

# Inspector General

United States  
Department of Defense



Independent Auditor's Report on the  
DoD FY 2010 Detailed Accounting  
Report of the Funds Obligated  
for National Drug Control  
Program Activities

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

January 31, 2011

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

SUBJECT: Independent Auditor's Report on the DoD FY 2010 Detailed Accounting  
Report of the Funds Obligated for National Drug Control Program Activities  
(Report No. D-2011-035)

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

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

The Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats (DASD [CN & GT]) was responsible for the detailed accounting of funds obligated and expended by DoD for the National Drug Control Program for FY 2010. 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 three DoD reprogramming actions that allocated \$1.56 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 January 3, 2011, DASD (CN & GT) provided us the Report, which we reviewed to determine compliance with the "Drug Control Accounting" Circular. The detailed accounting indicated that during FY 2010, DoD obligated \$1.41 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 2010 is not presented fairly, in all material respects, in conformity with the "Drug Control Accounting" Circular.



Patricia A. Marsh, CPA  
Assistant Inspector General  
Defense Business Operations



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SPECIAL OPERATIONS/  
LOW-INTENSITY CONFLICT  
& INTERDEPENDENT CAPABILITIES

JAN 03 2011

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

Dear Mr. Rice:

The drug methodology used to calculate obligations by drug control function of Fiscal Year 2010 budgetary resources is reasonable and accurate. The obligation table in Tab A was generated by the methodology as reflected in Tab B. The obligations are associated with a financial plan that properly reflects all changes made during the fiscal year. The Counternarcotics Central Transfer Account does not receive Fund Control Notices.

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

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

Enclosures:  
As stated

CF:  
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**Counternarcotics Central Transfer Account Obligations**  
**(\$ 000)**

| <b>ONDCP Resource Categories</b>  | <b>FY-10</b>       |
|-----------------------------------|--------------------|
| Intelligence: Dom Law Enforcement | 43,545             |
| Intelligence: Interdiction        | 31,106             |
| Intelligence: International       | 127,130            |
| Interdiction                      | 310,914            |
| International                     | 529,980            |
| Investigative                     | 52,748             |
| Prevention                        | 126,861            |
| Prosecution                       | 0                  |
| R&D: Interdiction                 | 17,427             |
| R&D: International                | 1,442              |
| State and Local Assistance        | 157,405            |
| Treatment                         | 7,454              |
| <b>TOTAL</b>                      | <b>1,406,010 *</b> |

\* This amount includes a 0.98% obligation rate for MILPERS and a 0.98% obligation rate for O&M. Investment appropriations, which are multi-year, are currently obligated at 0.46%.

**DRUG RESOURCES PERSONNEL SUMMARY**

|            |       |
|------------|-------|
| Total FTEs | 1.708 |
|------------|-------|

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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 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). Beginning in FY 2008, the collection of obligation data has been via the DASD CN database and compiled into a single counternarcotics obligation report. The obligation and expenditure data provided by the Services/Defense Agencies are compared against their total annual counternarcotics funding for each appropriation. At the end of the year, the Services/Defense Agencies provide an end of year data which reflects their actual obligations, not an estimation.

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





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