

April 2007

CUSTOMS REVENUE

Customs and Border Protection Needs to Improve Workforce Planning and Accountability





Highlights of [GAO-07-529](#), a report to congressional committees

CUSTOMS REVENUE

Customs and Border Protection Needs to Improve Workforce Planning and Accountability

Why GAO Did This Study

In forming the Department of Homeland Security (DHS), there was concern that moving the U.S. Customs Service into the new DHS would diminish attention given to collection of customs revenue. In recognition of that concern, Congress required that DHS's Customs Border Protection (CBP) not reduce the staff or resources for customs revenue functions. In March 2003, CBP reported a baseline of 2,263 staff in nine customs revenue positions, and 1,006 staff in associated support positions. The SAFE Port Act required GAO to report on changes related to customs revenue functions since the formation of DHS. This report discusses staff resources, strategic workforce planning, and CBP's public reporting on customs revenue functions. GAO analyzed the number of customs revenue staff, legislatively required staffing levels, and strategic plans and annual performance reports.

What GAO Recommends

We recommend that the CBP Commissioner develop a strategic workforce plan and report on revenue performance measures in agency performance reports. We also recommend that the DHS Inspector General determine whether areas of high risk related to customs revenue functions exist. DHS generally concurred with our recommendations. The Inspector General concurred with our recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-07-529.

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

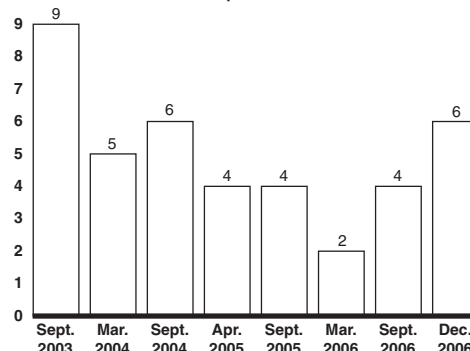
What GAO Found

Staff resources contributing to customs revenue functions have generally declined since the creation of DHS due, in part, to department priorities and recruiting and retention problems. First, the number of staff in the nine designated customs revenue positions was below the mandated level for much of the time since DHS was formed, but recent efforts increased the number of staff to the mandated levels for most of these positions. Second, the number of support staff associated with customs revenue positions has declined. Lastly, other DHS staff contribute to customs revenue functions, but their contributions have declined. For example, the number of auditors in the Office of the Inspector General reviewing customs issues declined significantly, and they have not performed any customs revenue related performance audits since 2003, as they have primarily focused on security.

CBP lacks a strategic workforce plan to guide its performance of customs revenue functions, but has taken some recent steps to improve its human capital management amid challenges. CBP has not determined the critical skills its workforce needs, nor has it developed a strategic workforce plan to inform and guide its future human capital efforts related to customs revenue functions because it has focused on filling open positions. CBP has recently taken some steps to improve its human capital planning such as developing resource allocation models, but gaps in its efforts remain. Additionally, challenges such as a growing workload heighten the importance of such strategic workforce planning.

Despite being the second largest revenue generator for the U.S. government, CBP does not publicly report on its performance of customs revenue functions, thus failing to help ensure accountability. CBP's strategic planning documents establish a strategic objective and performance measure related to customs revenue functions. However, CBP does not publicly report on customs revenue functions in its annual plans and performance reports. According to a CBP official, customs revenue measures are not reported in annual performance reports because these functions do not directly address the long-term goal of facilitating trade.

Number of Customs Revenue Positions for Which CBP Has Met Staffing Mandates
Number of customs revenue positions



Source: GAO analysis of CBP data.

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Abbreviations

APHIS	Animal and Plant Health Inspection Service
CBP	Customs and Border Protection
CBPO	Customs and Border Protection Officer
DHS	Department of Homeland Security
FP&F	Fines, Penalties, and Forfeitures
FTA	free trade agreement
FTE	full-time equivalent
ICE	Immigration and Customs Enforcement
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PART	Program Assessment and Rating Tool

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United States Government Accountability Office
Washington, DC 20548

April 12, 2007

Congressional Committees:

The Department of Homeland Security's (DHS) Bureau of Customs and Border Protection (CBP) collected nearly \$30 billion in revenue in fiscal year 2006, making it the second largest revenue generator for the U.S. government. Historically, the U.S. Customs Service was responsible for collecting revenue in the form of customs duties, taxes, and fees. However, these responsibilities were transferred to DHS under the Homeland Security Act of 2002 when the U.S. Customs Service was merged with parts of the Immigration and Naturalization Service and the Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) to form CBP in March 2003. At that time it employed 2,263 people in customs revenue positions such as Import Specialists and Entry Specialists, and 1,006 additional associated support staff. The move of the former U.S. Customs Service into CBP, whose priority mission is homeland security,¹ raised concern that insufficient attention and resources might be dedicated to customs revenue functions. As a result, the Homeland Security Act of 2002 required DHS to maintain at least the March 2003 level of staff in each of nine specific customs revenue positions and their associated support positions.²

To determine how customs revenue functions have changed since the formation of DHS, the Security and Accountability for Every (SAFE) Port Act of 2006 required GAO to review changes in staffing and other resources for customs revenue functions.³ Specifically, we examined (1) how staff resources contributing to customs revenue functions have changed since the creation of DHS, (2) how CBP conducts strategic workforce planning for customs revenue functions, and (3) whether CBP's

¹CBP's 2005 to 2010 Strategic Plan states that CBP's priority mission is homeland security. While carrying out its priority mission, CBP must also work to facilitate the movement of legitimate trade and people.

²Pub. L. No. 107-296, § 412, 116 Stat. 2135, 2179. The nine designated customs revenue positions are Import Specialists, Entry Specialists, Drawback Specialists, National Import Specialists, Fines and Penalties Specialists, attorneys of the Office of Regulations and Rulings, Customs (Regulatory) Auditors, International Trade Specialists, and Financial Systems Specialists.

³Pub. L. No. 109-347, § 401, 120 Stat. 1884, 1922 (2006).

public reporting on customs revenue functions ensures accountability. In addition, we provide information on the estimated cost of DHS salary and benefits for staff in customs revenue positions and associated support staff, because it is the only data DHS could provide regarding the resources dedicated to customs revenue functions. We did not assess the effectiveness of CBP's performance of customs revenue functions.

To meet these objectives, we reviewed documents and data related to CBP's staffing and performance of customs revenue functions since 2003 and interviewed knowledgeable DHS, CBP, and Immigration and Customs Enforcement (ICE) officials. We also analyzed CBP data on the number of staff in customs revenue positions⁴ and their associated support staff and compared these numbers to the levels required by the Homeland Security Act. December 2006 was the most current data available for customs revenue positions and September 2006 for associated support positions. We further examined whether the job responsibilities of staff in customs revenue positions have changed over time. We also analyzed reports and planning documents from the DHS Office of Inspector General (OIG). In addition, we identified specific challenges to performing customs revenue functions and determined whether CBP's workforce planning efforts successfully address those challenges. Further, we reviewed U.S. Customs Service, DHS, and CBP strategic plans, annual plans, and performance reports since 2000 to identify how CBP plans and reports its performance related to customs revenue functions. We did not assess the effectiveness of CBP's customs revenue functions. To determine the resources dedicated to customs revenue functions, we obtained data from CBP regarding the salaries and benefits associated with the staff performing customs revenue functions. We determined that the data presented in this report are sufficiently reliable for the purpose for which they are presented. We conducted our work in Washington, D.C., from December 2006 through March 2007, in accordance with generally accepted government auditing standards. Appendix I provides additional information about our scope and methodology. In addition, appendixes II and III provide data on the number of customs revenue functions staff and associated support positions. Appendix IV provides information on resources dedicated to customs revenue functions.

⁴For the purposes of this report, we refer to the nine positions specified in section 412(b) of the Homeland Security Act of 2002 as customs revenue positions.

Results in Brief

Staff resources contributing to customs revenue functions generally declined since the formation of DHS in March 2003, in part due to department priorities focused on homeland security and recruiting and retention problems for some positions. First, the number of staff in each of the nine designated customs revenue positions was below the mandated March 2003 baseline level for much of the time, although recent efforts by CBP increased the number of staff in most of these positions. Recently, CBP took several steps such as opening job announcements and closely monitoring its customs revenue staffing levels to increase the number of customs revenue staff by more than 130 to 2,273. Second, the number of support staff—which includes a variety of management, technical, and administrative support positions—associated with the customs revenue positions has declined overall, with the number of support staff associated with six of eight positions being below the mandated level in September 2006. For example, the Import Specialist position lost 94 of its 407 mandated level for support staff. Lastly, other positions within DHS such as CBP Officers (CBPOs), ICE Investigators, and OIG Auditors contribute to performing or improving customs revenue functions, but their contributions have declined over time. For example, before the formation of DHS, there were about 65 Treasury OIG Auditors focused on customs issues. Since the formation of DHS, the DHS OIG has prioritized audits in other areas such as homeland security and disaster assistance, and the number of Auditors focusing on customs issues declined to 15 as of February 2007. Because of other priorities, DHS OIG Auditors have not conducted any assessments of high-risk areas within customs revenue functions and have not done any performance audits focused on improving these functions.

CBP lacks a strategic workforce plan to guide its efforts to perform customs revenue functions but has taken some recent steps to improve its human capital management amid external and internal challenges. CBP has not performed an assessment to determine the critical workforce skills and competencies that will be needed to achieve current and future customs revenue functions. For instance, CBP has not yet determined how many staff and what skills it needs in customs revenue positions, their associated support staff, and other positions that contribute to the protection of customs revenue. Such an analysis would allow CBP to develop a strategy to move from the current workforce to the future workforce needed to achieve agency objectives related to performing customs revenue functions. Relatedly, CBP has not developed a strategic workforce plan to inform and guide its human capital efforts to perform its current and emerging customs revenue functions. CBP has recently taken some steps to improve staffing for customs revenue functions, but gaps

exist in these efforts. For example, CBP has proposed revising the roles and responsibilities for Import Specialists and is developing congressionally mandated resource allocation models⁵ to determine ideal staffing levels for performing various agency functions. However, CBP has not performed a similar examination of roles and responsibilities for other positions, and the resource allocation models being developed will not assess the deployment of customs revenue staff across the more than 300 individual ports—an important consideration since about 75 percent of customs revenue staff work at ports of entry. Additionally, external and internal challenges heighten the importance of such strategic workforce planning. First, the workload for some customs revenue positions has increased. For example, the growing number of free trade agreements (FTA) has had a pronounced effect on some customs revenue positions, including attorneys in CBP's Office of Regulations and Rulings who participate in every phase of the negotiation and implementation of the FTAs—from participating in negotiating sessions through issuing binding rulings regarding the proper interpretation of the CBP regulations implementing the agreement. In addition, some customs revenue positions have seen an expansion of revenue-related as well as nonrevenue-related responsibilities. For instance, with the formation of DHS, the Fines, Penalties, and Forfeitures (FP&F) Specialists from the former Customs Service became responsible for administering fines and penalties for violations of immigration and agriculture laws in addition to their existing responsibilities related to customs law. Also, staff in some customs revenue positions told us they have been assigned work that is unrelated to customs revenue functions, such as administrative work and vehicle maintenance.

Despite being the second largest revenue generator for the U.S. government, CBP does not publicly report on its performance of customs revenue functions in its annual plans and performance reports, thus failing to help ensure accountability. We have previously found that good management practices dictate linking performance measures to strategic goals and objectives in an effort to improve performance and accountability. Good management practices also suggest publicly reporting this information so that Congress can make informed decisions and so that taxpayers have a better understanding of what the government is providing in return for their tax dollars, or in this case, how well it is collecting customs revenue. CBP's strategic planning documents recognize

⁵Pub. L. No. 109-347, § 403, 120 Stat. at 1926.

the importance of customs revenue protection by establishing it as a strategic objective and identifying a revenue-related performance measure. However, we found that CBP does not use this measure or publicly report on results related to its customs revenue functions in its annual plans and Performance and Accountability Reports, the official documents agencies issue to Congress and the public to report program performance. According to a CBP official, CBP does not report on customs revenue functions in its Performance and Accountability Reports because these functions do not directly address the long-term goal of facilitating trade.

In this report we make three recommendations. We recommend that the CBP Commissioner develop a strategic workforce plan and work with the Office of Management and Budget (OMB) to establish and report on performance measures related to customs revenue functions in its Performance and Accountability Reports. We also recommend that the DHS Inspector General should identify areas of high risk related to customs revenue functions. We provided a copy of this report to DHS. The department concurred with our recommendation to develop a strategic workforce plan and partially concurred with our recommendation to establish and report on specific customs revenue performance measures. The department agreed to take action to implement these recommendations by March 31, 2008. The DHS OIG also concurred with our recommendation and agreed to take action to implement it by September 30, 2007.

Background

When the U.S. Customs Service was created in 1789 under the Department of the Treasury, its mission was almost entirely focused on revenue collection. Over time, the agency was presented with new missions and challenges, including drug interdiction, immigration enforcement, and airport passenger processing. But customs revenue functions, such as assessing and collecting duties, excise taxes, and fees and penalties, were always central to the Customs Service's mission because they produced substantial revenue. After the September 11, 2001, terrorist attacks and after DHS began operations in March 2003, the new department faced dramatic transformations. In combining the Customs Service with immigration bureaus, the Homeland Security Act of 2002 required that these function be transferred from the Departments of Treasury and Justice to DHS. These functions were subsequently split into two agencies—ICE and CBP. DHS's first priority is to prevent further terrorist attacks within the United States, and it has taken steps to focus its staff and resources on this priority mission. In addition, the Homeland Security Act also mandated DHS to carry out the legacy mission of the Customs

Service—fostering legitimate trade and travel into and out of the United States, which includes assessing and collecting customs duties, excise taxes, fees, and penalties due on imported merchandise.

When DHS was formed, it incorporated 22 different legacy organizations, each with its own distinct culture, practices, and mission. Transforming into a single agency whose priority mission is homeland security, while still fulfilling all the missions of its legacy organizations, including customs revenue functions has been a challenge. Our previous work has found that DHS has struggled with its transformation and strategic planning, failing to link its goals to resource requirements and develop outcome-based measures to assess performance for several DHS programs.⁶ To transform into an effective organization, we have reported that DHS must establish performance measures to help focus its limited resources.

To preserve a high level of customs revenue collections, Congress required in Section 412(b) of the Homeland Security Act that CBP, at a minimum, maintain certain revenue function positions and the level of staff resources that were present in the U.S. Customs Service when it became part of DHS in March 2003. The nine specific revenue function positions Congress required CBP to maintain were Import Specialists, Entry Specialists, Drawback Specialists, National Import Specialists, FP&F Specialists, attorneys of the Office of Regulations and Rulings, Customs Auditors, International Trade Specialists, and Financial Systems Specialists. The act also mandated that CBP maintain, at a minimum, the levels of support staff associated with customs revenue positions. Associated support staff provide a variety of management, technical, and administrative support functions. Some staff considered associated support staff includes Liquidators, Seized Property Custodians, Customs Technicians, as well as, Assistant Port Directors, Account Managers, and Economists.

Most of these customs revenue positions are located in two offices within CBP that are primarily responsible for performing the customs revenue

⁶GAO, *High-Risk Series: An Update*, [GAO-07-310](#) (Washington, D.C.: January 2007).

functions: the Office of International Trade⁷ and the Office of Field Operations. Table 1 shows the customs revenue positions and the number of staff specialists and associated support staff as of March 2003.

Table 1: Customs Revenue Positions, as Defined by the Homeland Security Act of 2002

Position title	Position description	Number of customs revenue positions as of March 2003	Number of associated support positions as of March 2003
Office of Field Operations			
Import Specialist	Reviews value and classification of imports	984	407
Entry Specialist	Processes entry documents and collects duties, taxes, and fees	409	274
Drawback Specialist	Reviews decisions on claims pertaining to the refunding of previously collected duties	37	26
Fines, Penalties, and Forfeitures Specialist	Assesses and collects fines and penalties for noncompliance	203	203
Office of International Trade			
Attorney (Office of Regulations and Rulings)	Issues decisions and provides technical advice on customs and navigation laws	90	30
Customs (Regulatory) Auditor	Conduct external audits of importers to help ensure compliance with customs laws and regulations	364	29
National Import Specialist	Serves as national consultants on tariff classification and related issues	97	20
International Trade Specialist	Designs, implements, monitors, and evaluates intervention actions	74	17
Office of Finance			
Financial Systems Specialist	Develops and implements financial systems	5	0
Total		2,263	1,006

Source: GAO analysis of CBP data.

⁷The Office of International Trade was established by CBP and codified by the SAFE Port Act in October 2006. The new office consolidated CBP's trade policy and program development functions associated with customs revenue functions. It combined staff from the Office of Strategic Trade and the Office of Regulations and Rulings, and some staff from the Office of Field Operations. According to CBP officials, the new Office of International Trade will help strengthen CBP's ability to carry out its key trade mission of facilitating the flow of legitimate trade across the border while protecting the American economy from unfair trade practices and illicit commercial enterprises.

Although Improving, CBP Failed to Maintain Mandated Staffing Levels for Some Customs Revenue Positions

Staff resources contributing to customs revenue functions have generally declined since the creation of DHS, in part due to department priorities focused on homeland security and recruiting and retention problems for some positions. First, the number of staff in designated customs revenue positions was below the mandated level for much of the time since DHS was formed, although recent efforts have increased the number of staff in most of these positions. Second, the total number of support staff associated with customs revenue positions declined, with six of eight positions losing support staff. Lastly, other DHS staff contribute to performing or improving customs revenue functions, but some of their contributions have declined over time.

Number of Customs Revenue Staff Was Frequently below the Mandated Level, but Recent Efforts Increased Staffing for Most Positions

For much of the time since the creation of DHS, the number of staff in customs revenue positions was below the mandated level, although recent efforts by CBP increased the number of staff in most of these positions. In March 2003, CBP reported a total of 2,263 staff in the nine customs revenue positions. The total number of customs revenue staff stayed at or above this baseline until April 2005, when it fell below the baseline. CBP officials attributed the decline in the number of staff in customs revenue positions to department priorities focused on homeland security and recruiting and retention problems in some positions. For instance, according to CBP officials, they faced problems recruiting International Trade Specialists and problems retaining Customs Auditors. As a result, the total number of staff in customs revenue positions remained below the March 2003 level until December 2006, when it rose above the baseline to 2,273. In the past year, CBP increased the total number of staff in customs revenue positions. Between March and December 2006, CBP hired more than 130 new staff into customs revenue positions, many of whom were added between September and December. CBP officials attribute this recent increase largely to steps taken following a commitment made by the Commissioner of CBP to Congress to comply with the customs revenue staffing mandate by the end of 2006. For example, they report that:

- CBP issued open-ended job announcements to continuously fill positions in which the number of staff had declined.
- CBP attempted to improve its ability to hire high-quality candidates. For instance, CBP competes with ICE for candidates to fill Customs (Regulatory) Auditor positions. However, CBP's Auditor position only goes as high as a GS-12 level, and ICE's position goes as high as a GS-13. In response, CBP officials told us they are in the process of revising the position so it advances to a GS-13 level. According to CBP officials,

CBP was also facing problems filling its International Trade Specialist positions located in Washington, D.C., because of the high cost of living and the strong competition for quality candidates. As a result, CBP decided that it will allow more of these positions to be filled in select Strategic Trade Centers.⁸

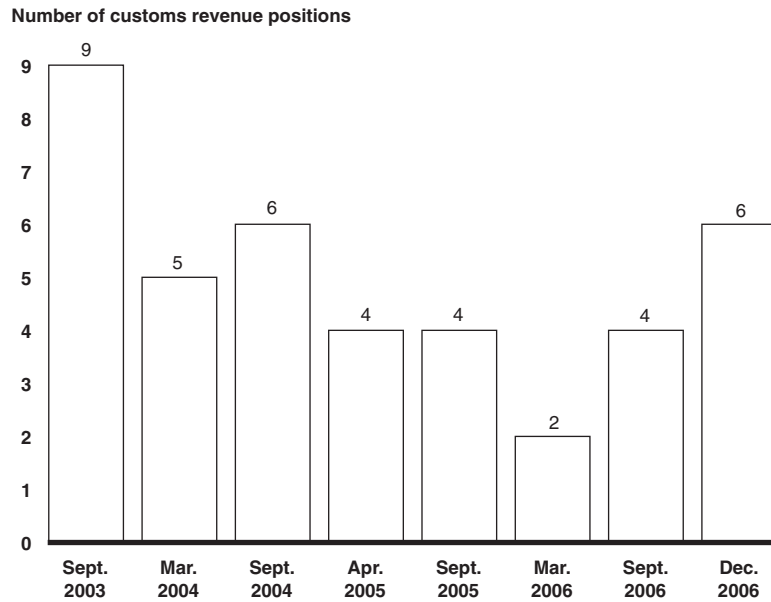
- CBP is also closely monitoring the results of its efforts to increase the number of customs revenue staff. Since 2006, on a biweekly basis, CBP analyzes, by position, the number of customs revenue staff on board and “in the pipeline.”⁹ CBP officials explained that by tracking both pieces of information, they can help ensure that they maintain the appropriate number of staff in each position throughout the year. For example, CBP estimates that it will lose 130 Import Specialists during fiscal year 2007, so it manages the number of candidates in the pipeline to fill these vacancies as quickly as possible after they occur.

The extent of CBP’s compliance with the customs revenue staffing mandate for the nine specified customs revenue positions has changed over time. For the first year after the creation of DHS in March 2003, CBP was able to maintain its mandated staff levels for all nine of the customs revenue positions. However, since March 2004, as shown in figure 1, CBP has not been able to maintain the mandated levels for all nine customs revenue positions.

⁸CBP has five Strategic Trade Centers located around the country that address the agency’s Priority Trade Issues. Three Strategic Trade Centers support specific types of customs revenue collection: antidumping revenue (South Florida); textile enforcement and revenue (New York), and other revenue sources (Chicago).

⁹The number of staff “in the pipeline” includes job candidates at various stages of the hiring process. For instance, it includes people whose applications have been received, qualified applicants, candidates undergoing background investigations, and candidates to whom offers have been made.

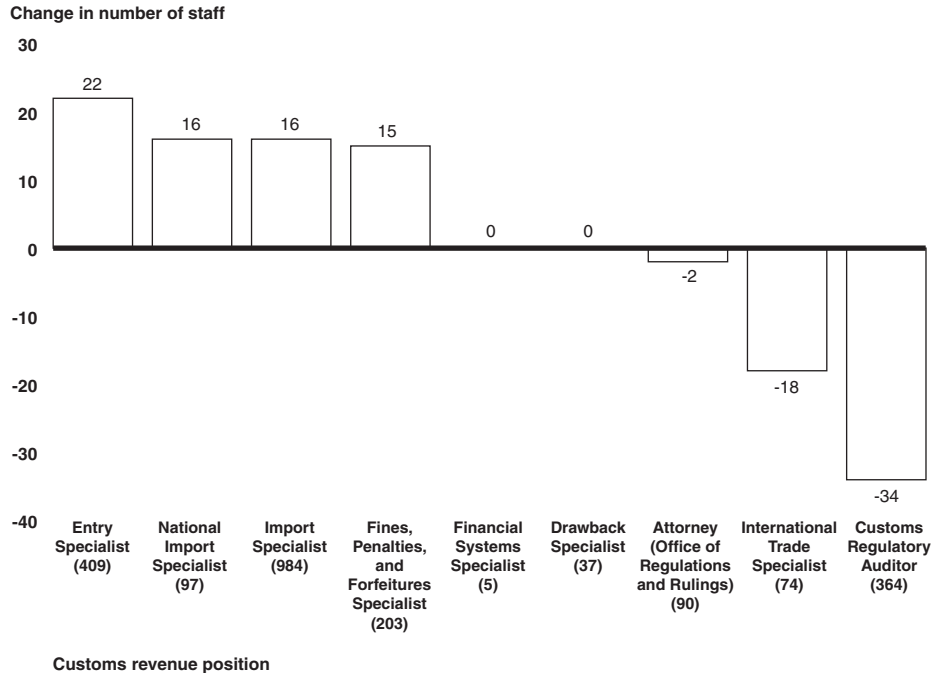
Figure 1: Number of Customs Revenue Positions for Which CBP Maintained the Mandated Staffing Levels



Source: GAO analysis of CBP data.

As of December 2006, staffing levels are at or above their mandated levels for six of the nine customs revenue positions, as shown in figure 2. CBP is below the mandated staff levels for three customs revenue positions, ranging from 2 to 34 positions below the baseline—attorneys (2 positions or 2 percent), Custom Auditors (34 positions or 9 percent), and International Trade Specialists (18 positions or 24 percent). CBP officials stated that the decline from mandated levels occurred for a variety of reasons, including general attrition, retirements, and transfers within CBP and outside to other DHS units with better pay or career tracks.

Figure 2: Change in Number of Staff in Customs Revenue Positions from March 2003 Baseline, as of December 2006



Source: GAO analysis of CBP data.

Note: Number in parentheses is the mandated baseline staff level for each position.

In general, CBP has maintained the mandated staff levels for Entry; FP&F; and Financial Systems Specialists over time. However, until recently, the staff levels for Import and National Import Specialists generally declined from their baselines. For example, the number of Import Specialists dropped from its baseline of 984 to its lowest level of 892 in March 2006, reaching 1,000 in December 2006. The number of National Import Specialists dropped from 97 to 87 in March 2006, but then reached 113 in December 2006.¹⁰ See appendix II for more information on staff levels for individual customs revenue positions over time.

¹⁰Although not on board as of December 2006, according to CBP officials, they have candidates in various stages of the hiring process for 2 attorney, 35 Customs (Regulatory) Auditors and 20 International Trade Specialist positions.

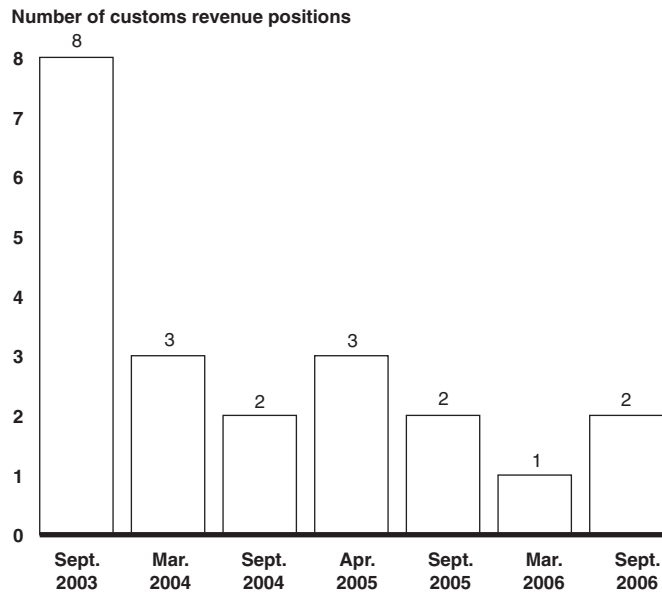
Number of Associated Support Staff Has Declined below the Mandated Levels for Most Positions

In March 2003, CBP reported a total of 1,006 support staff associated with eight of the nine customs revenue positions.¹¹ One of the customs revenue positions—Financial Systems Specialist—did not have any associated support staff. Associated support staff hold a variety of positions performing a range of management, technical, and administrative functions. For example, associated support staff includes, among others, Liquidators, Seized Property Custodians, Customs Technicians, as well as Assistant Port Directors, Account Managers, and Economists. The total number of associated support staff stayed at or above this baseline through September 2003; it has been below the baseline since then. CBP officials had not conducted an assessment to determine the cause for the decline in the number of associate support staff across positions or the effect of this decline on the performance of customs revenue functions.

The extent of CBP's compliance with the customs revenue staffing mandate for the associated support staff for each of the customs revenue positions has changed over time. From March through September 2003, CBP was able to maintain the mandated level for all the support positions associated with the customs revenue positions. However, as shown in figure 3, since March 2004, CBP has at least maintained the mandated number of associated support staff for as few as one and as many as three of the eight customs revenue positions.

¹¹The Homeland Security Act of 2002 did not explicitly define "associated support staff."

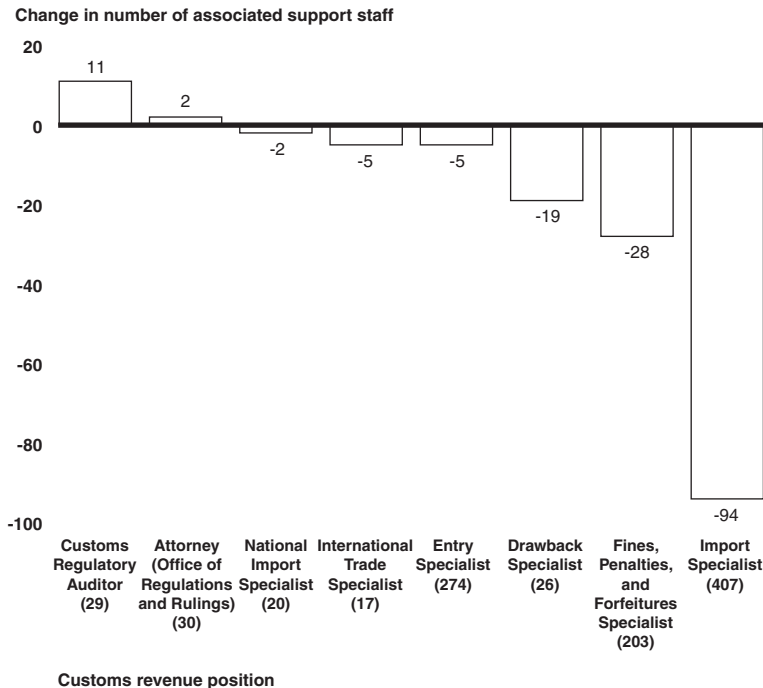
Figure 3: Number of Customs Revenue Positions for Which CBP Has Maintained Mandated Associated Support Staffing Levels



Source: GAO analysis of CBP data.

As of September 2006, CBP was above the mandated number of staff in two of eight associated support staff positions as shown in figure 4. For example, the number of support staff associated with the Customs (Regulatory) Auditor position exceeded its baseline, gaining a total of 11 staff (or 38 percent) since March 2003, increasing from 29 to 40. CBP was below the mandated support staff levels associated with 6 customs positions, ranging from 2 (or 10 percent) below for National Import Specialist support staff to 94 (or 23 percent) below for Import Specialist support staff. See appendix III for more information on staff levels for individual associated support staff positions over time.

Figure 4: Change in Number of Associated Support Staff from March 2003 Baseline, by Customs Revenue Position, as of September 2006



Source: GAO analysis of CBP data.

Note: Number in parentheses is the mandated baseline staff level for each position.

Many DHS Staff Not Specified in Section 412(b) Contribute to Customs Revenue Functions, but Some of Their Contributions Are Declining

DHS staff other than those listed in section 412(b) of the Homeland Security Act also contribute to performing or improving customs revenue functions; however, their contributions have been declining over time due to the demands of DHS’s priority mission—homeland security. For example, CBPOs, ICE Investigators, and OIG Auditors make contributions to help ensure customs revenue functions are carried out effectively and efficiently. Since the formation of DHS, the contributions of some of these positions have declined.

Approximately 18,000 CBPOs (formerly Customs Inspectors, Immigration Officers, or APHIS Inspectors) perform a wide variety of tasks at ports of entry, including processing people and cargo entering the United States and screening cargo for security purposes. Some of these tasks are related to customs revenue functions. For example, CBPOs examine commercial documents such as bills of lading, packing slips, and invoices to ensure that imports comply with applicable customs laws and regulations. Such

examinations can help Entry and Import Specialists ensure that appropriate duties, taxes, and fees are collected. In addition, CBPOs can identify violations of customs laws and regulations and help ensure that appropriate fine, penalty, or seizure action is taken. However, CBP data summarizing staff time charges indicate that although field staff contributing to trade functions initially grew from fiscal year 2003 to 2004, the amount of time spent supporting trade functions has declined about 8 percent since then.¹² CBP data show that 5,464 full-time equivalents (FTE) supported trade functions in fiscal year 2003 and grew to 6,045 FTEs in fiscal year 2004, but by fiscal year 2006, that number had dropped by 545 FTEs.

About 5,700 ICE Investigators perform a range of border enforcement efforts, from investigating drug and counterfeit smuggling, to enforcing U.S. immigration laws, and protecting against the entry of terrorists and their weapons. ICE Investigators also contribute to customs revenue functions by conducting investigations to determine whether customs laws or regulations have been broken. These investigations can result in identifying and prosecuting criminal networks that systematically evade customs law by committing acts such as importing counterfeit merchandise and intentionally undervaluing merchandise so as to avoid customs duties. According to ICE's Office of Investigations, which handles such trade enforcement cases, ICE Investigators undertake such investigations in response to referrals from CBP staff as well as on their own initiative. Since the formation of DHS, the amount of attention ICE has focused on trade enforcement cases has declined. The number of FTEs ICE used to conduct trade enforcement investigations declined from 226 in fiscal year 2003 to 186 in fiscal year 2006—an 18 percent decline. The proportion of time ICE investigators spend on trade enforcement cases versus other cases dropped from 7 percent in fiscal year 2003 to 3 percent in 2006.

Auditors in the DHS OIG can also help improve the effectiveness or efficiency of agency activities, but they have not focused on customs

¹²CBP's data on trade functions include, but cannot separate out, time spent on customs revenue functions. CBP officials reported that trade functions consisted primarily of customs revenue functions, but also included duties such as agriculture inspections. These data include time charges for all staff in noncustoms revenue positions CBP's Office of Field Operations, but according to CBP, it consists mostly of CBPOs but also includes other positions such as Agricultural Specialists. We used these data because CBP did not believe its CBPO specific data for 2003 and 2004 was sufficiently reliable.

revenue functions due to more immediate priorities. OIG Auditors help improve the effectiveness and efficiency of agency activities by conducting audits related to DHS programs and operations. They examine, evaluate, and where necessary, recommend ways for the department to carry out its responsibilities in the most effective, efficient, and economical manner possible. According to a DHS OIG official responsible for audit project management, prior to the formation of DHS, the Treasury OIG had approximately 180 Auditors, about 65 of which focused on U.S. Customs Service issues.¹³ However, when the DHS OIG was established in 2003, few of the Treasury OIG Auditors with knowledge and experience related to customs revenue functions moved from the Treasury OIG to the DHS OIG. Following the formation of DHS, Congress, DHS, and DHS OIG management prioritized performance audits focusing on homeland security and, more recently, disaster assistance. According to a DHS OIG official, its audit priorities are established annually based on input from subject matter experts and congressional interest. The OIG has not evaluated whether there are high-risk areas related to the performance of customs revenue functions, according to this official, because it has focused its resources on these other priorities. As part of its compliance with the DHS Financial Accountability Act, the OIG, through the use of an independent contractor, has performed audits of DHS's and CBP's financial statements and information technology systems that affect the collection of revenue.¹⁴ However, because of other priorities, the DHS OIG has not conducted any specific performance audits related to customs revenue functions.

As of February 2007, the DHS OIG's Office of Audits had 109 staff on board to conduct audits of programs throughout DHS.¹⁵ Of these, 15 Auditors

¹³A portion of these Auditors were almost always dedicated to revenue functions related work. In addition to customs issues, Treasury OIG Auditors conducted audits of the Office of Foreign Assets Control, the Secret Service, and other Treasury offices and programs.

¹⁴As a part of the DHS financial statement audit, the OIG has assessed information technology controls of CBP's financial systems annually since 2003 and has performed stand-alone financial statement audits for CBP. As part of the fiscal year 2005 financial statement audit, OIG issued a stand-alone report on IT controls issues at CBP: *Information Technology Management Letter for the FY 2005 Customs and Border Protection Balance Sheet Audit*, OIG-06-41 (Washington, D.C.: June 2006). During the financial statement audit process, the independent auditors tests controls over the entry, refund, and drawback applications and other programs that have controls that directly impact the effectiveness of the custodial collection and refund processes.

¹⁵The Office of Audit was authorized to have 166 positions. This includes OIG auditors as well as other positions such as executives and administrative support staff.

(and six managerial and administrative staff) cover all of CBP. These Auditors are currently working on reviews related to CBP's Automated Targeting System, export controls, and the Secure Border Initiative—a DHS program to secure U.S. borders and reduce illegal immigration. The OIG's fiscal year 2007 Annual Performance Plan includes one planned review related to customs revenue functions, which will focus on whether CBP's cargo carrier fine process is an effective tool for increasing carrier performance and compliance with the law.

Before the formation of DHS, when more resources were dedicated to auditing customs revenue functions, Treasury OIG Auditors conducted numerous reviews of the performance of customs revenue functions, some of which identified areas for significant improvement. For example, Treasury OIG Auditors reviewed the collection of international mail entry duties, and the OIG estimated that in fiscal year 2001 between \$150 million and \$430 million in customs duties were uncollected.¹⁶ Treasury OIG Auditors also reviewed the controls in place to ensure drawback¹⁷ claims (which amounted to more than \$400 million when the Treasury OIG conducted its review) were not improperly paid. The OIG found weaknesses in the processing of drawback claims that could result in overpayments and made recommendations to fix the problems.¹⁸

¹⁶Office of the Inspector General, U.S. Department of the Treasury, *Revenue Protection: Customs Is Not Collecting All Revenue Due From International Mail*, OIG-02-020 (Washington, D.C.: Dec. 13, 2001).

¹⁷Drawback is the refund, reduction or waiver in whole or in part of customs duties assessed or collected upon importation of an article or materials that are subsequently exported.

¹⁸Office of the Inspector General, U.S. Department of the Treasury, *Revenue Collection: Enhanced Controls Could Prevent Improper Payment of Customs Drawback Claims*, OIG-03-026 (Washington, D.C.: Dec. 2, 2002).

CBP Lacks a Strategic Workforce Plan, but Some Steps Taken to Improve Its Human Capital Management as It Faces Key Challenges

CBP lacks a strategic workforce plan to guide its efforts to perform customs revenue functions amid key challenges, but it has taken some recent steps to improve its human capital management. CBP has not performed an assessment to determine the critical workforce skills and competencies that will be needed to achieve current and future customs revenue functions, a key principle of strategic workforce planning. CBP also lacks a strategic workforce plan to inform and guide its future human capital efforts related to customs revenue functions. CBP has recently made efforts to improve its human capital management such as developing resource allocation models, but gaps in these efforts persist. Additionally, external and internal challenges heighten the importance of such strategic workforce planning. For instance, CBP's growing workload and changing job responsibilities for customs revenue positions place additional pressure on CBP's performance of customs revenue functions.

CBP Has Not Conducted an Assessment of Critical Workforce Skills and Competencies and Lacks a Strategic Workforce Plan

We have previously reported that agencies need effective human capital systems to respond to current and emerging challenges.¹⁹ Specifically, we have found that for DHS to successfully transform into a more effective organization it must, among other things, improve management systems, including its human capital system. One tool for achieving such improvement is a strategic workforce plan. Strategic workforce planning²⁰ helps an organization align its staffing with its current and emerging mission and programmatic goals. This includes developing long-term strategies for acquiring, developing, and retaining an organization's total workforce. One key step in strategic workforce planning is performing an assessment to determine the skills and competencies that are critical to successfully achieving the agency's current and future mission and goals. This is especially important in a dynamic environment in which the need for changing technologies and skills is coupled with constrained budgets.

¹⁹GAO, *High-Risk Series: An Update*, [GAO-07-310](#) (Washington, D.C.: January 2007).

²⁰As we reported in *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003), the five principles of effective strategic workforce planning are (1) involve top management, employees, and other stakeholders; (2) determine critical skills and competencies needed to achieve current and future programmatic goals; (3) develop strategies tailored to address gaps in the number, deployment, and alignment of human capital approaches; (4) build the capability needed to address administrative, educational, and other requirements for supporting workforce planning strategies; and (5) monitor and evaluate the agency's progress toward human capital goals and the contribution of human capital results to achieving programmatic results.

However, CBP has not engaged in strategic workforce planning to inform and guide its approach to manage the human capital necessary to perform customs revenue functions. First, CBP has not conducted a comprehensive assessment to determine the skills and competencies that are critical to successfully perform customs revenue functions. While CBP has examined the roles and responsibilities for Import Specialists, it has not comprehensively examined the changing workload, roles and responsibilities for others who perform or support customs revenue functions to determine the critical skills and competencies that are needed. For example, CBP has not assessed the workload, roles and responsibilities for the other customs revenue positions and the associated support positions to fully understand the skills that are critical to successfully achieving the current and future goals of its customs revenue functions. In addition, CBP has not assessed how best to deploy its workforce across its 300 plus ports of entry to support customs revenue functions.

CBP has not developed a strategic workforce plan for customs revenue functions that goes beyond identifying current gaps and needs and projects future human capital needs based on long-term vision, mission, and anticipated changes in environmental factors. According to CBP's Assistant Commissioner for Human Resource Management, CBP's human capital management efforts have focused on achieving and maintaining the staffing levels in customs revenue positions required by the Homeland Security Act of 2002. While the Homeland Security Act of 2002 required CBP to maintain, at a minimum, the number of staff in each of the nine customs revenue positions, CBP has not determined whether the number of staff required by the Homeland Security Act is an appropriate number to ensure that it effectively performs customs revenue functions in light of changes in the external and internal environment. CBP has also not developed long-term strategies for acquiring, developing, and retaining staff needed to achieve agency objectives related to performing customs revenue functions.

**Some Recent Steps
Improve CBP's Human
Capital Management, but
Gaps in These Efforts
Persist**

CBP has taken some recent steps to improve its human capital management. For instance, according to CBP's Assistant Commissioner for Human Resource Management, he has engaged his counterpart Assistant Commissioners in functional units (e.g., Office of International Trade, Office of Field Operations, etc.) in discussions about their human capital acquisition needs in light of their varied roles and responsibilities. CBP has also developed practices to hire qualified employees for customs revenue positions in a timely manner as described in the previous section.

In addition, CBP's assessment of the roles and responsibilities for Import Specialists has resulted in a proposed "Import Specialist Redesign Model" that will, among other things, revise the position description for Import Specialists and set standards for the size and composition of Import Specialist teams at each port of entry.²¹

Congressional concern about CBP's ability to link resources to its mission led Congress to require CBP to develop several resource allocation models.²² CBP is currently developing these staffing models mandated by Congress. Since the start of fiscal year 2006, Congress has required CBP to develop two related but distinct staffing models to determine optimal staffing levels at ports of entry. Congress directed the creation of one model in the conference report accompanying the fiscal year 2007 Department of Homeland Security Appropriations Act.²³ The conference report for the act noted congressional concern with CBP's ability to align its staffing resources with its mission requirements. It mandated that CBP develop a resource allocation model for current and future year staffing requirements that assesses optimal staffing levels at all land, air, and sea ports of entry. According to CBP officials responsible for developing the model, it will only focus on staff in the CBPO and Agricultural Specialist position, not any other positions. While CBPOs are not one of the customs revenue positions, they do contribute to customs revenue and other trade functions by screening cargo for trade violations and performing cargo inspections for trade compliance purposes.

In addition, the SAFE Port Act²⁴ requires CBP to develop a resource allocation model for determining the optimal staffing levels required to carryout CBP's commercial operations, including commercial inspection and release of cargo and customs revenue functions. According to CBP staff responsible for developing the model, it will build on a previous resource allocation model and will suggest the ideal staffing level for the

²¹CBP believes that revising the roles and responsibilities of Import Specialists and redesigning the existing Import Specialist workforce will improve accountability, address priority trade issues, and improve CBP's trade mission. Union representatives and some Import Specialists have expressed concerns about the Import Specialist Redesign Model's effects on the performance of trade functions.

²²Pub. L. No. 109-347, § 403, 120 Stat. at 1926.

²³H.R. Conf. Rep. No. 109-699, at 126 (2006).

²⁴Pub. L. No. 109-347, § 403, 120 Stat. at 1926.

customs revenue positions as well as some other trade-related positions such as CBPOs, Agricultural Specialists, and National Account Managers.²⁵

While CBP's multiple efforts to develop resource allocation models could serve as an important component of a strategic workforce plan, additional planning steps are needed. The models will not include an assessment of what critical skills and competencies are needed to perform current and projected customs revenue functions. As a result, the models will identify the ideal number of staff for performing various functions, but will not provide insight into what skills and competencies those staff should have or reconsider their position descriptions. In addition, the models (even when taken in combination) will not assess the number and combination of customs revenue staff that are necessary at each port. Although the model required by the conference report on the fiscal year 2007 DHS Appropriations Act will be port specific, it will focus on CBPOs and Agricultural Specialists. In addition, the model required by the SAFE Port Act will only address the deployment of staff at a very high level. According to CBP officials responsible for developing the model, it will indicate the ideal number of staff along the northern border vs. the southern border, but will not be port specific. The model required by the SAFE Port Act will not address the number or composition of associated support positions needed to perform customs revenue functions.

Key Challenges Heighten the Importance of Strategic Workforce Planning for Customs Revenue Functions

CBP faces external and internal challenges that heighten the importance of strategic workforce planning for customs revenue functions. First, CBP's workload has increased. This workload increase is attributable to a variety of factors, including increasing trade, growth in the number of free trade agreements, and the increasing number and significance of antidumping orders. At the same time, job responsibilities for some customs revenue positions have grown. Some customs revenue positions have seen an expansion of their trade-related responsibilities, and others have seen the addition of responsibilities unrelated to trade.

²⁵In 2000, the U.S. Customs Service developed a model that identified optimal staffing levels through fiscal year 2002. The model projected the required number of positions needed to fulfill the agency's mission, which included responding to three major challenges (1) workload growth, (2) increased border presence, and (3) increased need for enforcement. The model specifically addressed three customs revenue positions and recommended significant increases in the number of staff in each position to handle increased workload. The model recommended that the number of Import Specialists increase to 1,489, Entry Specialists increase to 565, and Customs Auditors increase to 677. CBP does not use this resource allocation model.

External Challenges Increase
CBP's Customs Revenue
Workload

CBP's workload has grown since the creation of DHS, which has resulted in significant challenges to its performance of customs revenue functions. Part of the workload increase is attributable to an overall increase in trade and the number of entities importing merchandise into the United States. Since fiscal year 2002, the volume of imported goods has increased approximately 33 percent. In addition, the number of importing entities has grown approximately 18 percent since fiscal year 2002, which increases the challenge for CBP's Import Specialists, Customs (Regulatory) Auditors, and others who must identify importers' noncompliance with customs laws and regulations. According to CBP officials, there has also been a significant growth in noncompliant trade, such as counterfeit merchandise, dumped or subsidized exports, and quota circumvention. The growth in such noncompliant trade creates pressures for CBP to do more to identify, prevent, and respond in order to protect the American economy and consumers.

According to CBP officials, the growth in FTAs to which the United States is a party also increases its workload. Since January 2001, the United States has increased the number of FTAs from two to nine. While FTAs affect customs revenue functions in a variety of ways, some customs revenue positions are affected more than others. For example, attorneys in the Office of Regulations and Rulings are involved in every phase of the development and implementation of an FTA. According to CBP officials, the attorneys (1) travel with the U.S. negotiating team to negotiate the details of agreements, (2) help draft implementing legislation once the agreement is completed, (3) draft CBP regulations to implement the legislation once it becomes law, and (4) issue binding rulings in response to importer requests to determine the applicable duty for a particular import.

Further, according to CBP officials, the workload associated with administering antidumping orders²⁶ issued by the Department of Commerce has increased, especially for Import Specialists. As of February 2007, CBP was responsible for implementing more than 240 antidumping

²⁶ Antidumping orders are intended to counter the negative effects of unfair imports. Specifically, antidumping orders impose additional duties on products sold at less than fair value that injure U.S. industry. The Department of Commerce and the International Trade Commission review antidumping orders every 5 years to determine whether revocation of the order would be likely to lead to continuation or recurrence of dumping or subsidies and of material injury within a reasonably foreseeable time. If both agencies make affirmative determinations, the order is continued for another 5 years; if not, the order is revoked.

Expanded Job Responsibilities
for Some Customs Revenue
Positions Create Internal
Challenges

orders, some of which affect hundreds of millions of dollars in trade annually. Further, some very significant orders, including two of the four largest antidumping orders in terms of import value came into effect since the creation of DHS.²⁷ According to CBP officials, collecting antidumping duties involves significantly more work than collecting normal duties because the amount of antidumping duties that importers owed are often revised (up to 18 months after the products have entered the country) as a result of additional reviews conducted by the Department of Commerce. In cases where Commerce determines that additional duties are owed, CBP must identify the affected importers, issue supplemental duty bills, and take steps to collect the supplemental duties. This can be particularly challenging, as illustrated by the fact that CBP has been unable to collect more than \$500 million in antidumping duties over the past 5 years.²⁸ In addition, CBP monitors trade patterns to identify, and then works with ICE to investigate, instances of suspected circumvention of antidumping orders by means such as mislabeling the country of origin.

The job responsibilities of some staff in customs revenue positions have expanded since the creation of DHS, either in the form of additional duties outside the scope of customs revenue functions or taking on additional revenue-related duties. According to CBP officials, some customs revenue positions have seen an expansion of job responsibilities as a result of merging staff from the legacy U.S. Customs Service, the Immigration and Naturalization Service, Border Patrol, and APHIS and assuming the authority and responsibility for carrying out each of these agencies' functions. This significantly added to the workload of some customs revenue positions such as FP&F Specialists. Prior to the formation of CBP, FP&F Specialists in the U.S. Customs Service were responsible for processing fines, penalties, and forfeitures related to violations of customs law. When CBP was formed, only FP&F Specialists from the former Customs Service joined CBP, and they became responsible for administering and collecting fines, penalties, and forfeitures for violations of immigration and agriculture laws. According to CBP officials, this exacerbated an already existing shortage of resources for legacy Customs

²⁷These antidumping orders cover frozen or canned warmwater shrimp or prawns from Thailand and wooden bedroom furniture from China. Each of these antidumping orders covered about \$1 billion in imports.

²⁸For information regarding CBP efforts to reduce the amount of uncollected antidumping duties, see GAO, *International Trade: Customs' Revised Bonding Policy Reduces Risk of Uncollected Duties, but Concerns about Uneven Implementation and Effects Remain*, [GAO-07-50](#) (Washington, D.C.: Oct. 18, 2006).

FP&F operations. In addition to the expansion in the types of FP&F actions for which the FP&F Specialists were responsible, the number of actions FP&F Specialists had to process increased dramatically. For example, during the second half of fiscal year 2003, CBP's 203 FP&F Specialists processed about 48,000 FP&F actions. By the second half of fiscal year 2004, CBP's now 207 FP&F Specialists had to process nearly 70,000 actions. This translates to a 2 percent increase in staff and a 46 percent increase in workload in one year. Since then, the number of FP&F Specialists had increased to 218 by December 2006 and the workload had declined to about 60,000 actions in the second half of fiscal year 2006. According to a CBP official, because of this growth in workload, it takes CBP longer to adjudicate FP&F cases.

Import Specialists (which account for about 40 percent of the staff assigned to customs revenue positions) have also seen their job responsibilities expand. These increased responsibilities are a mix of customs revenue functions, trade functions broadly (but not necessarily customs revenue functions), and nontrade functions. According to CBP's Office of Human Resource Management, since the creation of CBP, Import Specialists have assumed increased responsibilities in a variety of areas. These include responsibilities associated with managing large importer accounts, new free trade agreements, origin determinations, and counterterrorism. Further, some Import Specialists reported to us through their representative at the National Treasury Employees Union that they have been detailed to other units and are performing duties outside their area of responsibility and not contributing to customs revenue functions. For example, some reported that, due to shortages in the number of CBPOs at some ports, Import Specialists have been performing some of the duties assigned to CBPOs such as physically examining cargo for trade violations.

Other Import Specialists in several locations reported to us through their representative at the National Treasury Employee's Union that they have been doing work unrelated to customs revenue functions or trade. For instance, they report that:

- One port has not had a Secretary/Receptionist position for 5 years. As a result, that function was given to Import Specialists on a rotational basis.
- New Import Specialists at one port are assigned to do tasks such as inventory, vehicle maintenance, mail processing, and moving and setting up office furniture in a new facility.

-
- At one port, Import Specialists are performing rotations as long as 3 months to respond to Freedom of Information Act requests.
-

CBP's Public Reporting Does Not Ensure Accountability for Customs Revenue Functions

CBP—the second largest revenue generator for the U.S. government—does not publicly report on its performance of customs revenue functions in its annual performance plans and reports. Good management practices dictate linking performance to strategic goals and objectives and publicly reporting this information so that Congress has better information about program and agency performance, and taxpayers can better understand what the government is providing in return for their tax dollars, thus helping to ensure accountability. CBP's strategic planning documents recognize the importance of customs revenue protection by establishing a related strategic objective and identifying a revenue-related performance measure. However, CBP does not publicly report its progress toward meeting this strategic objective in its annual Performance and Accountability Reports or annual Performance Plans, the official documents agencies issue to Congress and the public to report program plans and performance. According to a CBP official, CBP does not report on customs revenue functions in its Performance and Accountability Reports because these functions do not directly address the long-term goal of facilitating trade.

Reporting Performance Relative to Goals, Objectives, and Measures Can Help Ensure Accountability

Leading organizations strive to align their activities and resources to achieve mission-related goals and also seek to establish clear hierarchies of performance goals and measures.²⁹ Under these hierarchies, the organizations try to link the goals and performance measures for each organizational level to successive levels and ultimately to the organization's strategic goals.³⁰ They have recognized that without clear, hierarchically linked performance measures, managers and staff throughout the organization will lack straightforward roadmaps showing how their daily activities can contribute to attaining organizationwide strategic goals and mission.

²⁹ GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118, (Washington, D.C.: June 1996).

³⁰ These hierarchies are typically embodied in agency strategic plans, annual plans (referred to by CBP as performance budget overviews), and Performance and Accountability Reports.

These leading organizations developed performance measures that are (1) tied to program goals and demonstrated the degree to which the desired results were achieved, and (2) are responsibility linked to establish accountability for results. We found that leading organizations did not stop after strategic planning and performance measurement. These organizations helped ensure accountability by publicly reporting this information so that Congress can make informed decisions and so that taxpayers have a better understanding of what the government is providing in return for their tax dollars.

CBP Does Not Publicly Report Results that Link Revenue Performance with Strategic Goals and Objectives

CBP has a strategic goal and objective that capture customs revenue functions, but CBP does not publicly report on related performance measures, which would enable Congress and the public to assess its progress in protecting revenue collections and ensure accountability. CBP's first strategic plan—covering 2005 to 2010—identifies the importance of revenue collection, as it includes a strategic goal of “facilitating the more efficient movement of legitimate cargo and people” with a corresponding strategic objective of “ensuring revenue protection” and a performance measure of “reduction in lost revenue: trade.”³¹ CBP's fiscal year 2005 Performance and Accountability Report described a related baseline performance measure to track “reduction in lost revenue,” but CBP did not include either a performance target or baseline data for this measure. CBP officials told us that the program under which customs revenue functions falls—Border Security Inspections and Trade Facilitation—went through OMB's Program Assessment and Rating Tool (PART)³² review and as a result, CBP's “reduction in lost revenue” measure was not accepted. CBP subsequently did not report it in the fiscal year 2006 annual performance report. Further, our review of DHS annual Performance Plans (contained in Performance Budget Overviews) for fiscal years 2005 through 2008 showed that they do not include

³¹The last strategic plan the U.S. Customs Service issued was issued for fiscal years 2000 through 2005. However, a new strategic plan was not immediately published when customs revenue functions were moved from the Department of Treasury to DHS in 2003. The first strategic plan that CBP issued covers fiscal years 2005 through 2010.

³²According to OMB, the PART was developed to assess and improve program performance so that the federal government can achieve better results. A PART review helps OMB identify a program's strengths and weaknesses and is intended to inform funding and management decisions aimed at making the program more effective. The PART examines program purpose and design; performance measurement, evaluations, and strategic planning; program management; and program results.

performance measures related to customs revenue functions. According to CBP officials, CBP does not plan to report customs revenue results relative to performance measures in its future Performance and Accountability Reports because these functions are not directly tied to the program's long-term goal of facilitating trade and travel.

Prior to its first strategic plan, CBP developed strategic goals that were reported in its fiscal year 2003 and 2004 annual performance reports. Under its strategic goal of "balancing legitimate trade and travel with security," CBP included the function of collecting duties, taxes, and fees. However, CBP did not publicly report on related performance measures in either its fiscal year 2003 or 2004 annual performance reports.³³

Although CBP has not reported the results of its performance of customs revenue functions in its Performance and Accountability Reports, other agencies that collect less revenue than CBP have successfully developed and publicly reported measures and their results for revenue collection functions. For example, OMB rated as "effective," the Department of Treasury's Alcohol and Tobacco Tax and Trade Bureau "Collect the Revenue" program, which reports (1) the amount of resources expended as a percentage of the revenue collected and (2) the percent of voluntary compliance in filing tax payments timely and accurately.

While CBP has not established a successful hierarchy of performance measures for customs revenue functions, it has internal planning documents and statistical data that track its effectiveness in performing some customs revenue functions. For instance, CBP has designated customs revenue as one of seven Priority Trade Issues and has developed an internal "official use only" strategy that includes performance measures, and targets for some revenue functions such as the percentage of repeat violators with material revenue loss and the loss of revenue due to surety default. CBP also prepares other "official use only" documents for internal purposes to provide managers an update on the progress of certain revenue performance measures. In addition, various components within CBP's Office of International Trade track some data on CBP's performance of customs revenue functions. For example, the Office of International Trade measures the revenue gap—an estimate of the amount

³³Under the strategic goal of modernizing and managing, CBP did report on the "percentage of collections received via electronic means" in its annual performance report for fiscal years 2003 and 2004.

of revenue uncollected due to importer noncompliance.³⁴ The Office of International Trade also assesses how well certain customs revenue positions are performing job functions. For instance, it assesses Customs Auditors' performance by evaluating how quickly an audit is completed. Further, OT also tracks whether their attorneys and National Import Specialists issue rulings in a timely manner in response to requests from importers regarding proper tariff classification for shipped items.

Conclusions

The creation of DHS involved the movement of a wide range of functions from various agencies into the new department. At the time, Congress expressed its concern that some of these functions, customs revenue functions in particular, may not continue to receive attention and resources in the new environment. Customs revenue, as the second largest revenue generator for the U.S. government, is a highly significant source of government funding.

The findings in this report suggest that Congress' concerns about the potential affect of moving customs revenue functions into CBP, whose priority mission is homeland security, were warranted. We found that this shift in mission contributed to reduced focus and resources devoted to customs revenue functions. Specifically, the number of staff in most customs revenue positions declined since the creation of DHS, despite a legislative mandate that they should not. In addition, the number of Auditors in the OIG dedicated to customs issues has declined as OIG resources have been focused in other areas. As a result there have been no OIG performance audits related to customs revenue functions.

An important CBP weakness is that it fails to publicly report results of its customs revenue functions. The current lack of reporting related to customs revenue functions makes it difficult for Congress and the American public to determine how well CBP is performing its customs revenue responsibilities. In light of the significant amount of revenue CBP collects annually (nearly \$30 billion in fiscal year 2006), and has not

³⁴The revenue gap is a calculation derived from data obtained from the Compliance Measurement program, which measures how frequently importers are complying with applicable U.S. laws and regulations when importing products into the United States. Based on that information, CBP estimates the amount of overpayments and underpayments of customs duties resulting from noncompliance. These amounts are then netted to calculate a total estimated revenue gap. CBP calculated the preliminary fiscal year 2006 revenue gap to be \$314 million. The projected over-collection and under-collection amounts due to noncompliance were \$128 million and \$442 million in fiscal year 2006, respectively.

collected (approximately \$150 million alone in antidumping duties in 2006), establishing specific performance targets related to customs revenue functions and tracking and reporting on CBP's progress in meeting those targets could help improve CBP's performance and assist Congress in exercising its oversight responsibilities.

CBP's recent efforts have helped it move closer to compliance with staffing level mandates for customs revenue positions, but even meeting the staffing levels does not achieve the more fundamental goal of maintaining customs revenue functions. Given that more than 4 years have passed since the Homeland Security Act, it is essential for Congress and agency management to know whether the staffing levels required in the act are sufficient to ensure effective performance of customs revenue functions. The resource allocation models CBP is developing in response to congressional mandates are a step in the right direction to help it determine the ideal number of staff for performing customs revenue functions. The growing workload, caused by factors such as the increasing volume of trade and the increasing number of trade agreements affect the amount and nature of human capital required to effectively perform customs revenue functions. In addition, changes in the internal environment, such as shifting job responsibilities for customs revenue positions, also influence the appropriate level of resources. A strategic approach to workforce planning that takes into account these kinds of environmental factors and is linked to revenue-related performance goals will help move the focus beyond compliance with specific targets and toward a more informed discussion of the agency's resource needs to achieve current and future customs revenue functions.

Recommendations for Executive Action

We recommend that, the CBP Commissioner develop a strategic workforce plan that aligns its human capital efforts with its objectives related to performing customs revenue functions. Such a strategic workforce plan should address five principles: (1) involve top management, employees, and other stakeholders, (2) determine critical skills and competencies needed to achieve current and future programmatic goals, (3) develop strategies tailored to address gaps in the number, deployment, and alignment of human capital approaches, (4) build the capability needed to address administrative, educational, and other requirements for supporting workforce planning strategies, and (5) monitor and evaluate the agency's progress toward human capital goals and the contribution of human capital results to achieving programmatic results.

In order to employ good management practices and link customs revenue performance measures with agency strategic goals and objectives, the CBP Commissioner should work with OMB to establish specific customs revenue performance measures and targets as well as evaluate, track, and report performance measures in annual agency Performance and Accountability Reports for congressional and public oversight of customs revenue functions.


In order to improve oversight over the performance of customs revenue functions, the Inspector General of the Department of Homeland Security, while developing its annual performance plan, should identify whether areas of high risk related to customs revenue functions exist and consider initiating performance audits to explore and mitigate those risks.

Agency Comments and Our Evaluation

We provided a copy of this report to DHS. It concurred with our recommendation to develop a strategic workforce plan. DHS partially concurred with our recommendation to establish and report on specific customs revenue performance measures. The department agreed to take action to implement these recommendations by March 31, 2008. DHS's official comments are contained in appendix V. The DHS OIG also reviewed a draft of this report and concurred with our recommendation and agreed to take action to implement it by September 30, 2007. The DHS OIG also provided additional information regarding its audits of CBP's financial and information technology systems, which we incorporated as appropriate. The DHS OIG's official comments are contained in appendix VI.

We will send copies of this report to the appropriate congressional committees as well as the CBP Commissioner and the Secretary of Homeland Security. We will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

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

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

Loren Yager
Director, International Affairs and Trade

List of Congressional Committees

The Honorable Daniel K. Inouye
Chairman
The Honorable Ted Stevens
Vice Chairman
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable Max Baucus
Chairman
The Honorable Charles Grassley
Ranking Member
Committee on Finance
United States Senate

The Honorable Joseph I. Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security
and Governmental Affairs
United States Senate

The Honorable Robert C. Byrd
Chairman
The Honorable Thad Cochran
Ranking Member
Subcommittee on Homeland Security
Committee on Appropriations
United States Senate

The Honorable Bennie G. Thompson
Chairman
The Honorable Peter T. King
Ranking Member
Committee on Homeland Security
House of Representatives

The Honorable James L. Oberstar
Chairman
The Honorable John L. Mica
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

The Honorable Charles B. Rangel
Chairman
The Honorable Jim McCrery
Ranking Member
Committee on Ways and Means
House of Representatives

The Honorable David E. Price
Chairman
The Honorable Harold Rogers
Ranking Member
Subcommittee on Homeland Security
Committee on Appropriations

Appendix I: Objectives, Scope, and Methodology

The SAFE Port Act¹ required GAO to review changes in customs revenue functions since the formation of the Department of Homeland Security (DHS). Specifically, this report addresses (1) how staff resources contributing to customs revenue functions have changed since the creation of DHS, (2) how Customs and Border Protection (CBP) conducts strategic workforce planning for customs revenue functions, and (3) whether CBP's public reporting on customs revenue functions ensures accountability. In addition, this report presents data on resources dedicated to customs revenue functions in appendix IV. We did not assess the effectiveness of CBP's customs revenue functions.

To obtain information on these issues, we interviewed a variety of DHS officials. This included officials from CBP's Offices of Field Operations, Finance, Human Resource Management, International Trade, and Policy and Planning. We also interviewed officials from Immigration and Customs Enforcement's (ICE) Office of Investigations. In addition, we reviewed information gathered during our prior and ongoing engagements related to CBP's trade activities, performance measurement, and strategic workforce planning.

To determine how staff resources contributing to customs revenue functions have changed since the creation of DHS, we analyzed CBP data on the number of staff in each of the customs revenue positions since March 2003 and compared these data with the requirements in the Homeland Security Act of 2002. We collected data on staff levels from March 2003 to the most current data available, which was December 2006 for customs revenue positions and September 2006 for associated support positions. CBP data on staff levels were reported for September and March for each fiscal year, with the exception of fiscal year 2005 when CBP reported data for April 2005. To assess the reliability of these data, we reviewed related documentation, interviewed knowledgeable officials, and performed manual testing of the data. Based on that analysis, we determined that these data were sufficiently reliable for the purpose of determining whether CBP complied with the staffing requirements in the Homeland Security Act of 2002. We also interviewed CBP officials regarding the contributions of customs revenue staff to the performance of customs revenue functions. Further, we analyzed data from CBP's Customs Overtime and Scheduling System to determine the overall trend in the number of full-time equivalents dedicated to trade functions. In

¹Pub. L. No. 109-347, § 105, 120 Stat. at 1891.

addition, we interviewed ICE officials and obtained data on ICE's contributions to customs revenue functions. Finally, we interviewed officials from the DHS Office of Inspector General (OIG) and reviewed relevant OIG performance audit reports and annual performance plans. We did not assess what effect any change in staff resources had on the effectiveness of CBP's performance of customs revenue functions.

To determine how CBP conducts strategic workforce planning for customs revenue functions, we interviewed CBP officials regarding (1) changes in customs revenue workload, (2) changes in the roles and responsibilities of customs revenue staff, (3) efforts to increase the number of staff in customs revenue positions, (4) human capital planning, and (5) efforts to develop resource allocation models. We also analyzed documents and statistics related to customs revenue workload, changes in the roles and responsibilities of customs revenue staff, and human capital planning. In addition, we interviewed a representative of the National Treasury Employee's Union to obtain the union and its members' views on changes in the roles and responsibilities of customs revenue staff. Finally, we analyzed our prior work regarding the components of effective human capital planning.

To determine whether CBP's public reporting on customs revenue functions ensures accountability, we interviewed and corresponded with officials in CBP's Offices of International Trade, Field Operations, and Policy and Planning as well as officials in DHS's Offices of Human Resource Management, Finance, and Program Analysis and Evaluation. In addition, we reviewed department and agency documents such as the DHS Performance Budget Overviews for fiscal years 2005 to 2008 and CBP's Strategic Plan for 2005 to 2010. We also analyzed Priority Trade Issue documents and performed a systematic analysis of fiscal years 2003 to 2006 CBP Performance and Accountability Reports. To assess what performance data are recorded outside of the Performance and Accountability Reports, we additionally reviewed performance measures captured in the Future Year Homeland Security Program system. To assess how revenue performance reporting practices have changed since the formation of DHS, we reviewed the U.S. Customs Service's 2000 to 2005 Strategic Plan as well as its fiscal years 2000 to 2002 annual performance reports. We did not assess CBP's performance of customs revenue functions.

To determine the resources dedicated to customs revenue functions, we obtained data from CBP that estimates the salary and benefits directly attributable to staff performing customs revenue functions. These data are

an estimate of funds expended for salaries and benefits for staff in the nine customs revenue positions and the associated support positions. This estimate does not include indirect costs such as overtime, travel, and overhead. According to CBP officials, these were the only data they had available to consistently measure resources dedicated to customs revenue functions since the formation of DHS.

We conducted our work in Washington, D.C., from December 2006, through March 2007, in accordance with generally accepted government auditing standards.

Appendix II: Customs Revenue Positions (March 2003 to December 2006)

Customs revenue positions	March 2003 Baseline	September 2003	March 2004	September 2004	April 2005	September 2005	March 2006	September 2006	December 2006
Office of Field Operations									
Import Specialist	984	1,022	962	957	931	918	892	907	1,000
Entry Specialist	409	418	458	452	407	404	408	432	431
Drawback Specialist	37	37	38	37	31	31	31	28	37
Fines, Penalties, and Forfeitures Specialist	203	211	207	214	214	212	218	225	218
Office of International Trade									
Attorney (Office of Regulations and Rulings)	90	90	84	85	84	83	85	92	88
Customs (Regulatory) Auditor	364	369	369	364	364	364	351	350	330
National Import Specialist	97	97	91	89	91	90	87	88	113
International Trade Specialist	74	84	68	74	74	74	62	59	56
Office of Finance									
Financial Systems Specialist	5	5	5	5	5	5	5	5	5
Total	2,263	2,333	2,282	2,277	2,201	2,181	2,139	2,186	2,273

Source: GAO analysis of CBP data.

Appendix III: Support Staff for Customs Revenue Positions (March 2003 to September 2006)

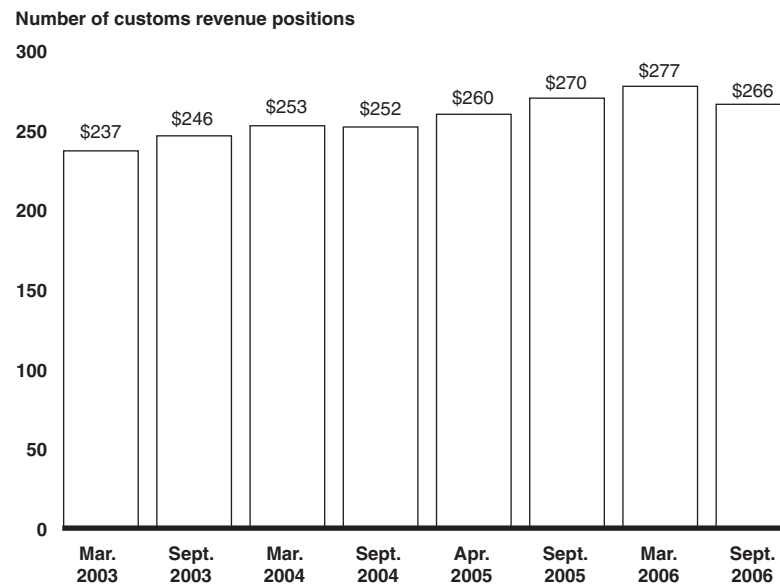
Customs revenue positions	March 2003 Baseline	September 2003	March 2004	September 2004	April 2005	September 2005	March 2006	September 2006
Office of Field Operations								
Import Specialist	407	426	394	339	351	316	331	313
Entry Specialist	274	281	271	258	293	266	260	269
Drawback Specialist	26	27	6	7	8	7	8	7
Fines, Penalties, and Forfeitures Specialist	203	214	209	199	198	186	195	175
Office of International Trade								
Attorney (Office of Regulations and Rulings)	30	33	26	24	23	24	22	32
Customs (Regulatory) Auditor	29	33	34	47	47	47	41	40
National Import Specialist	20	20	18	18	19	19	19	18
International Trade Specialist	17	21	17	17	17	17	11	12
Total	1,006	1,055	975	909	956	882	887	866

Source: GAO analysis of CBP data.

Appendix IV: Salary and Benefits Directly Attributable to Customs Revenue Functions

DHS dedicates resources to performing customs revenue functions. Figure 5 represents the cost of salary and benefits for all customs revenue positions and their associated support staff. The data do not include indirect costs such as overtime, travel and overhead. As shown in figure 5, the amount of budget resources directly attributable to performing customs revenue functions has generally increased since the formation of DHS.

Figure 5: Resources Directly Attributable to Customs Revenue Functions



Source: GAO analysis of CBP data.

Appendix V: Comments from the Department of Homeland Security

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



**Homeland
Security**

March 27, 2007

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

Dear Mr. Yager:

Thank you for the opportunity to review and comment on the Government Accountability Office's (GAO's) report titled "CUSTOMS REVENUE: Customs and Border Protection Needs to Improve Workforce Planning and Accountability" (GAO-07-529).

Revenue collection has been a longstanding responsibility for U.S. Customs and Border Protection (CBP) and remains an important mission for the Department of Homeland Security (DHS). In the report, GAO notes that the number of staff in most customs revenue positions declined since the creation of the department. However, CBP has made a concerted effort to bring the revenue-devoted resources into compliance with the Homeland Security Act. As of December 31, 2006, CBP had sufficient personnel in the "pipeline" to meet the required threshold for all positions.

The report makes two recommendations to the Commissioner of CBP. We outline a corrective action plan and also provide technical comments.

The report also contains one recommendation directed to the Inspector General of DHS:

In order to improve oversight over the performance of customs revenue functions, the Inspector General of the Department of Homeland Security, while developing its annual performance plan, should identify whether areas of high risk related to customs revenue functions exist and consider initiating audits to explore and mitigate those risks.

With regard to the classification of the draft report, CBP has not identified information within the report requiring restricted public access based on a designation of "For Official Use Only."

The following is our response to the recommendations.

www.dhs.gov

Recommendation 1: GAO recommends that the Commissioner of CBP develop a strategic workforce plan that aligns its human capital efforts with its objectives related to performing customs revenue functions.

Response: CBP concurs with the recommendation. CBP plans to develop a strategic workforce plan that identifies any gaps in human capital for the revenue positions and provides a comprehensive plan for recruiting, retaining, and training employees. The strategic plan will also assess the critical skills and competencies needed to achieve CBP programmatic goals. In addition, CBP is developing a Resource Model for the revenue functions that will assist management in determining the optimal level of staff to meet the performance outcomes and goals for the agency's trade mission.

Completion Date: March 31, 2008

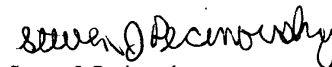
Recommendation 2: CBP concurs in part with the recommendation. GAO recommends that the Commissioner of CBP establish specific customs revenue performance measures and targets as well as evaluate, track, and report performance measures in annual agency Performance and Accountability Reports for congressional and public oversight of customs revenue functions.

Response: CBP currently tracks and monitors revenue-related performance measures. At the beginning of each fiscal year, CBP works with the Office of Management and Budget (OMB) to determine the set of agency level performance measures for inclusion in the year's Performance and Accountability Report. The set of measures for FY 2007 have already been determined. CBP will consider the proposal to include revenue related performance measures in the FY 2008 CBP PAR.

Completion Date: March 31, 2008

We thank you for the opportunity to review the draft report and provide comments.

Sincerely,



Steven J. Pecinovsky
Director
Departmental GAO/OIG Liaison Office

Appendix VI: Comments from the Department of Homeland Security's Office of Inspector General

Office of Inspector General

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



**Homeland
Security**

March 30, 2007

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

Dear Mr. Yager:

Thank you for the opportunity to review and comment on the Government Accountability Office's (GAO's) report titled "*CUSTOMS REVENUE: Customs and Border Protection Needs to Improve Workforce Planning and Accountability*" (GAO-07-529).

As GAO noted in the report, the Office of Inspector General is a unique resource to the department that can contribute to improving U.S. Customs and Border Protection's (CBP's) operations including its revenue related functions. GAO also noted that the Department of Homeland Security (DHS) Inspector General has not had the same resources as the Treasury Inspector General to apply to CBP issues, and that legislatively mandated work and other high priority national security issues have dictated to a large extent the priorities for using the resources we have. For example, the establishment of the Deputy Inspector General for Disaster Assistance Oversight, was a result of the nation's and congress' priorities for addressing catastrophes represented by Hurricanes Katrina and Rita, and other disasters. This requirement placed a huge strain on our ability to provide coverage to the rest of the issues associated with the whole department, let alone CBP.

GAO also acknowledged that oversight of CBP's revenue related activity is not just confined to program or operational reviews, but that the IG also covers this area through its financial statement work and specialized reviews conducted by its Information Technology (IT) Audit Group. The Office of the Inspector General (OIG) audits the CBP revenue functions through the CBP financial statement audit. Specifically, the custodial revenue functions at CBP relate primarily to the collection of Customs duties, taxes and fees. The financial statement audit process tests controls over the entry (the collection of these duties taxes and fees) and refund and drawback (refunds of collections) applications. Controls are also tested related to Regulatory Audit, Compliance Measurement (Revenue Tax Gap), National Analysis Specialist Division (NASD), and the Strategic Trade Center, as these programs have controls that directly impact the effectiveness of the custodial collection and refund processes.

In addition, as part of the DHS financial statement audit, the OIG has assessed IT controls of CBP's financial systems every year since 2003. In addition, to complement these general IT controls review, the OIG also performed technical security testing for key network and system devices, as well as testing over key financial application controls. During the course of this work, the OIG has provided CBP dozens of findings and recommendations, written summaries of any deficiencies

**Appendix VI: Comments from the Department
of Homeland Security's Office of Inspector
General**

found, and how to fix them. As part of the FY 2005 financial statement audit, the OIG issued a stand-alone report on IT controls issues at CBP: *Information Technology Management Letter for the FY 2005 Customs and Border Protection Balance Sheet Audit (OIG-06-41, June 2006)*. The OIG plans to continue issuing such stand-alone reports on an annual basis.

Last year, during our annual planning process, we addressed the fact that we needed to conduct program reviews in the revenue related functions at CBP, and initiated planning efforts to that effect. As a result, we incorporated a revenue related job into our fiscal year 2007 Annual Performance Plan, as noted by GAO in the report.

In GAO's report, which focused primarily on CBP's use of staff and resources in support of their revenue mission, they made one recommendation to the DHS Inspector General. The recommendation and our response to it follow.


Recommendation 1: In order to improve oversight over the performance of customs revenue functions, the Inspector General of the Department of Homeland Security, while developing its annual performance plan, should identify whether areas of high risk related to customs revenue functions exist and consider initiating audits to explore and mitigate those risks.

Response: Concur. The Inspector General recognizes the importance of identifying high risk areas related to customs revenue functions as a part of our process for planning work related to CBP. In planning work, we routinely consider the risks associated with the function or process and in prioritizing where we will devote our resources each year. As our agency matures and more program audit staff is added, we intend to continue to expand our coverage while planning and performing more audits in the revenue related areas. The OIG has an aggressive recruiting and hiring effort underway in order to fill the many vacancies we have. As our numbers increase and become more experienced each year, we intend to review more of the important revenue functions of CBP.

Completion Date: September 30, 2007

Should you have any questions please call me, or your staff may contact James Taylor, Deputy Inspector General, at (202)254-4100.

Sincerely,


Richard L. Skinner
Inspector General

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

Loren Yager (202) 512-4347

Staff Acknowledgments

In addition to the individual named above, Christine Broderick, Jason Bair, Deborah Owolabi, Karen Deans, Michael White, and Jackie Nowicki made key contributions to this report. Laura Miller Craig, Casey Keplinger, Grace Lui, and Martin de Alteriis also provided assistance.

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