
September 1998

INS USER FEE REVISIONS

INS Complied With Guidance but Could Make Improvements



General Government Division

B-280630

September 28, 1998

The Honorable Dianne Feinstein
United States Senate

Dear Senator Feinstein:

The Immigration and Naturalization Service (INS) is authorized to charge user fees to recipients of certain INS services (e.g., processing an alien's application for naturalization). The fees that INS charges for its services are to recover the costs it incurs. On the basis of a 1997 study,¹ INS proposed increasing the fees it charges users for many of its services. Subsequently, INS issued a proposed rule soliciting comment on its fee revisions and, in August 1998, issued a final rule² raising the fees; some of these fees will more than double. In fiscal year 1997, INS collected and deposited about \$624 million in application fees into the Immigration Examinations Fee Account (IEFA). (App. I contains INS' current and new application fee schedule.)

This report responds to your request that we review INS' fee increase proposal. Specifically, we agreed with your office to examine (1) the extent to which INS' methodology for computing the proposed application fees complied with federal user fee requirements and used generally accepted statistical sampling procedures and (2) whether INS recognized implemented and proposed changes to the naturalization process in its application fees.

Results in Brief

On the basis of its user fee study, INS revised the fees it charges for 30 types of immigration and naturalization applications. We believe, on the basis of our discussions with Office of Management and Budget (OMB) staff and our review of INS' efforts to identify the costs associated with processing applications, that INS complied, to the extent it was able, with OMB user fee guidance. OMB guidance requires agencies to recover, whenever possible, the full cost of providing their services. However, according to its 1997 fee study report, INS was unable to determine its full cost for processing applications because (1) INS' financial management information system does not provide actual cost data, including items such as depreciation and support service costs from other INS functions, and (2) INS excluded certain cost items, such as unfunded pension liability and

¹Immigration Examinations Fee Account (IEFA) Study, Immigration and Naturalization Service, July 30, 1997.

²Federal Register, Volume 63, Number 157, August 14, 1998.

postretirement life insurance and health benefits costs, because INS said it lacked guidance on how to treat them. Had INS been able to determine these costs and include them in its fee computation, the revised fees could have been set at a higher level.

INS' initial plan for sampling the processing of applications at regional service centers and selected district offices and by selected personnel to determine how long it took to process various applications incorporated generally accepted statistical sampling procedures. However, some of the changes INS made for operational reasons to its planned statistical sample during implementation undermined scientific sampling principles and adversely affected INS' ability to project the study's results to all application processing sites. We are unable to determine the impact of these changes on the revised user fees.

INS is reengineering the way it processes naturalization applications. Changes to the naturalization process are intended to improve the integrity of the process and make it more efficient and customer oriented. A few changes have recently been implemented. For example, as of April 15, 1998, all naturalization applications are to be mailed directly to INS service centers rather than routed through INS district offices. Since these changes took place after INS' fee study, the fee revisions do not recognize these changes. INS officials said INS is planning to initiate the next IEFA user fee review early in fiscal year 1999 and, at that time, the study will recognize any naturalization process or other process changes that have taken place.

Background

The fiscal year 1989 Department of Justice Appropriation Act established the IEFA,³ which was to be used to reimburse any appropriation for expenses incurred in providing immigration adjudication and naturalization services. In 1990, Congress added a provision allowing the fees for providing adjudication and naturalization services to be set at a level that would ensure recovery of the full costs of providing such services, including the costs of similar services provided to asylum applicants but without a charge to such applicants.⁴ To recover the costs of providing services to asylum applicants, INS charges all other immigration and naturalization applicants a surcharge.

³Public Law No. 100-459, 102 Stat. 2186, 2203 (1988).

⁴Department of Justice Appropriation Act, 1991, Public Law No. 101-515, 104 Stat. 2101, 2121 (1990).

In subsequent years, according to INS officials, Congress directed that additional services that traditionally had been paid from appropriated accounts were to be paid from the IEFA. For example, in fiscal year 1996, Congress directed that the costs of the Cuban-Haitian Entrant Program from the Community Relations Service Appropriation be borne by the IEFA. INS officials said that this transfer required the IEFA to absorb \$10 million in unreimbursed services. Similarly, in fiscal year 1997, Congress required that approximately \$57 million in costs for asylum applications and INS' automated application processing system, which had been funded by the Violent Crime Reduction Trust Fund, be paid from the IEFA.

INS collects fees and processes applications at 4 regional service centers and 33 district offices. At the time of its fee study, INS processed almost all applications that required an applicant interview (e.g., naturalization) at its district offices. Generally, applications not requiring an interview are processed at its service centers. According to INS budget officials, in fiscal year 1997, INS collected and deposited about \$624 million in application fees into the IEFA. The IEFA comprises approximately 16 percent of INS' estimated total fiscal year 1998 budget of about \$3.8 billion.

OMB Circular A-25

OMB Circular A-25, "User Fees," establishes federal policy regarding fees assessed for government services and provides information on the scope and types of activities that are subject to user fees. Circular A-25 states that, as a general policy, a user charge will be assessed against each identifiable recipient for special benefits derived from federal activities beyond those received by the general public. The circular requires that the imposed charge should, whenever possible, recover the full cost to the government for providing the special benefit, or in limited circumstances, its market price. Full cost is defined in the circular as all direct and indirect costs to any part of the federal government. Moreover, the circular states that ". . . full cost shall be determined or estimated from the best available records of the agency, and new cost accounting systems need not be established solely for this purpose." Agencies imposing user fees are responsible for reviewing the charges every 2 years in part to ensure that existing charges are adjusted to reflect unanticipated changes to costs.

Activity-Based Costing

The Federal Accounting Standards Advisory Board, which was established by the Department of the Treasury, OMB, and the Comptroller General, recommends accounting standards for the federal government, including standards on how to determine the costs of government services. Once the

Director of OMB, the Secretary of the Treasury, and the Comptroller General approve Federal Accounting Standards Advisory Board recommendations, they are issued by the General Accounting Office and by OMB as Statements of Federal Financial Accounting Standards (SFFAS).

SFFAS No. 4,⁵ which was issued in final in July 1995, sets forth managerial cost accounting concepts and standards to be followed in the federal government. In addressing the selection of a costing methodology, SFFAS No. 4 notes that its standard does not require the use of a particular type of costing system or costing methodology. Instead, SFFAS No. 4 notes that agency and program managements are in the best position to select the type of costing system that would meet their needs. However, the standard requires that whatever system is adopted should be appropriate to the agency's operating environment and should be used consistently.

SFFAS No. 4 also notes that several costing methodologies have been successful in the private sector and in some government entities. Among those discussed was activity-based costing (ABC)—the costing methodology selected by INS for its fee study. According to SFFAS No. 4, ABC focuses on the activities of a production cycle, on the basis of the premises that an output⁶ requires activities to produce, and activities consume resources. ABC's major processes are to (1) identify the activities performed to produce outputs, (2) assign or map resources required to carry out the activities, (3) identify the outputs for which the activities are performed, and (4) assign activity costs to the outputs.

INS Study of the IEFA Fee Schedule

In 1995, INS established a team to develop and conduct a study to determine what, if any, changes were needed to the IEFA fee schedule. INS had previously revised its user fees in 1994. Starting in the spring of 1996, the fee study team was comprised of INS personnel and contracted technical staff from McNeil Technologies, Inc., and Coopers & Lybrand L.L.P.⁷ INS identified which fees should be revised by studying all types of applications with an annual adjudicated volume of 10,000 or more (26

⁵SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government," sets forth managerial cost accounting standards aimed at providing reliable and timely information on the full cost of federal programs, their activities, and their outputs. Although issued in final in July 1995, SFFAS No. 4 became effective in fiscal year 1998.

⁶Outputs for INS are (1) the notification to the applicants of INS' decision to approve or disapprove their immigration and naturalization applications and (2) in the case of the Application for Naturalization, the naturalization ceremony.

⁷In July 1998, Coopers & Lybrand L.L.P. merged with Price Waterhouse to become PricewaterhouseCoopers L.L.P. We use the company's former name for the purposes of this report.

large-volume applications).⁸ INS chose large-volume applications so it could perform random sampling to statistically project the study's results to the universe of similar applications. INS applied the ABC methodology to determine its costs to provide immigration adjudication and naturalization services.

On the basis of the fee study, INS concluded that the 26 large-volume application fees needed to be increased to reflect the full processing costs. INS also proposed increases for the types of applications with annual adjudicated volumes below 10,000 (4 small-volume applications).⁹ For these four application types, INS determined that the processing activities were similar to certain large-volume applications and, on the basis of these similarities, established the new fees.¹⁰

Using the ABC methodology, INS developed processing models for the large-volume applications to be studied. On the basis of interviews and observations at INS service centers and district offices, the study team identified the activities that made up the application process and diagrammed the flow of applications from receipt through their adjudication process. For example, the study identified six common activities (e.g., receive application/petition, manage records, and respond to inquiry) and two unique activities (i.e., adjudicate application and issue end product). Each activity included a number of identified tasks. For example, the activity referred to as "receive application/petition" would include various tasks, such as get the mail, open the mail, and affix the date stamp. Using the flow diagrams and a statistical sampling plan that it had developed, the study team selected various sites, observed selected employees, and timed how long it took them to accomplish various tasks in the application processing cycle.

How the Proposed IEFA Fees Were Calculated

To arrive at the proposed IEFA fee amounts, INS first calculated the total time needed to process a single application—its cycle time—by adding the resultant cycle times for each of the activities that comprised the processing of that application. INS then multiplied the total cycle time of the single application by the estimated number of applications that were

⁸Application volumes were derived from fiscal year 1995 data on reported completions. According to INS' fee study, applications with annual volumes that were larger than 10,000 represented 99.5 percent of all applications processed. Because some of the applications' processing activities were similar, INS aggregated their volumes to achieve volumes of 10,000 or more. For purposes of this report, we refer to these applications as 26 large-volume applications. See appendix I for a list of these applications.

⁹See appendix I for a list of the four small-volume applications.

¹⁰INS is completing a study to set the fees for four additional small-volume applications.

expected to be received. Using this calculation, INS derived the total estimated cycle time to be spent processing a single application type. By adding the total cycle times for each of the 26 large-volume application types, INS determined the total time spent by staff processing all applications.

Using the above information, INS then calculated the percentage of total time needed to process each application type to the total processing time for all application types. INS then applied the resultant percentages for each application type against the IEFA budget, which had been adjusted to include certain unfunded items. The application of the percentages to the budget determined the total cost for processing an application by type. By dividing the result by the estimated number of applications to be received, INS determined a unit cost for each application by type. To this amount, INS added a pro rata cost for processing waivers and asylee applications (i.e., applications for which fees are not charged) to develop a fee for each application type.¹¹

According to Circular A-25, the fees charged are to be reviewed every 2 years and adjusted as costs change or as more precise cost determination processes become available. In August 1998, on the basis of the 1997 fee study, INS published its new fees in the Federal Register. Except for the Application for Naturalization fee, the implementation of which is being delayed until January 15, 1999, the application fees are scheduled to become effective on October 13, 1998. The implementation of the Application for Naturalization fee is being delayed to permit the full implementation of INS' plan to address naturalization processing, which the INS Commissioner pledged to improve before implementing a revised fee.

Objectives, Scope, and Methodology

To achieve our first objective—examine the extent to which INS' methodology for computing the proposed fees complied with federal user fee requirements and used generally accepted statistical sampling procedures—we examined whether INS (1) followed legislative requirements and federal guidance in setting application fees and (2) used generally accepted social science techniques for statistical sampling in its fee study. We reviewed applicable legislation governing federal user fees and OMB cost accounting requirements. To help assess INS' compliance with Circular A-25, we talked to OMB staff responsible for user fee guidance who provided their perspective on INS' adherence to the circular. We examined the costing methodology that INS used to determine the user fee

¹¹The fees for each application type were rounded to the nearest \$5.

amounts and how that methodology was applied. We also examined INS' sampling plan and how it was implemented to select application processing sites and personnel for observation. We compared the sampling plan to sound social science procedures. Such procedures included (1) the identification of a known universe of application processing sites and the use of unbiased sampling procedures to randomly select sites from this universe, (2) full disclosure of study procedures and limitations, and (3) procedures to ensure the statistical validity of the data used and appropriate generalization on the basis of the data gathered and analyzed.

Moreover, we interviewed key officials from the INS Office of Budget, Fee Policy and Rate Setting Branch. This branch was responsible for the 1997 IEFA fee study and the proposed revisions to the user fees. In addition, we interviewed key contractor participants on the fee study team from Coopers & Lybrand L.L.P. We also interviewed a consultant from Steeples and Associates who provided statistical analysis. These INS and contractor officials discussed the procedures and the accounting and statistical methodology used to conduct the INS 1997 study and the subsequent statistical analysis of the study's results. The officials provided us with information and documentation on (1) how INS determined which immigration applications to examine for a rate review, (2) the selection and application of the accounting methodology that was used to determine the revised fees, (3) the sampling procedures that were used to select the locations for the study and the personnel to observe processing applications, and (4) the methodology and procedures used to aggregate and formulate the final proposed fee schedule.

In addition, we analyzed the IEFA fee study report. This report lays out the basis for the increases to the revised IEFA fees and describes the accounting and statistical methodology used by INS to determine the fee schedule adjustments. We also analyzed the key policy guidance followed by INS to determine these new fees. The guidance analyzed included (1) Circular A-25, Revised, which provides information on the types of activities that are subject to user fees and the basis for setting these fees; (2) SFFAS No. 4, which sets forth managerial cost accounting concepts and standards for the federal government; (3) Department of Justice guidance on user fee programs; and (4) INS guidance on user fee programs.

Regarding our second objective—determine whether INS will reassess service costs for changes it plans to make to the citizenship process—we interviewed officials from INS' Office of Naturalization Operations and

Coopers & Lybrand L.L.P. The officials provided us with information on the basis for redesigning the naturalization process, the status of their reengineering efforts, and the projected benefits to be accrued from this effort. We then contacted key Fee Policy and Rate Setting Branch members to determine whether they planned to incorporate the costs of the newly developed naturalization processing revisions into the Immigration Examinations Fee Schedule and what the projected impact revisions would have on these fees. We also obtained and reviewed key studies dealing with this topic, including A Blueprint for the New Naturalization Process (Summary Report) issued by INS in conjunction with Coopers & Lybrand L.L.P. on September 30, 1997.

To provide information addressing these issues before the user fee revisions are implemented, we did not determine the validity of (1) the data INS collected and used to compute the new fees and (2) the databases INS used for budget and application processing projections.

We did our work from June 1998 through August 1998 in Washington, D.C., in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Attorney General or her designees. Responsible INS officials provided oral comments at a meeting on September 9, 1998. These comments are discussed near the end of this report.

To the Extent It Was Able, INS Followed Federal User Fee Guidance

On the basis of its study, INS is revising the fees for 30 types of applications for immigration and naturalization services. On the basis of our discussions with OMB staff and our review of INS' efforts to identify the costs associated with processing applications, we believe that INS complied, to the extent it was able, with OMB user fee guidance. In the determination of appropriate user fees, Circular A-25 requires that the user fees imposed should recover, whenever possible, the full cost to the government for providing an identifiable recipient with special benefits beyond those received by the public.

To identify its full cost of providing naturalization services, INS used the ABC methodology. SFFAS No. 4 recognizes ABC as one of a number of appropriate costing methodologies used in cost accounting and cost studies. However, according to its 1997 fee study report, INS was unable to determine the full costs it incurs for processing applications because (1) INS' financial management information system cannot provide actual cost data, including such items as depreciation and support service costs

from other INS functions, and (2) INS excluded certain costs items, such as unfunded pension liability and postretirement life insurance and health benefits costs,¹² because explicit guidance on how to treat them had not been promulgated.

According to INS officials, its financial management information system does not provide actual cost data. According to them, the best data source INS had available for its analysis was the President's Fiscal Year 1998 Budget¹³ for the IEFA. To recognize certain costs that were not covered in the estimated IEFA portion of the budget, INS adjusted that amount by adding to it estimates of certain unfunded costs, including unused annual leave carryover, contingent liabilities, and bad debt expenses. However, INS was not able to calculate other cost items typically included in determining full costs. These cost items included unfunded pension liability and postretirement life insurance and health benefits costs; depreciation expenses; support service costs from other INS functions (e.g., supply costs, utilities, insurance, travel, and rents); and some inter-entity costs, which did not include reimbursable agreements (e.g., services provided to INS by other government agencies, i.e., the Department of State).

INS' fee study recognizes that these costs were not included and attributes their omission to such factors as the lack of an adequate financial management information system, time and cost constraints to develop certain information,¹⁴ or the lack of Office of Personnel Management and OMB guidance on how certain costs are to be incorporated into the fees. Had INS been able to calculate these amounts and include them in its fee calculations, the unfunded pension liability and postretirement life insurance and health benefits costs, depreciation expenses, support service costs, and inter-entity costs could have increased the fees. INS officials indicated that future user fee studies would address these items but that INS was awaiting guidance from the Office of Personnel Management.

¹²These costs, like for other government agencies, are funded, in part, by appropriations to the Office of Personnel Management.

¹³It should be noted that the amount used was an estimate of anticipated collections for fiscal year 1998, rather than the most recent data collection data. Budgets that were based on estimated collections have not always proved reliable in the past.

¹⁴INS officials said that although certain items, such as support service costs from other INS functions, could be determined, because of their small impact on the total fees and the time it would have taken to determine them, INS did not believe it would be cost efficient to try and develop this information.

An OMB staff person who was responsible for reviewing INS' study said that INS complied, to the extent it was able, with user fee setting guidance. Furthermore, he said that OMB's goal is for agencies to achieve complete compliance with the full cost requirement. He also noted that Circular A-25 does not require agencies to include in their fee calculations costs that their financial information management systems do not capture.

Subsequent to INS' fee study, OMB issued a memorandum¹⁵ to federal agencies' chief financial officers and inspectors general addressing the need to determine inter-entity costs for purposes related to SFFAS No. 4 and provided interim guidance on incorporating inter-entity costs into their financial statements. According to the memorandum, OMB believes that significant progress toward the full cost accounting standard can be made by recognizing several major categories of costs that are paid by one agency but reported by another agency. Among those costs that OMB is asking agencies to recognize are costs funded by the Office of Personnel Management, such as employees' pension, health and life insurance, and other benefits for retired employees. For information needed to calculate these items, OMB directs agencies, where applicable, to consult with the Office of Personnel Management. Moreover, OMB asks agencies not to recognize any other inter-entity costs until OMB can provide further guidance. While OMB staff stated that the purpose of the memorandum was to provide guidance for developing full cost information for financial statement reporting purposes, we believe this cost information could be used by INS in developing full cost data that would be helpful in calculating appropriate user fees in accordance with Circular A-25.

INS Made Adjustments to Its Sampling Plan That Undermined Scientific Sampling Principles

To collect data on the amount of time it took INS to process applications (application cycle time), INS' study team developed a statistical sampling plan that was based on scientific probability sampling. The cycle times provided the means of assigning activity costs to each application using the ABC methodology. Applications to be timed were to have had a "known chance"¹⁶ of being selected into the sample. First, sites were to be randomly chosen. Second, employees in each site who processed applications were to be randomly selected and timed while completing certain activities. INS intended for the study results to be generalized to all INS application processing sites nationwide. However, several judgmental

¹⁵"Technical Guidance for the Implementation of Managerial Cost Accounting Standards for the Federal Government," Office of Management and Budget, April 6, 1998.

¹⁶A "known chance" means that each application was eligible to be included in the sample, and, theoretically, this chance could be computed.

changes made to (1) INS' initial sample of randomly selected sites and (2) the procedures used to select employees to be observed during the study's implementation adversely affected INS' ability to project the study's results to all processing sites.

Stratification and Site Selection

The methodology INS used to select application processing sites included both random selections and nonrandom judgmental selections. While INS provided operational reasons for including the judgmental selections, their inclusion undermined the scientific basis for making statistical inferences about all INS processing sites. Thus, INS' projection of its study results to INS offices as a whole and its claim that these results are representative is not appropriate.

To select the sample of sites, INS grouped sites into strata that were based on the annual number of applications the sites processed. INS divided district offices into small, medium, and large office strata and then randomly selected seven sites from the three strata. INS selected Miami, FL, and Los Angeles, CA, to represent large offices; Honolulu, HI, Phoenix, AZ, and San Antonio, TX, to represent medium offices; and Kansas City, MO, and Omaha, NE, to represent small offices. INS grouped service centers into a separate stratum and judgmentally selected the Nebraska Service Center.

After the initial random selection of district office sites, INS made several adjustments to the sample. INS judged that offices in the Eastern Region were underrepresented. To compensate for this situation, INS randomly selected the Boston District Office from a pool of district offices in the northeast and added it to the large district office selections. In addition, it removed the Honolulu District Office from the sample, because of the high costs of travel to Hawaii, and randomly selected the Philadelphia District Office from the remaining offices in the medium district office stratum to replace Honolulu. Moreover, INS added the Baltimore District Office to the sample because the district office was piloting an automated application processing system that it plans to roll out over time to other offices. INS wanted to determine how this system would affect the processing of applications.

During the study, INS for various reasons made additional sampling adjustments, some of which affected the randomness of the sample. For example, (1) sample sizes of timings at specific sites were increased to better ensure that the total number of timings needed could be obtained;

(2) a visit to the Toronto, Ontario (Canada) preinspection site (judgmental selection) was added to observe the processing of an application that was not processed at any other INS site; and (3) the Buffalo (NY) District Office was judgmentally added to gather timings of applications for which too few had been obtained at other sites. Although the above changes may appear to be reasonable, some adversely affected the projectability of the study's results to all sites.

Selection of Employees for Observation

The methodology to select employees within service centers and district offices also used both random and nonrandom samplings. The plan to sample employees for observation and applications for timing was based on selecting employees randomly by using a random numbers table and establishing a specific quota of timings needed at each selected office. However, judgmental changes that INS made during study implementation about how employees would be selected for observation were not appropriate for making statistical inferences about the time employees take to process applications. Therefore, the nationwide projections about the processing of the types of applications studied could be affected by these nonrandom selection procedures.

In general, INS decided to observe the minimum number of employees necessary to obtain the specified quota of timings for each site; therefore, when the quota was obtained, data collection stopped, regardless of the number of timings obtained from different employees. Additionally, to obtain the quotas in the shortest time possible, team members were instructed to observe, whenever possible, other employees who processed the same type of applications and who sat in proximity to the selected employee and to time their activities as well. Therefore, employees who worked next to each other could have had higher probabilities of having timings recorded than employees who worked alone.

No Empirical Basis for Knowing the Validity of the Study's Estimates

For several reasons, INS is unable to determine the precision of the study's estimated times for processing the various applications. Using a nonprobability sample has two important implications.

- First, it is not clear to what universe of INS application processing sites INS' observations can be generalized. For example, Hawaii was excluded from the initially drawn sample due to travel costs. It is not clear whether INS would have excluded other offices, such as Anchorage, AK, or San Juan, PR, due to high travel costs had they been selected. To have precluded this

problem, INS should have specified before its initial selections which offices were eligible for data collection and which were not. INS then should have specified that its projections only referred to eligible offices.

- Second, even if INS had defined a universe of sites, its timings of employee activities cannot be adjusted to adequately represent all employees who process applications, because of the judgmental changes made in the way employees were selected for observation.

Additionally, the data collection database did not provide sufficient information about the observations or the sample design to enable calculation of sampling errors or to evaluate the accuracy of the fees. For example, observations cannot be distinguished by individual employees in the database, nor can the times for specific work tasks be separated. In part, according to INS, this was due to the nature of its work and the way some activities are performed at various offices, such as sorting mail and batching applications of the same type.

We are not able to evaluate the precision¹⁷ of the estimates of the amount of time needed to complete the application forms, nor the fees upon which these are based. Had INS repeated the surveys under essentially the same conditions, we do not know whether the resultant fees would have been similar or different from the ones derived from this study.

¹⁷The study provided estimates of precision for the timings of each of the activities observed, but the study did not provide precise estimates for individual forms—the levels at which fees are set. Because the estimation formula used considered only the number of forms for which timings were observed and not that these estimates came from a much smaller number of employees whose average task completion times may differ, the precision of the activity estimates is likely to be overstated.

INS Is to Assess the Costs for the New Naturalization Service Process as Part of Routine Fee Review

To increase its productivity while ensuring the fairness and integrity of the naturalization process, INS has begun implementing changes to the process.¹⁸ INS determined the need for a reengineered naturalization process because of (1) integrity problems relating to the fingerprinting of alien applicants,¹⁹ (2) continued customer service problems, and (3) a projected increase of new applications in 1998. To address these issues, in March 1997, Justice awarded a 2-year contract to Coopers & Lybrand L.L.P. to develop a plan to reengineer the naturalization process and, according to a Coopers & Lybrand L.L.P. official, to assist with the new process' implementation and evaluate the new process once it has been implemented. On September 30, 1997, INS and Coopers & Lybrand L.L.P. issued the summary report outlining the concept for a new naturalization process.

Partly on the basis of the Coopers & Lybrand L.L.P. study, INS is now in the process of implementing a number of improvements to the immigration naturalization process. According to INS officials, the majority of the improvements that are being implemented are to be paid from the IEFA. The officials said that both the costs and resulting efficiencies derived from the new processes will be reflected in future revisions to the user fees generated by the next and succeeding biennial IEFA user fee studies.

Progress and Plans for Implementing the Reengineered Naturalization Process

According to INS, its specific goals for the new naturalization process are to establish a framework that will allow INS to (1) make the correct eligibility decisions regarding who is qualified to become a naturalized citizen, (2) make decisions in reasonable time frames, (3) conduct the naturalization process consistently, (4) design a cost-effective naturalization process, and (5) improve customer satisfaction. To achieve these goals, INS has completed some changes and is in the process of

¹⁸Aliens who apply to INS to become naturalized citizens generally have to meet certain requirements, such as residing in the United States for at least 5 years as legal permanent residents, demonstrating a knowledge of the English language and American civics, and being of good moral character. To demonstrate adequate knowledge of English and civics, aliens are tested by INS. To determine whether aliens applying for citizenship have been convicted of a crime that would preclude them from being naturalized, INS submits the aliens' fingerprints to the Federal Bureau of Investigation to determine if the aliens have criminal history records on file. Depending on the type of offense and punishment imposed and the timing of their arrest and/or convictions, aliens with criminal history records may be denied citizenship.

¹⁹To ensure that INS received the correct criminal history record for that alien, Congress prohibited INS from accepting fingerprint cards for benefit applications unless the fingerprints are taken by INS, designated law enforcement agencies, or military installations. In the past, aliens were permitted to submit a set of fingerprints on a fingerprint card with their applications without INS' being able to verify whose fingerprints were submitted.

implementing several others to the naturalization process. Some of the important changes include the following:

- Through many sources, such as INS' forms centers, community-based organizations, and the Internet, INS plans to distribute naturalization packets containing information that explains naturalization eligibility requirements and how the process works. INS believes this information will help reduce application processing times and the current backlog of applications by (1) improving qualified aliens' compliance with INS documentation requirements and (2) reducing unqualified aliens' submissions of naturalization applications.
- As of April 15, 1998, INS completed its implementation of a nationwide direct-mail system that routes all naturalization applications directly to INS service centers, rather than through INS' district offices. INS expects this system to expedite processing times because (1) the service centers are centralized and better equipped to handle upfront receipt and processing of applications than district offices and (2) district offices will be able to focus their efforts on alien interviews and case completion responsibilities.
- Because of integrity concerns about fingerprints that aliens submitted to INS with their applications, Congress mandated that INS be responsible for taking naturalization applicants' fingerprints.²⁰ According to INS, it is now overseeing alien fingerprinting, which is now done by a contractor located in INS facilities.

Impact of the New Naturalization Process on the Immigration Examinations Fee Schedule

The new naturalization process is being substantially paid from the IEFA, which, in turn, is funded through the collection of user fees. According to INS officials, costs resulting from the reengineered naturalization process will be reflected in INS' budget. Moreover, changes in application processing at the service centers and district offices are to be captured in the ABC methodology when INS makes its biennial fee evaluation. INS officials stated that they plan to initiate a new study of its user fees in early fiscal year 1999.

INS officials told us that because the revised fees were calculated before any reengineering changes were made, those changes are not reflected in the fees. Furthermore, INS officials told us that they do not know whether full implementation of the reengineered naturalization process will increase or decrease the component fees in the immigration examination

²⁰Designated state and local law enforcement agencies, and the Departments of State and Defense with respect to applicants residing abroad, may also take fingerprints to be submitted with INS applications.

fee schedule. For example, the cost of processing applications could increase due to the cost of purchasing new computers and telecommunications equipment, but this cost may be offset by a reduction in personnel costs or, if application processing times improve, once the present application backlog is reduced. INS officials believe that some of its changes will help to reduce the existing application backlog while other changes will systemically improve the naturalization process in the long term.

Conclusions

On the basis of our discussions with OMB staff and our review of INS' efforts to identify the costs associated with processing applications, we believe that INS complied, to the extent it was able, with available OMB user fee guidance that requires agencies to recover the full costs of providing services. However, according to its 1997 fee study, INS was unable to determine its full costs for processing applications because (1) INS' financial management information system does not provide actual cost data, including such items as depreciation and support service costs from other INS functions, and (2) INS excluded certain cost items, such as unfunded pension liability and postretirement life insurance and health benefits costs, because it lacked guidance on how to treat them. Circular A-25 does not require agencies to include in their fee calculations costs that their financial information management systems do not capture. Had INS been able to determine these costs and included them in its fee computation, the revised fees could have been set at a higher level.

INS' initial plan for sampling the processing of applications at regional service centers and selected district offices and by selected processing personnel to determine how long it took to process various applications incorporated generally accepted statistical sampling procedures. However, some of the changes INS made for operational reasons to its planned statistical sample during implementation undermined scientific sampling principles and adversely affected INS' ability to project the study's results to all application processing sites. We are unable, however, to determine the impact of these changes on the revised user fees.

INS is reengineering the way it processes naturalization applications. Changes to the naturalization process are intended to improve the integrity of the process and make it more efficient and customer oriented. Some changes have already taken place while others are slated to take place in the future. Since these changes took place after INS' fee study, the fee revisions do not recognize these changes, and INS does not know what

affect these changes will have on the user fee schedule. INS officials said INS is planning to initiate the next IEFA user fee review early in fiscal year 1999. The costing methodology that INS plans to use in this study—ABC—should capture whatever reengineering or other process changes that have taken place at the time of the study.

Recommendation

To improve confidence in the sampling methodologies used to determine future immigration and naturalization fees, we recommend that the Commissioner of INS ensure that future samples are consistent with generally accepted social science techniques and that the statistical integrity of the sampling plans are maintained throughout the study.

Agency Comments

To obtain comments on a draft of this report, we met on September 9, 1998, with officials representing INS from the Offices of Budget, Naturalization Operations, General Counsel, Congressional Affairs, Adjudications, Internal Audit, and Public Affairs. Overall, the officials agreed that the draft report was accurate and fair. They also provided technical comments, which have been incorporated in this report where appropriate.

As arranged with your office, we plan no further distribution of this report until 30 days after the date of its publication, unless you release the report or its contents before that time. After 30 days, we will send copies of this report to the Chairmen and Ranking Minority Members of congressional committees with jurisdiction over INS, the Attorney General, the Commissioner of the Immigration and Naturalization Service, and other interested parties.

Please contact me at (202) 512-8777 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix II.

Sincerely yours,

A handwritten signature in black ink that reads "Norman Rabkin". The signature is written in a cursive, flowing style.

Norman J. Rabkin
Director, Administration of
Justice Issues

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Abbreviations

| | |
|-------|--|
| ABC | Activity-Based Costing |
| INS | Immigration and Naturalization Service |
| IEFA | Immigration Examinations Fee Account |
| OMB | Office of Management and Budget |
| SFFAS | Statements of Federal Financial Accounting Standards |

INS' Current and Revised Application Fees Schedule

The following tables show the immigration and naturalization application fees that are currently being charged, the revised fees, and fiscal year 1995 annual volume for the various applications.

Table I.1: Twenty-Six Large-Volume Applications With Fee Revisions

| Application number | Description | Current fees | Revised fees | Number of applications processed in fiscal year 1995 |
|---------------------|--|--------------------|--------------|--|
| I-90 | Application to Replace Alien Resistration Card | \$75 | \$110 | 543,165 |
| I-102 | Application to Replace Nonimmigrant Document | 65 | 85 | 11,672 |
| I-29 ^a | Petition for Nonimmigrant Worker | 75 | 110 | 272,817 |
| I-129H ^a | Petition to Classify Nonimmigrant as Temporary Worker/Trainee | 80 | 110 | |
| I-129L ^a | Petition to Employ Intracompany | 80 | 110 | |
| I-129F | Petition for Alien Fiance(e) | 75 | 97 | 258,399 |
| I-130 | Petition to Classify Status of Alien Relative for Immigration Visa | 80 | 110 | 369,611 |
| I-131 | Application for Travel Document | 70 | 97 | 282,709 |
| I-140 | Immigrant Petition for Foreign Worker | 75 | 115 | 55,115 |
| I-485 | Application to Register Permanent | 130 | 220 | 357,567 |
| I-539 | Application to Extend Status - Change Nonimmigrant Status | 75 | 120 | 212,485 |
| I-600 ^a | Petition to Classify Orphan as Immediate Relative | 155 | 405 | 15,858 |
| I-600A ^a | Application for Advance Processing of Orphan Petition | 155 | 405 | |
| I-724 ^b | Waiver forms (6) | 90-95 ^b | 170 | 30,809 |
| I-751 | Application to Remove on Residence | 80 | 125 | 107,211 |
| I-765 | Application for Employment Authorization | 70 | 100 | 847,040 |
| I-817 | Application for Voluntary Departure Under Family Unity Program | 80 | 120 | 26,806 |
| I-824 | Filing for Action on Approved Application or Petition | 30 | 120 | 30,744 |
| N-400 | Application for Naturalization | 120 | 225 | 504,821 |
| N-565 | Application to Replace Naturalization Citizenship Certificate | 65 | 135 | 13,405 |
| N-600 | Application for Certificate of Citizenship | 100 | 160 | 20,523 |

(Table notes on next page)

**Appendix I
INS' Current and Revised Application Fees
Schedule**

^aFor these forms, INS did not have volume data by application. The volume data provided represent the total volume for all forms in each group. To achieve a total volume larger than 10,000, INS combined the volumes of Forms I-600 and I-600A because the processing of these forms was determined through discussions with field office personnel to be similar.

^bINS uses Form I-724 as a generic term for six IEFA waiver forms. The six waiver forms, including their current fees (established in 1994), are I-191 (\$90), Application for Advance Permission to Return to Unrelinquished Domicile; I-192 (\$90), Application for Advance Permission to Enter as a Nonimmigrant; I-193 (\$95), Application for Waiver of Passport and/or Visa; I-212 (\$95), Application to Reapply for Admission into the U.S. After Deportation; I-601 (\$95), Application for Waiver on Grounds of Excludability; I-612 (\$95), Application for Waiver of the Foreign Residence Requirement. While the annual volumes for some of these forms had to have been less than 10,000, INS' study treated them as 1 form for fee determination purposes because the process to adjudicate them was similar.

Source: INS.

Table I.2: Four Small-Volume Applications With Fee Revisions

| Application number | Description | Current fees | Revised fees | Number of applications processed in fiscal year 1995 |
|---------------------------|---|---------------------|---------------------|---|
| I-17 | Application for School Approval | \$140 | \$200 | 1,401 |
| I-526 | Immigrant Petition by Alien Entrepreneur | 155 | 350 | 409 |
| I-829 | Application for Filling Petition by Entrepreneur to Remove Conditions | 90 | 345 | 121 |
| N-643 | Application for Certificate of Citizenship on Behalf of Adopted Child | 80 | 125 | 6,549 |

Source: INS.

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