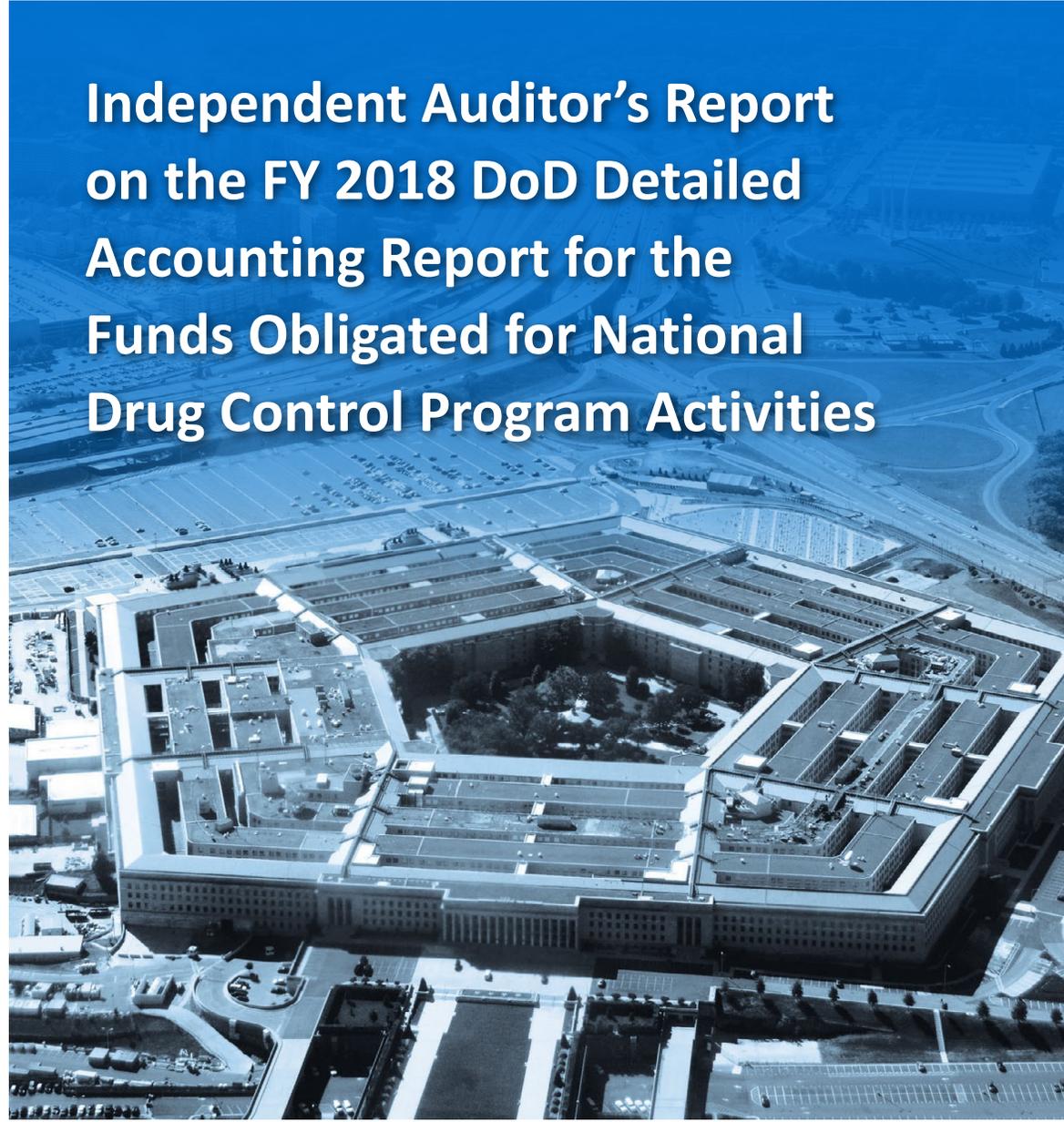




INSPECTOR GENERAL

U.S. Department of Defense

JANUARY 31, 2019



Independent Auditor's Report on the FY 2018 DoD Detailed Accounting Report for the Funds Obligated for National Drug Control Program Activities

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

January 31, 2019

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
DEPUTY ASSISTANT SECRETARY OF DEFENSE
(COUNTERNARCOTICS AND GLOBAL THREATS)
DIRECTOR, DEFENSE SECURITY COOPERATION AGENCY
DIRECTOR, OFFICE OF NATIONAL DRUG CONTROL POLICY

SUBJECT: Independent Auditor's Report on the FY 2018 DoD Detailed Accounting Report for the Funds Obligated for National Drug Control Program Activities (Project No. D2019-D000FT-0037.000, Report No. DODIG-2019-049)

Public Law 105-277, title VII, "Office of National Drug Control Policy Reauthorization Act of 1998" (the Act), October 21, 1998, requires National Drug Control Program agencies to submit detailed accounting each year to the Director, Office of National Drug Control Policy (ONDCP). The detailed accounting reports all funds expended by the agencies for National Drug Control Program activities during the previous fiscal year. The Act also requires each agency Inspector General to authenticate the detailed accounting before it is submitted to the ONDCP Director (section 1704[d], title 21, United States Code).

The ONDCP Circular, "Budget Formulation," May 8, 2018, (the Budget Formulation Circular) identifies the DoD as a National Drug Control Program agency with three entities or bureaus submitting National Drug Control Budgets for four DoD accounts or appropriations. The three DoD bureaus are the Office of the Assistant Secretary of Defense (Health Affairs); the Office of the Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats (DASD [CN>]); and the Defense Security Cooperation Agency (DSCA). The Budget Formulation Circular, Attachment B, identifies the Office of the Assistant Secretary of Defense (Health Affairs) and the DSCA as multi-mission bureaus. The ONDCP National Drug Control Budget, "FY 2018 Funding Highlights," May 2017, identified that the DoD requested \$1.2 billion in FY 2018 for DoD drug control spending. The following table shows a summary of the DoD's National Drug Control Program bureaus and their respective appropriations.

Table. The DoD's National Drug Control Program

DoD Entity/Bureau Submitting Budgets	DoD Account/Appropriation	National Drug Control Budget Funding
Office of the Assistant Secretary of Defense (Health Affairs)	Defense Health Program	\$77 million
DASD (CN>)	Drug Interdiction and Counterdrug Activities	\$1.128 billion
	Counternarcotics Operations Tempo (OPTEMPO)	
DSCA	DSCA	

The ONDCP Circular, "Accounting of Drug Control Funding and Performance Summary," May 8, 2018, (the Accounting Circular) provides the policies and procedures the DoD must use to prepare the detailed accounting and authentication of all funds expended on National Drug Control Program activities. The Accounting Circular specifies, for agencies with bureaus like the DoD, that the detailed accounting submission shall consist of reports from the agency's bureaus.

The Accounting Circular also states that for multi-mission bureaus, the Office of the Assistant Secretary of Defense (Health Affairs) and DSCA, drug control obligations shall be calculated pursuant to an approved drug methodology. Each detailed accounting report must contain a table of prior-year drug control obligations listed by drug control functional area and must include assertions relating to the obligation data presented in the table. The assertions are:

- use of actual obligations from accounting systems of record,
- reasonable and accurate drug methodology to calculate obligations of prior year budgetary resources by functional area,
- disclosure of actual drug methodology used,
- association with a financial plan, and
- compliance with Fund Control Notices issued by the ONDCP Director.

We performed this review-level attestation in accordance with attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the detailed accounting to ensure compliance with the Circulars. A review-level attestation 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 believe that our review provided a reasonable basis for our conclusions.

Office of the Assistant Secretary of Defense (Health Affairs)

On December 18, 2018, ONDCP approved the Defense Health Program detailed accounting drug methodology, as required by the Accounting Circular. However, the Office of the Assistant Secretary of Defense (Health Affairs) was unable to provide a timely FY 2018 detailed accounting submission for the Defense Health Program to the DoD OIG for authentication.

DASD (CN>)

Drug Interdiction and Counterdrug Activities

We reviewed four DoD reprogramming actions for the Drug Interdiction and Counterdrug Activities appropriation that allocated \$990.4 million among the Military Departments, the National Guard, and Defense agencies. We reviewed the yearend obligation report and determined that the DASD (CN>) allocated the funds to project codes intended for the DoD Counterdrug Program.

The DASD (CN>) provided the DoD OIG the Drug Interdiction and Counterdrug Activities detailed accounting report, dated December 18, 2018, which we reviewed to determine compliance with the Accounting Circular. The detailed accounting report indicated that during FY 2018, the DoD obligated \$905.2 million of the \$990.4 million allocated to the Counterdrug Program functional areas. The DASD (CN>) compiled the detailed accounting report from data submitted by the Military Departments and other DoD Components. The DASD (CN>) detailed accounting report is attached.

Based on our review, we are not aware of any material modifications that should be made to DASD (CN>)'s Drug Interdiction and Counterdrug Activities detailed accounting report in order for it to be in accordance with the Accounting Circular.

Counternarcotics OPTEMPO

DASD (CN>) did not provide the DoD OIG with a separate detailed accounting submission for Counternarcotics OPTEMPO funds. Although DASD (CN>) identified \$91.4 million in Counternarcotics OPTEMPO funds executed in FY 2018 in its performance summary report submission to ONDCP, the submission was not suitable for our detailed accounting review. The submission did not include a table of prior-year drug-control obligations listed by drug control functional area and did not include assertions relating to the obligation data, as required by the Accounting Circular.

DSCA

The DSCA did not provide the DoD OIG with a detailed accounting submission for FY 2018. According to the DSCA, it is currently developing a methodology, subject to approval by the ONDCP, for tracking counterdrug activities. Upon ONDCP approval of the DSCA methodology, the DSCA plans to provide the requested information for FY 2019.

Conclusion

Based on our review, the DoD did not conform in all material respects to the Accounting Circular. Specifically, Defense Health Program, Counternarcotics OPTEMPO, and the DSCA did not provide detailed accounting submissions for FY 2018, as required by the Accounting Circular. Except for the deficiencies noted above, we are not aware of any material modifications that should be made for the DoD to be in accordance with the Accounting Circular.



Lorin T. Venable, CPA
Assistant Inspector General
Financial Management and Reporting

Attachment:
As stated

Attachment

DASD (CN>)'s Drug Interdiction and Counterdrug Activities



SPECIAL OPERATIONS /
LOW INTENSITY CONFLICT

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
2500 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2500

DEC 18 2018

Mr. Scott Chronister
Office of Performance and Budget
Office of National Drug Control Policy
9th Floor
1800 G Street, NW
Washington, DC 20503

Dear Mr. Chronister:

This is the Department of Defense's (DoD) Detailed Accounting Submission for Fiscal Year (FY) 2018. The aggregate prior year drug control obligations data may be found at Tab A; the data was derived from actual obligations reports generated by the various accounting systems of record within DoD. The previously approved methodology used to generate FY 2018 obligations data by drug control function is reasonable and accurate; the methodology employed may be found at Tab B. The obligations data is associated with a financial plan that properly reflects all changes made during the fiscal year; ONDCP did not issue us any Fund Control Notices. My point of contact for this action is [REDACTED]

A handwritten signature in black ink, appearing to be "T. Alexander".

Thomas A. Alexander
Deputy Assistant Secretary of Defense
Counternarcotics and Global Threats

Enclosures:
As stated

CF:
DoD OIG

DASD (CN>)'s Drug Interdiction and Counterdrug Activities (cont'd)

UNCLASSIFIED
Counter narcotics Central Transfer Account Obligations
 (\$ 000)

ONDCP Resource Categories	FY-18
Intelligence: Dom Law Enforcement	12,163
Intelligence: Interdiction	32,803
Intelligence: International	71,724
Interdiction	263,518
International	187,959
Prevention	102,244
State and Local Assistance	234,846
TOTAL	905,257 *

* This amount includes a 94.66% obligation rate for MILPERS and a 81.12% obligation rate for O&M. Investment appropriations, which are multi-year, are currently obligated at 2.15%.

DRUG RESOURCES PERSONNEL SUMMARY

Total FTEs 1,538

UNCLASSIFIED

DASD (CN>)'s Drug Interdiction and Counterdrug Activities (cont'd)

National Drug Control Budget Methodology

Drug Interdiction and Counterdrug Activities, Defense

The purpose of this document is to explain the methodology used to express funding levels and calculate obligations for prior year Department of Defense (DoD) budgetary resources in terms of the drug control functions identified in the National Drug Control Budget. As background, the majority of DoD counterdrug activities are funded from a transfer appropriation and account both titled *Drug Interdiction and Counterdrug Activities, Defense*. Funds appropriated to this account are subsequently transferred by DoD to the various Military Departments and Defense Agencies for program execution. As designed, the transfer account supports centralized oversight and decentralized program management and execution.

The account is structured into projects, each identified by a unique Project Code. A Project Code may identify a discrete function, or may represent the aggregate of similar activities executed by the various geographic combatant commands. However, although the entirety of the account supports DoD counterdrug-related activities, the account is not structured by the drug control functions of the National Drug Control Budget. In order to reasonably and fairly quantify the account's financial commitment to the drug control functions, each Project Code is statistically weighed among the functions, either in its entirety or proportionally, using an interactive financial management database. This methodology provides a reasonable basis for consistently estimating DoD counterdrug program support to the National Drug Control Budget functions.

The Military Departments and Defense Agencies use accounting systems of record for tracking obligations of funds transferred from the *Drug Interdiction and Counterdrug Activities, Defense* appropriation. These accounting systems do not interface directly with the counterdrug financial management database; the Military Departments and Defense Agencies manually enter obligations by Project Code into this database on a quarterly basis. At the end of each fiscal year, the Military Departments and Defense Agencies submit detailed transaction listings of actual Service/Agency obligations, which are compared to the aggregate data contained within the counterdrug database. The aggregate data is then compiled into a single obligations report by drug control function, using the methodology described above. The report further informs the DoD Detailed Accounting Submission and Annual Statement of Assurance provided to the Office of National Drug Control Policy.

Tab B



Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

The Whistleblower Protection Ombudsman's role is to educate agency employees about prohibitions on retaliation and employees' rights and remedies available for reprisal.

The DoD Hotline Director is the designated ombudsman.

For more information, please visit the Whistleblower webpage at www.dodig.mil/programs/whistleblower.

For more information about DoD IG reports or activities, please contact us:

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congressional@dodig.mil; 703.604.8324

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