** The Office of the Chief Financial Officer accepts this recommendation and will coordinate with the Office of Human Resources to: (a) ensure that personnel files are updated by eliminating the backlog of personnel actions; and (b) work with the National Finance Center to implement a system edit to assist in preventing annual salary payments above the aggregate pay cap.

Target completion date: June 30, 2013

**Intragovernmental Transactions Remain Unreconciled (Repeat Finding)**

USAID will continue to coordinate with other federal agencies to resolve the Intragovernmental differences in a timely manner.

Target completion date: September 30, 2015

In closing, I would like to confirm USAID's commitment to providing necessary information so the Office of the Inspector General may express an unqualified opinion on our future financial statements. We intend to ensure that the necessary steps are taken to continue to institutionalize strong financial management performance throughout the Agency. We will continue the improvements made in the last few years as we work diligently to develop and implement long-term solutions to address the findings and recommendations cited in your report.



# Tab I

# Department of Transportation

**INSPECTOR GENERAL REVIEW OF FISCAL  
YEAR 2012 DRUG CONTROL FUNDS AND  
PERFORMANCE SUMMARY REPORTING**

*Federal Aviation Administration*

*Report Number: FI-2013-038*

*Date Issued: February 1, 2013*





**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation

Office of Inspector General  
Washington, DC 20590

February 1, 2013

Ms. U. Jane Sanville  
Acting Associate Director, Office of Performance and Budget  
Office of National Drug Control Policy  
Washington, DC 20503

Dear Ms. Sanville:

This report presents the results of our independent review of the U.S. Department of Transportation, Federal Aviation Administration's (FAA) fiscal year 2012 Drug Control Obligation Summary and Performance Summary reports to the Office of National Drug Control Policy (ONDCP). Both reports are dated January 13, 2013. The reports and our review are required by 21 U.S.C. §1704 (d) and ONDCP's Circular, Annual Accounting and Authentication of Drug Control Funds and Related Performance, of May 2007 (Circular).

The Circular states that when drug-related obligations are less than \$50 million and a detailed accounting would constitute an unreasonable burden, agencies are permitted to submit an alternative report. Because FAA's fiscal year 2012 drug-related obligations were less than \$50 million, FAA submitted an alternative report. In our attestation review, 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 FAA's report and related management assertions to determine the reliability of those assertions in compliance with the Circular, in all material respects. We conducted our review in accordance with generally accepted Government auditing standards for attestation engagements. However, a review is substantially more limited in scope than an examination, which expresses an opinion on the accuracy of FAA's Drug Control Obligation Summary and Performance Summary reports. Because we conducted an attestation review, we do not express such an opinion.

## **Drug Control Obligations Summary**

We performed review procedures on the accompanying report (Enclosure 1), FAA's fiscal year 2012 Drug Control Obligation Summary, based on criteria specified in the Circular. Our work was limited to inquiries and analytical

procedures appropriate for an attestation review. Specifically, we tested selected accounting internal controls to ensure drug control funds were properly identified in the accounting system. We traced \$17 million of FAA's reported \$26.3 million in drug control obligations to the Department's accounting system. Because FAA is reporting a total amount in drug control obligations—\$26.3 million—below the Circular's \$50 million threshold for full reporting, we believe that full reporting compliance would constitute an unreasonable reporting burden.

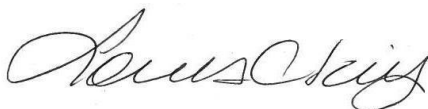
## Performance Reporting Summary and Assertions

FAA's fiscal year 2012 performance targets were to (1) initiate regulatory investigations on 95 percent of all pilots involved in the sale or distribution of illegal drugs within 30 days of knowledge, a conviction, or notification by law enforcement; (2) ensure the aviation industry conducts random drug and alcohol testing of safety sensitive employees with results not exceeding one percent positives for drugs and one-half percent positives for alcohol; and, (3) conduct 1,650 FAA drug and alcohol inspections of the aviation industry to ensure compliance with Federal regulations. FAA indicated that it met all three performance targets.

We performed review procedures on the accompanying report (Enclosure 2), FAA's fiscal year 2012 Performance Summary Report, and management's assertions. Our review processes were limited to inquiries and analytical procedures appropriate for an attestation review based upon the criteria specified in the Circular. Specifically, we reviewed FAA's internal controls for performance measures to gain an understanding of how the measures were developed.

During our review, no information came to our attention that the accompanying FAA fiscal year 2012 Drug Control Obligation Summary and Performance Summary reports were not presented in conformity with the ONDCP Circular.

Sincerely,



Louis C. King  
Assistant Inspector General for Financial and  
Information Technology Audits

Enclosure(s)

cc: DOT Audit Liaison, M-1  
FAA Audit Liaison, AAE-100



U.S. Department  
of Transportation  
**Federal Aviation  
Administration**

Office of National Drug Control Policy: FY2012 Accounting of Drug Control Funds

Assistant Administrator for Financial Services and  
Chief Financial Officer

800 Independence Ave. SW  
Washington, D.C. 20591

January 13, 2013

Ms. U. Jane Sanville  
Acting Associate Director for Performance and Budget  
Office of the National Drug Control Policy  
Washington, DC 20503

Dear Ms. Sanville:

In accordance with the Office of National Drug Control Policy Circular: Drug Control Accounting issued May 1, 2007, the Federal Aviation Administration's (FAA) Fiscal Year 2012 Drug Control Obligation Summary is enclosed. FAA'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.

FAA's point of contact for this report is Dedra Goodman. She can be reached at (202) 267-3631, if further assistance is required.

Sincerely yours,

Mark House  
Chief Financial Officer

Enclosure

**Obligations Summary**  
**DEPARTMENT OF TRANSPORTATION**  
**FEDERAL AVIATION ADMINISTRATION**  
(\$ in thousands)

**RESOURCE SUMMARY**

	<b><u>FY 2012</u></b> <b><u>Obligations</u></b>
<b>Drug Resources by Budget Decision Unit and Function:</b>	
<b>Decision Unit: Air Traffic Organization</b>	\$ 9,240
<b>Subtotal, Air Traffic Organization</b>	<u>9,240</u>
<b>Decision Unit: Aviation Safety/Aerospace Medicine</b>	
Prevention	\$ 15,213
<b>Subtotal, Aviation Safety/Aerospace Medicine</b>	<u>15,213</u>
<b>Decision Unit: Security and Hazardous Material Safety</b>	
Intelligence Interdiction & State/Local Assistance	\$ 1,801
<b>Subtotal, Security and Hazardous Material Safety</b>	<u>1,801</u>
<b>Total Funding</b>	<b><u><u>\$ 26,254</u></u></b>
<b>Drug Resources Personnel Summary</b>	
Total FTEs (direct only)	
<b>Air Traffic Organization</b>	<b>59</b>
<i>Investigations: Industry Drug Abatement</i>	50
<i>Prevention: Industry Drug Abatement</i>	20
<i>Prevention: Internal Substance Abuse Program</i>	17
<b>Subtotal, Aviation Safety/Aerospace Medicine</b>	<b>87</b>
<b>Security &amp; Hazardous Materials Safety</b>	<b>16</b>
<b>Total FTEs</b>	<b><u><u>162</u></u></b>

# **INSPECTOR GENERAL REVIEW OF FISCAL YEAR 2012 DRUG CONTROL FUNDS AND PERFORMANCE SUMMARY REPORTING**

*National Highway Traffic Safety Administration*

*Report Number: FI-2013-039*

*Date Issued: February 1, 2013*



**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation

Office of Inspector General  
Washington, DC 20590

February 1, 2013

Ms. U. Jane Sanville  
Acting Associate Director, Office of Performance and Budget  
Office of National Drug Control Policy  
Washington, DC 20503

Dear Ms. Sanville:

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 2012 Drug Control Obligation Summary and Performance Summary reports to the Office of National Drug Control Policy (ONDCP). Both reports are dated January 30, 2013. The reports and our review are required by 21 U.S.C. §1704 (d) and ONDCP's Circular, Annual Accounting and Authentication of Drug Control Funds and Related Performance, of May 2007 (Circular).

The Circular states that when drug-related obligations are less than \$50 million and a detailed accounting would constitute an unreasonable burden, agencies are permitted to submit an alternative report. Because NHTSA's fiscal year 2012 drug-related obligations were less than \$50 million, NHTSA submitted an alternative report. In our attestation review, 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 NHTSA's reports and related management assertions to determine the reliability of those assertions in compliance with the Circular, in all material respects. We conducted our review in accordance with generally accepted Government auditing standards for attestation engagements. However, 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. Because we conducted an attestation 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 2012 Drug Control Obligation Summary, based upon criteria specified in the Circular. Our work was limited to inquiries and analytical

procedures appropriate for an attestation review. Specifically, we tested selected accounting internal control procedures to ensure drug control funds were properly identified in the accounting system. We traced \$2.6 million of NHTSA's reported \$2.7 million in drug control obligations to the Department's accounting system and verified that they were supported by contracts.

Because NHTSA is reporting an amount in drug control obligations—approximately \$2.7 million—which is below the Circular's \$50 million threshold for full reporting, we believe that full compliance with this Circular would constitute an unreasonable reporting burden.

## **Performance Reporting Summary and Assertions**

NHTSA's fiscal year 2012 performance target was to develop and pilot test an online version of the Advanced Roadside Impaired Driving Enforcement Training (ARIDE) course. NHTSA indicated that it had designed the training course, and that in the Fall of 2012, over 100 officers from five law enforcement agencies pilot tested it.

We performed review procedures on the accompanying report (Enclosure 2), NHTSA's fiscal year 2012 Performance Summary Report, and management's assertions. Our review processes were limited to inquiries and analytical procedures appropriate for an attestation review based upon the criteria specified in the Circular. Specifically, we reviewed NHTSA's internal control procedures for performance measures, to gain an understanding of how the measures were developed.

During our review, no information came to our attention that the accompanying NHTSA fiscal year 2012 Drug Control Obligation Summary and Performance Summary reports were not presented in conformity with the ONDCP Circular.

Sincerely,



Louis C. King  
Assistant Inspector General for Financial and  
Information Technology Audits

Enclosure(s)

cc: DOT Audit Liaison, M-1  
NHTSA Audit Liaison, NPO-310



U.S. Department  
of Transportation

**National Highway  
Traffic Safety  
Administration**

1200 New Jersey Avenue, SE  
Washington, DC 20590

JAN 30 2013

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 (FY) 2012 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.

Please note that at the start of FY 2012, NHTSA was funded by a Continuing Resolution that provided funding under our previous authorization: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). On July 9, 2012, a new authorization bill was signed by the President: Moving Ahead for Progress in the 21st Century Act (MAP-21). As a result, some of the funding available under SAFETEA-LU was no longer available under MAP-21. See the enclosed Resource Table Summary that reflects this reduction. However, FY 2013 is based on the annualized FY 2012 funding level provided by Public Law 112-175, the Continuing Appropriations Act, 2013 (which includes the .612-percent increase in Section 101(c)).

I hope this information is helpful. If you need further assistance, please contact Ms. Melanie O'Donnell at (202) 366-0689.

Sincerely yours,

A handwritten signature in blue ink that reads "Gregory A. Walter".

Gregory A. Walter  
Senior Associate Administrator  
Policy and Operations

Enclosure



**DEPARTMENT OF TRANSPORTATION**

## National Highway Traffic Safety Administration

**Resource Summary**

	Budget Authority (in Millions)		
	FY2012 Enacted	FY2013 CR*	FY2014 MAP-21 Request**
<b>Drug Resources by Function</b>			
Prevention	2.688	1.497	1.802
<b>Total Drug Resources by Function</b>	<b>\$2.688</b>	<b>\$1.497</b>	<b>\$1.802</b>
<b>Drug Resources by Decision Unit</b>			
Drug Impaired Driving	\$2.688	\$1.497	\$1.802
<b>Total Drug Resources by Decision Unit</b>	<b>\$2.688</b>	<b>\$1.497</b>	<b>\$1.802</b>

<b>Drug Resources Personnel Summary</b>			
Total FTEs (direct only)	2	2	2
<b>Drug Resources as a Percent of Budget</b>			
Total Agency Budget	\$799.974	\$804.870	\$855.000
Drug Resources Percentage	0.34%	0.19%	0.21%

\*FY 2013 is based on the annualized FY 2012 funding level provided by P.L. 112-175, the Continuing Appropriations Act, 2013 (which includes the .612% increase in section 101(c)).

\*\*Based on the Moving Ahead for Progress in the 21st Century (MAP-21) authorization, which takes effect once the appropriation bills are passed for FY 2013 and FY 2014. MAP-21 does not reflect the \$1.2M that had been authorized under section 2013(f) of SAFETEA-LU. While there is no direct authorization for drug impaired driving research in MAP-21, the Highway Safety Research program anticipates an additional \$750K funding level for drug impaired driving research out of its core budget to conduct research and evaluation.

Note: FY 2012 includes \$1.2M dedicated to drug impaired driving research and approximately \$1.488M to support the agency's drug impaired driving program.



# Tab J

## Department of the Treasury

*TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION*



*Independent Attestation Review of the  
Internal Revenue Service's Fiscal Year 2012  
Annual Accounting of Drug Control Funds and  
Related Performance*

**January 25, 2013**

**Reference Number: 2013-10-019**

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](mailto:TIGTACommunications@tigta.treas.gov)

*Website* | <http://www.treasury.gov/tigta>



## HIGHLIGHTS

### **INDEPENDENT ATTESTATION REVIEW OF THE INTERNAL REVENUE SERVICE'S FISCAL YEAR 2012 ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE**

## Highlights

**Final Report issued on January 25, 2013**

Highlights of Reference Number: 2013-10-019 to the Internal Revenue Service Chief Financial Officer and Chief, Criminal Investigation.

### **IMPACT ON TAXPAYERS**

TIGTA reviewed the assertions in the IRS's Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission and Performance Summary Report for Fiscal Year 2012. IRS management is responsible for preparing the report.

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 fairly 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 fairly presented in all material respects in accordance with ONDCP-established criteria.

### **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 25, 2013

**MEMORANDUM FOR** CHIEF FINANCIAL OFFICER  
CHIEF, CRIMINAL INVESTIGATION

A handwritten signature in black ink, appearing to read "Michael E. McKenney".

**FROM:** Michael E. McKenney  
Acting Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Independent Attestation Review of the Internal Revenue Service’s Fiscal Year 2012 Annual Accounting of Drug Control Funds and Related Performance (Audit # 201210030)

This report presents the results of our attestation review of the Internal Revenue Service’s Fiscal Year 2012 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 is included in our Fiscal Year 2013 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. If you have any questions, please contact me or Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).



*Independent Attestation Review of the Internal Revenue  
Service's Fiscal Year 2012 Annual Accounting of Drug Control  
Funds and Related Performance*

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*Independent Attestation Review of the Internal Revenue  
Service's Fiscal Year 2012 Annual Accounting of Drug Control  
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*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 2012 Annual Accounting of Drug Control Funds and Related Performance*

## *Background*

The Anti-Drug Abuse Act of 1988<sup>1</sup> 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 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 agencies<sup>2</sup> 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.<sup>3</sup> 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 October 2012 through January 2013. Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government auditing standards. In general, our review procedures were limited to inquiries and analytical procedures appropriate for an attestation review based upon the criteria

<sup>1</sup> Pub. L. No. 100-690, 102 Stat. 4181 (1988).

<sup>2</sup> A National Drug Control Program agency is defined as any agency that is responsible for implementing any aspect of the National Drug Control Strategy.

<sup>3</sup> 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  
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in the ONDCP Circular. Detailed information on our audit objective, scope, and 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 2012 Annual Accounting of Drug Control Funds and Related Performance*

*Results of Review*

**Summary of the Independent Attestation Review of the Fiscal Year 2012 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) 2012, which ended September 30, 2012 (see Appendix IV). The Report was prepared pursuant to 21 U.S.C. 1704 (d) and the ONDCP Circular: *Drug Control Accounting*, dated May 1, 2007. IRS management is responsible for preparing the Report.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government auditing standards. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Report. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the assertions in the Report are not fairly presented in all material respects in accordance with ONDCP-established criteria.

While this report is an unrestricted public document, the information it contains is intended solely for the use of the IRS, the U.S. 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 2012 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 FY<sup>1</sup> 2012 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 2012 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 the 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 2012 Drug Control Obligations.
  - C. Traced the information contained in the Table of FY 2012 Drug Control Obligations to the supporting documentation.

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<sup>1</sup> 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 2012 Annual Accounting of Drug Control Funds and Related Performance*

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- IV. Evaluated the reasonableness of the methodology used to report performance information for National Drug Control Program activities.
  - A. Reviewed data supporting the Performance Summary Report to establish the 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.



*Independent Attestation Review of the Internal Revenue  
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**Appendix II**

*Major Contributors to This Report*

Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations)  
Jeffrey M. Jones, Director  
Anthony J. Choma, Audit Manager  
Kanika Kals, Lead Auditor  
Yasmin B. Ryan, Senior Auditor



*Independent Attestation Review of the Internal Revenue  
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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 Financial Officer OS:CFO  
Deputy Chief, Criminal Investigation SE:CI  
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 Financial Officer OS:CFO  
    Chief, Criminal Investigation SE:CI



*Independent Attestation Review of the Internal Revenue Service's Fiscal Year 2012 Annual Accounting of Drug Control Funds and Related Performance*

**Appendix IV**

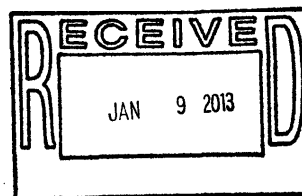
*Internal Revenue Service's Fiscal Year 2012 Detailed Accounting Submission and Related Performance Summary Report*



CHIEF FINANCIAL OFFICER

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

January 9, 2013



MEMORANDUM FOR MICHAEL E. MCKENNEY  
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: *Pamela J. LaRue*  
Pamela J. LaRue  
Chief Financial Officer

SUBJECT: Annual Accounting and Authentication of Fiscal Year (FY) 2012  
Drug Control Funds, Related Performance, and Assertion of  
Performance Information

The purpose of this memorandum is to transmit a revised IRS FY 2012 Annual Accounting and Authentication of Drug Control Funds and Related Performance Report, originally submitted on December 5, 2012. Two percentages were changed in Section A, Subsection 1) b).

The Treasury Inspector General for Tax Administration (TIGTA) is required to perform an attestation review before the IRS submits this document to the Office of National Drug Control Policy (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) 622-6400, or have a member of your staff contact Adina Leach, Acting Associate Chief Financial Officer for Corporate Budget, at (202) 622-8770.

Attachments (2)



*Independent Attestation Review of the Internal Revenue  
Service's Fiscal Year 2012 Annual Accounting of Drug Control  
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Attachment 1

**INTERNAL REVENUE SERVICE**  
**Annual Accounting and Authentication of Drug Control Funds and Related  
Performance**

**DETAILED ACCOUNTING SUBMISSION****A. Table of Fiscal Year (FY) 2012 Drug Control Obligations**

<b>Drug Resources by Function (\$000)</b>	
Investigations	<u>\$63,508</u>
<b>Total</b>	<b>\$63,508</b>
<b>Drug Resources by Decision Unit</b>	
Narcotics Crimes	<u>\$63,508</u>
<b>Total</b>	<b>\$63,508</b>

**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 2012 was 12.4 percent of total DIT. The OCDETF sub-component of this program was 11.2 percent of total DIT or 90.3 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 Internal Revenue Service's Fiscal Year 2012 Annual Accounting of Drug Control Funds and Related Performance*

**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 2012 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.



*Independent Attestation Review of the Internal Revenue Service's Fiscal Year 2012 Annual Accounting of Drug Control Funds and Related Performance*

**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.

**4) 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.

**5) Reprogramming or Transfers**

The data presented is associated with obligations against a financial plan and properly reflects any revisions occurring during the fiscal year.

**6) 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. § 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 the OCDEF program and all other programs are defined as total subject criminal



# Tab K

# Department of Veterans Affairs



VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS

# Department of Veterans Affairs

*Independent Review of  
VA's FY 2012 Detailed  
Accounting Submission to  
the Office of National Drug  
Control Policy*

March 31, 2013  
13-00682-143

**To Report Suspected Wrongdoing in VA Programs and Operations:**

**Telephone: 1-800-488-8244**

**Email: [vaoighotline@va.gov](mailto:vaoighotline@va.gov)**

**(Hotline Information: [www.va.gov/oig/hotline](http://www.va.gov/oig/hotline))**

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**Department of  
Veterans Affairs**

**Memorandum**

**Date:** March 25, 2013

**From:** Assistant Inspector General for Audits and Evaluations (52)

**Subj:** Final Report - Independent Review of the VA's FY 2012 Detailed Accounting Submission to the Office of National Drug Control Policy

**To:** Chief Financial Officer, Veterans Health Administration (10A3)

1. The Office of Inspector General is required to review the Department of Veterans Affairs' (VA) Fiscal Year (FY) 2012 Detailed Accounting Submission (Submission) to the Director, Office of National Drug Control Policy (ONDCP), pursuant to ONDCP Circular: *Drug Control Accounting* (Circular), dated May 1, 2007, and as authorized by 21 U.S.C. § 1703(d)(7).<sup>1</sup> The Submission is the responsibility of VA's management and 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 11 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. An attestation review is substantially less in scope than an examination. The objective of an examination is the expression of an 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 Year 2012 and 2011* (Report No. 12-01284-13, dated November 8, 2012), 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

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<sup>1</sup>To view the Circular, please visit [http://www.whitehouse.gov/sites/default/files/ondcp/about-content/2007\\_drug\\_control\\_accounting\\_final.pdf](http://www.whitehouse.gov/sites/default/files/ondcp/about-content/2007_drug_control_accounting_final.pdf).

Independent Review of VA's FY 2012 Detailed Accounting Submission to ONDCP

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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.

5. 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.
6. We provided you our draft report for review. You concurred with our report without further comments.



LINDA A. HALLIDAY

Attachment



**Department of  
Veteran Affairs**

**Memorandum**

**Date:** March 01, 2013

**From:** Chief Financial Officer, Veterans Health Administration  
Associate Chief Financial Officer, Veterans Health Administration  
Director of Budget Services, Veterans Health Administration

**Subj:** Management Representation Letter for the Independent Review of the VA's FY 2012 Detailed Accounting Submission to the Office of National Drug Control Policy (Project Number 2013-00682-R1-0039)

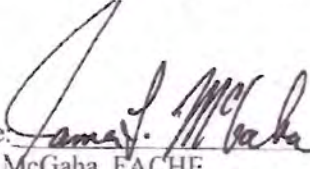
**To:** Assistant Inspector General for Audits and Evaluations (52)


1. We are providing this letter in connection with your attestation review of our Detailed Accounting Submission to the Director, Office of National Drug Control Policy (ONDCP).
2. We confirm, to the best of our knowledge and belief, that the following representations made to you during your attestation review are accurate and pertain to the fiscal year ending on September 30, 2012.
3. We confirm that we are responsible for and have made available to you the following:
  - a. The Table of Drug Control Obligations and related assertions;
  - b. All financial records and related data relevant to the detailed accounting submission; and,
  - c. Communications from the Office of National Drug Control Policy and other oversight bodies concerning the detailed accounting submission.
4. No reprogramming or transfer of funds from drug related resources, as identified in the Fiscal Year 2012 financial plan, occurred in Fiscal Year 2012.
5. We understand your 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 and accordingly, you will not express an opinion on the Table of Drug Control Obligations and related disclosures.


Independent Review of VA's FY 2012 Detailed Accounting Submission to ONDCP

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6. No events have occurred subsequent to September 30, 2012, that would have an effect on the Detailed Accounting Submission.

Signature:   
James F. McGaha, FACHE  
Acting Chief Financial Officer (10A3)  
Veterans Health Administration

Signature:   
Mark W. Yow  
Associate Chief Financial Officer for Resource Management Office (10A3B)  
Veterans Health Administration

Signature:   
Calvin L. Seay, Jr.  
Director of Budget Services  
Resource Management Office (10A3B)

Attachments

cc: Veterans Health Administration Audit Liaison (10B5)

## **Attachment A**

### **Statement of Disclosures and Assertions for FY 2012 Drug Control Expenditures Submitted to Office of National Drug Control Policy (ONDCP) for FY Ending September 30, 2012**

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 2012 Drug Control Funds

## DETAILED ACCOUNTING SUBMISSION

**A. Table of FY 2012 Drug Control Obligations**

Description	FY 2012 Final <i>(in Millions)</i>
Drug Resources by Drug Control Function:	
Treatment	\$617.201
Research & Development	\$20.637
<b>Total</b>	<b>\$637.838</b>
Drug Resources by Budget Decision Unit:	
Medical Care	\$617.201
Research & Development	\$20.637
<b>Total</b>	<b>\$637.838</b>

1. Drug Control Methodology

The Table of FY 2012 Drug Control Obligations shown above and Resource Summary (page 9) 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. Below is 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 biannual 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 parent health care facilities. Programs are 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. All VA facilities currently provide SUD services within a specialty setting, as well as in general mental health settings.

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 2012, evidence-based medication assisted treatment for opioid dependence, including office-based treatment with buprenorphine, was available at 141 of the 152 VA Medical Centers (93%). Including Community-Based Outpatient Clinics separate from the medical centers, over 250 total sites of service provided at least some buprenorphine. 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 with continued special purpose funding for 406 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. Active monitoring is ongoing for replacing any positions that become vacant.

## Attachment A

The Homeless Programs are funding 100 SUD specialists to support the Department of Housing and Urban Development - VA Supportive Housing (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 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.

In the 3<sup>rd</sup> Quarter of FY 2012, VHA began electronic implementation of clinical symptom monitoring using the Brief Addiction Monitor (BAM) that transmits responses to the national data base with over 5000 administrations in September 2012. VHA specialty care programs are now able to use BAM as part of software that integrates the assessment process with our electronic health record. 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.

In FY 2012, VHA provided services to 127,708 patients with a primary drug use disorder diagnosis. Of these, 36 percent used cocaine, 28 percent used opioids and 26 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 Office of National Drug Control Policy's letter of September 7, 2004, VA's methodology only incorporates Specialized Treatment costs.

## Independent Review of VA's FY 2012 Detailed Accounting Submission to ONDCP

**Attachment A**

Specialized Treatment	Obligations (in Millions)	FTE
Inpatient	\$154.332	684
Residential Rehabilitation and Treatment	\$191.373	977
Outpatient	\$271.496	1,110
<b>Total</b>	<b>\$617.201</b>	<b>2,771</b>

VA does not track obligations and expenditures by ONDCP function. In the absence of such capability, obligations by specialized treatment costs 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	\$20.637	N/A	N/A

2. Methodology Modifications – In accordance with the guidance provided in the Office of National Drug Control Policy'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 – CliftonLarsonAllen LLP provided an unqualified opinion on VA's FY 2012 consolidated financial statements. They identified one material weakness. The material weakness is a repeat condition from the prior year audit identified as Information Technology Security Controls. In addition to the material weaknesses, they also reported one significant deficiency related to undelivered orders (UDO) as a partial repeated finding. They found instances that the UDO balance should have been de-obligated because the goods or services had been received. 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 2012 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**

  
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Mark Yow  
Associate Chief Financial Officer  
Resource Management Office (10A3B)

2/5/2013  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Calvin L. Seay, Jr.  
Director of Budget Services  
Resource Management Office (10A3B)

2/5/2013  
\_\_\_\_\_  
Date

**Attachment A**

Department of Veterans Affairs Resource Summary Obligations <i>(in Millions)</i>	
	2012 Final
Medical Care:	
Specialized Treatment	
Inpatient	\$154.332
Residential Rehabilitation and Treatment	\$191.373
Outpatient	\$271.496
Specialized Treatment	\$617.201
Research and Development	\$20.637
Drug Control Resources by Function and Decision Unit, Total	\$637.838
Drug Control Resources Personnel Summary	
Total FTE	2,771
Total Enacted Appropriations	\$125,304.000
Drug Control Percentage	0.51%

**Appendix A      Office of Inspector General Contact and Staff Acknowledgments**

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OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Nick Dahl, Director Irene J. Barnett Joseph Vivolo
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## **Appendix B Report Distribution**

### **VA Distribution**

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Chief Financial Officer, Veterans Health Administration

### **Non-VA Distribution**

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Senate Appropriations Subcommittee on Military Construction, Veterans  
Affairs, and Related Agencies  
Senate Committee on Homeland Security and Governmental Affairs  
National Veterans Service Organizations  
Government Accountability Office  
Office of Management and Budget  
Office of National Drug Control Policy

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