

**CBP Needs Improved
Oversight for Its Centers
of Excellence and
Expertise**





OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

March 31, 2022

MEMORANDUM FOR: The Honorable Chris Magnus
Commissioner
U.S. Customs and Border Protection

FROM: 
Joseph V. Cuffari, Ph.D.
Inspector General

SUBJECT: *CBP Needs Improved Oversight for Its Centers of Excellence and Expertise*

Attached for your action is our final report, *CBP Needs Improved Oversight for Its Centers of Excellence and Expertise*. We incorporated the formal comments provided by your office.

The report contains five recommendations aimed at improving Customs and Border Protection's oversight for its Centers of Excellence and Expertise. Your office concurred with all five recommendations. Based on information provided in your response to the draft report, we consider the recommendations open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Please send your response or closure request to <mailto:OIGAuditsFollowup@oig.dhs.gov>.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Bruce Miller, Deputy Inspector General for Audits, at (202) 981-6000.

Attachment



DHS OIG HIGHLIGHTS

CBP Needs Improved Oversight for Its Centers of Excellence and Expertise

March 31, 2022

Why We Did This Audit

We conducted this audit to determine to what extent the establishment of CBP's Centers of Excellence and Expertise has improved the assessment, collection, and protection of revenue. We conducted this audit pursuant to the Department of Treasury Office of Inspector General's mandated review of Section 112 of the TFTEA.

What We Recommend

We made five recommendations to strengthen CBP's procedures for assessing, collecting, and protecting revenue.

For Further Information:
Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

What We Found

U.S. Customs and Border Protection (CBP) has not established performance standards for the Centers of Excellence and Expertise (Centers) in accordance with the *Trade Facilitation and Trade Enforcement Act of 2015* (TFTEA). This absence of performance standards made it difficult to determine to what extent establishing the Centers improved the assessment, collection, and protection of trade revenue. However, we identified several areas in which CBP could improve its compliance with the TFTEA, its procedural guidance for the Centers, and the reliability of trade import and enforcement data in its information systems.

Without established performance standards, CBP cannot determine whether the Centers are achieving established goals, operating as intended, collecting and protecting trade revenue owed, or meeting their legislated mission as set forth in the TFTEA. CBP management also cannot make informed decisions about the Centers' operations and activities related to collecting trade revenues. Finally, without performance standards and adequate guidance on procedures, there is heightened risk of importers illicitly attempting to avoid paying duties and fees and circumventing trade practices, defrauding the Federal Government, and undermining lawful business.

CBP Response

CBP concurred with all five recommendations and provided corrective action plans for each. The recommendations are open and resolved.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table of Contents

Background 1

Results of Audit 4

CBP Has Not Determined Whether the Centers Are Operating as Intended
..... 5

CBP Does Not Have Effective Oversight and Internal Controls for the
Centers..... 7

CBP Lacks Clear Guidance to Sufficiently Track Penalty Cases in
SEACATS..... 11

Conclusion..... 13

Recommendations..... 14

CBP Comments and OIG Analysis 15

Appendixes

Appendix A: Objective, Scope, and Methodology 17

Appendix B: CBP Comments to the Draft Report..... 21

Appendix C: OIG Analysis of Post-Center Roles and Responsibilities 27

Appendix D: OIG Analysis of Center Employee Survey Results 28

Appendix E: OIG Analysis of Trade Revenues Collected.....29

Appendix F: Office of Audits Major Contributors to This Report 30

Appendix G: Report Distribution..... 31

Abbreviations

ACE	Automated Commercial Environment
CBP	U.S. Customs and Border Protection
CEAR	Commercial Enforcement Analysis and Response
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CREATE	Center for Risk and Economic Analysis of Terrorism Events
ECD	Estimated Completion Date
FP&F	Fines, Penalties, and Forfeitures
NTAD	National Threat Analysis Division



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

OFO	Office of Field Operations
OMB	Office of Management and Budget
SAMEPH	Seized Asset Management and Enforcement Procedures Handbook
SEACATS	Seized Assets and Case Tracking System
SIP	Self-Inspection Program
SOP	standard operating procedures
TFTEA	Trade Facilitation and Trade Enforcement Act of 2015
U.S.C.	United States Code



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Department of Homeland Security

Background

U.S. Customs and Border Protection (CBP) is the second-largest revenue collection agency in the Federal Government. CBP secures U.S. borders, facilitates lawful trade, and protects revenue. According to CBP's *Trade and Travel Reports*, it collected approximately \$172.8 billion in duties, taxes, and other fees and processed \$7.7 trillion in imported goods from fiscal years 2017 through 2019.¹ These figures represent 103.8 million entries of goods and more than 86.9 million imported cargo containers at U.S. ports of entry.

The *Trade Facilitation and Trade Enforcement Act of 2015* (TFTEA) was signed into law² to ensure a fair and competitive trade environment, the law re-designated revenue collection as a Priority Trade Issue. Revenue collection focuses on enforcing trade laws, facilitating legitimate trade, and collecting lawfully owed duties, taxes, and fees. Priority Trade Issues are areas with a high risk of significant revenue loss, harm to the U.S. economy, or threats to the health and safety of the American people. Revenue collection is considered high-risk because importers may illicitly attempt to avoid paying duties, taxes, and fees and circumvent trade practices, defrauding the Federal Government and undermining lawful business. The TFTEA required CBP to implement Centers of Excellence and Expertise (Centers) to promote uniformity at each port of entry by centralizing trade enforcement and facilitation using an account-based approach.³ Additionally, the TFTEA requires the Treasury Office of Inspector General to report biennially on the effectiveness of CBP's measures to protect revenue. Our audit supports Treasury OIG in meeting its March 31, 2022 congressional reporting mandate.

¹ FY 2017 through FY 2019 represents our review period. For FY 2020, CBP collected approximately \$78.8 billion in duties, taxes, and other fees and processed \$2.4 trillion in imported goods. At the time of our report, CBP's *FY 2021 Trade and Travel Report* was not yet available.

² Pub. L. No. 114-125.

³ Importers are assigned an Importer of Record (account) number and assigned to a Center based on their predominant goods imported. Some import multiple commodity types.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The concept of the Centers arose in response to claims that similar goods entering the country received different treatment depending on the port of entry that processed the goods. This disparity led to trade disruptions, increased transaction costs, and information lapses for both CBP and importers. In 2011, CBP established the Electronics and Pharmaceutical Centers and developed a pilot program to incrementally transition some operational trade functions from the port directors to the Centers. On January 19, 2017, CBP officially established the 10 Centers as a permanent organizational component. See Figure 1 for a timeline of the Centers' implementation.

Center Objectives

- Focus on industry-specific issues
- Facilitation
- Reduce transaction costs
- Increase compliance
- Increase uniformity of treatment

Figure 1. Timeline of Center Implementation



Source: Department of Homeland Security OIG



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The Centers fall under the authority of CBP's Office of Field Operations (OFO), which is responsible for border security, trade, and travel facilitation at U.S. ports of entry. The Centers also execute policies issued by CBP's Office of Trade. The Office of Trade facilitates legitimate trade and manages the design and implementation of strategic initiatives for trade compliance and enforcement.

The 10 Centers are managed from strategic locations around the country and are organized by industry type, as shown in Figure 2. Generally, CBP assigns importers to a specific Center based on the predominant type of goods they import. To streamline the Centers' industry-focused and account-based processing, importers primarily use CBP's Automated Commercial Environment (ACE) system for electronic transmission of entry summaries and supporting documentation.

Figure 2. Map of Center Locations



Source: CBP website

With the establishment of the Centers, Center Directors became responsible for many key trade functions that had previously belonged to port directors. According to CBP, this realignment established the Centers as “virtual ports of entry.” Center personnel now perform many nationwide post-release trade activities.⁴ They process entry summaries, collections, statements, and

⁴ Post-release trade activities are tasks Center personnel perform after goods have entered the United States and been cleared to be released.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

product exclusion orders. They also track and assign protests and petitions, process prior disclosures, perform revenue-related targeting and final liquidation of entries, and make decisions on merchandise from their assigned importers, regardless of where that merchandise enters the United States. Center Directors and designated Center Trade Enforcement Coordinators also play a key role in decision making by participating in the Commercial Enforcement Analysis and Response (CEAR) process to initiate, monitor, and process penalty cases from importer violations. Appendix C contains our analysis of roles and responsibilities that belong to the Centers and to ports of entry.

We conducted this audit to determine to what extent the establishment of CBP's Centers of Excellence and Expertise has improved the assessment, collection, and protection of revenue.

Results of Audit

Because CBP does not have performance standards for the Centers of Excellence and Expertise, we had difficulty determining to what extent establishing the Centers improved the assessment, collection, and protection of revenue. However, we were able to identify areas in which CBP could improve its compliance with the TFTEA, its oversight of the Centers, and the reliability of its trade import and enforcement data.

CBP has not established performance standards for the Centers in accordance with the TFTEA. In addition, although CBP did report on Center operations in 2017 as required by the TFTEA, it has not evaluated the Centers' ability to facilitate the assessment, collection, and protection of trade revenue since that time.

CBP does not have uniform, clear, and consistent procedures for the Centers and for other CBP offices that coordinate with the Centers. For example, CBP has not clearly outlined the Centers' specific roles and responsibilities for initiating, processing, and tracking trade penalty cases. This hinders the Centers' ability to complete activities to protect trade revenue. Additionally, CBP did not consistently follow the enforcement processes it does have by holding monthly CEAR meetings to ensure timely enforcement actions are taken to protect revenues.

Additionally, the Seized Assets and Case Tracking System (SEACATS) showed 152 penalty cases were still open even though the statute of limitations for collecting assessed penalties appears to have expired. Data in SEACATS did not indicate if CBP had received waivers that extended the statute of



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

limitations for any of these cases. As a result, we were unable to accurately estimate the actual dollar amount of revenues and cases lost to statute of limitations expirations.

Without established performance standards, CBP cannot determine whether the Centers are achieving established goals, operating as intended, collecting and protecting trade revenue, or meeting the legislated mission set forth in the TFTEA.

CBP Has Not Determined Whether the Centers Are Operating as Intended

According to Section 103 of the TFTEA, CBP shall establish, in consultation with the appropriate congressional committees, priorities and performance standards to measure the development and levels of achievement of the Centers' customs modernization, trade facilitation, and trade enforcement functions and programs. The priorities and performance standards shall, at a minimum, include priorities and standards relating to efficiency, outcome, and output and other types of applicable measures. Section 110 of the TFTEA adds that CBP shall, in consultation with the appropriate congressional committees and the Commercial Operations Advisory Committee, develop applicable performance measurements for the Centers to meet internal efficiency and effectiveness goals. In addition, the Office of Management and Budget's (OMB) OMB Circular A-123⁵ defines management's responsibilities for establishing goals and objectives around operating environments, ensuring compliance with relevant laws and regulations, and managing both expected and unexpected or unanticipated events (i.e., enterprise risk management).

CBP has not established performance standards to measure how well the Centers' assessment, collection, and mitigation strategies protect revenues. We requested documentation supporting performance metrics from OFO, the Office of Trade, and Center officials, but they could not provide any. During follow-up meetings, OFO managers explained that they had not developed performance standards for the Centers because they considered the Centers to be a reorganization rather than a program. CBP shared a Strategic Planning Working Group intent document, showing it is developing a 5-year strategic plan for the Centers to focus on their operations and structure, including operational expectations. According to CBP's *OFO Center of Excellence and Expertise Strategic Working Group* document, dated March 17–19, 2020, a full strategic plan with a complementary roadmap was expected to be completed for

⁵ *Management's Responsibility for Enterprise Risk Management and Internal Control*, Rev. July 15, 2016.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

immediate implementation during FY 2021. As of the date of this report, we have not received evidence of completion of this plan.

Additionally, CBP does not periodically evaluate the Centers' operations and performance or perform risk assessments. According to OFO officials, CBP only had a one-time TFTEA requirement to review the Centers' operations, which it fulfilled with its *Fiscal Year 2017 Report to Congress*. Our review of the 2017 report noted it detailed Centers' legislative requirements per the TFTEA, background information, scope of authority and structure, enforcement actions, and benefits to the trade community. However, documentation we reviewed supporting performance measures and evaluation of the Centers' progress included in the 2017 report covered only the Centers' pilot years.⁶ CBP has not conducted any subsequent reviews to assess whether the Centers are operating as intended now that all 10 Centers are in service.

According to CBP officials, their Self-Inspection Program (SIP)⁷ serves as a method to evaluate the Centers' operations. When we reviewed SIP worksheets that Center management completed and submitted during our audit scope years (FY 2017 through FY 2019), we noted that these worksheets did not cover key post-release trade activities, such as liquidated damages, penalty case initiation, trade remedies, and protests. We also noted other concerns with the SIP process and the Centers' submissions. For example, CBP's SIP Directive does not include specifics regarding the number of SIP worksheets to be completed annually and for which critical operational areas Centers are required to submit worksheets. Rather than using a clear methodology for self-inspections, CBP relied on Center management discretion. An official from CBP's Management Inspections Division, which oversees the SIP, stated the office did not complete more Validation Inspections or reviews of Centers' SIP submissions during our scope years, because the Centers do not submit many SIP worksheets. The Management Inspections Division did complete a review of the Apparel, Footwear and Textiles Center's (San Francisco) SIP submissions in FY 2019 and planned to review more in the future.

⁶ For the 2017 report, CBP retained DHS' National Center for Risk and Economic Analysis of Terrorism Events (CREATE) to study the Centers. CREATE used CBP's Commercial Customs Operations Advisory Committee importer trade data from 2008 through 2013 to conduct surveys. CREATE sent these surveys only to the Electronic Center's staff and trade industry professionals but then projected the survey results across all 10 Centers.

⁷ The SIP requires CBP Directors and managers to perform annual self-inspections and report on how they implement and adhere to component policies and procedures for several operational, financial, and administrative functions.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

As part of our audit, we surveyed⁸ Center personnel, the results of which support that CBP is not reviewing Center performance or performing risk assessments. Of 444 respondents, 303 (68 percent) stated there is no policy in place that requires a focused review of their Center's operation. In addition, 90 percent (372 of 415) of respondents said they had never been involved in any internal review or risk assessment of their Center. Appendix D contains additional details about the survey results.

Figure 3. Center Personnel Survey Results – Risk Assessments



Source: DHS OIG analysis of Center personnel survey results

Without establishing performance standards and periodically assessing the Centers' performance, CBP cannot determine whether the Centers are achieving established goals, operating as intended, collecting and protecting trade revenue owed, or meeting their legislated mission as established in the TFTEA. CBP management is also unable to make informed decisions about the Centers' operations and activities related to collecting trade revenues.

CBP Does Not Have Effective Oversight and Internal Controls for the Centers

According to OMB Circular A-123 and procedures established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO),⁹ agencies ensure proper internal controls by, among other actions, maintaining written standard operating procedures (SOP) specific to various areas of operations. In addition, OMB Circular A-123 emphasizes integrating and

⁸ Between January 2021 and February 2021, DHS OIG surveyed Center personnel to obtain feedback and better understand the Centers' operations. See Appendix A for more detail about our methodology and analysis for this survey. Because we received some partially completed surveys, the total number of responses for each question may differ.

⁹ COSO is a joint initiative of five professional organizations and is dedicated to helping organizations improve performance by developing thought leadership that enhances internal control, risk management, governance, and fraud deterrence.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

coordinating strong and effective internal controls into existing business activities as integral to managing an agency.

We identified weaknesses in CBP's internal procedures governing the Centers. CBP does not have uniform, clear, and consistent procedural guidance (including SOPs) for how the Centers should complete post-release trade activities to protect trade revenues. Additionally, CBP does not always adhere to the processes it does have; it did not consistently hold monthly CEAR meetings to ensure timely enforcement actions were taken to protect revenues. As currently executed, the CEAR process does not facilitate timely agreements and decisions on remedies and follow-up actions for discrepancies.

CBP Does Not Have Uniform, Clear, and Consistent Day-to-Day Procedural Guidance for the Centers

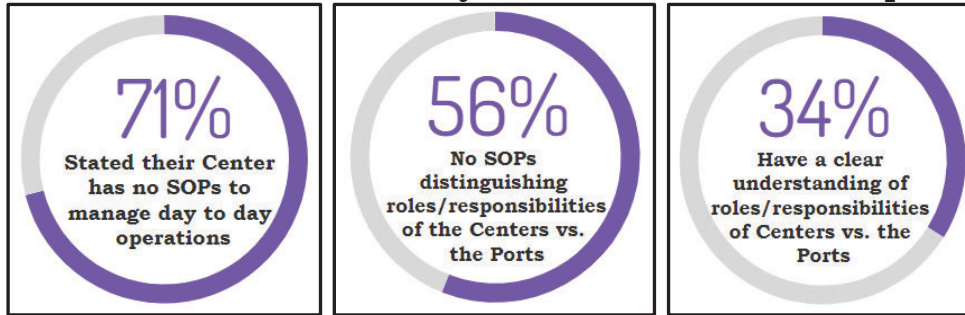
Based on our interviews, review of policies, and analysis of survey results, we determined Center personnel do not always understand which SOPs to follow when performing daily tasks. CBP officials initially told us the primary Center guidance was the *Unified Process Document*. After we pointed out that the *Unified Process Document* did not detail specific duties and key steps Center staff must perform, we were informed the primary Center SOP was the *ACE Business Rules Document (internal version)*. We reviewed the *ACE Business Rules Document* and determined it too did not detail key steps and actions Center staff must complete during the post-release process.

The survey responses shown in Figure 4 corroborated our audit work. Many respondents mentioned unclear Center SOPs, inconsistent SOPs, and inconsistent adherence and application of SOPs. Of 444 respondents, 314 (71 percent) stated their Center does not have its own policies and procedures to manage day-to-day operations. Similarly, 56 percent (248 of 444) of respondents were unaware of any written policies and procedures distinguishing the differing roles and responsibilities of the Centers and the ports. Lastly, just 34 percent (149 of 444) of respondents reported they understood the differing roles and responsibilities of the Centers and the ports.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Figure 4. Center Personnel Survey Results – Roles and Responsibilities



Source: DHS OIG analysis of Center personnel survey results

When asked for additional feedback and suggestions for improvement, survey respondents touched on various areas. The most prevalent area of concern in the responses centered around the need for clearer SOPs. Table 1 highlights some of the respondents’ common concerns and suggestions for improvement.

Table 1. Center Personnel Survey Responses – Common Concerns

Center Where Respondent Works	Response
Agriculture and Prepared Products (Miami, FL)	<i>I think the Center concept is a good one. However, my biggest concern is the lack of uniformity amongst the Centers.</i>
Apparel, Footwear and Textiles (San Francisco, CA)	<i>Not all Centers are processing the work the same. More step-by-step procedures should be created that all Centers follow.</i>
Electronics (Los Angeles, CA)	<i>I do not feel that there are good policies and regulations in place in regards to responsibilities in the home ports vs. Centers. I feel it is too open to interpretation and there are no guidelines to follow.</i>
Apparel, Footwear and Textiles (San Francisco, CA)	<i>Delineating responsibilities between port and Center. It feels like I have 2 bosses who frequently have different goals.</i>
Electronics (Los Angeles, CA)	<i>Having SOPs would help improve uniformity and inconsistencies; the Unified Process Document and ACE Business Rules covers only a portion of what we do and how we do it. So having reference materials stating how things should be done would help those who are currently in the positions and those to come.</i>
Pharmaceuticals, Health and Chemicals (New York, NY)	<i>It would be helpful to have more uniform reference material/manuals (step-by-step, what if...) as to policies and procedures for different tasks we perform either day-to-day or infrequently.</i>
Industrial and Manufacturing Materials (Buffalo, NY)	<i>I think there needs to be clearer guidance on certain tasks that one may not see every day. For example, reconciliations, appraisals, protests, etc. If there were SOPs on these types of items, I think the Center would benefit from it and processing them would be more uniform.</i>

Source: DHS OIG analysis of Center personnel survey results



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

When the Centers were established, the customs entry officer, entry specialist, and import specialist roles transitioned from the ports of entry to the Centers. However, CBP did not evaluate and update SOPs for these roles to ensure uniformity when staff complete key daily post-release trade revenue-related functions. Additionally, CBP did not require other key component offices involved in the trade revenue collection process — Fines Penalties and Forfeitures (FP&F), the Revenue Debt Management Branch, and the National Threat Analysis Division (NTAD) — to update their supplemental SOPs to detail how they coordinate with the Centers. According to an NTAD official, the Centers had evolved to a point where it seemed unnecessary for NTAD to develop Center-specific SOPs by industry or commodity type. They also said NTAD did not want to apply a “skeleton” SOP as a guideline for the Centers because each Center is different.

Without clear, comprehensive SOPs, there is a heightened potential for errors, risk of a poor control environment over processes, and confusion among staff about their duties and responsibilities. As a result, CBP may experience process inefficiencies, duplication of effort, and incomplete tasks. In addition, Centers may not comply with Federal laws and regulations and operate as intended. This further hinders CBP’s ability to fully protect trade revenues.

CBP Does Not Adequately Oversee the CEAR Process to Ensure Timely Enforcement Actions

According to CBP’s 2017 *COMMERCIAL ENFORCEMENT ANALYSIS AND RESPONSE Standard Operating Procedures* (CEAR SOP), Center Directors are instrumental in overseeing CBP’s CEAR process, a key trade enforcement tool to ensure timely and nationally uniform handling of commercial violations involving Priority Trade Issues. The CEAR SOP requires holding CEAR meetings at least monthly to review violations and decide on the next course of action for CEAR referrals. CBP must also document the outcomes of these meetings. CBP does not adequately oversee the CEAR process to ensure timely enforcement actions and maximum collection of actual and potential losses of revenues resulting from commercial fraud violations of noncompliant importers.

CBP did not ensure CEAR meetings were held monthly or documented in the proper format. Of the 63 months of historic meeting minutes we requested, OFO officials could not provide documented minutes for 31 (49 percent). In the meeting minutes OFO provided, we saw evidence of Center personnel participation, identification of new and older importer noncompliance issues



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

affecting millions in revenue collection, and clear decision points and planned trade enforcement corrective actions.

CBP clarified that OFO did not provide us CEAR meeting minutes for some months because meetings were not held those months. CBP did not explain why CEAR meetings were not held or documented in accordance with the CEAR SOP. OFO officials stated they plan to work with the Office of Trade to revamp the CEAR process to better fit the new organizational model, now that local Center CEAR groups in the field will hold most CEAR meetings and national headquarters-level CEAR meetings are less relevant. However, CBP did not provide any documentation supporting the plan to revamp the CEAR process and cease holding national headquarters-level meetings.

In addition, according to the CEAR SOP, if enforcement actions or disagreements on remedies remain unresolved for 90 days or longer, the Center Director or designated Center official must refer them to the headquarters CEAR Board for final resolution. Infrequent CEAR meetings may cause CBP to miss this 90-day referral, further hindering timely revenue collections. Further, CBP may miss opportunities to use Center personnel's industry knowledge to properly address penalty cases, determine corrective actions, properly close out cases, and collect revenue.

The CEAR process is an instrumental and collaborative enforcement process in which the Centers play a critical role. Not holding CEAR meetings monthly as required significantly diminishes the Centers' ability to enforce trade laws and pursue timely collection of duties, fees, taxes, and penalties from noncompliant or fraudulent importers. As noted in CBP's *Seized Asset Management and Enforcement Procedures Handbook* (SAMEPH), "... the longer a case takes to process, the less likely a full recovery will be made. This is because entries are lost and witnesses die, become unavailable, or cannot be located."

CBP Lacks Clear Guidance to Sufficiently Track Penalty Cases in SEACATS

According to the Government Accountability Office's *Standards for Internal Control in the Federal Government*, management must ensure that information systems contain quality information. Quality information is appropriate, current, complete, accurate, accessible, and provided timely. Management uses quality information to make informed decisions and evaluate an entity's performance achieving key objectives and addressing risks.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

We identified concerns with data in one of the information systems the Centers use to perform post-release trade functions — SEACATS, CBP’s official system for initiating, processing, and managing trade penalty cases.

To protect revenue, CBP assesses and collects fines and penalties from noncompliant importers. CBP’s SAMEPH requires Center Directors to ensure management controls exist to monitor the complete, accurate, and timely initiation of trade enforcement actions and cases in SEACATS and the timely referral of cases and supporting documentation to FP&F. Timely reporting is important because 19 United States Code (U.S.C.) §1621 sets a 5-year statute of limitations for collecting penalties.¹⁰ Pursuant to 19 U.S.C. §1621, CBP legally has 5 years from the date of discovery, with certain exceptions, to attempt to collect fines and penalties from an importer. Additionally, the SAMEPH requires that CBP not lose any cases due to the statute of limitations expiring. CBP’s *Trade Process Document* requires Center personnel to provide insights into industry sectors and importer history and to collaborate with CBP officers and FP&F personnel, who handle penalty case adjudication.

We interviewed officials from FP&F, the Office of Trade, and several Centers (Agriculture and Prepared Products, Base Metals, and Electronics) to determine the Centers’ role in assessing and tracking fines and penalties, and whether their enforcement efforts increased collections from noncompliant importers.

We analyzed SEACATS-generated data for FY 2014 through FY 2019 to determine the Centers’ effect on revenue collections from fines and penalties. We noted collection rates from penalties assessed since the Centers were established remained consistent.

In analyzing the status codes in the FY 2014 through FY 2019 SEACATS data set obtained, we identified 152 cases coded as “open,” where the statute of limitations for collecting assessed penalties appears to have expired. SEACATS data indicated \$858 million¹¹ in uncollected penalties. When we brought this to CBP’s attention, officials stated they have a process for extending the statute

¹⁰ According to 19 U.S.C. §1621, “No suit or action to recover any duty under section 1592(d), 1593a(d) of this title, or any pecuniary penalty or forfeiture of property accruing under the customs laws shall be instituted unless such suit or action is commenced within five years after the time when the alleged offense was discovered.”

¹¹ This dollar figure represents the total uncollected amount of all trade penalties assessed and issued for violation of U.S. trade laws on cases that were initiated prior to March 1, 2016, and remained open as of March 9, 2021 (the date CBP provided this FY 2014 through FY 2019 data set was provided to DHS OIG), in CBP’s SEACATS system. Of these cases that remained open, the data showed approximately \$6 million of an approximate total assessed amount of \$864 million was collected. The remaining \$858 million may be uncollectable as these cases appear to have exceeded the 5-year statute of limitations dates.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

of limitations for many penalty cases by requesting waivers from importers.¹² We did not perform detailed testing to determine how many of the 152 open cases had waivers that extended the statute of limitations. According to CBP, the reorganization of the Centers was a possible reason for the outstanding uncollectible amounts. We were unable to accurately estimate the actual dollar amount of revenues and cases lost to statute of limitations expirations. We attribute this to CBP not having a sound mechanism to track statutes of limitations set to expire, including ensuring SEACATS data contain updated and accurate status codes for penalty cases where waivers were obtained or for cases closed for other reasons.

Additionally, when CBP gave us a walkthrough of SEACATS, we noted that the statute of limitations fields for several case files were blank. An FP&F official stated they were unsure why some statute of limitations dates were missing but speculated the omission could have been due to the statute of limitations date column being added after the SEACATS system modernization in 2018. The official added that SEACATS should now auto-populate statute of limitations information, and all newer cases should have a date in the statute of limitations field.

Our interviewees provided conflicting information about how staff use SEACATS. Although some FP&F, Office of Trade, and Center officials stated Center staff query and initiate penalty cases in SEACATS, other Center officials stated their staff do not. Additionally, 276 of 414 (67 percent) Center employees who responded to our survey stated that they do not input information into SEACATS, and 178 of 414 (43 percent) stated they are not involved with penalty case initiation. Based on this inconsistency and our review of relevant SOPs, we determined CBP does not have clear guidance outlining the Centers' role in the penalty case initiation and tracking process. Without clear, comprehensive guidance, Center staff may not be consistently inputting information in SEACATS, resulting in incomplete or inaccurate records for penalty cases. The inability to track assessed fines and penalties where the associated statute of limitations is set to expire poses a risk of loss of additional revenues from trade revenue protection actions.

Conclusion

Without established performance standards, CBP cannot determine whether the Centers are operating as intended; how they affect the assessment,

¹² CBP uses waivers to request importers waive the period of limitations for 2 years. When importers sign a waiver, they agree not to assert any statute of limitations defense in any action brought by the Federal Government concerning their entries of goods.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

collection, and protection of trade revenue; or if they are meeting their legislated mission as set forth in the TFTEA. When combined with inadequate procedural guidance for the Centers, there is heightened risk of importers illicitly attempting to avoid paying duties and fees and circumventing trade practices, defrauding the Federal Government, and undermining lawful business. Further, unreliable data from information systems hinders CBP's ability to inform legislation, policies, and programs to improve them and make them more efficient.

Recommendations

Recommendation 1: We recommend the Executive Assistant Commissioners of CBP's Offices of Trade and Field Operations coordinate to establish performance standards for the Centers of Excellence and Expertise.

Recommendation 2: We recommend the Executive Assistant Commissioners of CBP's Offices of Trade and Field Operations coordinate to establish and implement procedures to periodically assess the performance of the Centers' operations to assess, collect, and protect revenues. Specifically, CBP should ensure that the Centers are operating as intended; ensure that established goals are met; and assess the risk to the Centers' ability to assess, collect, and protect revenue.

Recommendation 3: We recommend the Executive Assistant Commissioners of CBP's Offices of Trade and Field Operations coordinate to update all procedures to clearly define the Centers' roles and responsibilities in revenue collection, ensure uniformity among Centers, and ensure personnel are trained on the updated procedures.

Recommendation 4: We recommend the Executive Assistant Commissioners of CBP's Offices of Trade and Field Operations coordinate to establish and implement enforcement procedures that include Center officials in the decision-making process and assist with corrective actions to promptly resolve importer violations.

Recommendation 5: We recommend the Executive Assistant Commissioners of CBP's Offices of Trade and Field Operations coordinate to update appropriate standard operating procedures for initiation, analysis, monitoring, and management of trade penalty cases that clearly delineate the Centers' role and define ways to measure improvements.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

CBP Comments and OIG Analysis

CBP concurred with all five recommendations. We consider all five recommendations open and resolved. We acknowledge and appreciate that CBP is continually evolving its processes and procedures to establish performance measures for the Centers and evaluate the Centers to ensure they are operating as intended.

In its response, CBP expressed concern with OIG's decision not to share details of our survey of CBP personnel with management before conducting the survey. As communicated during the audit, to maintain the integrity of the survey and the responses, OIG used professional judgment and shared pertinent information that related to the findings in this report. Additionally, CBP indicated that OIG was provided with handbooks and directives for regulatory requirements for customs matters. OIG does not dispute that documentation was provided. However, as outlined in this report, the documentation was often unclear regarding the specific roles of Center personnel. CBP also indicated in its response that OIG incorrectly suggests that the Centers are responsible for assessing and tracking fines and penalties. According to CBP's CEAR SOP, the CEAR process exists at each Center, with representation and support from the Service Ports, to coordinate commercial enforcement activities. OIG does not make any assertions on this process other than to highlight that the procedures in the SOP were not always followed.

Appendix B contains a copy of CBP management's comments in its entirety. CBP also provided technical comments to our draft report, and we made changes to incorporate these comments as appropriate. A summary of CBP's responses and our analysis follows.

CBP Comments to Recommendation 1: Concur. CBP's OFO and OT [Office of Trade] will collaborate to establish performance standards for the Centers, in accordance with the expectations set forth in Section 103 of the *Trade Facilitation and Trade Enforcement Act of 2015* (TFTEA). Once established, these performance measures will underscore the priorities and measures for an efficient trade processing model. Estimated Completion Date (ECD): October 31, 2022.

OIG Analysis: CBP provided a corrective action plan and an ECD that satisfy the intent of the recommendation. We consider this recommendation resolved, but it will remain open until CBP's OFO and OT provide documentation to show the planned corrective actions are completed.



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Department of Homeland Security

CBP Comments to Recommendation 2: Concur. CBP's OFO and OT will coordinate to fulfill the obligations set forth in Section 103 of the TFTEA, to develop performance measures associated with Center operations and periodically assess the performance of the Centers. ECD: October 31, 2022.

OIG Analysis: CBP provided a corrective action plan and an ECD that satisfy the intent of the recommendation. We consider this recommendation resolved, but it will remain open until CBP's OFO and OT provide documentation to show the planned corrective actions are completed.

CBP Comments to Recommendation 3: Concur. CBP's OT and OFO will collaborate to develop measures that improve the clarity of procedural expectations and the delineation of authorities within CBP. ECD: October 31, 2022.

OIG Analysis: CBP provided a corrective action plan and an ECD that satisfy the intent of the recommendation. We consider this recommendation resolved, but it will remain open until CBP's OFO and OT provide documentation to show the planned corrective actions are completed.

CBP Comments to Recommendation 4: Concur. CBP's OT and OFO will coordinate to establish and update procedures to ensure there [are] consistent, clear, and uniform approaches to the development of enforcement cases. ECD: October 31, 2022.

OIG Analysis: CBP provided a corrective action plan and an ECD that satisfy the intent of the recommendation. We consider this recommendation resolved, but it will remain open until CBP's OFO and OT provide documentation to show the planned corrective actions are completed.

CBP Comments to Recommendation 5: Concur. CBP's OFO and OT will coordinate to establish and update procedures to ensure there [are] consistent, clear, and uniform approaches to the development of enforcement cases. ECD: October 31, 2022.

OIG Analysis: CBP provided a corrective action plan and an ECD that satisfy the intent of the recommendation. We consider this recommendation resolved, but it will remain open until CBP's OFO and OT provide documentation to show the planned corrective actions are completed.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix A

Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

We conducted this audit to determine to what extent the establishment of CBP's Centers of Excellence and Expertise has improved the assessment, collection, and protection of revenue. To answer this objective, we reviewed and analyzed Federal laws and regulations, policies, procedures, and prior OIG and Government Accountability Office reports related to the Centers' role in protecting trade revenues. Due to COVID-19 travel restrictions, we held virtual meetings and interviews to answer our audit objective and substantiate claims made throughout the audit.

To determine CBP's compliance with the TFTEA, we reviewed CBP's *Fiscal Year 2017 Report to Congress*. We also reviewed documentation of Center performance standards and metrics and documentation supporting any internal program evaluations or risk assessments performed on the Centers' operations. CBP officials cited their SIP as a mechanism for management to measure compliance with policies, identify deficiencies within operations, and develop corrective actions. As such, we reviewed all 143 SIP worksheets that the 10 Centers completed and submitted from FY 2017 through FY 2019. The purpose of this analysis was to determine whether SIP worksheets were sufficient to capture and monitor the Centers' operational functions and implementation efforts.

To assess CBP's internal controls for the Centers and compliance with laws and regulations, we met with personnel from CBP's OFO, Office of Trade, Office of Finance, Revenue Debt Management Branch, FP&F, NTAD, Management Inspections Division, and several Centers (Agriculture and Prepared Products, Base Metals, and Electronics). Our assessment included reviewing CBPs' Center performance standards, risk assessments, monitoring, information and communications, and policies and procedures for Centers' performance of revenue protection activities. Because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

We conducted interviews to understand the Centers' role in trade enforcement actions affecting revenue collection, specifically initiating penalty cases and assessing fines on noncompliant importers. Because we were informed Center personnel initiate penalty cases and participate in the CEAR process, we



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

requested a sample of 63 months of CBP headquarters and Center CEAR meeting minutes to review. Our methodology included determining if meetings were held as required, if Center personnel participated in meetings, if importer noncompliance issues affecting revenue collection were identified, and if the meetings resulted in clear decision points and planned trade enforcement corrective actions.

We evaluated the Centers' roles and responsibilities regarding the information systems they use to perform post-release trade functions — ACE and SEACATS. This evaluation entailed a review of relevant SOPs, interviews with various CBP offices, virtual observations and walkthroughs of both systems, and detailed analyses of data from both systems. We judgmentally selected a sample of three ACE entry summary transactions, representing one Center (Agriculture and Prepared Products, Base Metals, and Electronics) for each year for FY 2017 through FY 2019. We used this data to understand and evaluate the three Centers' methods of processing entry summary records in ACE. We manually traced information from the three sample transactions to their source documents during the ACE walkthrough to determine whether Center personnel reviewed the transactions processed in ACE for accuracy and completeness.

To analyze Center personnel's work in processing ACE entries, we compared and analyzed Pre-Center ACE data (FY 2014 through FY 2016) and Post-Center¹³ ACE data (FY 2017 through FY 2019) to identify any significant improvements or changes in revenue collection.

We analyzed CBP's ACE data to determine whether trade revenue collections increased after CBP established the Centers. We did not identify significant increases in duties and taxes collected resulting from establishment of the Centers. Appendix E contains the results of our analysis. However, in reviewing ACE data, we determined CBP does not have sufficient data integrity controls and has not performed system monitoring and validation checks to ensure ACE data is valid, complete, and accurate.

We analyzed summary and transaction-level ACE-generated data sets of importer entry summaries and associated revenues (duties, taxes, and fees) processed and collected by the Centers and noted several anomalies. For example, in the FY 2019 data set, we identified 43,491 instances in which data

¹³ Pre-Center refers to the period before CBP officially established the Centers and Post-Center refers to the period after CBP officially established the Centers, beginning on January 19, 2017. For readability and consistency purposes, we included October 1, 2016, to January 18, 2017, in our 'Post-Center' parameters of FY 2017 through FY 2019.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

was missing in key fields, such as “entry date,” “entry summary date,” “release date,” and “Centers of Excellence and Expertise” (assigned Center). Additionally, four entry summary transactions contained illogical relationships between one data element and another (i.e., liquidation dates occurring before entry dates), and 170,977 entry summary transactions contained data outside the scope of our request (i.e., instances in which the “liquidation” and “entry” date fields contained dates ranging from 1905 to 2017 for our FY 2019 data request).¹⁴ We observed these same types of data reliability issues when reviewing the FY 2014 through FY 2018 data sets.

Through this process, we also assessed the reliability of the ACE data. Although we identified issues with the accuracy and integrity of the ACE data used for analysis, we determined the data to be sufficiently reliable for our audit findings, conclusions, and recommendations related to our audit objective.

To evaluate Center staff’s work in SEACATS and the trade penalty case oversight process, we analyzed SEACATS data for all relevant penalties issued for violations of U.S. trade laws from FY 2014 through FY 2019. We assessed the reliability of SEACATS data through interviews with Center, OFO, Office of Trade, and FP&F officials to understand the data contained in the system and its use, obtained a virtual system walkthrough, and performed trend analysis to determine whether CBP may have missed opportunities to collect monies owed by importers. Our analysis focused on 1) the assessment and collection of fines and penalties and 2) trade penalty cases coded as remaining “open” in the system, some of which appeared to have exceeded the 5-year statute of limitations date. We assessed the sufficiency and appropriateness of the data and determined the data to be sufficiently reliable for the purpose of answering our audit objective.

In addition, in January 2021, we disseminated a survey to 1,052 Center personnel to obtain their direct feedback on the Centers’ operations. We obtained from CBP an employee list and position descriptions of all personnel employed across the 10 Centers as of October 2020. From these listings we judgmentally selected all non-supervisory customs entry officers, entry specialists, and import specialists to survey based on their roles in protecting trade revenue. The makeup of these three job titles covered approximately 73 percent (1,052 of 1,443) of total Center personnel, which we consider an adequate representation.

¹⁴ In the normal process, liquidation occurs at least 314 days after goods enter the United States.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

We distributed our structured interview questionnaire survey using DHS OIG's secure web-based survey software (Qualtrics). We designed each survey question to 1) supplement fieldwork performed and 2) help answer our audit objective. To maintain the integrity of the survey and to protect all personally identifiable information received, we ensured that all responses remained anonymous and reported survey results in aggregate. We received survey responses between January 28 and February 19, 2021. Our survey response rate was approximately 52 percent (409 fully completed and 135 partially completed surveys of the total 1,052 distributed). Because we recorded responses from all partially completed surveys, the total number of responses may differ for each question. We analyzed the evidence gathered through the survey and used it to corroborate our audit findings. See Appendix D and report finding areas for further details of the survey results.

We conducted this performance audit between June 2020 and November 2021 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 on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. CBP has not conducted program evaluations or risk assessments on the Centers as of our reporting date, and as such, our findings remain timely and relevant.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
CBP Comments to the Draft Report

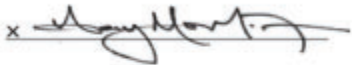
1300 Pennsylvania Avenue, NW
Washington, DC 20229



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

March 23, 2022

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.
Inspector General

FROM: Henry A. Moak, Jr. 
Senior Component Accountable Official
U.S. Customs and Border Protection

SUBJECT: Management Response to Draft Report: "CBP Needs Improved
Oversight for Its Centers of Excellence and Expertise"
(Project No. 20-046-AUD-CBP)

Thank you for the opportunity to comment on this draft report. U.S. Customs and Border Protection (CBP) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

CBP appreciates the OIG's recognition of the importance that the Centers of Excellence and Expertise (Centers) have to CBP's trade enforcement and facilitation activities. The CBP Offices of Trade (OT) and Field Operations (OFO) have collaborated extensively to build a modern and efficient organization through the OFO Centers, which are intended to modernize trade enforcement approaches by providing a strategic focus across the nation.

However, CBP is dismayed with the inaccuracies and mischaracterizations in the OIG's draft report concerning the operation of the Centers and existing trade enforcement and facilitation policies and procedures, as well as the OIG's representations of the security of CBP's automated systems. These issues persist despite numerous meetings since the audit was announced in August 2020, during which time CBP program officials and subject matter experts provided OIG with documentation, substantive information, and corrections to address any inaccuracies and mischaracterizations.

Additionally, the draft report was issued without addressing the numerous concerns that CBP identified and articulated following a review of the Notice of Findings and Recommendations (NFR) for this audit. On November 8, 2021, CBP provided the OIG with substantive feedback identifying accuracy, context and perspective, and editorial concerns with the NFR for the OIG's consideration. However, the same findings from the NFR remain in the draft report. For example, during the NFR discussion, CBP



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Management's Response to OIG Draft Report: *CBP Needs Improved Oversight for Its Centers of Excellence and Expertise* (Project Number 20-046-AUD-CBP)

Page 2

requested the OIG provide survey information that the OIG used during the audit, but the OIG declined to provide CBP with the survey questions. Consequently, CBP is unable to fully understand the relevance of the OIG's survey questions, nor appreciate the potential value of OIG's analysis of survey results. As some of the OIG's misunderstandings may be the result of unclear questions posed in the survey, the OIG's refusal to share the survey questions, or otherwise address CBP's concerns, has resulted in a misleading draft report due to the inaccuracies and mischaracterizations contained therein. During the exit conference, the OIG team was again reluctant to discuss CBP's substantive feedback, which would have helped ensure an accurate final report.

As a further example, OIG stated in the draft report CBP does not have uniform, clear, and consistent day-to-day procedural guidance for the Centers. However, CBP OFO and OT provided supporting documentation in the form of handbooks, guidance memoranda and directives that set forth procedures and expectations for meeting the statutory and regulatory requirements for Customs matters. CBP also provided over 30 documents, including procedural documents, risk-based guidance, and Center focused reports, that serve to set standards and expectations for trade processing. For example, "CBP's Seized Asset Management and Enforcement Procedures Handbook," HB 4400-01B, dated July 2011, outlines roles and responsibilities and defines ways to measure, monitor and manage penalty cases, as well as how to monitor the Statute of Limitations. Furthermore, the Seized Asset and Case Tracking System, which is CBP's official system of record, captures and tracks penalties and documents the Statute of Limitations date and any applicable Statute of Limitations waivers that CBP receives. In addition, Directive No 5350-020A, "Processing Prior Disclosure Submissions," dated November 17, 2021, and Directive 4410-021, "Guidelines for 19 U.S.C. § 1592 Penalty Code Development," dated January 11, 2022, further outline the roles and responsibilities of the OFO Centers and the Fines, Penalties, and Forfeitures (FP&F) personnel.

The OIG also misconstrued enforcement activities that CBP utilizes to penalize entities for non-compliance with statutory and regulatory requirements. For example, the OIG incorrectly refers to the FP&F procedures, as well as the Commercial Enforcement Analysis and Response (CEAR) process, as forms of trade revenue collection and protection. However, trade revenue is defined as duties, taxes, and fees, and the CEAR process instead determines the impact level of trade violations, and prioritizes actions based on those impact levels. The CEAR process has no relationship to the collection of trade revenue. Despite documentation provided to the OIG, the OIG incorrectly suggests that the Centers are responsible for the assessment and tracking of fines and penalties. The FP&F offices, which remain at the ports of entry and are not part of the Centers, are the responsible CBP organizational units for assessment and tracking of fines and penalties.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Management's Response to OIG Draft Report: *CBP Needs Improved Oversight for Its Centers of Excellence and Expertise* (Project Number 20-046-AUD-CBP)

Page 3

Further, the draft report misrepresents aspects of the CBP Self-Inspection Program (SIP). It is important to clarify that CBP SIP is a CBP-wide oversight mechanism through which CBP monitors:

- (1) agency performance;
- (2) adherence to established operational requirements; and
- (3) accomplishment of strategic goals and program objectives.

SIP uses a self-assessment approach that places responsibility for reviewing the implementation of policies and procedures on the Headquarters and Field Office management accountable for ensuring their effective execution. It does not rely on Center management, or any CBP manager's discretion on whether or not to participate in SIP. In fact, CBP SIP requires 100 percent completion during the annual SIP Cycle. During SIP Cycle 2021 (February 1 through April 30, 2021), 1,953 managers and supervisors at 646 CBP offices conducted self-assessment activities to assist them in evaluating their compliance with established policies and procedures. A total of 12,145 self-inspection worksheets (SIW) were completed. The OIG statement regarding the number of SIP validations appears to have been taken out of context and does not acknowledge that Centers may not submit SIW, which are for administrative matters such as time and attendance, facilities, etc., Centers are required to submit operational worksheets in the trade program areas of:

- (1) Antidumping/Countervailing Duty;
- (2) Drawback;
- (3) Entry Summary Processing – Liquidations;
- (4) Reconciliation;
- (5) Trade Enforcement;
- (6) Entry/Entry Summary Processing;
- (7) Protest/Petition Processing; and
- (8) Broker Licensing/Compliance.

Further, CBP described in detail to the OIG that SIP validations are conducted based on a risk assessment, not the number of operational SIWs completed.

In addition, the draft report implies that there are insufficient data integrity controls, system monitoring, and validation checks to ensure OT's Automated Commercial Environment (ACE) data is valid, complete, and accurate. However, the OIG does not recognize that ACE was modernized between 2013-2018 to include validation processes that ensure complete and accurate data.

Further, the OIG's draft report represented there were entry summary transactions that contained illogical relationships between one data element and another (i.e., liquidation dates occurring before entry dates). This is inaccurate, and lacks the proper context, as the original entry date was prior to the liquidation date in each of the cited instances. The



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Management's Response to OIG Draft Report: *CBP Needs Improved Oversight for Its Centers of Excellence and Expertise* (Project Number 20-046-AUD-CBP)
Page 4

report cited data reliability issues regarding entry summary transactions containing data outside the scope of the request, which likely resulted from a misunderstanding and misinterpretation of the data. CBP provided the OIG with data on May 10, 2021, that included entry summaries liquidated in fiscal years 2014 through 2019. These entry summaries may have a wide range of entry dates due to many factors, such as entry summaries that were extended or subject to anti-dumping and countervailing duties. It is also important to note that a warehouse entry summary can, and usually has, an extended liquidation period before all goods were withdrawn and the summary was liquidated.

Finally, CBP leadership strongly disagrees with the OIG's overall conclusion that "CBP cannot determine if the Centers are operating as intended." The overall goal and expectation of the Center operating model, which was to process trade on an account basis with national authority, has been achieved. These Centers provide CBP with a holistic approach to detecting, deterring, and disrupting illicit trade activity.

The draft report contained five recommendations, with which CBP concurs despite concerns about the inaccuracies and mischaracterizations of the draft OIG report, which we believe will be misleading to end users of the final report, including Congress and the public. Attached, please find our detailed response to each recommendation. CBP previously submitted technical comments addressing accuracy, contextual, and other concerns under a separate cover for the OIG's consideration.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions.

Attachment



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Attachment: Management Response to Recommendations Contained in 20-046-AUD-CBP

OIG recommended that the Executive Assistant Commissioners of CBP's OT and OFO:

Recommendation 1: Coordinate to establish performance standards for the Centers of Excellence and Expertise.

Response: Concur. CBP's OFO and OT will collaborate to establish performance standards for the Centers, in accordance with the expectations set forth in Section 103 of the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA). Once established, these performance measures will underscore the priorities and measures for an efficient trade processing model. Estimated Completion Date (ECD): October 31, 2022.

Recommendation 2: Coordinate to establish and implement procedures to periodically assess the performance of the Centers' operations to assess, collect, and protect revenues. Specifically, CBP should ensure that the Centers are operating as intended; ensure that established goals are met; and assess the risk to the Centers' ability to assess, collect, and protect revenue.

Response: Concur. CBP's OFO and OT will coordinate to fulfill the obligations set forth in Section 103 of the TFTEA, to develop performance measures associated with Center operations and periodically assess the performance of the Centers. ECD: October 31, 2022.

Recommendation 3: Coordinate to update all procedures to clearly define the Centers' roles and responsibilities in revenue collection, ensure uniformity among Centers, and ensure personnel are trained on the updated procedures.

Response: Concur. CBP's OT and OFO will collaborate to develop measures that improve the clarity of procedural expectations and the delineation of authorities within CBP. ECD: October 31, 2022.

Recommendation 4: Coordinate to establish and implement enforcement procedures that include Center officials in the decision-making process and assist with corrective actions to promptly resolve importer violations.

Response: Concur. CBP's OT and OFO will coordinate to establish and update procedures to ensure there is consistent, clear, and uniform approaches to the development of enforcement cases. ECD: October 31, 2022.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Attachment: Management Response to Recommendations Contained in 20-046-AUD-CBP
Page 2

Recommendation 5: Coordinate to update appropriate standard operating procedures for initiation, analysis, monitoring, and management of trade penalty cases that clearly delineate the Centers' role and define ways to measure improvements.

Response: Concur. CBP's OFO and OT will coordinate to establish and update procedures to ensure there is consistent, clear, and uniform approaches to the development of enforcement cases. ECD: October 31, 2022.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix C
OIG Analysis of Post-Center Roles and Responsibilities

As discussed in the report, when CBP established the Centers, many roles and responsibilities that had traditionally resided with the ports of entry transitioned to the Centers. Other roles remained with the ports or are now jointly managed by the Centers and ports. Tables 2 and 3 show our analysis of which entity is now responsible for these roles and responsibilities.

Table 2. Post-Center Ownership of Responsibilities

Responsibility	Post-Center Ownership
Processing of entry summaries	Transitioned to Center
Determinations of importer product labeling	Transitioned to Center
Protests	Transitioned to Center
Liquidations	Transitioned to Center
Free trade agreements and duty preference programs	Transitioned to Center
Functions and decisions concerning country of origin marking issues	Transitioned to Center
Informal entries	Transitioned to Center
Classification	Transitioned to Center
Appraisalment and valuation of merchandise	Transitioned to Center
Bonds (used for the protection of revenue)	Transitioned to Center
Acceptance of certain documentation to ensure the trade mission and security mission are met	Joint authority with ports
Collection of payments	Joint authority with ports
Formal consumption or appraisalment entries (if deemed necessary for import admissibility enforcement purposes, revenue protection, or the efficient conduct of customs business)	Joint authority with ports

Source: DHS OIG analysis of CBP Interim Rule (Federal Register / Vol. 81, No. 244 / Tuesday, December 20, 2016 Rules and Regulations that promoted the Regulatory Implementation of the Centers of Excellence and Expertise. Effective Date - January 19, 2017)

Table 3. Post-Center Ownership of Roles

Position	Post-Center Ownership
Entry specialists	Transitioned to Center
Import specialists	Transitioned to Center
Liquidation specialists	Transitioned to Center
CBP officers	Remained with Ports
Agriculture specialists	Remained with Ports
FP&F officers	Remained with Ports
Seized property specialists	Remained with Ports

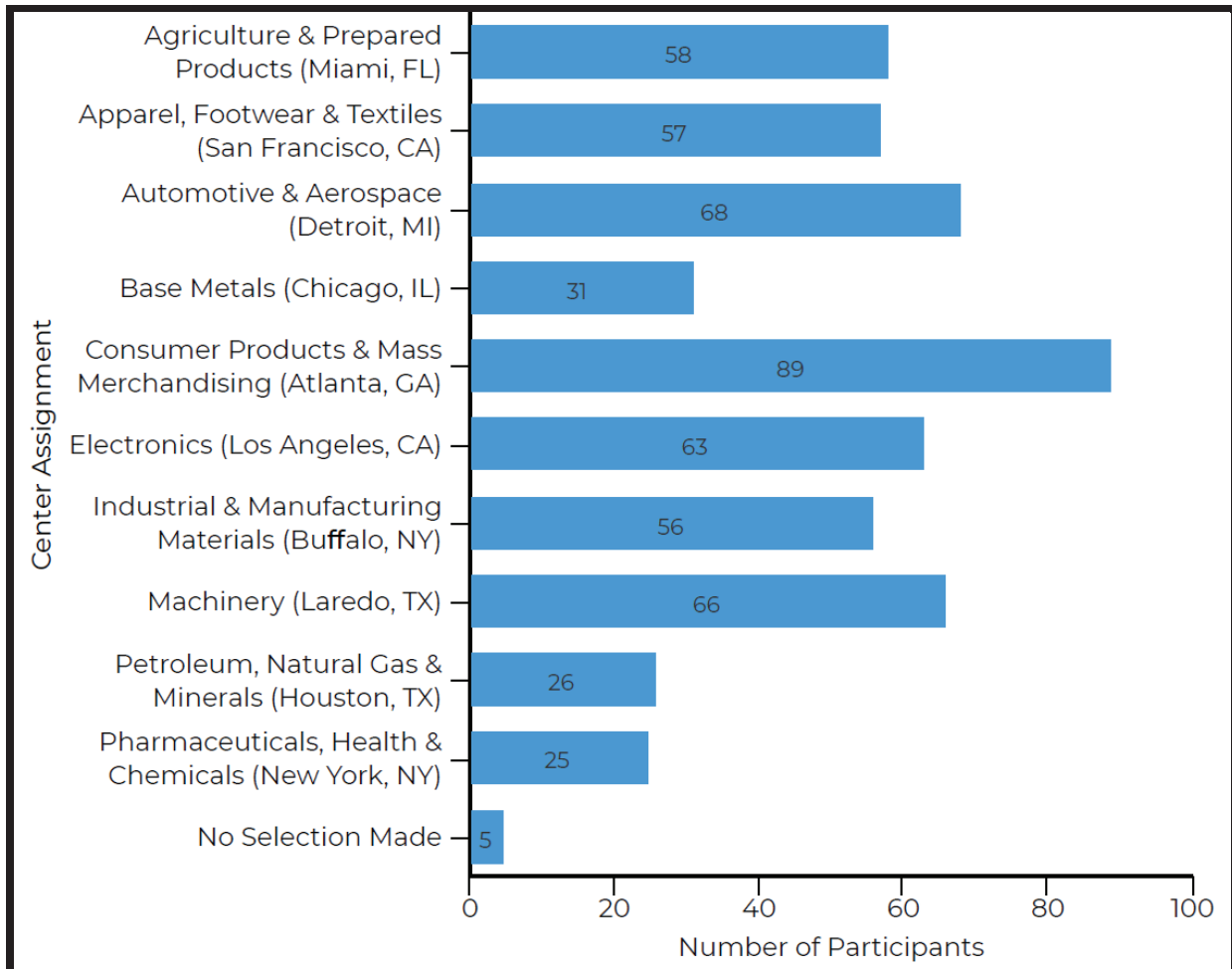
Source: DHS OIG analysis of CBP Interim Rule (Federal Register / Vol. 81, No. 244 / Tuesday, December 20, 2016 Rules and Regulations that promoted the Regulatory Implementation of the Centers of Excellence and Expertise. Effective Date - January 19, 2017)



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Appendix D
Additional OIG Analysis of Center Employee Survey Results

Figure 5. Breakdown of Center Personnel Participation in Survey



Source: DHS OIG analysis of Center personnel survey results

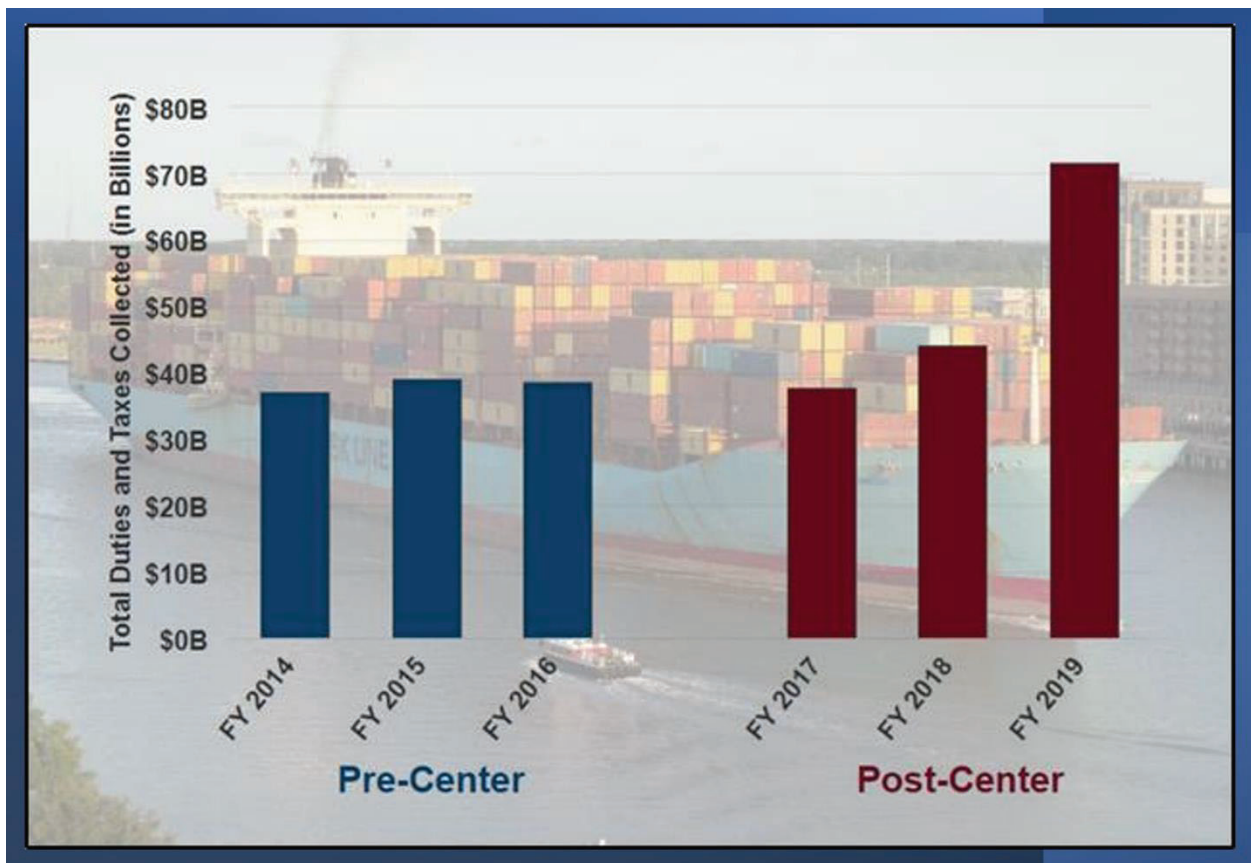


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Appendix E
OIG Analysis of Trade Revenues Collected

Importers use ACE to electronically transmit entry summaries and supporting documentation, which Center personnel then process. Revenues in this data set include duties and taxes collected. Although we did not identify significant increases in duties and taxes collected from FY 2014 through FY 2018, we did note a significant increase between FY 2018 (\$44 billion) and FY 2019 (\$72 billion). From our understanding, the increase is due to trade remedies and product exclusions issued by Presidential Executive Orders on imported goods. See Figure 6 for the results of our analysis.

Figure 6. OIG Analysis of ACE Revenue Collection Data for FY 2014–FY 2019



Source: DHS OIG analysis of ACE entry summary-level data provided by CBP



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Appendix F
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Appendix G
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