

**REPORT ON THE U.S. CUSTOMS SERVICE'S  
FISCAL YEAR 1999 ANNUAL REPORTING OF  
DRUG CONTROL FUNDS**

**OIG-01-028**

**December 22, 2000**



**Office of Inspector General**

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**United States Department of the Treasury**



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

DEC 22 2000

MEMORANDUM FOR RAYMOND W. KELLY, COMMISSIONER  
UNITED STATES CUSTOMS SERVICE

FROM:

William H. Pugh *William H. Pugh*  
Deputy Assistant Inspector General for  
Financial Management and Information  
Technology Audits

SUBJECT:

Report on the U.S. Customs Service's Fiscal  
Year 1999 Annual Reporting of Drug Control  
Funds

Attached is our report on the accompanying *U.S. Customs Service's Annual Reporting of Fiscal Year 1999 Drug Control Funds* (Submission) to the Director of the Office of National Drug Control Policy (ONDCP). ONDCP Circular: *Annual Accounting of Drug Control Funds* (the Circular) dated December 17, 1999, requires Customs to include certain assertions in its Submission. The Circular further requires the Inspector General to perform a review of the assertions in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Customs Fiscal Year 1999 Submission did not include the required assertions by management. Therefore, we were unable to perform the attestation review required by the Circular. This matter has been brought to management's attention and is included in our report.

Our report has been reviewed by your staff. Their comments are included in full in the appendix to our report.

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

Attachment

cc: James R. Lingeback, Acting Deputy Chief Financial  
Officer  
Brenda Brockman, Director, Evaluation Oversight, Office  
of Planning  
C. Wayne Hamilton, Assistant Commissioner, Office of  
Finance

# REPORT OF THE OFFICE OF INSPECTOR GENERAL

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## To the Commissioner of the U.S. Customs Service:

We attempted to perform a review, in accordance with attestation standards established by the American Institute of Certified Public Accountants, of the information presented in Section B, "Assertions," of the accompanying U.S. Customs Service's (Customs) Annual Reporting of Fiscal Year (FY) 1999 Drug Control Funds (the Submission).

The Submission was prepared pursuant to 21 U.S.C. § 1704 (d) and Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds (the Circular)*, dated December 17, 1999, and is the responsibility of Customs' management. However Customs' Submission did not include the following assertions required by Section 5.b. of the Circular:

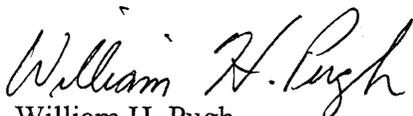
- The drug methodology used to calculate obligations of budgetary resources in the Table of Fiscal Year 1999 Drug Control Obligations is reasonable and accurate;
- The methodology disclosed in the narrative section of the submission was the actual methodology used to generate the Table of FY 1999 Drug Control Obligations; and
- The obligations presented in the Table of FY 1999 Drug Control Obligations are associated with a financial plan that properly reflects changes, including the ONDCP approval of any reprogrammings or transfers affecting drug-related resources in excess of \$5 million.

Section B of Customs' Submission includes a list of the percentages used to derive Customs resource requests and a statement regarding the continuing application of its methodology to determine these resource requests. However, the assertions required by the circular were not included. Since Customs did not make these assertions, we were unable to perform the attestation review required by the Circular.

## REPORT OF THE OFFICE OF INSPECTOR GENERAL

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



William H. Pugh

Deputy Assistant Inspector General for Financial Management and  
Information Technology Audits

August 8, 2000



**U.S. Customs Service**

*Memorandum*

DATE: December 5 2000

FILE: AUD-1-OP BAB

MEMORANDUM FOR DENNIS SCHINDEL  
ASSISTANT INSPECTOR GENERAL

FROM: Director,  
Office of Planning

SUBJECT: Draft Audit Report on the U.S. Customs Service's  
FY 1999 Annual Report of Drug Control Funds

Thank you for providing us with a copy of your draft report entitled "U.S. Customs Service's FY 1999 Annual Report of Drug Control Funds" and the opportunity to discuss the issues in this report.

Customs has taken a number of steps to address the issues identified during your review. Specifically, on November 13, 2000, the Chief Financial Officer issued instructions for the collection of FY 2000- 2002 drug control funding data (copy attached). The information provided in response to these instructions will enable Customs to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular: *Annual Accounting of Drug Control Funds*, and those of section 5b in particular. Customs will provide the required data for the FY 2000- FY 2002 Annual Report to the Department of the Treasury no later than December 29, 2000.

In future years, Customs will issue a set of instructions similar to those issued on November 13. These instructions will be based on the most current information available from ONDCP and will ensure that future Customs submissions meet stated requirements.

We have determined that the information in the audit report does not warrant protection under the Freedom of Information Act. If you have any questions regarding these comments, please have a member of your staff contact Ms. Brenda Brockman at (202) 927-1507.

TRADITION

★

SERVICE

★

HONOR

Handwritten signature of William F. Riley in black ink.  
William F. Riley

Attachment



**U.S. Customs Service**

*Memorandum*

DATE: NOV 15 2000

FILE: BUD-01-OF:BD:FO KGH

TO: Assistant Commissioners  
Chief Counsel

FROM: Assistant Commissioner  
Office of Finance

SUBJECT: Development of the FY 2002 Budget Report for the Office of  
National Drug Control Policy

BACKGROUND

United States Code, Title 21, Section 1704(d) requires that the U.S. Customs Service submit an accounting of resources devoted to federal drug control programs. In addition, this document must be verified by the Inspector General on an annual basis.

The Treasury Inspector General (IG) recently completed its review of the Customs Service Fiscal Year (FY) 2001 federal drug control funding estimates. In this review, the IG found that the Customs Service estimates for FY 1999 could not be validated since there was no documentation to support the methodology by which they were developed. This conclusion was reached since an undocumented set of assumptions (Attachment A) was used to produce the FY 1999 through FY 2001 drug control funding estimates. Therefore, a new methodology must be developed to prepare the FY 2000 through FY 2002 Customs Service report to the Office of National Drug Control Policy (ONDCP).

REQUIRED ACTION

Please review the activities in your office and determine if they meet any of the goals and objectives presented in the attached copy of the National Drug Control Strategy Goals and Objectives (Attachment B). If activities in your office meet these criteria:

TRADITION

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SERVICE

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1. Identify the activity and the goal that it meets.
2. Identify the amount of resources (dollars and number of personnel) that are devoted to the goal by fiscal year.

3. Explain how the estimate of resources devoted to the goal was derived.

Finally, review Attachment C, Drug Control Budget Functions and determine which areas the resources identified above fall under and in what amount. Please include a statement demonstrating the link between your program and the selected function. In situations where a program may meet the definition of more than one function, please explain how the allocation of resources between functions was derived.

Please provide your response (positive or negative) to this memorandum no later than close of business Friday, November 17, 2000. Please remember that the Treasury Inspector General will review the methodology employed by the Customs Service to develop its FY 2000 through FY 2002 federal drug control funding estimates. Therefore, the materials submitted in response to this memorandum must be sufficient to withstand review by the Inspector General.

If you have any questions or comments regarding this memorandum, please feel free to have a member of your staff contact Mr. Kurt Hahn, Director, Budget Formulation Division, Office of Finance at 927-4084.

Thank you in advance for your cooperation and assistance.

  
for C. Wayne Hamilton

Attachments

**DRUG BUDGET PERCENTAGES**

## APPROPRIATION

<u>Category</u>	<u>Drug enforcement percentage</u>
<b>SALARIES AND EXPENSES</b>	
Passenger Processing	41%
Non-Intrusive Inspection Technology	95%
Cargo Examination	13%
Non-Intrusive Inspection Technology	95%
Outbound (Currency)	100%
Canine Enforcement	100%
Inspectional Support	30%
Air Interdiction	95%
Marine and Other Interdiction	95%
Commercial Fraud Investigations	0%
Financial Investigations	60%
Illegal Export Investigations	5%
Interdiction Investigations (sub-activity)	100%
Criminal/Statutory Investigations	25%
Investigations and Enforcement Support	60%
Appraisal/Classification	0%
Regulatory Audit	0%
Trade Program Support	0%
Research and Development	As Appropriate
<b>OPERATIONS AND MAINTENANCE</b>	95%
<b>VIOLENT CRIME REDUCTION TRUST FUND</b>	As Appropriate
<b>FACILITIES, CONSTRUCTION, IMPROVEMENTS</b>	As Appropriate

## ATTACHMENT B



## ONDCP Circular: Budget Instructions and Certification Procedures

May 5, 1999

TO THE HEADS OF NATIONAL DRUG CONTROL PROGRAM AGENCIES

SUBJECT: Budget Instructions and Certification Procedures

### APPENDIX B

#### NATIONAL DRUG CONTROL STRATEGY GOALS AND OBJECTIVES

##### GOAL 1: EDUCATE AND ENABLE AMERICA'S YOUTH TO REJECT ILLEGAL DRUGS AS WELL AS ALCOHOL AND TOBACCO.

**Objective 1:** Educate parents and other care givers, teachers, coaches, clergy, health professionals, and business and community leaders to help youth reject illegal drugs and underage alcohol and tobacco use.

**Objective 2:** Pursue a vigorous advertising and public communications program dealing with the dangers of illegal drug, alcohol, and tobacco use by youth.

**Objective 3:** Promote zero tolerance policies for youth regarding the use of illegal drugs, alcohol, and tobacco within the family, school, workplace, and community.

**Objective 4:** Provide students in grades K-12 with alcohol, tobacco, and drug prevention programs and policies that are research based.

**Objective 5:** Support parents and adult mentors in encouraging youth to engage in positive, healthy lifestyles and modeling behavior to be emulated by young people.

**Objective 6:** Encourage and assist the development of community coalitions and programs in preventing drug abuse and underage alcohol and tobacco use.

**Objective 7:** Create partnerships with the media, entertainment industry, and professional sports organizations to avoid the glamorization, condoning, or normalization of illegal drugs and

the use of alcohol and tobacco by youth.

**Objective 8:** Develop and implement a set of research-based principles upon which prevention programming can be based.

**Objective 9:** Support and highlight research, including the development of scientific information, to inform drug, alcohol, and tobacco prevention programs targeting young Americans.

**GOAL 2: INCREASE THE SAFETY OF AMERICA'S CITIZENS BY SUBSTANTIALLY REDUCING DRUG-RELATED CRIME AND VIOLENCE.**

**Objective 1:** Strengthen law enforcement—including federal, state, and local drug task forces—to combat drug-related violence, disrupt criminal organizations, and arrest and prosecute the leaders of illegal drug syndicates.

**Objective 2:** Improve the ability of High Intensity Drug Trafficking Areas (HIDTAs) to counter drug trafficking.

**Objective 3:** Help law enforcement to disrupt money laundering and seize and forfeit criminal assets.

**Objective 4:** Break the cycle of drug abuse and crime.

**Objective 5:** Support and highlight research, including the development of scientific information and data, to inform law enforcement, prosecution, incarceration, and treatment of offenders involved with illegal drugs.

**GOAL 3: REDUCE HEALTH AND SOCIAL COSTS TO THE PUBLIC OF ILLEGAL DRUG USE.**

**Objective 1:** Support and promote effective, efficient, and accessible drug treatment, ensuring the development of a system that is responsive to emerging trends in drug abuse.

**Objective 2:** Reduce drug-related health problems, with an emphasis on infectious diseases.

**Objective 3:** Promote national adoption of drug-free workplace programs that emphasize a comprehensive program that includes: drug testing, education, prevention, and intervention.

**Objective 4:** Support and promote the education, training, and credentialing of professionals who work with substance abusers.

**Objective 5:** Support research into the development of

medications and related protocols to prevent or reduce drug dependence and abuse.

**Objective 6:** Support and highlight research and technology, including the acquisition and analysis of scientific data, to reduce the health and social costs of illegal drug use.

**Objective 7:** Support and disseminate scientific research and data on the consequences of legalizing drugs.

**GOAL 4: SHIELD AMERICA'S AIR, LAND, AND SEA FRONTIERS FROM THE DRUG THREAT.**

**Objective 1:** Conduct flexible operations to detect, disrupt, deter, and seize illegal drugs in transit to the United States and at U.S. borders.

**Objective 2:** Improve the coordination and effectiveness of U.S. drug law enforcement programs with particular emphasis on the Southwest Border, Puerto Rico, and the U.S. Virgin Islands.

**Objective 3:** Improve bilateral and regional cooperation with Mexico as well as other cocaine and heroin transit zone countries in order to reduce the flow of illegal drugs into the United States.

**Objective 4:** Support and highlight research and technology—including the development of scientific information and data—to detect, disrupt, deter, and seize illegal drugs in transit to the United States and at U.S. borders.

**GOAL 5: BREAK FOREIGN AND DOMESTIC DRUG SOURCES OF SUPPLY.**

**Objective 1:** Produce a net reduction in the worldwide cultivation of coca, opium, and marijuana and in the production of other illegal drugs, especially methamphetamine.

**Objective 2:** Disrupt and dismantle major international drug trafficking organizations and arrest, prosecute, and incarcerate their leaders.

**Objective 3:** Support and complement source country drug control efforts and strengthen source country political will and drug control capabilities.

**Objective 4:** Develop and support bilateral, regional, and multilateral initiatives and mobilize international organizational efforts against all aspects of illegal drug production, trafficking, and abuse.

**Objective 5:** Promote international policies and laws that deter money laundering and facilitate anti-money laundering investigations as well as seizure and forfeiture of associated assets.

**Objective 6:** Support and highlight research and technology, including the development of scientific data, to reduce the worldwide supply of illegal drugs.

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ATTACHMENT C

**ONDCP Circular: Budget Instructions and Certification Procedures**

May 5, 1999

**TO THE HEADS OF NATIONAL DRUG CONTROL PROGRAM AGENCIES**

**SUBJECT: Budget Instructions and Certification Procedures**

APPENDIX C

**DRUG CONTROL BUDGET FUNCTIONS**



- What's New
- About ONDCP
- News & Public Affairs
- Drug Facts & Stats
- Publications
- National Drug Control Policy
- Media Campaigns
- Prevention & Education
- Treatment
- Science, Medicine & Technology
- Enforcement
- State & Local
- International
- Funding Opportunities



FUNCTION	DESCRIPTION
Corrections	Activities associated with the incarceration and/or monitoring of drug offenders.
Intelligence	Activities or programs with a primary focus to provide guarded information for use by national policy makers, strategic planners, and operational/tactical elements, primarily in the areas of national security and law enforcement. Activities include collecting, processing, analyzing, and disseminating information related to drug production and trafficking organizations and their activities, (including production, transportation, distribution, and finance/money laundering) and the willingness and ability of foreign governments to carry out effective drug control programs. (Amounts allocated for drug interdiction, international, and domestic law enforcement should be separately identified.)
Interdiction	Activities designed to interrupt the trafficking of illicit drugs into the United States by targeting the transportation link. Specifically, interdiction encompasses intercepting and ultimately disrupting shipments of illegal drugs and their precursors.
International	Activities primarily focused on or conducted in foreign countries, including a wide range of drug control programs to eradicate crops, seize drugs (except air and riverine interdiction seizures), arrest and prosecute major traffickers, destroy processing capabilities, develop and promote alternative crops to replace drug crops, reduce the demand for drugs, investigate money laundering and financial crime activities, and promote the involvement of other nations in efforts to control the supply of and demand for drugs

Investigations	Federal domestic law enforcement activities engaged in preparing drug cases for the arrest and prosecution of leaders and traffickers of illegal drug organizations, seizing drugs and assets, and ensuring that Federal laws and regulations governing the legitimate handling, manufacturing, distribution, etc. of controlled substances are properly followed.
Prevention	Activities focused on discouraging the first-time use of controlled substances and outreach efforts to encourage those who have begun to use illicit drugs to cease their use.
Prosecution	Federal activities related to the conduct of criminal proceedings against drug trafficking and money laundering organizations, with the aim of bringing a judgment against their members, forfeiting their assets, divesting leaders of their power, and, as appropriate, extraditing, deporting and excluding their members.
Research & Development	Activities intended to improve the capacity, efficiency, or quality of drug control activities. (Amounts allocated for drug interdiction, international, treatment, prevention and domestic law enforcement research should be separately identified.)
State & Local Assistance	Federal drug control assistance to help state and local law enforcement entities to reduce drug related violent crime and the availability of illegal drugs.
Treatment	Activities focused on assisting regular users of controlled substances to become drug-free through such means as counseling services, in-patient and out-patient care, and the demonstration and provision of effective treatment modalities, etc.

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