



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

Why GAO Did This Study

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

What GAO Recommends

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

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

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

INTERNATIONAL TRADE

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

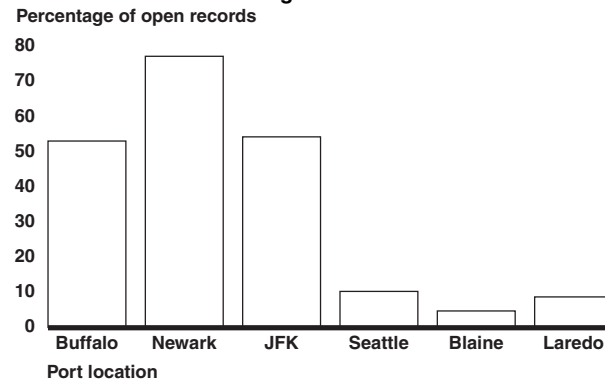
What GAO Found

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

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

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

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



Source: GAO analysis of CBP data.