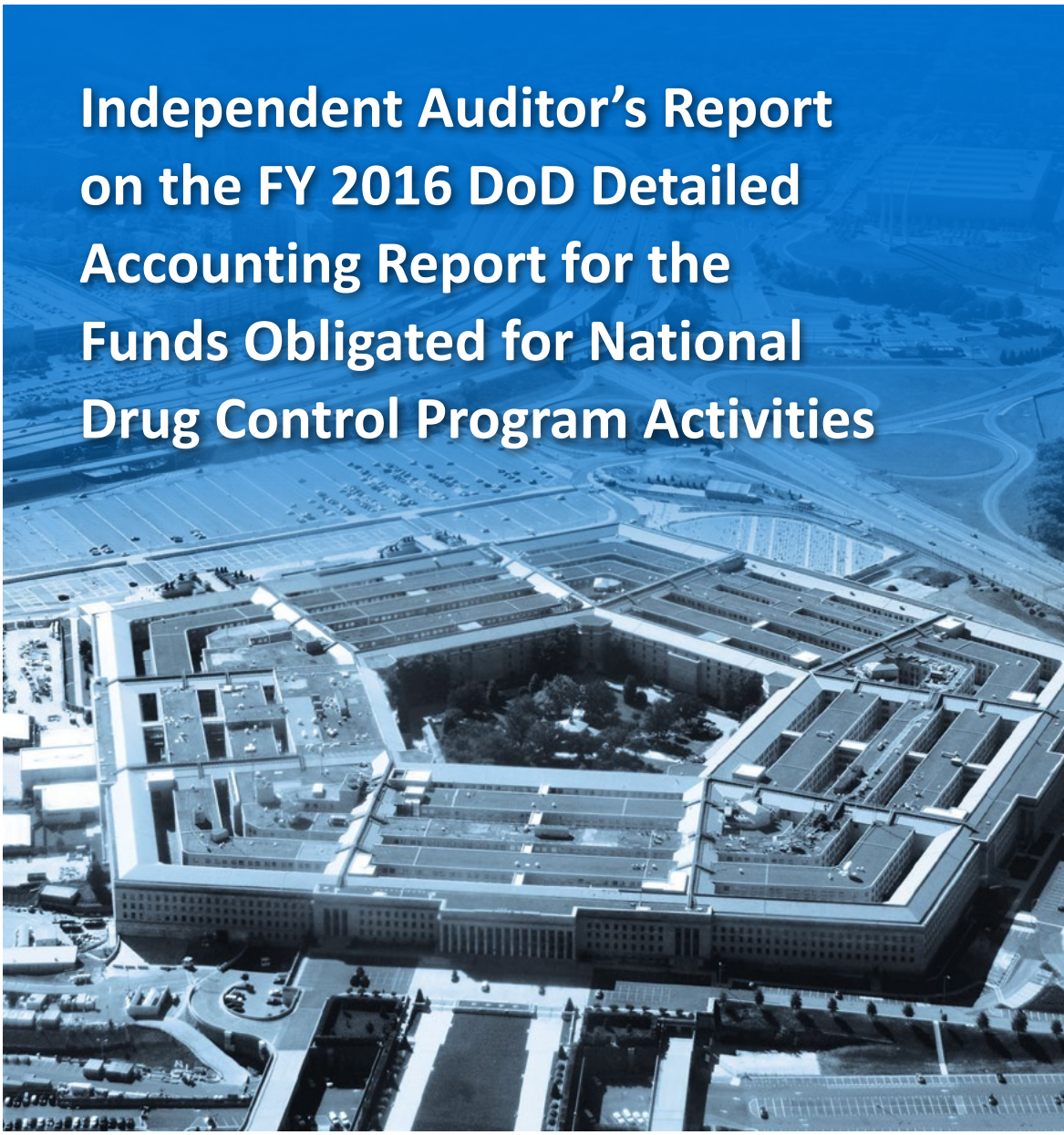
Report No. DODIG-2017-046

Inspector General

U.S. Department of Defense

JANUARY 30, 2017

Independent Auditor's Report on the FY 2016 DoD Detailed Accounting Report for the Funds Obligated for National Drug Control Program Activities



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

January 30, 2017

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
DEPUTY ASSISTANT SECRETARY OF DEFENSE
(COUNTERNARCOTICS AND GLOBAL THREATS)

SUBJECT: Independent Auditor's Report on the FY 2016 DoD Detailed Accounting Report for the Funds Obligated for National Drug Control Program Activities (Project No. D2017-D000FT-0007.000, Report No. DODIG-2017-046)

Public Law 105-277, title VII, "Office of National Drug Control Policy Reauthorization Act of 1998" (the Act), October 21, 1998, requires the DoD to submit a detailed report (the Report) each year 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 Office of the Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats (DASD[CN&GT]) compiles and transmits the Report. The Act also requires the DoD Office of Inspector General to authenticate the Report before it is submitted to the ONDCP Director (section 1704(d), title 21, United States Code).

The ONDCP Circular, "Accounting of Drug Control Funding and Performance Summary," January 18, 2013, (the Circular) provides the policies and procedures the DoD must use to prepare the Report and authenticate the DoD funds expended on National Drug Control Program activities. The 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 assertions are:

- use of actual obligations from accounting systems of record,
- reasonable and accurate drug methodology to calculate obligations 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

obtain sufficient evidence to provide a reasonable basis for our conclusions. We believe the evidence provided a reasonable basis for our conclusions based on our attestation objective. 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 reviewed four DoD reprogramming actions that allocated $1.24 billion among the Military Departments, the National Guard, and Defense agencies. We reviewed the yearend obligation report and determined that the DASD(CN&GT) allocated the funds to appropriations and project codes intended for the DoD Counterdrug Program.

The DASD(CN&GT) provided us the Report, dated November 30, 2016, which we reviewed to determine its compliance with the Circular. The detailed accounting indicated that during FY 2016, the DoD obligated $1.14 billion to the Counterdrug Program functional areas. The DASD(CN&GT) compiled the Report from data submitted by the Military Departments and other DoD Components. The Report is attached.

The DASD(CN&GT) initially reprogrammed the funds from the Central Transfer Account to the DoD Components using project codes. The DoD Components provided yearend obligation data to the DASD(CN&GT) through the DASD(CN&GT) database, which compiled the data into one obligation report. To present the obligations by functional area as required by the Circular, the DASD(CN&GT) applied percentages to each project code in the consolidated report to calculate the amounts presented in the table of obligations instead of obtaining the information directly from the accounting systems.

Except for the DASD(CN&GT)'s use of percentages to calculate the obligations presented by functional area, nothing came to our attention during our review that caused us to believe the Report, or associated assertions, were not presented fairly, in all material respects, in conformity with the Circular.

Lorin T. Venable

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

Attachment:
As stated

Attachment

DoD FY 2016 Counternarcotics Detailed Accounting Submission

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

SPECIAL OPERATIONS / LOW-INTENSITY CONFLICT

NOV 3 0 2016

Mr. Scott Chronister
Office of Performance and Budget
Office of National Drug Control Policy
750 17th Street, NW
Room 535
Washington, DC 20503

Dear Mr. Chronister:

This is the Department of Defense's (DoD) Detailed Accounting Submission for Fiscal Year 2016. The aggregate prior year drug control obligations data is at Tab A; the data was derived from actual obligations reports generated by the various accounting systems of record within DoD. The methodology used to generate all obligations data by drug control function is reasonable and accurate; the methodology used is enclosed 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]

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

Enclosures:
As stated

CF:
DODIG

DoD FY 2016 Counternarcotics Detailed Accounting Submission (cont'd)

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Counternarcotics Central Transfer Account Obligations
($ 000)

ONDCP Resource Categories	FY-16
Intelligence: Dom Law Enforcement	15,005
Intelligence: Interdiction	13,864
Intelligence: International	73,905
Interdiction	316,805
International	414,605
Prevention	106,705
State and Local Assistance	196,587
TOTAL	1,137,475 *

* This amount includes a 0.93% obligation rate for MILPERS and a 0.94% obligation rate for O&M. Investment appropriations, which are multi-year, are currently obligated at 0.71%.

DRUG RESOURCES PERSONNEL SUMMARY	
Total FTEs	1.573

UNCLASSIFIED
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Tab A

DoD FY 2016 Counternarcotics Detailed Accounting Submission (cont'd)

DRUG 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 of prior year budgetary resources in Department of Defense's (DoD) budget for counterdrug activities in terms of the drug control functions in the National Drug Control Budget. As background, DoD's dedicated budget for counterdrug activities is a transfer account titled Drug Interdiction and Counterdrug Activities. Congress appropriates funds into this account, and the funds are subsequently transferred to the various Military Departments and select Defense Agencies for execution. As designed, the transfer account serves to provide centralized management and decentralized execution.

The account is structured into various project codes, each designed to either provide a discrete function, or to isolate similar functions by the various geographic combatant commands; however, although the account's entire funding levels are drug-related, it 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 in terms of the drug control functions, each project code is cross-walked to one or more drug control functions, either in its entirety or proportionally, using an interactive database for financial management. This methodology provides a reasonable basis for consistently estimating and translating our funding levels into the drug control functions.

The separate Military Departments and Defense Agencies use their own accounting systems of record for tracking obligations of funds transferred from the Drug Interdiction and Counterdrug Activities appropriations. These distinct accounting systems do not interface directly with the counterdrug financial management database; the Military Departments and Defense Agencies manually enter obligations by project code to this database on a quarterly basis. At the end of each fiscal, the Military Departments and Defense Agencies submit transaction listings of actual obligations data, which are compared to the aggregate data in the database. The aggregate data is compiled into a single obligations report by drug control functions, using the project code-to-drug control function cross-walk described above; the report further informs the Detailed Accounting Submission and Annual Statement of Assurance to ONDCP.

Tab B

INSPECTOR GENERAL

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

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