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INTERNATIONAL TRADE

Persistent Weaknesses in the In-Bond Cargo System Impede Customs and Border Protection's Ability to Address Revenue, Trade, and Security Concerns

On May 18, 2007, the Web version of this report was amended to reflect the correct source line in the Highlights page graphic.



Highlights of [GAO-07-561](#), a report to the Committee on Finance, U.S. Senate

Why GAO Did This Study

The U.S. Customs and Border Protection (CBP) must strive to balance its competing goals of facilitating trade, providing port security, and collecting trade revenues. CBP's in-bond system, which allows goods to transit the United States without formally entering U.S. commerce, must also balance these goals. In response to concerns that previously identified weaknesses in the in-bond system have not been remedied, GAO examined (1) the purpose of the in-bond system and the extent of its use (2) CBP efforts to ensure that revenues are collected and trade concerns are minimized, and (3) CBP efforts to ensure that security-related inspections are properly targeted. GAO examined audit reports and agency documents, interviewed officials at CBP headquarters and at 10 CBP port offices. GAO also discussed the in-bond system with trade groups impacted by the in-bond system.

What GAO Recommends

GAO is recommending that the Commissioner of CBP take action in three areas (1) collect and use improved information on in-bond shipments to enable better informed decisions, (2) assess the systemic problems associated with identifying open in-bonds and take steps to resolve these problems, and (3) ensure that the compliance measurement system is performed to improve CBP's in-bond management. DHS agreed with most of our recommendations in these three areas.

www.gao.gov/cgi-bin/getrpt?GAO-07-561.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager, Yagerl@gao.gov 202-512-4347

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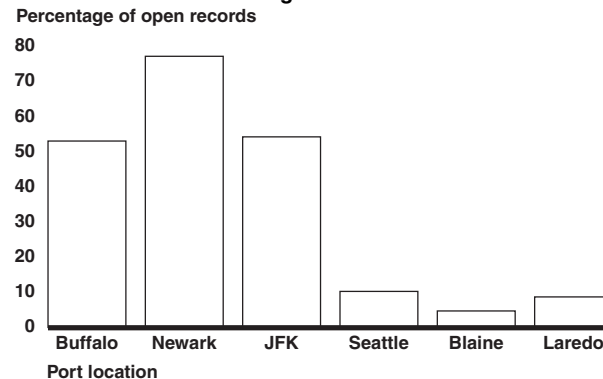
What GAO Found

The in-bond system is designed to facilitate the flow of trade; however, CBP does not know the extent of the in-bond system's use as a result of lax oversight. The system allows cargo to be transported from the arrival port, without appraisal or payment of duties, to another U.S. port for official entry into U.S. commerce or for exportation. Although the in-bond system is estimated to be widely used, CBP cannot assess the extent of program use because it collects little information on in-bond shipments and performs limited analysis of data that it does collect.

Despite numerous program reviews and audits that identified problems in CBP's management of the in-bond system, weaknesses persist and continue to impede CBP's ability to ensure proper collection of trade revenue and management of trade risks. The major weakness is that CBP does not adequately monitor and track in-bond goods. In particular, it does not consistently reconcile in-bond documents issued at the arrival port with documents at the destination port to ensure that the cargo is either officially entered with appropriate duties or quotas applied, or is in fact exported. CBP records show that many in-bond cargo shipments remained unreconciled, or "open," with one port reporting that 77 percent of its in-bond transactions were open. Also, in-bond regulations provide unusual flexibility for the trade community, but create challenges for CBP in tracking movements. Finally, some CBP ports do not consistently perform in-bond compliance reviews which could identify weaknesses and possible solutions.

The limited information available on in-bond cargo also impedes CBP efforts to manage security risks and ensure proper targeting of inspections. In-bond goods transit the United States with a security score based on manifest information and do not use more accurate and detailed entry type information to re-score until and unless the cargo enters U.S. commerce. As a result, some higher risk cargo may not be identified for inspection, and scarce inspection resources may be used for some lower risk cargo.

Port Estimates of Percentage of In-Bond Records Remaining Open in FY 2005



Source: GAO analysis of CBP data.

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Abbreviations

ACE	Automated Commercial Environment
ACS	Automated Commercial System
AMS	Automated Manifest System
ATS	Automated Targeting System
CBP	Customs and Border Protection
DHS	Department of Homeland Security
FDA	Food and Drug Administration
FTZ	Foreign Trade Zone
HTS	Harmonized Trade Schedule
ICE	Immigration and Customs Enforcement
IE	Immediate Exportation
IT	Immediate Transportation
OFO	Office of Field Operations
OIT	Office of Information Technology
T&E	Transportation and Exportation

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United States Government Accountability Office
Washington, DC 20548

April 17, 2007

The Honorable Max Baucus
Chairman
The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United State Senate

With the recent growth in global trade and U.S. imports, U.S. Customs and Border Protection (CBP) faces an increasingly heavy workload at the nation's ports. CBP has responsibilities related to facilitating trade, providing port security, and collecting trade-related revenues, which totaled about \$28.5 billion in fiscal year 2006. To facilitate trade, the U.S. customs system allows imported cargo intended for either U.S. or foreign markets to move from one U.S. port to another without being assessed U.S. duties or quotas and without officially entering U.S. commerce. This cargo referred to as an in-bond shipment—requires a responsible party to be covered by a CBP-approved bond and agree to comply with applicable regulations. Some CBP port officials have estimated that in-bond shipments represent from 30 percent to 60 percent of goods received at their ports. Over the past years, reports from GAO and other audit agencies have noted various internal control weaknesses in the CBP in-bond shipment system. These weaknesses have sometimes allowed goods to be improperly diverted and sold in U.S. markets, thus avoiding duties and quotas and possibly also posing security risks. For example, according to an Immigration and Customs Enforcement (ICE) report, from September 1999 through December 2002, more than 7,500 in-bond shipments of wearing apparel were diverted from Los Angeles to customers throughout the United States, with an estimated loss of revenue to the United States of more than \$100 million.

At your request, we addressed these issues (1) What is the in-bond system and to what extent is it used? (2) How has CBP managed the system to ensure that revenues are collected and trade concerns are minimized? and (3) How has CBP managed the system to ensure that security-related inspections are properly targeted?

To meet these objectives, we reviewed project documentation and interviewed knowledgeable officials from CBP headquarters and selected port locations. We interviewed officials and examined documents at the

six field operations offices processing the greatest numbers of in-bond transactions in 2005 (excluding in-bond transactions initiated by large couriers such as DHL, FedEx, and UPS). Major ports within those field operations offices include Buffalo, New York; Los Angeles and Long Beach, California; Laredo, Texas; Miami, Florida; New York, New York; Newark, New Jersey; and Blaine and Seattle, Washington. We also visited the Port of Dallas, Texas, which was identified by the Los Angeles CBP field office as a major inland destination port for in-bond goods. We examined CBP's treatment of in-bond shipments in each of these ports and where possible we obtained data showing the number of in-bond documents processed. To identify previously identified in-bond internal control weaknesses, we reviewed GAO, Inspector General, and other audit reports on the in-bond program. We discussed the views of CBP headquarters and port management personnel regarding any revenue, security, or other risks associated with processing in-bond cargo and with the actions taken to address these risks. We conducted our work in accordance with generally accepted government auditing standards. A detailed description of our scope and methodology is included in appendix I of this report.

Results in Brief

The in-bond system is designed to facilitate the flow of trade throughout the United States; however, CBP does not know the extent of use of the in-bond system because it collects little information on in-bond shipments and performs limited analysis of data that are collected. The system allows cargo to be transported from the arrival port, without appraisalment of the cargo or payment of duties, to another U.S. port for official entry¹ into U.S. commerce or for exportation. The trade community believes the flexibilities provided by the in-bond system are needed to facilitate trade, particularly allowing it to avoid congestion and delays at U.S. seaports whose infrastructure has not kept up with the dramatic growth in trade. For example, CBP reported that import values increased from \$881 billion in fiscal year 1998 to an estimated \$1.82 trillion in fiscal year 2006. The in-bond system is estimated to be widely used; according to CBP records between October 2004 and March 2005, over 6.5 million in-bond transactions were initiated nationwide. However, CBP cannot assess the

¹The term "official entry" is used throughout this report to refer to the CBP process where importers or shipping agents are required to provide accurate appraisalment and description of goods, as well as other detailed entry information for goods intended for consumption in the United States. Through this process CBP also assesses appropriate duties and taxes on imported goods that will enter the U.S. Commerce.

extent of the program because it does not collect accurate information on the value and volume of in-bond cargo, and its analysis of existing data is limited to the number of in-bond transactions. For example, CBP officials at the Port of Los Angeles estimated that 40 to 60 percent of all imports arriving at the port in 2005 were transported in-bond, but they were unable to provide reliable data to confirm this estimate.

Despite numerous program reviews and audits that identified problems in CBP's management of the in-bond system, weaknesses persist and continue to impede CBP's ability to ensure proper collection of trade revenue and management of trade risks. The major weakness is that CBP does not adequately monitor and track in-bond goods; in particular, it does not consistently reconcile the in-bond documents issued at the arrival port with documents at the destination port, to ensure that the cargo is either officially entered, with appropriate duties or quotas applied, or is in fact exported. For example, one of the ports with the highest amount of in-bond traffic reported that up to 77 percent of their in-bond cargo shipments remained unreconciled, or "open." Several factors contribute to CBP's inability to monitor these shipments. One is that CBP does not collect appropriate data or analyze available data to adequately manage the in-bond system and identify risks associated with revenue loss and trade violations. As a result, the agency has not been able to implement compliance measurements to assess revenue gaps and the effectiveness of trade compliance controls. A second factor is that the in-bond regulations provide unusual flexibility for the trade community, but create challenges for CBP. The regulations currently allow bonded carriers from 15 to 60 days,² depending on the mode of shipment, to reach their final destination and allow them to change a shipment's final destination without notifying CBP. Also, administrative errors by both shipping agents and CBP staff contribute to the high numbers of open in-bond records. Finally, CBP continues to inconsistently perform in-bond compliance exams, with some ports not performing these exams at all and other ports only recently beginning to perform them. Results from these compliance exams, when consistently performed, can aid port and CBP management in identifying system weaknesses.

The limited information available on in-bond cargo impedes CBP efforts to manage associated security risks and ensure proper targeting of

²The carrier has 60 days by vessel, 30 days by land, and 15 days by air to deliver the in-bond cargo to the port of destination or exportation. (19 C.F.R. 18.2 and 19 C.F.R. 122.118.)

inspections. CBP uses information from the manifest as an input in developing an initial screening score to establish inspection priorities. However, information from the manifest may lack detail and reduce the quality of targeting. Carriers of goods officially entering commerce are required to present more detailed information on entry documents. As a result, in-bond goods transit the United States after the initial targeting based on less detailed information than goods that have been officially entered with required information. In addition, scarce inspection resources are misdirected to in-bond goods that a security score based on better information might have shown did not warrant inspection. Recent CBP data for four large ports showed that security screening scores for cargo increased 23 percent of the time and decreased 47 percent of the time after information from entry documents had been considered.

In this report, we are making recommendations in three general areas. First, to improve the level of detail in information available on in-bond cargo, we are making several recommendations to allow CBP to make better management decisions regarding trade, revenue, and security concerns. Second, to improve monitoring of in-bond cargo, we are recommending that CBP assess the systemic problems associated with identifying open in-bond transactions, take steps to resolve these problems, and improve the agency's ability to track and close open in-bond transactions. Third, to make the in-bond compliance measurement program a more effective monitoring tool, we are recommending that CBP ensure that compliance measurement exams are consistently conducted to inform CBP management of needed corrective actions.

We provided a draft of this report to DHS for review by CBP and ICE, and DHS agreed with most of our recommendations in all three areas. In the area of improving in-bond information, DHS agreed with three of our five recommendations. DHS disagreed with one recommendation, stating that it would change the nature of in-bond transactions and increase costs. DHS was also concerned that another recommendation called for improved information in a system that would not enhance CBPs' antiterrorism efforts. We modified our recommendations in these areas to address DHS concerns. In the area of improving CBP monitoring of open in-bond transactions, DHS agreed with three of our five recommendations. DHS stated that CBP had met the intent of our recommendation to ensure that bondholders close in-bond documents within required time frames. We modified this recommendation to emphasize that a more systematic enforcement strategy is needed. DHS also disagreed with our recommendation that CBP should prioritize their efforts to close open in-bonds based on risk. Given limited CBP resources and the high number of

open in-bond transactions, we maintained our recommendation regarding the need for prioritization. In the area of improving CBP's compliance measurement program, DHS agreed with our recommendations. CBP also provided technical comments, which we have incorporated in this report as appropriate.

Background

Provisions for the in-bond-type movements of cargo date back to the 1800s, although current authority for in-bond movements is contained in the Tariff Act of 1930, as amended.³ Under the current system, merchandise arriving from foreign countries can be authorized to move in-bond, without appraisement of the merchandise or payment of duties, from a port of arrival to any other U.S. port to be officially entered into U.S. commerce or exported. Several parties can be involved in an in-bond transaction, including the importer and shipping agents such as carriers and customs brokers.

In-bond goods must be transported by a carrier covered by a CBP-approved bond that allows goods that have not yet entered U.S. commerce to move through the United States. Such carriers can move goods by ship, truck, rail, plane, or any combination of these. The bond is a contract given to ensure performance of obligations imposed by law or regulation and guarantees payment to CBP if these obligations are not performed. The three parties involved in a CBP bond are (1) the principal, which can be an importer, broker, carrier, or other business entity; (2) a surety authorized by the Department of the Treasury to write CBP bonds, normally an insurance company; and (3) CBP, which would be the beneficiary of the bond if conditions are not met. If CBP finds that the bonded party has violated laws or regulations in moving the in-bond goods, it can take action to recover against the bond.

CBP is the unified border agency within the Department of Homeland Security (DHS) charged with the mission of preventing terrorists and terrorist weapons from entering the United States, while also facilitating the flow of legitimate trade and travel. This agency, with its more than 40,000 employees covering 308 ports of entry, is responsible for the in-bond process and controls and protects the nation's borders. CBP's Office of Field Operations (OFO) is the primary CBP component responsible for enforcing customs, immigration, and agriculture laws and regulations at

³Sections 552 and 553 of the Tarriff Act of 1930, as amended (19 U.S.C. 1552 and 1553).

U.S. borders, including in-bond regulations. OFO maintains programs at 20 field operation offices, 308 ports of entry, and 14 preclearance stations in Canada and the Caribbean. Port directors oversee points of entry in their operational areas, where virtually all conveyances, passengers, and goods legally enter and exit the United States.

To carry out its trade-related obligations, CBP relies on information systems and management processes to help its staff track, control, and process all commercial goods imported into the United States. The agency is in the midst of modernizing its current trade processing system, the Automated Commercial System (ACS). CBP is currently replacing ACS with the Automated Commercial Environment (ACE) system in 11 increments, referred to as “releases,” to be completed in approximately 8 1/2 years. When the system is fully operational, it is expected to provide an improved technology foundation for CBP border security and trade activities. We have periodically reported on the development of the ACE system. Most recently, we reported that CBP faces long-standing management challenges and new risks associated with the development of ACE.⁴

Since the 1990s, a number of audits and program reviews completed by GAO, the Department of the Treasury Inspector General, independent public accounting firms, and others have identified weaknesses in the in-bond system. Among weaknesses identified were problems in monitoring and tracking in-bond records and in targeting and inspecting in-bond shipments, and inconsistent performance of the in-bond system’s compliance measurement program.⁵ A 2001 Department of the Treasury Inspector General audit of the U.S. Customs Service’s⁶ financial statements for fiscal years 1999 and 2000 found that its inability to close open in-bond records because of administrative errors and lack of appropriate system

⁴GAO, *Information Technology: Customs Has Made Progress on Automated Commercial Environment System, but It Faces Long-Standing Management Challenges and New Risks*, [GAO-06-580](#) (Washington, D.C.: May 31, 2006).

⁵Two separate GAO reports completed in 1994 found that Customs could not readily determine the disposition of in-bond shipments. GAO, *Financial Management: Control Weaknesses Limited Customs’ Ability to Ensure That Duties Were Properly Assessed*, [GAO/AIMD-94-38](#), (Washington, D.C.: Mar. 7, 1994) and GAO, *Financial Audit: Examination of Customs’ Fiscal Year 1993 Financial Statements* [GAO/AIMD-94-119](#), (Washington, D.C.: June 15, 1994).

⁶On March 1, 2003, the U.S. Customs Service was transferred to the new Department of Homeland Security and became part of U.S. Customs and Border Protection (CBP).

checks impeded its ability to ensure that goods moving in-bond were not substituted or diverted into U.S. commerce without proper assessment. The Financial Statement audits for fiscal years 2002 to 2006 by an independent public accounting firm cited CBP's lack of a reliable process for monitoring in-bond shipments and inconsistent performance of its compliance measurement program, known as Tinman.

The recently enacted Security and Accountability for Every Port Act of 2006 (SAFE Port Act) contains several provisions related to securing the international cargo supply chain against potential terrorist acts. Some provisions relate to the movement of in-bond cargo. Title IV requires that CBP submit a report to several congressional committees by June 30, 2007, including an assessment of whether ports of arrival should require additional information for in-bond cargo, a plan for tracking in-bond cargo in the ACE system, and an assessment of how to ensure reconciliation of in-bond cargo between arrival port and destination port. The report must also contain an assessment of the feasibility of reducing transit time while traveling in-bond, an assessment of the resources needed to complete the reconciliation of in-bond entries, and an evaluation of the criteria for targeting and examining in-bond cargo.

The In-Bond System Facilitates the Flow of Trade, but CBP Does Not Know the Extent of Its Use

The in-bond system facilitates the flow of trade by allowing importers and shipping agents to choose the ports at which their cargo is officially entered into U.S. commerce and duties are paid or quotas are assessed. The in-bond system also covers cargo that is not intended for official entry into U.S. commerce—that is, cargo that arrives at U.S. ports, transits the United States for exporting to another country (such as goods arriving at Los Angeles and moving to Texas ports for exporting to Mexico). U.S. importers and shipping agents may elect to use the in-bond system for several reasons, and the in-bond system has become an integral part of the trade process for some industries. CBP information on the number of in-bond transactions indicates that the in-bond system is widely used. However, CBP collects limited detailed information on the in-bond system and has done minimal analysis of the extent and patterns of its use.

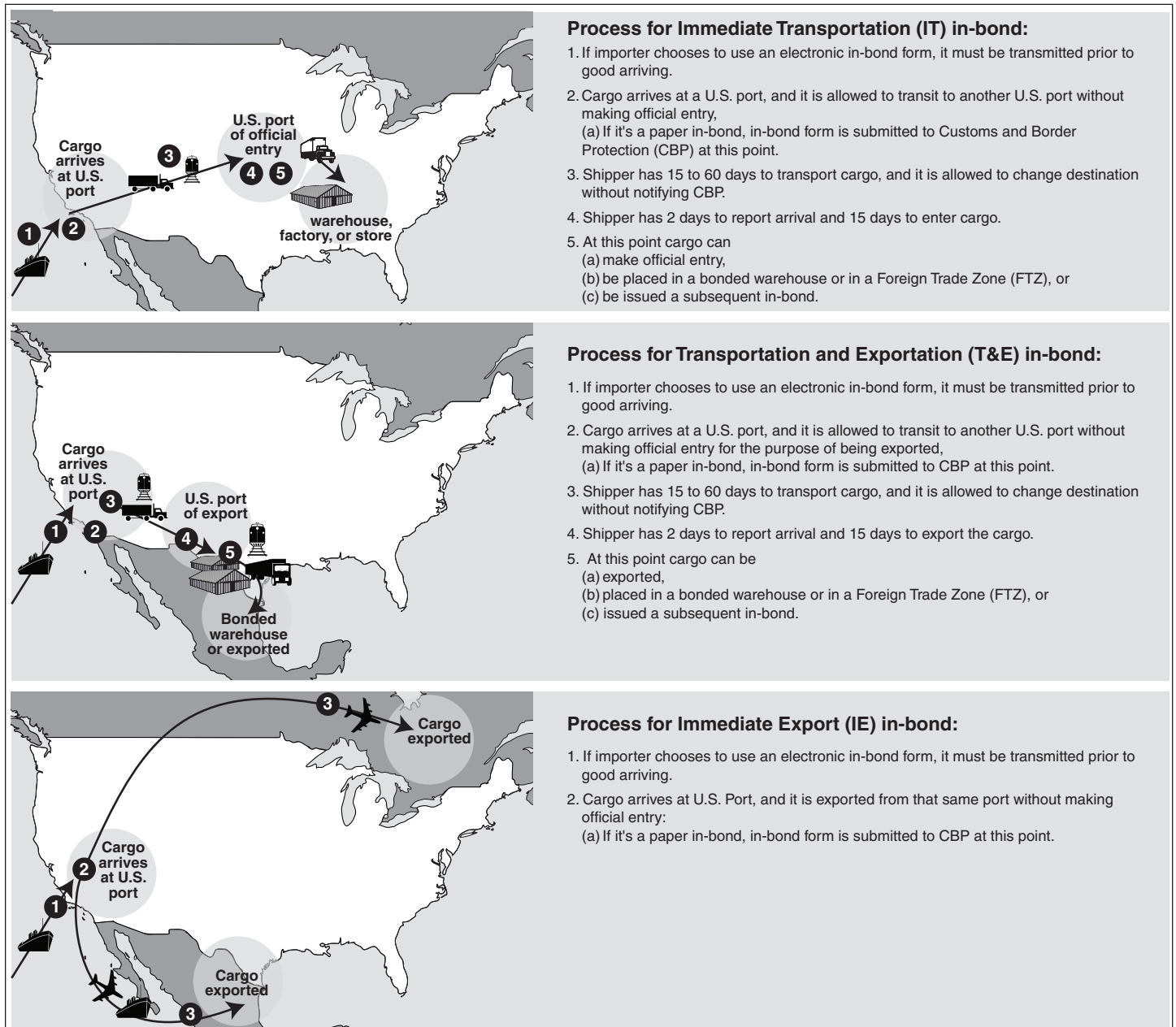
The In-Bond System Facilitates the Flow of Goods

The in-bond system facilitates the flow of trade by allowing cargo to be transported from the arrival port, without payment of duties, to another U.S. port for official entry into U.S. commerce or for exportation. There are three types of in-bond movements that importers and shipping agents can use (see fig. 1). One type of in-bond movement, known as "Immediate Transportation" (IT), allows merchandise arriving at a U.S. port to be

transported to another U.S. port where it is entered into commerce. Alternatively, IT in-bond shipments can be admitted to a bonded warehouse or Foreign Trade Zone (FTZ).⁷ A second type of in-bond movement, known as “Transportation and Exportation” (T&E), covers merchandise “in transit” through the United States; such merchandise arrives at a U.S. port and is allowed to be transported through the United States and exported from another U.S. port without the payment of duties. A third type of in-bond movement relates to cargo arrivals that are unloaded at the U.S. port, but are to be immediately exported from that same port without payment of duties. This is known as “Immediate Exportation” (IE).

⁷For merchandise that is admitted into a bonded warehouse or FTZ, duties and taxes are deferred until the goods are withdrawn for consumption. Goods may also be withdrawn from a bonded warehouse for export, thereby avoiding the payment of U.S. duties and taxes. Goods admitted to an FTZ may be further processed and incorporated into new products, such as automobiles or refined petroleum products.

Figure 1: Process for IT, T&E, and IE In-Bond Movements



Sources: GAO analysis of CBP information.

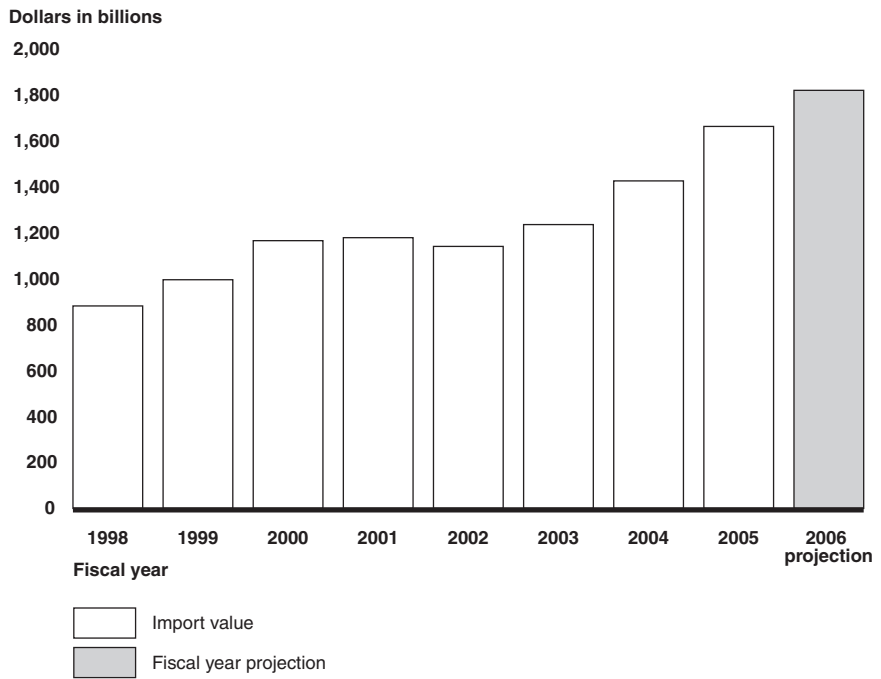
The in-bond system is governed by a system of statutes, regulations and procedures that provide importers and shipping agents considerable flexibility. CBP regulations allow importers and shipping agents the ability to initiate and close in-bond transactions, to extend transportation time frames, and to make revisions in their destinations. Some of the features that complicate administration of the in-bond system include the following:

- Documentation for in-bond transactions may be provided electronically or on paper by using the in-bond form (CBP Form 7512).
 - For electronic in-bond transactions, shipping agents initiate and submit the form electronically to CBP prior to arrival through the Automated Manifest System (AMS) and close the in-bond transaction once the cargo is officially entered or exported.
 - For paper in-bond transactions, in-bond form is received at CBP at the time the in-bond shipment arrives at the port; CBP staff must enter the information manually and are responsible for closing the in-bond transaction once it is entered or exported.
- The in-bond system allows extended periods for transportation and reporting of cargo movements.
 - Once the in-bond shipment leaves the arrival port, the carrier has from 15 to 60 days, depending on the mode of shipment, to transport the merchandise to the destination port.
 - The carrier then has 2 working days from physical arrival at the destination port to report the arrival.
 - The carrier then has 15 days from the time of arrival at the destination port to officially enter cargo (if movement was an IT) or export (if a T&E).
- Carriers are allowed to change the destination port while in transit without notifying CBP, with some limited exceptions.
- At the destination port, liability for the shipment may be transferred to another carrier with the filing of a subsequent in-bond (IT, T&E, or IE), allowing shipments to continue to move without making official entry.

The In-Bond System Provides Several Advantages to the Trade Community

The in-bond system allows the trade community to avoid congestion and delays at U.S. seaports whose infrastructure has not kept up with the dramatic growth in trade volume. In-bond facilitates trade by allowing importers and shipping agents the flexibility to move cargo more efficiently. Trade community representatives who we interviewed indicated the in-bond system allows importers to overcome insufficient infrastructure and resources at CBP ports dealing with large volumes of cargo. Some CBP officials noted that if all cargo had to be entered at the time of arrival, some busier ports would probably not have space and personnel to accommodate the volume. For example, CBP reports that the value of all U.S. imports has risen from \$881 billion in fiscal year 1998 to an estimated \$1.82 trillion in fiscal year 2006 (see fig. 2). These import amounts do not include in-bond shipments received at U.S. ports that are exported to other countries. According to CBP, about 1.2 million in-bond transactions were initiated in the Port of Los Angeles alone in fiscal year 2005. CBP staff estimate that this accounts for 30 to 60 percent of all imports moving through the port; however, CBP was unable to provide reliable data to confirm this.

Figure 2: Value of All U.S. Imports by Fiscal Year, 1998 to 2006



Source: CBP.

The in-bond system allows importers and shipping agents considerable flexibility in moving goods. A customs broker provided an example of a case in which his company was dealing with imported shrimp that needed to be examined by the Food and Drug Administration (FDA) in a timely manner before entering into U.S. commerce. The broker said that the shrimp was coming into New York, but both FDA and CBP had significant delays in inspecting cargo there. The broker's company transported the shrimp in-bond to a nearby inland port where FDA and CBP could process it more quickly. The shrimp was then sent back to market in New York. In addition, members of the American Trucking Association explained that the in-bond system allows them to move cargo faster and provides the flexibility to choose the most convenient port to deliver goods. For example, the members are able to move mixed loads rapidly through the border by avoiding the lengthy inspections that could be required for a variety of goods, and then deal with Customs arrival requirements at the destination port.

The in-bond system has become an integral part of the trade process for some industries. Trade community representatives stated that larger importers use the in-bond system because they prefer to ship merchandise to central distribution warehouses to more conveniently enter the shipments, rather than dealing with multiple ports of arrival. Industries such as express consignment couriers also rely on the in-bond program for the expeditious movement of shipments as an integral part of the services they offer. The in-bond system also allows importers to delay payment of trade duties. Using the in-bond system, importers do not pay applicable import duties until the merchandise officially enters U.S. commerce—which can be delayed from 15 to 60 days after it arrives at the initial U.S. port and an additional 15 days at the destination port.

The in-bond system is also fundamental to FTZ operation, in which foreign and domestic merchandise is considered to be outside of Customs' territory.⁸ The FTZ program was created in the 1930s to facilitate international trade and increase the global competitiveness of U.S.-based companies. There are currently 256 FTZs, and they are found in every state. Businesses using FTZs depend on the in-bond system to import certain types of merchandise into the zones without going through formal Customs entry procedures or paying import duties. Goods may either be exported directly from FTZs or may enter U.S. commerce at which point appropriate duties are assessed.

CBP Reports Extensive Use of the In-Bond System but Has Not Done Analysis of Its Use

CBP has some data that indicate that the in-bond system is widely used, but it has not organized or analyzed its data to provide detailed information on the extent or patterns of use of the system. CBP's data are limited to the number of in-bond transactions initiated and information contained on the in-bond form. While the form captures some shipment manifest information such as foreign port of lading, final foreign destination, port codes, and vessel information, it does not require appraisal value of in-bond cargo.⁹ We requested that CBP provide data on the value and quantity of cargo transported in-bond, but CBP could not provide reliable data. CBP did not have existing reports on in-bond

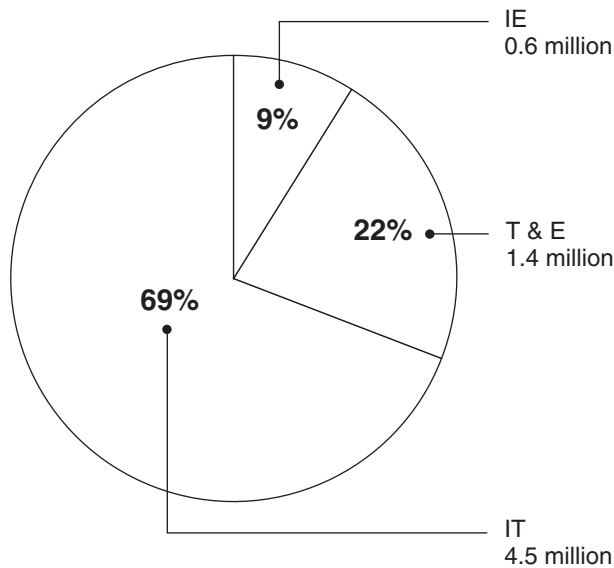
⁸ Among the activities permitted in an FTZ are assembly or manufacturing of merchandise, as well as storing, packaging, and processing of cargo.

⁹ While there is a value field on the in-bond form (CBP Form 7512), the value provided is most often what CBP describes as a "shipper's valuation" for insurance purposes and not the actual value of goods.

shipments, the extent of the program or patterns of in-bond shipments. Any data we requested on the in-bond system had to be compiled specifically for us, in some cases by using estimates. A description of data limitations and the impact on managing the in-bond system is provided in the next section of this report.

Using the number of in-bond transactions reported by CBP for the 6-month period of October 2004 to March 2005, we found that the system is widely used, and IT in-bond transactions are the most common type. CBP records show that during this period a total of about 6.5 million in-bond transactions were initiated nationwide. IT movements accounted for about 4.5 million, T&E movements accounted for about 1.4 million, and IE movements accounted for about 0.6 million (see fig. 3). CBP data also showed that the in-bond system is widely used by couriers such as UPS and FedEx. Couriers accounted for almost half of all in-bond transactions initiated during this period. However, CBP is unable to calculate what share of U.S. imports is transported in-bond because the number of in-bond transactions alone reveals limited information. A “transaction” can be an entire shipping container or a single package. For example, the Port of Seattle recorded an increase of 30 percent in in-bond transactions between 2004 and 2005; however, staff explained that the value and volume of cargo moving in-bond did not change significantly. Port officials said that the increase in the number of transactions related to a change in procedures—couriers were required to change from filing a single in-bond form for an entire truck to filing one for each package in the truck moving in-bond.

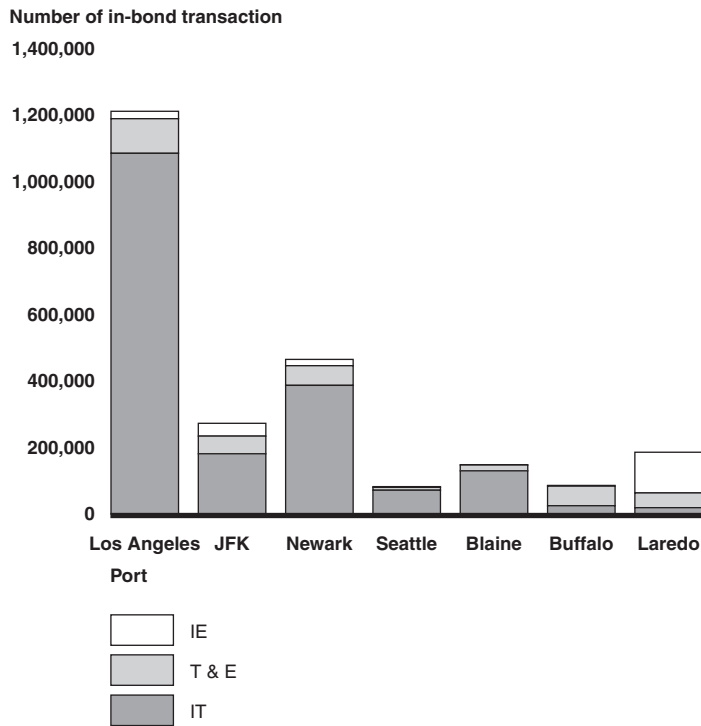
Figure 3: Number and Percent of In-Bond Transactions by Type, October 2004 through March 2005



Source: GAO analysis of CBP data.

According to CBP, the four field offices that process the largest numbers of in-bond movements are Los Angeles, New York, Miami, and Seattle. As part of our audit work, we visited and requested data from ports in these field offices with the highest numbers of in-bond transactions, as well as other ports with high numbers of in-bond transactions. Staff in all the ports we visited indicated having great difficulties in providing data on the in-bond system because of limitations with its Automated Commercial System (ACS). We requested data on the number of in-bond transactions for the past 5 years; however most ports were not able to provide data for all 5 years. The most recent time period that the majority of ports were able to provide information was for fiscal year 2005. The information provided by some of these ports is summarized in figure 4. According to this information, the Los Angeles/Long Beach has the largest number of in-bond transactions, and IT was the most prevalent type of in-bond transaction used.

Figure 4: Number of In-Bond Transactions by Type for Selected Ports in Fiscal Year 2005



Source: GAO analysis of CBP data.

Note: The Port of Miami was unable to provide reliable data for fiscal year 2005. The Port of Dallas was unable to provide T&E and IE data.

To assess the extent to which the in-bond system is used, we requested data on total imports from entry summary forms, since these forms provide complete information on imports and indicate if the in-bond system was used. This information would allow us to determine what percentage of all cargo intended for U.S. commerce is transported in-bond and make an accurate assessment of the extent of the in-bond system. CBP attempted to compile these data but was unable to provide this information.

CBP does not include information on the extent that the in-bond system is used in its annual Performance and Accountability Report or Import Trade Trends. Without proper systems in place to inform management about in-bond transactions, CBP is unable to properly evaluate the risks associated with in-bond transactions and make decisions about how to best manage the system.

In-Bond System Management Weaknesses Impede CBP's Ability to Ensure Proper Collection of Trade Revenues and Address Trade Concerns

Weaknesses in CBP's management of the in-bond system continue to impede CBP's ability to ensure proper collection of trade revenue and minimize trade risks. CBP does not collect adequate data or analyze existing data needed to effectively manage the system. As a result, CBP is not able to identify risks in the system associated with potential revenue losses or trade violations, and thus it cannot implement compliance measures targeted at reducing these risks. CBP is unable to ensure that in-bond shipments in fact enter U.S. commerce, with appropriate duties paid, due to management weaknesses related to tracking in-bond shipments and reconciling paperwork. CBP conducts in-bond reviews and audits to assist in identifying system weaknesses, but these continue to be inconsistently performed.

CBP Does Not Collect Adequate Data or Analyze Existing Data to Make Risk Management Decisions

CBP does not collect appropriate data to adequately manage the in-bond system. While the official entry summary form (CBP Form 7501)¹⁰ requires accurate information on description, value, and quantity of cargo, the in-bond form (CBP Form 7512) allows estimates to be provided. The entry summary form requires the use of Harmonized Tariff Schedule (HTS)¹¹ numbers to collect correct data on description, value, and quantity of trade imported for consumption in the United States. However, the data available to CBP for in-bond cargo are limited to the number of in-bond transactions initiated and the information contained on the in-bond form. CBP staff explained that while there is a value field on the in-bond form, the value provided is most often what it is described as a "shipper's valuation" for insurance purposes and not the actual value of goods. CBP instructions for the in-bond form indicate that for IT movements, merchandise should be described in sufficient detail to enable the port director to estimate the duties and taxes, however, importers and shipping agents do not usually provide this level of information. Further, CBP officials noted that the in-bond form is often filled out by shipping agents

¹⁰The official entry summary (CBP Form 7501) is used to complete the entry for consumption and determine and collect duties and taxes on goods imported into and intended for consumption in the United States.

¹¹The HTS of the United States is the primary resource used by CBP for determining tariff classification for goods imported into the United States. HTS classifies a good by assigning a 10 digit tariff classification number, based on such things as its name and use, providing CBP detailed information to identify items entering the United States. The HTS is based on the international Harmonized Commodity Coding and Classification System (Harmonized System) six-digit code, which has been established by the World Customs Organization and is used as the base for the tariff schedule for most countries.

who provide imprecise estimates of value and quantity and vague cargo descriptions. CBP at the headquarters level provides limited specific guidance to the ports regarding how to assess value and volume of in-bond traffic and any associated risks. Table 1 compares the data required for certain items in the official entry summary and in-bond forms.

Table 1: Comparison of Data Requirements for Entry Summary and In-Bond Forms

Type of information	Information required on entry summary form (7501)	Information required on in-bond form (7512)
Description	Detailed cargo descriptions using 10-digit HTS numbers	General description of goods (HTS numbers not required)
Value	Accurate dollar amount required for assessment of duties	Estimated value allowed
Quantity	Net quantity in specified HTS units	Quantity in terms of the smallest external packaging unit, such as containers, boxes, etc. (HTS units not required)

Source: GAO analysis of CBP information.

CBP has also not used existing data it collects on in-bond to identify risks in the system associated with potential revenue loss or trade violations. Port officials indicated the lack of data entered into the system limits the information that can be used for tracking in-bond cargo. For example, officials at a major port told us that often for transactions filed in hard copy, only about half of the more than 20 data elements in the form are entered into the ACS, due to the large quantity of in-bond shipments and relatively few officers to review them. In addition, CBP officials said that company names and numbers may not be accurately entered into the ACS, further complicating risk management decisions. Staff in CBP’s Office of Information Technology (OIT) explained that they are not generally required to provide management, at the port or national level, with existing data on the extent of the in-bond system and patterns of trade among in-bond ports. According to staff, if any information is requested by management about in-bond transactions, it is handled on an ad hoc basis. In addition, according to OIT staff, ACS is inefficient in creating records that allow analysis of the extent to which the in-bond system is used, of trade flows, and diversion risks. Creating any type of report on the in-bond system is laborious and time consuming. OIT staff indicated that the ACE system under development to replace ACS should provide better information to aid in managing the in-bond system.

Data Collection Limitations
Impede CBP's Assessment of
Potential Revenue Losses

Lack of accurate information on the value of in-bond cargo prevents CBP from accurately determining the extent of any lost revenue. CBP staff explained that regulations do not require the appraisal of in-bond cargo; such appraisal and collection of duties occurs when the cargo is entered at the destination port. CBP officials noted that they do not require importers and shipping agents to provide accurate value information on the in-bond form because it is not required under legislation or current CBP in-bond regulations. Further, CBP does not collect and report data showing the trade patterns for in-bond use. If CBP knew which ports receive the most in-bond cargo from the major U.S. ports it could better prioritize its oversight of the system. However, CBP does not consider information on main receiving ports in managing the system. In addition to allowing CBP to determine potential loss of revenue, obtaining accurate information on value, specific category of merchandise, and trade patterns could help CBP focus efforts on monitoring in-bond cargo with high revenue.

CBP Also Cannot Accurately
Assess Potential Trade
Violations

CBP's data management weaknesses impede its ability to target in-bond cargo for trade violations at the arrival port. Currently, CBP uses the Stratified Compliance Exam and the Cargo Selectivity System for trade compliance purposes, such as identifying intellectual property rights violations and revenue collection. The Stratified Compliance Examination randomly selects cargo making official entry into the United States for physical inspection, while the Cargo Selectivity System uses criteria to evaluate information from an entry summary and then selects cargo for inspection. Both systems use entry information for cargo entering into U.S. commerce at the arrival port to initiate the exams. Because in-bond cargo does not make official entry at the arriving port, the Stratified Compliance Examination is not applied to in-bond cargo being exported and is not initiated for in-bond goods entering at other U.S. ports until official entry occurs. Without proper targeting of in-bond shipments at the arrival port, cargo transiting to another U.S. port for official entry or exportation may be diverted and stay in the United States, contraband or goods violating intellectual property rights laws could be smuggled, duties may be unpaid, or quotas could be violated. In fiscal year 2006 about 30 percent of seizure value for intellectual property rights violations were associated with shipments that had moved through the in-bond system. Examples of some past diversions that involved use of the in-bond system include:

- From September 1999 through December 2002, more than 7,500 shipments of wearing apparel shipped to Los Angeles from China and Hong Kong were smuggled into the United States. The in-bond documents were filed in Los Angeles for export to Mexico via Laredo, Texas. However, the

goods were diverted from Los Angeles to customers throughout the United States. The declared foreign value of shipments was in excess of \$600 million, and estimated loss of revenue to U.S. Customs was more than \$100 million.

- In 2006, CBP seized 77 containers of counterfeit athletic shoes and designer clothing with an estimated domestic value of nearly \$70 million. These containers entered the Los Angeles seaport, and in-bond documents were filed for eventual export to Mexico. The goods moved in-bond through California and Arizona before being seized by ICE agents.

While CBP performs a security screen for all arriving cargo, it does not have a formal targeting system to identify trade concerns specific to in-bond cargo. However, in some instances, CBP port officers do take steps to target in-bond shipments on an ad-hoc basis. In most of the ports we visited, port officials said that for in-bond shipments filed using the paper in-bond form, cargo is often selected by CBP officers at the time documentation is presented to the port office. CBP officers inputting the in-bond data from the paper forms into the system may select cargo for inspection based on experience and available information. Cargo moving in-bond for which the in-bond form was filed electronically is not screened by CBP officers for these types of additional inspections, because approval of these transactions is automated and officers do not regularly access this information.

Numerous Open In-Bond Records Reflect Lack of Control of In-Bond Movements

CBP often cannot ensure that cargo officially entered U.S. commerce, or was exported, because many in-bond transaction records remain open with uncertain disposition. An open in-bond record occurs when a paper or electronic transaction has been initiated at the arrival port for an in-bond shipment but the record has not been completed, or closed, because CBP has not recorded the shipment's official entry at the destination port. An open in-bond transaction record that is never closed represents an internal control weakness in that there is no control in place to ensure that open items are closed or to determine whether potential revenue losses or trade violations have occurred. As previous audit reports have noted, the number of open in-bond records is substantial, however, CBP does not have accurate measures of the number of open records. Several factors contribute to the high number of open in-bond records. CBP does not appear to have placed a priority on reducing the number of open in-bond records, in that it has not consistently reconciled open records. In addition, CBP's in-bond regulations that were intended to provide

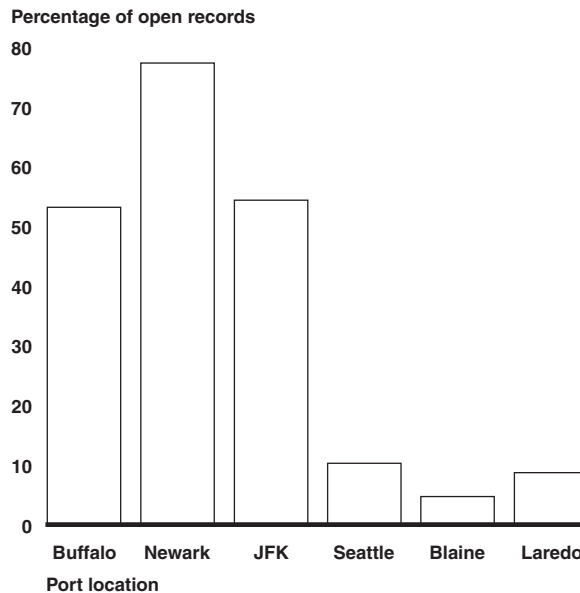
flexibility to business result in it being more difficult to track in-bond transaction. Finally, administrative errors by both CBP and the trade industry add to the numbers of open in-bond records. CBP has recently issued directives to address some of these issues, but it is too early to judge their effectiveness.

Number of Open In-Bond Records Is Substantial, but CBP Lacks Accurate Data

Previous audit reports have noted that the high number of open in-bond records impedes CBP efforts to track in-bond shipments and ensure that they have properly entered U.S. commerce. An open in-bond record indicates a risk that cargo could have been diverted without paying applicable duties or in violation of trade regulations or quotas. Without data on the value and volume of in-bond cargo, and information on the number of in-bond records that remain open, CBP is not able to account for them or set a high priority on tracking open in-bonds with high duties. We reported this problem in 1994, 1997, and 2004 and made recommendations to CBP for improving the monitoring of in-bond shipments. However, in our current review, we found large numbers of open in-bond records at all the ports we visited, and CBP admits that there are many open in-bond records nationwide.

Of the 10 ports we visited, only 6 were able to provide fiscal year 2005 data on the number of open in-bond records in their systems. As figure 5 shows, for the six ports that provided data, the percentage of open in-bond transactions for fiscal year 2005, ran as high as 77 percent at one location. The other four ports, including Los Angeles—the port with the largest estimated number of in-bond transactions—were unable to provide reliable data on the number of open in-bond records. Without consistent evaluation and reliable data on overdue shipments, CBP cannot account for in-bond shipments that failed to meet time requirements and trade regulations. CBP attributed some of the open in-bond records to systemic problems that do not show in-bonds as closed even after they have been completed.

Figure 5: CBP Estimate of Percentage of In-Bond Records Remaining Open for Fiscal Year 2005



Source: GAO analysis of CBP data.

CBP Has Not Consistently Reconciled Open In-Bond Records

Ports that we visited have not consistently performed several CBP designated reviews intended to resolve open in-bond records. For example, CBP reports such as the Monthly List of In-Bond Shipments Delivered Late for Export (MO2), along with the Monthly List of In-Bond Shipments Delivered Late (MO6) and the Monthly List of In-Bond Shipments Overdue (MO7), are designed to notify ports of in-bond shipments that are delivered late for exportation, are delivered late, or are overdue for delivery.¹² We found most of the ports we visited had not regularly conducted these reviews since CBP increased emphasis on security after September 11, 2001. Since issuance of a June 2006 CBP headquarters directive requiring ports to track exportation in-bond transactions in a timely manner, most ports we visited had reinstated this

¹²The MO reports provide the ports with data on paperless and conventional in-bond movements that are overdue (MO7), delivered late (MO6), or delivered late for export (MO2). In-bond movements that are considered overdue will appear on the MO7 report if they have not arrived at the destination port within 90 days of departure. In-bond movements that have not been exported by the expiration of the lay order period in the destination port will appear on the MO2 report and should receive priority, according to the *OFO Guide for In-bond Cargo* handbook.

type of review. Officials at ports we visited stated that these reviews were very time consuming and labor intensive.

CBP officials observed that there are many systemic problems with the existing data system (ACS) used to generate these monthly lists of in-bond transactions needing reconciliation. Officials noted that some in-bond transactions appearing as open on these reports have already been closed. Port officials also noted the difficult and time-consuming nature of working with the ACS system. For example, staff in the Seattle Field Office explained that because of limitations with the system, it took 50 working hours to extract the data we had requested on the number of in-bond transactions at their port. Furthermore, some of the data was incomplete and contained other limitations.

According to CBP officials, the ACS was originally designed in 1984 and has been increasingly difficult and expensive to operate, maintain, and enhance due to its antiquated hardware and software and limited processing capacity. CBP is in the process of replacing ACS with the ACE system in 11 increments, referred to as “releases,” with a scheduled completion in approximately 8 1/2 years. The first three releases are deployed and operating, and the fourth release is currently being deployed. Other releases are in various states of definition and deployment. CBP headquarters officials stated that they were aware of problems in ACS, but they cited restrictions placed on funding for changes to the legacy ACS as impeding changes to the system.

Regulations Provide Trade Flexibility but Complicate CBP’s Monitoring of In-Bond Movements

CBP’s in-bond regulations provide considerable flexibility for the importer and shipping agents, but such flexibility complicates CBP’s monitoring of in-bond movements. Some CBP regulations governing in-bond movements make it difficult for CBP officers at the ports to track in-bond shipments and ensure their proper disposition. For example, under the regulations an importer or shipping agent can initiate an in-bond shipment by ground transport to one U.S. port and then decide to initiate another in-bond transaction to transport that same cargo to another U.S. port, allowing an additional 30 days to transport cargo. When the cargo finally reaches its ultimate destination and the most recent in-bond transaction is closed, all previous in-bond transactions associated with that cargo remain open. In other cases, the regulations allow an importer or shipping agent to transport cargo in-bond to a U.S. border port, place it in a warehouse, and obtain a second in-bond transaction for exportation once a buyer is located abroad. Depending on the mode of transport, regulations currently allow bonded carriers from 15 to 60 days to reach their final destination and allow them, with some exceptions, to change a shipment’s final

destination without notifying CBP. Port officials stated that this makes it impossible to know whether an in-bond shipment arrived at its declared destination until a record appears later on an unresolved in-bond report. For an in-bond shipment moving, for example, from Los Angeles to Laredo intended for export to Mexico, the importer or shipping agent may at the last minute change the port used for export; the CBP staff at the new destination port would not know that they should expect such shipments and thus would not be able to whether ensure the shipments actually exited the United States.

**Administrative Errors
Contribute to High Number of
Open In-Bond Records**

Administrative errors by shipping agents and by CBP staff contribute to the high numbers of open in-bonds. According to CBP officials, most open in-bond records remain unresolved because of administrative or procedural errors. CBP officials said that carriers have high staff turnover and do not provide personnel with adequate training in in-bond procedures. For example, the in-bond system depends on importer and shipping agents personnel to file the correct paperwork. For in-bond transactions filed electronically, the system allows carriers and brokers to initiate, process, and close in-bond transactions without CBP involvement, and CBP officials told us that many of these individuals do not follow the proper steps to close in-bond transactions. For in-bond transactions that are filed in paper format, CBP officers are responsible for closing them at the destination port (where the cargo makes official entry). According to CBP, personnel sometimes make administrative errors and do not properly close the in-bond transactions or may not process the documents at all.

**CBP Recently Issued Directives
to Address Open In-Bond
Records, but It Is Too Early to
Determine Their Effectiveness**

To address some of the issues surrounding open in-bond transactions, in March 2006, CBP issued several directives to the field describing systemic changes made to the in-bond section in ACS. The first of these changes requires second-leg in-bond records¹³ to reference the first leg of the in-bond movement so that when the second in-bond transactions is closed, the first in-bond transactions will be closed as well. The second change requires the bill-of-lading field on the in-bond form to be filled in to facilitate the tracking of in-bond shipments and ensure that the bill of lading and in-bond transactions are posted and closed out. Furthermore, in June 2006, CBP issued a directive requiring ports to track in-bond

¹³Cargo for which a second in-bond is issued after it reaches the port where it is expected to enter U.S. commerce or be exported.

transactions in a timely manner by monitoring records that appear on the system's monthly in-bond status reports.

CBP Has Not Consistently Performed Its Compliance Measurement Program Reviews and Has Not Used Its Results to Manage the Program

CBP instituted a compliance measurement program in 1998 known as Tinman¹⁴ to help track in-bond movements, protect revenues, and perform risk assessments. However, ports do not consistently perform the reviews required under the program and CBP headquarters does not collect national data describing the results of these reviews. Due to the inconsistent performance of the physical inspections and post-audits called for by this system, as well as the limited collection and use of the data these reviews provide, CBP is unable to fully determine compliance within the in-bond system and therefore potential trade and revenue risks associated with the system.

While conducting our port visits, we found that some ports just recently began conducting physical examinations and completing post-audits required under Tinman because they previously did not have the resources available to support these duties after September 11, 2001. Tinman was designed to improve the tracking and monitoring of in-bond cargo by initiating compliance examinations of cargo and post-audits. Every week, ports are supposed to query the system to determine if a Tinman exam has been designated. After a port has been notified of an exam or audit, the mechanics of the examination are left to the discretion of the port.¹⁵ The Department of the Treasury Inspector General and its' independent auditor noted in their fiscal year 2002 financial audit that Tinman inspections and post-audits had been suspended in fiscal year 2002 to allocate resources to other mission objectives. Although we found the ports making efforts to complete the Tinman exams during our audit work, the fact that the ports were not completing these physical

¹⁴Originally, the Tinman module in ACS was designed in response to a 1994 GAO report, where we found that the U.S. Customs Service did not have a reliable means of monitoring the movement of in-bond shipments from one port to another because the data were not properly maintained. GAO, *Financial Management: Control Weaknesses Limited Customs' Ability to Ensure That Duties Were Properly Assessed* (GAO/AIMD-94-38, Mar. 7, 1994).

¹⁵Headquarters staff assign the Tinman exams and post-audits on a weekly basis. They determine the ports where the exam is to be conducted, the in-bond type, and whether the tasking is a destination or origin exam. In the case of post-audits, the specific in-bond number that is to be reviewed will also be provided. After the Tinman exams are assigned, it is at the discretion of the ports to determine the mechanics of the exam (e.g., which bond is to be reviewed, which station, etc.).

inspections and audits suggests that CBP has not been able to effectively measure revenue gaps or the effectiveness of controls over trade compliance to the in-bond process.

Moreover, no policies or procedures exist at the headquarters level to monitor or use the results of the Tinman inspections and audits to improve the management of the system. For example, we made repeated requests to CBP to obtain national data on the number of Tinman inspections and post-audits that were generated, completed, and that resulted in some sort of negative findings over the past 5 years, but we were provided little information on the results of these audits and no summary conclusions. We were also told that, at the headquarters level, reports generated from Tinman are not routinely produced and that there is no overall report that management could use to evaluate trade compliance and determine overall risks to the in-bond system. Therefore, CBP management would have to rely on a review of port-by-port results, and it would be difficult and labor intensive to determine if the results of the audits or inspections showed an overall compliance issue.

Limited Information Collected on In-Bond Cargo Impedes CBP Efforts to Manage Security Risks

CBP does not collect detailed information on in-bond cargo that could aid in identifying cargo posing a security risk and promote effective use of inspection resources. CBP uses the Automated Targeting System (ATS) as one mechanism within its multilayered security strategy for monitoring cargo arriving at U.S. ports. Manifest information for all cargo arriving at U.S. ports, including in-bond cargo, is part of the ATS security score. For regular cargo, the ATS score is updated with more detailed information as the cargo makes official entry at the arrival port, but ATS scores are not updated for T&E in-bond cargo and are not updated for IT in-bond goods until official entry occurs. As a result, in-bond goods transit the United States without having the most accurate ATS security score, posing a potential security risk, and potentially misdirecting scarce inspection resources to goods that otherwise would not warrant inspection.

Automated Targeting System Is Part of the CBP Multilayered Security Strategy for Cargo Arriving at U.S. Ports

CBP has developed a multilayered security strategy to manage the risk associated with the movement of cargo, including in-bond cargo. The ATS is a key component of this multilayered security strategy.¹⁶ ATS is a complex model of weighted rules CBP officers use to help decide which cargo to inspect. CBP uses ATS to review documentation for arriving shipments and assign a risk score for each shipment arriving in the United States. CBP officers located at the ports then use these ATS scores to help decide on the need for and extent of cargo inspections. We have previously reported on improvements needed in ATS targeting of cargo inspections.¹⁷

The CBP risk management strategy includes taking steps such as using ATS to limit potential security risks without unduly interfering with the flow of commerce. The Congress and the President have endorsed risk management, which involves a strategy of helping policymakers make decisions about assessing risks, allocating resources, and taking actions under conditions of uncertainty. The CBP Fiscal Year 2006 Performance and Accountability Report states its priority mission in part as “preventing terrorists and terrorist weapons from entering the United States, while also facilitating the flow of legitimate trade and travel.” CBP uses ATS as part of its risk management strategy of identifying cargo warranting inspection based on risk and maintains that it would be impossible to inspect all arriving cargo without disrupting the flow of commerce.

CBP Uses Manifest Information for All Cargo, Including In-Bond Cargo, to Aid in ATS Scoring and in Prioritizing Inspections

CBP uses information it receives on all cargo arriving at U.S. ports, including in-bond cargo, as input for ATS scoring to aid in identifying security risks and setting inspection priorities. Although the requirements vary by mode of transportation (sea, air, rail, and truck), federal law generally requires carriers to submit manifest information prior to goods arriving at U.S. ports. For example, CBP generally requires ocean carriers

¹⁶Other features of CBP’s multilayer security strategy include a compliance measurement program that supplements ATS by randomly selecting shipments to be inspected to determine whether the shipment complies with supply chain security and trade laws; the Container Security Initiative (CSI) whereby CBP places staff at foreign ports to work with foreign counterparts to inspect high-risk cargo before it is shipped to the United States; and the Customs-Trade Partnership Against Terrorism (C-TPAT), which is a cooperative program between CBP and members of the international trade community in which private companies agree to take action to improve the security of their supply chains.

¹⁷GAO, Homeland Security: Summary of Challenges Faced in Targeting Oceangoing Cargo Containers for Inspection, [GAO-04-557T](#) (Washington, D.C.: Mar. 31, 2004).

to submit manifest information to CBP 24 hours before cargo shipped in containers is loaded on a ship at a foreign port.¹⁸ CBP requires air carriers to submit manifest information at departure or 4 hours before arrival at a U.S. airport. These cargo manifests are prepared by the carrier and are composed of bills of lading, which include a description of the shipment. ATS analyzes the electronic data related to individual shipments and ranks them in order of risk to develop an ATS score for each shipment. CBP officers located at the ports then use ATS scores to help them make inspection decisions.

CBP adjusts the ATS score assigned to arriving cargo when it receives the more detailed information for cargo making official entry at the arrival port. For example, CBP would have an ATS score for sea cargo arriving in Los Angeles based on the ship's manifest information but would adjust the ATS score when more detailed information is included on the entry documents. CBP generally requires importers and shipping agents to provide entry documentation for items arriving in the United States within 15 calendar days of arrival so that it is not warehoused at the port indefinitely. This entry information often provides more detailed information on contents than does the manifest information. For in-bond cargo, such adjustments are made at the destination port, or are not made at all for cargo that is intended to be exported.

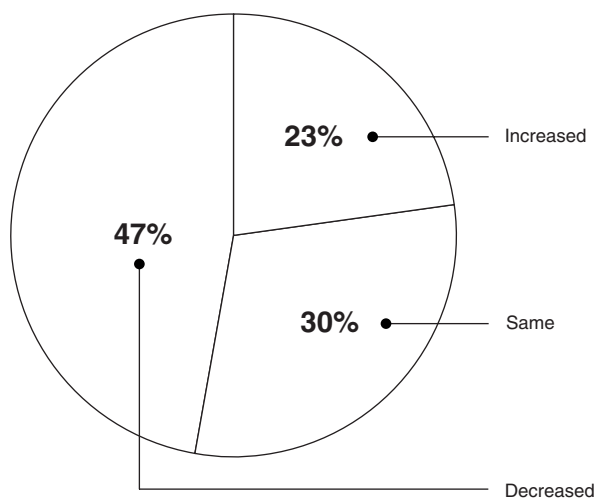
Entry information sometimes changes the ATS security score from that based on manifest information. CBP provided data for four major ports¹⁹ comparing the ATS score given cargo based on the bill of lading to the ATS score given after goods made official entry (see fig. 6). This data show that

¹⁸Cargo manifest transmission requirements are located in regulations promulgated under Section 343 of the Trade Act of 2002, Pub. L. No. 107-210, as amended by section 108 of the Maritime Transportation Security Act of 2002, Pub. L. No. 107-295. Cargo manifests are prepared by the carrier and are composed of bills of lading for each shipment loaded on a vessel to describe the contents of the shipments. Bills of lading are documents issued by a carrier describing the goods, the details of the intended voyage, and the conditions of transportation. Under 19 C.F.R. § 4.7(b)(4), ocean carriers carrying bulk and break bulk cargo are not required to submit a manifest 24 hours before the cargo is loaded at a foreign port, provided, in the case of break bulk cargo, that they receive an exemption from CBP. Rather, these ocean carriers must present their manifests 24 hours prior to arrival in the United States if they use CBP's Automated Manifest System (AMS), a system designed to control imported merchandise from the time the carrier's cargo manifest is submitted to CBP until the cargo is properly entered and released by CBP. If a carrier does not use AMS, the carrier must submit the manifest to CBP upon arrival.

¹⁹The four major ports included in the CBP analysis were Los Angeles, Long Beach, Newark, and New York.

for the four ports, the ATS score based on the bill-of-lading information stayed the same an average of 30 percent of the time after being updated with entry information. However, for the four ports, ATS scores increased an average of 23 percent of the time and decreased in an average of 47 percent of the time. A higher ATS score can result in higher priority being given to cargo for inspection than otherwise would be given based solely on the bill-of-lading information. A lower ATS score can result in cargo being given a lower priority for inspection and potentially shift inspection resources to cargo deemed a higher security risk.

Figure 6: Change in ATS Target Score after Obtaining Entry Information for Selected Ports



Source: GAO analysis of CBP data.

In-Bond Cargo Transits the United States without an Updated ATS Score

In-bond cargo transits the United States without an updated ATS inspection priority score because it does not make official entry at the arrival port, and in-bond documents do not contain detailed data similar to entry documents used to update the ATS score. CBP officers with security responsibilities at several of the ports we visited observed that the lack of entry information for in-bond cargo meant that they did not have additional information for ATS scoring that would help them assess the need for inspection. Although in-bond cargo is given an ATS score based on manifest information, this score is not generally updated prior to the movement of these goods within the United States. For example, the ATS scores for IT in-bond transactions, which represent about 70 percent of all in-bond documents, are not updated until the cargo makes official entry at

another U.S. port. T&E in-bond cargo, which represents about 22 percent of in-bond documents, does not make official entry, so additional entry data are not available to update an ATS score. The in-bond form, required for in-bond movement, does not have the same level of detail contained in entry documents, and data from the form is not used to update ATS scores. As a result, in-bond goods transit the United States without having the most accurate ATS security score, posing a potential security risk, and potentially misdirecting scarce inspection resources to goods that otherwise would not warrant inspection.

Conclusions

In managing the in-bond system, CBP must strive to balance its goals of facilitating the efficient movement of cargo, ensuring effective revenue collection, and providing a secure trade environment. The in-bond system's overall objective is to facilitate global and domestic trade. However, the in-bond system poses risk to CBP's other goals of revenue collection and trade security. CBP will be less able to fulfill its revenue collecting responsibilities if in-bond goods are diverted and make illegal entry without the payment of applicable taxes or trade tariffs. CBP may also be less able to fulfill its trade-security responsibilities because the information collected for in-bond movements across the United States is less detailed than that collected for goods entering at their arrival port.

We found that CBP's ability to assess and manage the risks of the in-bond cargo system is impaired by both (1) the limited information it collects on in-bond cargo and (2) the limited analysis it performs on available information. With the tremendous volume of trade coming through U.S. ports, CBP needs detailed information and accurate monitoring systems to set priorities for targeting and tracking cargo shipments that have security or revenue interest. However, CBP does not currently collect detailed information on the value or type of in-bond cargo being transported through U.S. ports; the in-bond form asks only for a general description. As a result, CBP does not have the information needed to set priorities for targeting and tracking cargo moving within the in-bond program, so as to concentrate on cargo of highest security, law enforcement, or revenue impact.

CBP has also failed to perform even the most basic analyses of available information. CBP was not able to tell us, for example, the extent of the system's use, what products are shipped in-bond, or what shipments are expected for entry (and thus expected revenue collection from applicable trade duties) at inland ports. Despite prior audit recommendations, important management weaknesses persist in CBP's tracking of in-bond

cargo, with the result that CBP still does not know whether in-bond cargo shipments of greatest security or revenue interest are in fact entered into U.S. commerce or exported as required. In particular, CBP continues to have high numbers of open in-bond transactions with uncertain disposition.

CBP is currently addressing the requirements of the SAFE Port Act, which focuses on many of the same issues discussed in this report. CBP must submit a report to the Congress by June 30, 2007. In addition, CBP is in the midst of a multiyear development of its new ACE system, which it expects to have improved capability to track in-bond documents. However, the system is not expected to be fully implemented before 4 to 5 years. CBP has also recently issued administrative directives to improve in-bond document tracking. However, these directives address only some of the in-bond system weaknesses. Therefore, we believe several additional changes are needed in a timely manner to resolve persistent weaknesses in the in-bond system, consistent with the SAFE Port Act.

Recommendations

To improve management of the in-bond program through better informed decisions affecting trade, revenue collection, and security goals, we recommend that the Secretary of Homeland Security, acting through the CBP Commissioner, take the following actions:

1. With respect to collecting more detailed information on in-bond cargo,
 - For all in-bond goods to be eligible for a consumption entry into the United States, require additional information on the in-bond form (CBP Form 7512) at the time of arrival. This information should include data elements that provide a more precise description of the cargo and that further identify the entities involved in the movement of these goods. As part of this effort, CBP should—6 months after implementation of new data requirements—report to Congress whether the enhanced data obtained are adequate to address security and trade concerns for in-bond transactions or whether current CBP authority should be adjusted.
 - For all goods to be exported, revise the in-bond form (CBP Form 7512) to include the six-digit code from the Harmonized Commodity Coding and Classification System (Harmonized System).
 - Use information collected in the revised in-bond form to ensure that the new ACE system can generate reports useful to CBP management

in making prioritized, risk-based management decisions related to revenue and security risks.

- Use information from the revised in-bond form as input to the Cargo Selectivity process at the arrival port instead of limiting this process to cargo that has made entry for consumption, to ensure that in-bond shipments are adequately tracked between the arrival and destination ports.
 - Use information from the revised in-bond form to update ATS security scores for in-bond movements at the arrival port instead of delaying this process until after cargo has been transported through the United States to the destination port.
2. With respect to improving monitoring of cargo moving within the in-bond system,
- Conduct an analysis of the extent of use of the in-bond system and the patterns of shipments within the system.
 - Assess the systemic problems causing open in-bond transactions and impeding their identification. Make adjustments to ACE and provide appropriate tools to eliminate these problems and improve the capacity of CBP officers, importers, and shipping agents to track and close open in-bond transactions.
 - Revise in-bond regulations to reduce the time allowed for transporting cargo and to limit the ability of carriers to change the final destination for cargo without CBP knowledge.
 - Develop a more systematic enforcement strategy to increase bondholder compliance in closing out open in-bond transactions within required time frames.
 - Prioritize closing in-bond records for shipments with high potential risks of security, law enforcement, and revenue loss, using updated information from the in-bond form.
3. To make the in-bond compliance measurement program a more effective tool for monitoring compliance with in-bond regulations,
- Ensure that the current compliance measurement program (Tinman) or any updated commercial compliance tool is consistently conducted by

the ports so as to inform CBP national and port management of needed corrective actions.

Agency Comments and GAO Response

We provided a draft of this report to DHS for review by CBP and ICE. We received official written comments from DHS, which are printed in appendix II. We made 11 recommendations to improve the management of the in-bond system in three general areas (1) improving the level of information available on in-bond cargo, (2) improving monitoring of in-bond cargo, and (3) improving the efficiency of in-bond compliance measurement programs. DHS agreed with seven of our recommendations, disagreed with three, and stated that one has already been implemented. DHS also provided technical comments, which we have incorporated in this report as appropriate.

Regarding the first area of recommendations—for improving the level of information available on in-bond cargo—DHS agreed with three of our recommendations and disagreed with two. DHS agreed with our recommendation to revise the in-bond form to contain more information, with respect to goods that are to be exported. DHS also agreed with the recommendation that CBP ensure that the new ACE system can generate reports useful to CBP in making prioritized, risk-based management decisions related to revenue and security risks. Additionally, DHS agreed with the recommendation that it use information from the revised in-bond form to update ATS security scores for in-bond movements at the port of arrival instead of delaying this process until after the cargo has been transported through the United States to the destination port.

However, DHS disagreed with our recommendation to require the 10-digit HTS number for in-bond cargo to be eligible for import into the United States. DHS stated that this would lead to a major legal problem and represent a revolutionary change in the way in-bond business is done. DHS stated that requiring the 10-digit HTS number would require Customs Brokers to file in-bond entries and bar carriers from doing so. DHS stated that cost to the owner of the goods would rise because of the mandated added party to the filing. We remain concerned that in-bond cargo routinely transits the United States without a detailed description of the cargo and the entities involved in the movement of these goods. Therefore, we have revised our recommendation to call for additional information to be collected for all in-bond goods to be eligible for a consumption entry into the United States, in lieu of the 10-digit HTS number. This information should include data elements that provide a more precise description of the cargo and that further identify the entities involved in the movement of these goods. In addition, we recommend

that—6 months after the implementation of these new data requirements—CBP report to Congress whether the enhanced data obtained are adequate to address security and trade concerns for in-bond transactions or whether its current authority should be adjusted.

DHS also disagreed with our recommendation that revised in-bond information should be used in CBPs' Stratified Compliance Examination and Cargo Selectivity processes. DHS stated that these exams apply only to cargo for which official entry has been made. We revised this recommendation to focus on using the additional information in CBP's Cargo Selectivity process. CBP's current inability to track in-bond shipments and the examples of notable trade and revenue violations including in-bond cargo provide strong evidence of the need to identify potential trade and revenue risks for in-bond cargo. The revised recommendation indicates that CBP should use information from the amended in-bond form as input to the Cargo Selectivity process at the arrival port instead of limiting this process to cargo that has made entry for consumption.

Regarding the second area of recommendations—for improving the monitoring of in-bond cargo—DHS agreed with three of our recommendations, stated that one has already been implemented, and disagreed with one. DHS agreed to conduct an analysis of the extent of the in-bond system and patterns of shipment within the system. DHS also agreed that a systematic assessment of problems causing open in-bond transactions should be used to improve ACE and assist CBP officers and the trade in closing in-bond transactions. DHS agreed with our recommendation and is planning to revise in-bond regulations to reduce the time allowed for transporting cargo and to limit carriers' ability to change the final destination for in-bond cargo.

Regarding our recommendation to develop requirements, including penalties to ensure that bondholders close in-bond documents, DHS responded that these requirements already exist. We note, however, that the high number of open in-bond transactions indicates a persistent problem. We modified the wording of this recommendation to emphasize that CBP should develop a more systematic enforcement strategy in order to increase bondholder compliance in closing out open in-bond transactions within required time frames.

DHS disagreed with our recommendation to prioritize their activities related to closing open in-bond transactions with potentially high security, law enforcement, and revenue risks. DHS stated that they already employ

risk-based targeting for all shipments, including in-bond cargo. However, we did not observe CBP efforts to prioritize closing open in-bond transactions based on risk. Open in-bond transactions appear on CBP reports without any designation of the importance of individual records. With limited resources available, we believe that CBP should prioritize its monitoring of open in-bond transactions to those that pose the most significant risks to revenue collection and other trade risks, and so we have not modified our recommendation.

With respect to the third area of recommendations—for improving CBP’s compliance measurement program—DHS agreed with our recommendation to ensure that the program is consistently conducted by the ports. DHS stated that CBP management will issue updated guidance to the field emphasizing the importance of conducting these audits in a timely manner and accurately reporting their findings.

In our recommendations, we attempted to find a balance between the commercial interests of the various parties involved in international trade and the CBP requirements for information and structure in order to ensure that security goals, as well as revenue and law enforcement goals, are achieved. One of the persistent challenges of the in-bond program is that the unusual flexibility that the program provides to the trade community—the limited information required, the time periods and lax notification requirements for shipments transiting the United States, and the ability to use multiple in-bond transactions for a single shipment—all exacerbate the challenges for CBP in performing its security and trade enforcement duties.

As the report details, persistent weaknesses in the in-bond system existed long before customs functions shifted to DHS and now create new challenges for DHS in ensuring security of shipments entering the United States. While DHS disagrees with three of our recommendations, we believe that the evidence of weakness in the system overwhelmingly demonstrates that a coherent set of modifications is needed.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to interested congressional committees as well as the Secretary of Homeland Security. We will also make copies of this report available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4347 or yagerl@gao.gov. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Loren Yager". The signature is written in a cursive style with a large initial "L" and "Y".

Loren Yager, Director
International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

To determine how the in-bond program addresses its trade, revenue, and cargo security functions, we examined relevant documents and conducted interviews to answer the following questions: (1) What is the in-bond system and to what extent is it used? (2) How has Customs Border Protection (CBP) managed the system to ensure that revenues are collected and trade concerns are minimized? and (3) How has CBP managed the system to ensure that security-related inspections are properly targeted?

To obtain an understanding of the CBP in-bond system and assess the extent of its use, we analyzed laws, regulations, and relevant CBP policies, procedures, and related documents. We interviewed officials and examined documents at CBP headquarters and at six district port offices, including Buffalo, New York; Los Angeles/Long Beach, California; Laredo, Texas; Miami, Florida; New York, New York /Newark, New Jersey; and Seattle, Washington. Our work at the Seattle port district office included work at its Blaine, Washington, border port. We also visited the Port of Dallas, Texas, which is a major inland destination port for in-bond goods. We also discussed industry views of the in-bond program with the National Brokers and Forwarders Association of America, Association of American Railroads, American Trucking Association, and National Association of Foreign Trade Zones. The six CBP district offices we visited processed the greatest numbers of noncourier in-bond transactions from October 2004 to March 2005. We used data from this period because CBP officials stated that they had recently assembled data for this period and that would pose a substantial work load for them to obtain more recent 2006 data.

To determine how CBP has managed the system to address revenue and trade concerns, we examined in-bond guidance, policies, procedures, and practices at CBP headquarters and at the ports visited. To identify previously identified weaknesses in CBP's management of trade and revenue concerns related to the in-bond program, we examined audit reports by GAO, DHS Inspector General and public accounting firms. We noted internal control weaknesses in the in-bond program identified in previous audit reports and discussed these weaknesses with CBP headquarters and port officials. We discussed views of CBP headquarters and port management personnel regarding any trade related and revenue risks associated with processing in-bond cargo and discussed actions taken to address these risks. We reviewed our previous work that assessed CBP's data reliability and internal controls. We found some inconsistencies between various data sets we received and reported these inconsistencies to CBP. These inconsistencies, however, did not indicate

major discrepancies in the data, and for purposes of reporting on general in-bond issues, we found CBP's data sufficiently reliable.

To determine how CBP has managed the system to ensure that security-related inspections are properly targeted, we examined CBP procedures for targeting security inspections of in-bond cargo and discussed these practices at CBP headquarters and at the ports visited. To assess the impact of not having entry information for in-bond cargo, we obtained data showing the impact of this information on the ATS security score assigned. We discussed views of CBP headquarters and port management personnel on security-related concerns associated with in-bond processing.

We conducted our work from January 2006 through February 2007 in accordance with generally accepted government auditing standards.

Appendix II: Comments from the Department of Homeland Security

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

U.S. Department of Homeland Security
Washington, DC 20528



Homeland
Security

April 2, 2007

Mr. Loren Yager
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Yager:

RE: Draft Report GAO-07-561, International Trade: Persistent Weaknesses in the In-Bond Cargo System Impede Customs and Border Protection's Ability to Address Revenue, Trade, and Security Concerns (GAO Job Code 320369)

The Department of Homeland Security (DHS) appreciates the opportunity to review and comment on the draft report referenced above. The Government Accountability Office (GAO) makes eleven recommendations to improve management of the in-bond program through better informed decisions affecting trade, revenue collection, and security goals. We agree with seven recommendations, disagree with three, and believe one should be closed as implemented.

GAO makes three broad recommendations to the Secretary and the Commissioner of U.S. Customs and Border Protection (CBP). First, with respect to collecting more detailed information on the type and value of in-bond cargo, GAO recommends that

Recommendation 1.1: For all goods to be eligible for import into the United States require additional information at the time of arrival (i.e. the 10-digit Harmonized Trade Schedule number and more accurate value information).

We disagree with the recommendation. Requiring 10-digit information and more accurate value information at the time of arrival leads to a major legal problem in that providing such detailed entry information will rise to the level of Customs business as provided by 19 USC 1641. If that is the case, only Customs brokers will be allowed to file in-bond entries and carriers will be barred from doing so. That will cause a revolutionary change in the way that in-bond business is done and will involve considerable pushback from the carrier community. Costs to the owner of the goods will rise because of the mandated added party to the filing. Under current law, in-bond entries are specifically exempted from Customs business as stated in 19 CFR 111.2.

www.dhs.gov

See comment 1.

2

Recommendation 1.2: For all goods to be exported, revise the in-bond form (CBP Form 7512) to include the six-digit code from the Harmonized Commodity Coding and Classification System (Harmonized System).

We agree with the recommendation. CBP personnel are amending 19 CFR Part 18. The first draft of the new in-bond regulations should be issued in March 2008.

Recommendation 1.3: Use information collected in the revised in-bond form to ensure that the new Automated Commercial Environment (ACE) system can generate reports useful to CBP management in making prioritized, risk-based management decisions related to revenue and security risks.

We agree with the recommendation. Full ACE deployment is expected by December 2011.

Recommendation 1.4: Use information from the revised in-bond form to initiate the Stratified Compliance Examination and Cargo Selectivity process for in-bond movements at the arrival port instead of delaying this examination until after the cargo has been transported through the United States to the port of formal entry or exportation.

We disagree with the recommendation. Stratified Compliance Examinations are 100% randomly generated trade exams that only apply to cargo for which formal entry has been made. For in-bond cargo, formal entry is not made until the cargo arrives at the port of destination. All in-bond cargo is screened for terrorism risk through the Automated Targeting System, and any high-risk cargo is already designated for inspection at the initial port of arrival. Export cargo is not subject to Stratified Compliance Examinations because no formal entry is ever made. Stratified Compliance Examinations do not enhance anti-terrorism efforts.

Recommendation 1.5: Use information from the revised in-bond form to update Automated Targeting System security scores for in-bond movements at the port of arrival instead of delaying this process until after cargo has been transported through the United States to the destination port.

We agree with the recommendation. CBP however will not be able to implement this recommendation until after new regulations have been approved and published. The first draft of the regulation changes is due March 31, 2008.

Second, GAO recommends that with respect to improving monitoring of cargo moving within the in-bond system, CBP officials

Recommendation 2.1: Conduct an analysis of the extent of use of the in-bond system and the patterns of shipments within the system.

We agree with the recommendation. CBP personnel will conduct an analysis to determine the percentage of in-bond shipments by type and will determine patterns that

See comment 2.

identify destination and origination ports. An estimated time for completion is the end of February 2008.

Recommendation 2.2: Assess the systemic problems causing open in-bond transactions and impeding their identification. Make adjustments to ACE (Automated Commercial Environment) and provide appropriate tools to eliminate these problems and improve the capability of CBP officers, importers and shipping agents to track and close open in-bond transactions.

We agree. CBP's Office of Field Operations has identified numerous systemic causes of in-bonds remaining in an open status, and forwarded these to CBP's Office of Information and Technology via memorandums in August 2006 and October 2006. The assessment is already completed. Full ACE deployment is expected by December 2011.

Recommendation 2.3: Revise in-bond regulations so as to reduce the time allowed for transporting cargo and to limit the carriers' ability to change the final destination for cargo without CBP knowledge.

We agree. CBP is amending 19 CFR Part 18. The first draft of the regulation changes is due March 31, 2008.

Recommendation 2.4: Develop requirements, including penalties, to ensure that bondholders close in-bond documents within required timeframes.

CPB has met the intent of the recommendation and it should be closed. These requirements already exist, as includes punishment provisions in the form of liquidated damages, as provided for in 19 CFR 18.2, 19 CFR 18.8, and elsewhere.

Recommendation 2.5: Prioritize closing in-bond records for shipments with high potential risks of security, law enforcement, and revenue loss, using updated information from the in-bond form.

We disagree with the recommendation. CBP already employs risk based targeting for all shipments, including those destined for in-bond, and will continue to refine this targeting with regulation changes and system improvements, to ensure that all in-bond are properly closed.

Third, in order to make the in-bond compliance measurement program a more effective tool for monitoring compliance with in-bond regulations, GAO recommends that CBP officials ensure that the current compliance measurement program (TINMAN) or any updated commercial compliance tool is consistently conducted/used by the ports so as to inform CBP national and port management of needed corrective actions.

We agree. CBP will issue updated guidance to the field emphasizing the importance of conducting these audits timely and accurately reporting their findings.

See comment 3.

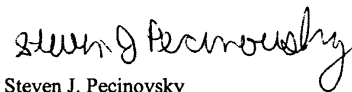
See comment 4.

**Appendix II: Comments from the Department
of Homeland Security**

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Technical comments will be provided under separate cover.

Sincerely,



Steven J. Pecinovsky
Director
Departmental GAO/OIG Liaison Office

MMcP

The following are GAO's comments on the Department of Homeland Security letter dated April 2, 2007.

GAO Comments

1. We remain concerned that in-bond cargo routinely transits the United States without detailed descriptive information and may pose trade, revenue and security risks. However, in recognition of the legal concerns raised by DHS, we revised our recommendation to obtain additional information on in-bond cargo without requiring the 10 digit HTS number. In addition, we recommended that CBP—after 6 months of the implementation of new data requirements—report to Congress whether the enhance data obtained are adequate to address security and trade concerns or whether their current authority needs to be adjusted.
2. We revised this recommendation to focus on using the additional information in CBPs' Cargo Selectivity process. Since the Stratified Compliance Examination represents a randomly generated trade compliance exam at cargo entry, CBP can develop similar information for in-bond cargo when it implements our recommendation to improve it's Tinman compliance measurement program. The revised recommendation indicates that CBP should use information from the amended in-bond form as input to the Cargo Selectivity process at the arrival port instead of limiting this process to cargo that has made entry for consumption.
3. We modified the wording of this recommendation to state that CBP should develop a more systematic enforcement strategy in order to increase bondholder compliance in closing out open in-bond transactions. Although CBP has authority to issue penalties to bondholders for failure to close in-bond transactions, we noted a high number of open in-bond transactions at many CBP ports. CBP should consider strengthening its regulations to clearly communicate to bondholders their responsibility to close open in-bond transactions and increase enforcement of requirements to reduce the number of open in-bond transactions.
4. We did not observe CBP efforts to prioritize closing open in-bond transactions based on the potential risk. Open in-bond records appear on CBP reports without any designation of the importance of individual records. With limited resources available, CBP should place a high priority on monitoring and closing open in-bonds transactions that pose the most significant risks.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Loren Yager, (202) 512-4128, or yagerl@gao.gov

Staff Acknowledgments

In addition to the individual named above, Virginia Hughes, Assistant Director; Francisco Enriquez; Timothy Fairbanks; and Jessica Kaczmarek; made significant contributions to this report. Ernie Jackson, Karen Deans, Etana Finkler, and Stan Kostyla also provided assistance.

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