



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-2500

SPECIAL OPERATIONS/
LOW-INTENSITY CONFLICT

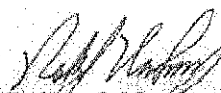
JAN 06 2006

Mr. David J. Rivait
Associate Director
Office of Programs, Budget, Research and Evaluations
Office of National Drug Control Policy
750 17th Street, NW
Washington, DC 20503

Dear Mr. Rivait:

In my capacity as Principal Director for Counternarcotics, I assert that the drug methodology used to calculate obligations by drug control function of Fiscal Year 2005 budgetary resources is reasonable and accurate. I further assert that 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 and, therefore, any assertion regarding this is inapplicable.

Sincerely,


Robert J. Newberry
Principal Director for
Counternarcotics

Enclosures:
As stated

CF:
DODIG

CENTRAL TRANSFER ACCOUNT

	<u>FY05</u>
Intelligence	132,023
Interdiction	651,089
Investigative	53,763
Prevention	114,572
R&D	11,931
State & Local Assistance	145,758
Treatment	6,975
Total	1,116,111 *

*This amount includes a 97% obligation rate for MILPERS and a 99% obligation rate for O&M Investment appropriations, which are multi-year, are currently obligated at 73%

DRUG RESOURCES PERSONNEL SUMMARY

Total FTEs	<u>1,292</u>
	1,292

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 and DD1105) prepared by the Office of the Deputy Assistant Secretary of Defense for Counternarcotics 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, Hemispheric Radar System, Counternarcotics RDT&E). The internal reprogramming (IR) action requires no congressional notification/approval.

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

- The Army Budget Office receives obligation data from the Defense Finance and Accounting System (DFAS) on a monthly basis and funds are tracked by the DFAS/Standard Army Financial Information System (STANFINS).
- 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 (STARS-FL) which provides the means of tracking allocated counternarcotics funds through the life cycle of the appropriation at the activity/field level. Navy counternarcotics funding is recorded under separate cost centers and sub-cost centers, with a line of accounting consisting of subhead, project units and cost codes specifically for counternarcotics obligation tracking.
- The Army and Air National Guard employs a central accounting service from the DFAS to consolidate, aggregate, and report on funds as they are committed, obligated, and expended. The Army State and Federal Program Accounting Codes and the Air

Accounting Codes provide funds-tracking mechanisms to reconcile funding at various levels of reporting and execution

The Services/Defense Agencies provide quarterly obligation reports by project code to the Office of the Deputy Assistant Secretary of Defense for Counternarcotics (CN). These individual reports are recorded on a spreadsheet 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 status report which reflects their actual obligation data, not an estimation.

The quarterly obligation reports provided by the Services/Defense Agencies include obligation and expenditure data 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.



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

January 26, 2006

MEMORANDUM FOR THE DEPUTY ASSISTANT SECRETARY OF DEFENSE
(COUNTERNARCOTICS)

SUBJECT: Independent Auditor's Report on the DoD FY 2005 Detailed Accounting
Report of the Funds Obligated for National Drug Control Program Activities
(Report No. D-2006-047)

Public Law 105-277 is known also as "The Office of National Drug Control Policy Reauthorization Act" (the Act). The Act requires that DoD annually submit a detailed report (the Report) accounting for all funds that it obligated for National Drug Control Program activities during the previous fiscal year to the Director of the Office of National Drug Control Policy. The Report is due no later than February 1 each year. The Act also requires that the Inspector General of the Department of Defense authenticate the Report prior to its submission to the Director.

Office of National Drug Control Policy Circular "Drug Control Accounting," (the Accounting Policy Circular) April 18, 2003, provides the policies and procedures to be used in preparing the Report and authenticating the DoD funds obligated on National Drug Control Program activities. The Accounting Policy Circular specifies that the Report must contain a table of prior year drug control obligations, listed by functional area, and include five assertions relating to the obligation data presented in the table.

The Deputy Assistant Secretary of Defense (Counternarcotics) (DASD[CN]) is responsible for the detailed accounting of funds obligated by DoD for the National Drug Control Program for FY 2005. We have reviewed the DASD (CN) detailed accounting in accordance with the attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government accounting standards. A review-level attestation is substantially less in scope than an examination, the objective of which is the expression of an opinion on the subject matter. Accordingly, we do not express an opinion.

We reviewed four DoD reprogramming actions that allocated \$1,147.8 million among the Military Departments, National Guard, and Defense agencies. We determined that DASD (CN) had allocated the funds to appropriations and project codes intended for the DoD Counterdrug program. We obtained the year-end obligation reports from the Military Departments and National Guard.

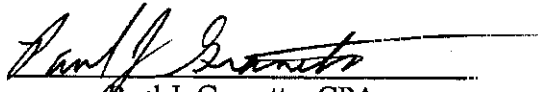
The DoD Office of Inspector General issued Report No. D-2006-012, "Report on Controls Over Funds Used by DoD for the National Drug Control Program" on November 7, 2005, which concluded that the funds allocated to the counterdrug program were used for counterdrug purposes for the transactions tested. However, we identified a material management control weakness related to the DoD Components' accounting for counterdrug funds. In response to this weakness, DASD (CN) issued a policy memorandum on August 25, 2005, requiring detailed transaction support for all Counterdrug obligations.

As part of our review attestation for FY 2005, we determined whether the DoD Components that received Counterdrug funding from DASD (CN) had implemented procedures to support reported obligations with detail transaction listings. We requested and obtained the listings that were available for reported obligations; however, the Military Components were not able to support all obligations with detail transaction listings. We determined that the Military Components did not have adequate time to implement procedures that would satisfy the DASD (CN) policy requiring detail transaction support for all obligations.

DASD (CN) provided the Report in a letter dated January 6, 2006, which we reviewed to determine compliance with the Accounting Policy Circular. The detailed accounting indicated that \$1,116.1 million was obligated during FY 2005 for the DoD Counterdrug program in seven functional areas. The Office of the DASD (CN) manually compiled the Report from data the Military Departments and other DoD Components submitted.

DASD (CN) initially reprogrammed the funds from the Central Transfer Account to the DoD Components, using project codes. The DoD Components provided year-end obligation reports, identified by the same project codes, to the Office of the DASD (CN). The Office of the DASD (CN) consolidated the year-end obligation reports into one obligation report. In order to present the obligations by functional area in compliance with the Accounting Policy Circular, the Office of the DASD (CN) 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.

We cannot attest to the amounts presented in the Report's table of obligations. However, we can attest that the methodology described in the Report is the methodology used to generate the amounts presented. Based on our review, except for the fact that the Office of the DASD (CN) used 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 2005 is not presented, in all material respects, in conformity with the Accounting Policy Circular.


Paul J. Granetto, CPA
Assistant Inspector General
Defense Financial Auditing
Service