



Department of Homeland Security Office of Inspector General

U.S. Customs and Border Protection's Oversight of the Permit to Transfer Process for Cargo Containers



Background

Section 809(g) of the *Coast Guard and Maritime Transportation Act of 2004* (Public Law 108-293) requires the Office of Inspector General to submit an annual report on its evaluation of the U.S. Department of Homeland Security's (DHS) current targeting system for international intermodal cargo containers. This is our sixth audit on selected aspects of DHS' targeting system. This year, we are focusing our efforts on determining whether CBP's permit to transfer (PTT) process has effective controls in place to ensure that the U.S. Customs and Border Protection (CBP) secures and inspects all identified high-risk containers.

CBP is responsible for targeting and conducting cargo examinations on cargo destined to enter United States commerce. In 2009, approximately 9 million containers arrived in the United States. To manage the potential security threats presented by this large volume of maritime cargo, CBP employs a multi-layered approach, including analyzing and reviewing shipment information and targeting and inspecting high-risk cargo. CBP requires carriers to provide shipment information about the contents of their cargo containers to determine the level of risk associated with the cargo. CBP uses the Automated Targeting System (ATS) to review this information, which includes the country of origin, type of merchandise, and destination, to determine if the shipment poses a high risk to the United States and should be examined prior to release. CBP allows importers up to 15 days after the arrival of their shipment to provide additional shipping information.

Cargo terminals have limited storage space and constantly receive new shipments. Therefore, title 19 Code of Federal Regulations (CFR) § 19.45 allows carriers to move cargo from the place of arrival using PTT once the application has been approved by the port director. The CFR does not provide specific policy and procedures on how ports should implement the PTT process. As a result, each port director has established local policies and procedures based on port logistics and needs. In 2009, approximately 176,000 containers were moved using the PTT process. Recent terrorist events such as the recent incidents concerning air cargo highlight the need for continued strengthening of controls to protect the integrity of the nation's cargo security efforts. As cargo containers move through the supply chain, including the PTT process, each point of transfer increases the risk of vulnerabilities. The security of each transfer and the trustworthiness of each party involved within the PTT process are critical to the overall security of the supply chain.

Results of Review

CBP does not have a centralized PTT process. Each of the six ports we visited processed PTTs differently using varying methods to mitigate risks including special queries in ATS and the Automated Manifest System, as well as advanced targeting units who target cargo needing an examination. Our audit tests did not identify significant deficiencies in the PTT processes at the ports we reviewed.

We reviewed a random sample of 68 high and low risk PTTs for the first and second quarter of FY 2010. Additionally to ensure high risk PTTs were properly inspected prior to release, we reviewed a sample of 295 high risk PTTs and a targeted sample of 60 other high risk cargo containers processed in July 2010.

For each stage, we tested various key internal controls, such as port policies and procedures, determined whether PTT data requests and authorizations were properly processed and verified that all high-risk cargo identified in our sample received the appropriate examination. We interviewed CPB Office of Field Operations personnel at CBP headquarters in Washington, D.C., and CBP supervisors and officers at the ports we visited. We also interviewed non-CBP supervisors and employees working in various types of warehouses, including container examination stations, container and foreign trade zones, and customs bonded warehouses.

This report does not contain any recommendations.

Management Comments and OIG Analysis

We obtained written comments on a draft of the report from the U.S. Customs and Border Protection's Office of Internal Affairs Assistant Commissioner, James Tomscheck, responsible for taking corrective action. CBP generally concurs with the content of the report and offered no technical or general comments. We have included a copy of the comments in Appendix B.

Appendix A

Purpose, Scope, and Methodology

The objective of this audit was to determine whether CBP's permit to transfer (PTT) process has effective controls in place to ensure that CBP secures and inspects all identified high-risk containers. We selected a sample of ports that processed the highest volume of cargo containers and selected additional ports as a representative sample of the differing sectors in CBP. Those ports included Los Angeles and Long Beach, California, Newark, New Jersey and New York, New York, Norfolk, Virginia, Houston, Texas and Miami and Port Everglades, Florida.

We reviewed a random sample of 68 high and low risk PTTs for the first and second quarters of FY 2010. Additionally to ensure high risk PTTs were properly inspected prior to release, we reviewed a stratified sample of 295 high risk PTTs and a targeted sample of 60 other high risk cargo containers processed in July 2010. We assessed adherence with Title 19 Code of Federal Regulations (CFR) § 19.45 and CBP's port-specific policies and procedures in the key stages of the PTT process for processing high-risk shipments.

We conducted this performance audit between June and December 2010 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

We appreciate the cooperation by CBP management and staff in providing the information and access necessary to accomplish this review.

Appendix B
Managements Comments to the Draft Letter Report

1300 Pennsylvania Avenue NW
Washington, DC 20229



**U.S. Customs and
Border Protection**

December 21, 2010

MEMORANDUM FOR RICHARD L. SKINNER
INSPECTOR GENERAL
DEPARTMENT OF HOMELAND SECURITY

FROM: Assistant Commissioner
Office of Internal Affairs
U.S. Customs and Border Protection

A handwritten signature in blue ink, appearing to read "Janet Tomelase".

SUBJECT: Response to the Office of Inspector General's Draft Report
Entitled, "CBP's Oversight of the Permit to Transfer Process
for Cargo Containers"

Thank you for providing us with a copy of your draft report entitled "CBP's Oversight of the Permit to Transfer Process for Cargo Containers," and the opportunity to comment on the issues in this report.

The report contains no recommendations for U.S. Customs and Border Protection (CBP). CBP generally concurs with the content of the report and has no technical or general comments. With regard to the classification of the draft report, CBP did not identify any sensitive information that would require a "For Official Use Only" designation or warrant protection under the Freedom of Information Act.

Thank you for your assistance. If you have any questions regarding this response, please contact me or have a member of your staff contact Ms. Ashley Boone, CBP Audit Liaison, at (202) 344-2539.

Appendix C
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Appendix D
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