



# Department of Homeland Security Office of Inspector General

## Independent Auditors' Report on U.S. Customs and Border Protection's FY 2008 Consolidated Financial Statements





Homeland  
Security

January 8, 2009

### Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

The attached report presents the results of U.S Customs and Border Protection's consolidated financial statement audits for fiscal years (FY) 2008 and 2007. We contracted with the independent public accounting firm KPMG LLP (KPMG) to perform the audits. The contract required that KPMG perform its audits according to generally accepted government auditing standards and guidance from the Office of Management and Budget and the Government Accountability Office. KPMG concluded that CBP's consolidated financial statements as of and for the years ended September 30, 2008 and 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. The FY 2008 auditors' report discusses one material weakness, three significant deficiencies in internal controls, and two instances of noncompliance with laws and regulations. KPMG is responsible for the attached draft auditor's report and the conclusions expressed in the report. We do not express opinions on CBP's financial statements or provide conclusions on compliance with laws and regulations.

The recommendations herein have been discussed in draft with those responsible for implementation. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner  
Inspector General



**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036

## **Independent Auditors' Report**

Inspector General  
U.S. Department of Homeland Security:

Commissioner  
U.S. Customs and Border Protection:

We have audited the accompanying consolidated balance sheets of the U.S. Department of Homeland Security's (DHS) Customs and Border Protection (CBP) as of September 30, 2008 and 2007, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2008 audit, we also considered CBP's internal controls over financial reporting and tested CBP's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these consolidated financial statements.

### **Summary**

As stated in our opinion on the consolidated financial statements, we concluded that CBP's consolidated financial statements as of and for the years ended September 30, 2008 and 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting resulted in the following conditions being identified as significant deficiencies:

1. Drawback of Duties, Taxes, and Fees
2. Financial Reporting
  - a. Property, plant, and equipment
  - b. Inactive obligations
3. Entry Process
  - a. In-Bond Program
  - b. Compliance Measurement
  - c. Bonded Warehouse and Foreign Trade Zones
4. Information Technology

We consider the first significant deficiency, above, to be a material weakness.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*:

1. *Federal Information Security Management Act (FISMA) – Electronic Government Act of 2002*
2. *Federal Financial Management Improvement Act of 1996 (FFMIA)*



The following sections discuss our opinion on CBP's consolidated financial statements; our consideration of CBP's internal controls over financial reporting; our tests of CBP's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of the U.S. Department of Homeland Security's (DHS) Customs and Border Protection (CBP) as of September 30, 2008 and 2007, and the related consolidated statements of net cost, changes in net position, and custodial activity, and the combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CBP as of September 30, 2008 and 2007, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis and Required Supplementary Information is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information in the Performance Results Section and Other Accompanying Information section are presented for purposes of additional analysis and are not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

### **Internal Control Over Financial Reporting**

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects CBP's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of CBP's consolidated financial statements that is more than inconsequential will not be prevented or detected by CBP's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by CBP's internal control.

In our fiscal year 2008 audit, we consider the deficiencies, described in Exhibits I and II, to be significant deficiencies in internal control over financial reporting. However, of the significant deficiencies described in Exhibits I and II, we believe that the significant deficiency presented in Exhibit I is a material weakness. Exhibit IV presents the status of prior year significant deficiencies.



## Compliance and Other Matters

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed one instance of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and is described in Exhibit III.

The results of our other tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed instances, described in Exhibit III, in which CBP's financial systems did not substantially comply with Federal financial management systems requirements and were not compliant with the United States Government Standard General Ledger at the transaction level.

The results of our tests of FFMIA disclosed no instances in which CBP's financial management systems did not substantially comply with Federal accounting standards.

\* \* \* \* \*

## Responsibilities

**Management's Responsibilities.** Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, and contracts applicable to CBP.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the fiscal year 2008 and 2007 consolidated financial statements of CBP based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CBP's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2008 audit, we considered CBP's internal control over financial reporting by obtaining an understanding of CBP's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to



express an opinion on the effectiveness of CBP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CBP's internal control over financial reporting.

As part of obtaining reasonable assurance about whether CBP's fiscal year 2008 consolidated financial statements are free of material misstatement, we performed tests of CBP's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contract agreements applicable to CBP. However, providing an opinion on compliance with laws, regulations, and contract agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

---

CBP's response to the findings identified in our audit are presented in Exhibits I, II, and III. We did not audit CBP's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of CBP's management, DHS management, the DHS Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 4, 2008

**Material Weaknesses**

**A. Drawback of Duties, Taxes and Fees**

**Background:**

CBP, as a component of DHS, continued to perform an important revenue collection function for the U.S. Treasury. CBP collects approximately \$31.4 billion in import duties, taxes and fees annually on merchandise arriving in the United States from foreign countries.

Drawback is a remittance in whole or in part, of duties, taxes, or fees previously paid by an importer. Drawback typically occurs when the imported goods on which duties, taxes, or fees have been previously paid are subsequently exported from the United States or destroyed prior to entering the commerce of the United States. Depending on the type of drawback claim, the claimant has up to eight years from the date of importation to file for drawback. During fiscal year 2005, the U.S. Congress enacted the *Miscellaneous Trade and Technical Corrections Act of 2004* (Public Law 108-429) that created a limited timeframe for liquidating claims; the new process is known as deemed-liquidation by CBP. As a result of the new timeframe for liquidation of drawback claims, CBP implemented policies and procedures during fiscal year 2006 that require the payment of claims in an accelerated timeframe.

**Condition:**

We noted the following weaknesses related to internal controls over drawback of duties, taxes, and fees paid by the importer:

- The Automated Commercial System (ACS) lacked automated controls to detect and prevent excessive drawback claims and payments, necessitating inefficient manual processes that do not effectively compensate for the lack of automated controls. ACS did not have the capability to compare, verify, and track essential information on drawback claims to the related underlying consumption entries or export documentation upon which the drawback claim was based. For example, ACS did not contain electronic edit checks that would identify duplicate claims for export of the same merchandise;
- ACS lacked controls to prevent the overpayment of drawback claims at the summary line level. Specifically, we noted approximately \$3 thousand of overpayments;
- Drawback review policies did not require drawback specialists to review all or a statistically valid sample of prior drawback claims against the underlying consumption entries (UCE) to determine whether, in the aggregate, an excessive amount was claimed. CBP does not have absolute assurance that a selected import entry is not being over claimed by different drawback claims;
- Drawback review policy and procedures allow drawback specialists, with supervisory approval, to judgmentally decrease the number of ACS selected UCEs randomly selected for review, thus decreasing the review's effectiveness. Further, CBP's sampling methodology for selecting UCEs is not considered to be statistically valid; and

## EXHIBIT I

- Per CBP's "Drawback Handbook," the initial period for document retention related to a drawback claim is only 3 years from the date of payment. However, there are several situations that could extend the life of the drawback claim well beyond 3 years.

### **Cause/Effect:**

Much of the drawback process is manual, placing an added burden on limited resources. CBP uses a sampling approach to compare, verify, and match consumption entry and export documentation to drawback claims submitted by importers. However, system and procedural limitations decrease the effectiveness of this approach. The inherent risk of fraudulent claims or claims made in error is high, which increase the risk of erroneous payments.

### **Criteria:**

Under the *Federal Managers Financial Integrity Act* (FMFIA), management must implement cost-effective controls to safeguard assets and ensure reliable financial reporting. Office of Management and Budget (OMB)'s *Revised Implementation Guidance for the Federal Financial Management Improvement Act* states that financial systems should "routinely provide reliable financial information consistently, accurately, and reported uniformly" to support management of current operations. The Federal Systems Integration Office (FISO) publications and OMB Circular A-127, *Financial Management Systems*, outline the requirements for Federal systems. FISO's *Core Financial System Requirements* states that the core financial system must maintain detailed information by account sufficient to provide audit trails and to support billing and research activities. OMB Circular A-127 requires that the design of financial systems should eliminate unnecessary duplication of a transaction entry. Whenever appropriate, data needed by the systems to support financial functions should be entered only once and other parts of the system should be updated through electronic means consistent with the timing requirements of normal business/transaction cycles.

The *Improper Payments Information Act of 2002* requires agencies to annually review programs and activities and identify any that may be susceptible to significant improper payment. Whenever an agency estimates that improper payments may exceed \$10 million, it must also provide a report on what actions are being taken to reduce such payments. In addition to the regulatory requirements stated above, CBP's Drawback Handbook, dated March 2007, states that management reviews are necessary to maintain a uniform national policy of supervisory review.

### **Recommendations:**

We recommend that CBP:

1. Implement effective internal controls over drawback claims as part of any new system initiatives, including the ability to compare, verify, and track essential information on drawback claims to the related underlying consumption entries and export documentation for which the drawback claim is based, and identify duplicate or excessive drawback claims;
2. Implement automated controls within ACS and ACE to prevent overpayment of a drawback claim;
3. While the Automated Commercial Environment (ACE) is in development, we recommend that CBP collaborate with ACE developers/engineers to ensure that the new system eliminates the



## **EXHIBIT I**

need for statistically sampling of UCE and prior related drawback claims as drawback claims. In addition, until ACE is implemented, we recommend that CBP explore other statistical approaches for selecting UCEs and prior related drawback claims under the current ACS environment;

4. Continue to work with the U.S. Congress to lengthen the required document retention period for all supporting documentation so that it corresponds with the drawback claim life cycle.

### **CBP Response:**

See managements' response included in the attached letter.

**Other Significant Deficiencies****B. Financial Reporting****1. Property, Plant, and Equipment****a. Secure Border Initiative – Tactical Infrastructure****Background:**

The Secure Border Initiative – Tactical Infrastructure (SBI-TI) is a comprehensive multi-year plan to secure America's borders and reduce illegal immigration. The primary step in fulfilling this plan is the construction of a border fence between the U.S. and Mexico. The border fence will take many forms (fence, vehicle barriers, etc.) depending on the terrain of the land. Much of the physical fence construction includes large quantities of steel. As a result, CBP purchased steel in bulk during fiscal year 2008 to be used in the construction of the border fence.

**Condition:**

During fiscal year 2008, CBP purchased a total of \$276 million in steel. We noted that these purchases were initiated during the second and third quarter of the fiscal year, with the majority purchased and received during August and September. Through August 2008, \$224 million of bulk steel was purchased and received; however, CBP did not have procedures in place to capitalize the costs into the financial accounting system (SAP) until September 2008. We noted that all bulk steel purchases received as of September 30, 2008 were properly capitalized by year-end.

We also performed testwork over CBP's percentage of completion accrual related to SBI-TI fence and vehicle barriers and noted that CBP did not have sufficient support for the percentage of completion for these projects. As a result, we noted a potential overstatement of approximately \$41.3 million in construction in progress (CIP) as of September 30, 2008.

**Criteria:**

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*, requires that:

- PP&E shall be recorded at cost, which shall include all costs incurred to bring the asset to a form and location suitable for its intended use;
- Costs of acquiring property, plant, and equipment may include: labor and other direct or indirect production costs (for assets produced or constructed), an appropriate share of the cost of the equipment and facilities used in construction work (CIP assets), and direct costs of inspection, supervision, and administration of construction work; and
- PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be transferred to general PP&E.

## EXHIBIT II

Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control, defines management's responsibility for internal control and provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control.

### **Cause/Effect:**

The construction of the SBI-TI border fence was a new process for CBP during fiscal year 2008 and as a result processes and procedures did not exist to properly account for all related transactions in a timely manner. The untimely capitalization of assets (steel) purchased and received for the SBI-TI fence construction could result in misstatements of CBP's financial statements. For example, we noted a potential overstatement of approximately \$41.3 million in CIP as of September 30, 2008.

### **Recommendations:**

We recommend that CBP:

1. Establish a process for properly and accurately accounting for all assets purchased in a timely manner for the purposes of SBI-TI fence construction projects; and
2. Ensure the records in SAP are accurate and complete with documentation available supporting the transactions that are readily available for examination.

## **b. Untimely Transfers of Construction in Progress to Fixed Assets**

### **Background:**

During the fiscal years 2006 and 2007 financial statement audits, we noted untimely transfers of construction in progress (CIP) assets to fixed assets, in which a majority related to software in development. In fiscal year 2008, we continued to identify assets included in the CIP listing that were completed, but not transferred to fixed assets in a timely manner. As a result, CIP assets were overstated and fixed assets as well as the related accumulated depreciation and depreciation expense were understated.

### **Condition:**

During fiscal year 2008, we continued to note weaknesses related to the untimely transfers of completed CIP assets to fixed assets. Specifically, we noted 28 instances in which assets were transferred untimely from CIP to fixed assets. These 28 errors resulted in \$10.8 million of unrecognized accumulated depreciation and related depreciation expense. As a result, CBP performed an analysis of additions to fixed assets to identify the overall impact of untimely transfers from CIP to fixed assets as of September 30, 2008. Based on this analysis, CBP identified and corrected a total of \$49 million of unrecorded accumulated depreciation and related depreciation expense as of September 30, 2008. Furthermore, \$42 million of the \$49 million, related to prior year depreciation thereby causing current year depreciation expense to be overstated by \$42 million.

## EXHIBIT II

### Criteria:

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*, requires that:

- PP&E shall be recorded at cost, which shall include all costs incurred to bring the asset to a form and location suitable for its intended use;
- Costs of acquiring property, plant, and equipment may include: labor and other direct or indirect production costs (for assets produced or constructed), an appropriate share of the cost of the equipment and facilities used in construction work (CIP assets), and direct costs of inspection, supervision, and administration of construction work; and
- PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be transferred to general PP&E.

Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Internal Control, defines management's responsibility for internal control and provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control.

### Cause/Effect:

Completed CIP assets are not transferred from CIP to fixed assets in a timely manner. As a result, CIP, PP&E, and the related financial statement balances may be misstated at any point during the fiscal year. For example, we noted an overstatement of approximately \$42 million in depreciation expense as of September 30, 2008.

### Recommendation:

We recommend that CBP:

1. Implement policies and procedures to ensure proper coordination between the Field Project Managers and the National Finance Center related to CIP project monitoring;
2. Establish periodic communication between the CIP Project Managers and the National Finance Center to ensure that when projects are complete, the assets are appropriately transferred from CIP to fixed assets in SAP; and
3. Implement policies and procedures that require the National Finance Center to perform periodic reviews over CIP assets to ensure that all CIP assets are regularly monitored and properly classified.

### CBP Response:

See managements' response included in the attached letter.

## **2. Inactive Obligations**

### **Background:**

CBP issued Directive 1220-011B during fiscal year 2006, which requires each Office under CBP to review their obligations quarterly in order to properly identify those amounts that require deobligation. The review must be reported to CBP's National Finance Center (NFC) each quarter.

### **Condition:**

We noted weaknesses in CBP's policies and procedures related to timely deobligation of inactive obligations. During fiscal year 2008, we obtained the population of inactive obligations that CBP prepared and submitted to the Department. We noted that CBP's quarterly analysis of inactive obligations reported the amount of "old" inactive obligations to the Department, but did not include evidence of further review and deobligation. We noted at March 31, 2008, \$449 million of inactive obligations and conducted a review to determine if the obligations were valid. We identified \$275 million of inactive obligations potentially requiring deobligation. CBP performed an in-depth review of obligations during fiscal year 2008 from which invalid obligations were identified for deobligation. CBP was unable to process all deobligations at the detail level prior to September 30, 2008 and therefore, recorded an on-top adjustment for inactive obligations in the amount of \$84.8 million.

Through additional testing of undelivered orders (UDOs) as of September 30, 2008, we noted 9 exceptions whereby the UDO balance was determined invalid. As a result of these exceptions, CBP analyzed and adjusted the September 30, 2008 UDO balance by approximately \$76.5 million.

### **Criteria:**

US Code Title 31 Section 1501 states that "an amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of (1) a binding agreement between an agency and another person (including an agency) that is (a) in writing, in a way and form and for a purpose authorized by law; and (b) executed before the end of the period of availability." Section 1554, Audit, control and reporting states, "The head of each agency shall establish internal controls to assure that an adequate review of obligated balances is performed to support the certification required by section 1108(c) of this title."

CBP Directive 1220-011B, *Quarterly Review of Unliquidated Obligations*, states that "Financial Plan Holder will review the following Systems, Applications, and Products (SAP) reports each fiscal quarter to reconcile their obligations to supporting records." This directive also requires that "Each Assistant Commissioner will prepare a certification letter to the Director, National Finance Center, stating that he/she has reviewed all open obligations. The certification letter will be prepared at the end of each fiscal year quarterly review, and is due no later than 30 days after the end of the quarter. For the fourth quarter, year-end deadlines are to be followed."

### **Cause/Effect:**

CBP is not properly monitoring all open obligations on a periodic basis to determine if amounts require deobligation. As a result, undelivered orders and related account balances may be overstated at any point during the fiscal year. For example, we noted a potential overstatement of approximately \$76.5 million in the UDO balance as of September 30, 2008.

**Recommendations:**

We recommend that CBP:

1. Develop and implement policies and procedures to ensure compliance with Directive No. 1220-011B to ensure that obligations are being reviewed (and deobligated, if necessary) on a quarterly basis;
2. Develop and implement policies and procedures to ensure compliance with 31 USC 1501 and 31 USC 1554 and all other applicable laws and regulations; and
3. Develop and implement procedures in order to deobligate invalid obligations in a timely manner, which may include periodic validation of inactive obligations.

**CBP Response:**

See managements' response included in the attached letter.

**C. Entry Process**

**1. In-Bond Program**

**Background:**

In-bond entries occur when merchandise is transported through one port; however, the merchandise does not officially enter U.S. commerce until it reaches the intended port of destination. An in-bond also allows foreign merchandise arriving at one U.S. port to be transported through the U.S. and be exported from another U.S. port without appraisalment or the payment of duty. In 1998, CBP implemented a tracking and audit system within the Automated Commercial System (ACS). It was designed to provide "real time" tracking of in-bond shipments from origin to destination, including entry and exportation. This tracking and audit system also serves as a compliance measurement system through random examinations and port audit reviews to ensure compliance. The tracking and audit system was designed to prevent diversion of In-bond shipments being imported and exported. The tracking and audit system calls for randomly selected ports to perform physical examinations at the time of arrival and departure as well as for post audit reviews of carrier activity. The In-Bond Shipments Overdue for Export (M02) Report is a monthly list of in-bond shipments overdue for export. Items on this report are in-bond movements transmitted by importers or brokers via Air Manifest System (AMS), Automated Broker Interface (ABI), or paper not yet exported in the required time limit. Review of the M02 report is designed to identify cargo that has not been exported and therefore may have physically, but not formally, entered into U.S. commerce thus circumventing the assessment and payment of duties and fees.

**Condition:**

We noted the following internal control weaknesses related to the in-bond process:

- Inconsistent procedures followed by the ports for completing compliance reviews/audits of in-bond entries and no formal requirement for ports to maintain documentation evidencing reviews/audits or the overall lack of the completion of such reviews/audits;

## EXHIBIT II

- Inconsistent review of required monthly reports related to in-bond activity at the ports and significant system limitations of the monthly reports, which limit the overall usefulness;
- CBP does not have the ability to run an oversight report to determine if ports have completed all required audits;
- Formal procedures have not been established that require ports to review the overdue immediate transportation in-bonds (M07 report). In addition, the report to track air in-bonds (M19) has not been implemented;
- CBP is unable to determine the status of the in-bond shipments with the information available within ACS;
- National policies or procedures do not exist to monitor the results of in-Bond audits; and
- CBP does not perform an analysis to determine the potential loss of revenue through the in-bond process as a result of goods entering the commerce of the U.S. without formal entry.

### Criteria:

Under the Code of Federal Regulations (CFR) Title 19, Section 18.2(d), carriers are responsible for delivering in-bond manifests to CBP within two days of arrival, and CBP is responsible for assigning penalties to any non-arrivals. The CFR states, “Failure to surrender the in-bond manifest or report the arrival of bonded merchandise within the prescribed period shall constitute an irregular delivery and the initial bonded carrier shall be subject to applicable penalties.”

Under FMFIA, management must implement cost-effective controls to safeguard assets and ensure reliable financial reporting. OMB’s *Revised Implementation Guidance for FFMIA*, states that financial systems should “routinely provide reliable financial information consistently, accurately, and reported uniformly” to support management of current operations.

### Cause/Effect:

In recent years, several new directives and new handbooks have been implemented for the In-Bond program to address the performance of the program at the port level; however, currently, procedures are not in place to address CBP’s oversight of the program on a national level.

The lack of an automatic compilation and analysis of audit results at the national level, results in the inability to determine the overall effectiveness of the in-bond audits and weaknesses in the overall In-bond program will not be known or identified at the national level.

The inability to effectively monitor the in-bond process and verify the arrival of in-bond merchandise at the port level leads to a potential loss in revenue. This potential loss in revenue is due to uncollected duties and fees on in-bond merchandise that has physically entered U.S. commerce without formal entry.

**Recommendations:**

We recommend that CBP:

1. Increase oversight by communicating to the ports the requirements for the in-bond program and provide increased training for appropriate personnel to ensure that the requirements are carried out accurately;
2. Ensure all ports perform TinMan audits (physical examinations and post-audits) weekly and resolve items on the M02 report (in-bond shipments overdue for export) monthly;
3. Develop policies and procedures for all ports to:
  - a. Maintain documentation evidencing the resolution of items on the in-bond shipments overdue for export report (M02);
  - b. Maintain documentation evidencing the performance of and results from post audits and physical examinations;
  - c. Require review of overdue immediate transportation in-bonds (M07 report) and maintain documentation evidencing review; and
  - d. Require review of the report to track air in-bonds (M19) and maintain documentation evidencing review, once the report is implemented.
4. Update system functionality to provide consistent information between cumulative and weekly reports used to track the status of TinMan audits, to compile the results of TinMan audits performed during the year, and to evaluate importers' compliance with regulations and overall effectiveness of the in-bond program;
5. Implement standard procedures to periodically analyze the compiled results of all in-bond audits performed during the year to ensure the integrity of the data received. Once the results are compiled, perform an analysis to evaluate importers' compliance with regulations as well as the overall effectiveness of the in-bond audits at a national level; and
6. Analyze the in-bond program annually to determine the potential loss of revenue relating to in-bonds.

**2. Compliance Measurement**

**Background:**

Compliance Measurement (CM) is the primary method by which CBP measures risk in the areas of cargo security, trade compliance, and revenue collection. CBP utilizes the CM program to measure the effectiveness of its control mechanisms deployed and its execution in collecting revenues rightfully due the U.S. Department of the Treasury. The CM program is a key performance indicator used to determine if CBP's internal controls are operating effectively as they pertain to ensuring compliance with laws and regulations. The Compliance Measurement program is also used to determine the revenue gap that is reported in the "Other Accompanying Information" in the financial statements.



## EXHIBIT II

### Condition:

We noted the following weaknesses related to CBP's CM Program:

- CM oversight guidelines do not provide complete coverage over the CM program. CBP issued a memorandum to the field explaining the responsibilities of ports in terms of oversight required of CM programs at the ports. The memorandum rescinded requirements to use other data queries and established CMATS as the single tool for monitoring Compliance Measurement at the ports. According to the memo, CMATS was expected to be used on a monthly basis to review errors and anomalies at the ports. Through our discussions with CM Coordinators at eleven ports as well as our review of the CMATS standard operating procedures, we learned that CMATS does not provide timely monitoring of Import Specialist Discrepancy Add (ISDA) remarks. In addition, further guidance from the Commercial Targeting and Enforcement Directorate of the Office of International Trade (OT) indicated that errors and anomalies identified by CMATS did not have to be resolved until January 2009. Guidance from the Commercial Targeting and Enforcement Directorate also suspended the requirement for CM Coordinators at the ports to perform random reviews of non-anomalous lines due to an error in the programming of the CMATS tool. The suspension of review using the CMATS tool was not replaced by any other data query or tool.
- Weaknesses in headquarters' (HQ) oversight of the CM program. CBP performs little review or analysis over the CM data input remarks at the HQ level to ensure that they are input accurately and correctly. Until fiscal year 2006, the National Targeting and Control Branch (NTCB), formally known as the National Analysis Specialist Division (NASD), performed port audits to identify errors during the performance of a CM review. Since fiscal year 2006, CBP-HQ has relied on the Self-Inspection Program (SIP) to determine how the ports are performing the CM examinations. We noted in fiscal years 2006, 2007, and again in 2008 that the SIP worksheets do not provide the equivalent information that was provided by the twenty-five point audit report utilized in the NTCB port audits.
- Untimely results of CM exams. The *Compliance Measurement for FY 2008, Appendix B* mandates that final ISDA remarks and a determination of compliance for CM examinations be input within 120 days of the date of entry. Furthermore, ACS cannot provide a detailed history of changes made to the ISDA remarks lines.

We noted that portions of the conditions cited above have been addressed by CBP in response to the CM findings from fiscal years 2005, 2006, and 2007 financial statement audits. We noted that based on Mission Action Plan (MAP) CBP-MAP-07-17 1.5 that CBP is in the process of developing a query to generate a statistically valid random sample of entry summary reviews for the CM coordinator to review each month (CBP-MAP-07-17 1.5). In addition to the standardized queries being developed at the port level, a series of queries will be run by the CM coordinator at HQ each month, which will randomly select CM reviews performed nation wide to ensure that ports are in compliance with CM guidelines and requirements. We noted from our inquiry that the elements indicated above, as described in CBP-MAP-07-17, were not implemented as of September 2008. As such, these conditions are still applicable for all of fiscal year 2008.

## EXHIBIT II

### Criteria:

Under the Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financial Sources*, section 69.2, available information on the size of the tax gap states, “Collecting entities should provide any relevant estimates of the annual tax gap that become available as a result of federal government surveys or studies. The tax gap is defined as taxes or duties due from non-compliant taxpayers or importers. Amounts reported should be specifically defined, e.g., whether the tax gap includes or excludes estimates of taxes due on illegally earned revenue.”

Under the OMB A-136 *Financial Reporting Requirements*, Section 12.3, *Tax Burden/Tax Gap* states, “Preparers of statements of entities that collect taxes may consider presenting the information described below, if the information is readily available and the preparers believe the information will enhance the usefulness of the statements. Refer to SFFAS No. 7 for further guidance.” Specifically, we noted the following guidance:

- *A perspective on the income tax burden.* This could take the form of a summary of the latest available information on the income tax and on related income, deductions, exemptions, and credits for individuals by income level and for corporations by value of assets.
- *Available information on the size of the tax gap.* Collecting entities should provide any relevant estimates of the annual tax gap that become available as a result of Federal surveys or studies.

Under FMFIA, management must implement cost-effective controls to safeguard assets and ensure reliable financial reporting. OMB’s *Revised Implementation Guidance for FFMA*, states that financial systems should “routinely provide reliable financial information consistently, accurately, and reported uniformly” to support management of current operations.

### Cause/Effect:

CBP has been challenged to balance its commitment of limited resources to two important mission objectives – trade compliance, including the collection of taxes, duties and fees owed to the Federal government, and securing the U.S. borders from potential terrorist entry. While these mission objectives do overlap somewhat, there are differences in how resources are deployed.

The weaknesses in the CM program could result in CBP incorrectly evaluating the effectiveness of its control environment over the collections of duties, taxes, and fees. In addition, errors within the CM program could result in a misstatement of the “revenue gap” disclosure in the Management Discussion and Analysis section of CBP’s Performance and Accountability Report.

### Recommendations:

We recommend that CBP implement the following to improve the CM program:

1. Provide additional detail in the guidelines, specifying the use of the CMATS tool in addition to any other data query or tool to provide complete coverage over the CM program. The guidance should also re-address the timing requirements for the monitoring reports or data queries and documentation retention;

## EXHIBIT II

2. Re-formalize and implement effective procedures for the port audit process performed by NTCB, or re-address the self-inspection program to provide a more comprehensive and in-depth review of port activity (similar to what was accomplished under the previously performed port audits), including ensuring that the port is performing the reviews accurately; and
3. Periodically conduct training to ensure that all port personnel have a comprehensive knowledge of the CM program requirements.

### 3. Bonded Warehouse and Foreign Trade Zones

#### Background:

Bonded Warehouses (BWH) are facilities under the joint supervision of CBP and the BWH proprietor used to store merchandise that has not made entry into U.S. commerce.

Foreign Trade Zones (FTZ) are secured areas under the joint supervision of CBP and the FTZ operator that are considered outside of the U.S. commerce for duty collection. Authority for establishing these facilities is granted by the U.S. Department of Commerce's Foreign Trade Zones Board under the *Foreign Trade Zones Act of 1934*, as amended (19 U.S.C. 81a-81u). Foreign and domestic merchandise may be admitted into zones for operations not otherwise prohibited by law, including storage, exhibition, assembly, manufacturing, and processing.

#### Condition:

We noted the following internal control weaknesses related to the BWH and FTZ processes:

- CBP does not maintain one centrally managed list of all BWHs and FTZs;
- Current BWH and FTZ Compliance Review Manuals lack specific guidance for ports to determine the appropriate risk assessment of a BWH or FTZ; and
- Annual compliance review schedules are completed by the ports and provided to Headquarters once a year. The HQ retrieval and review of the surveys can take up to 6 months to compile and analyze. In addition, the monitoring tool used is ineffective as it contains no data on the effectiveness of compliance reviews, common discrepancies identified in those reviews, risks presented by those discrepancies, or techniques for mitigating those risks.

#### Criteria:

Under the Code of Federal Regulations, CBP's supervisory authority over bonded warehouses and foreign trade zones is outlined in Title 19, Section 19.4(a), "...the port director may authorize a Customs officer to supervise any transaction or procedure at the bonded warehouse facility. Such supervision may be performed through periodic audits of the warehouse proprietor's records, quantity counts of goods in warehouse inventories, spot checks of selected warehouse transactions or procedures or reviews of conditions of recordkeeping, storage, security, or safety in a warehouse facility." Title 19, Section 146.3 states, (a), "Customs officers will be assigned or detailed to a zone as necessary to maintain appropriate Customs supervision of merchandise and records pertaining thereto in the zone, and to protect the revenue." (b), "Supervision may be performed through a periodic audit of the operator's records, quantity

## EXHIBIT II

count of goods in a zone inventory, spot check of selected transactions or procedures, or review of recordkeeping, security, or conditions of storage in a zone.”

Under FMFIA, management must implement cost-effective controls to safeguard assets and ensure reliable financial reporting. OMB’s *Revised Implementation Guidance for FMFIA*, states that financial systems should “routinely provide reliable financial information consistently, accurately, and reported uniformly” to support management of current operations.

### **Cause/Effect:**

ACS, CBP’s current system, does not maintain a complete listing of BWHs and FTZs.

Annual training is not provided to BWH/FTZ port personnel for updates, changes, and reinforcement of requirements over the program.

Processes do not exist for the ports to provide on a timely basis the results of the BWH/FTZ compliance review schedules and risk assessments to CBP-HQ for review. As a result, CBP-HQ cannot determine the effectiveness of the BWH/FTZ program without the ability to track the results on a consistent timely basis from the ports.

It is possible that BWH/FTZ operators and users may be able to operate BWHs and FTZs that contain merchandise about which CBP has no knowledge.

### **Recommendations:**

We recommend that CBP:

1. Develop standardized procedures for HQ or field office oversight to ensure compliance review schedules are being reviewed and provide effective timely training to ensure that all ports are aware of updates and changes to the program and can consistently execute all requirements presented in the compliance review manuals and handbooks;
2. Continue the current implementation of national databases of all BWHs and FTZs within ACE and develop procedures to ensure their completeness. Develop functionality for these databases to document the results of risk assessments and compliance reviews;
3. Develop standard procedures for conducting risk assessments for all BWHs and FTZs. The standard procedures should include a questionnaire or checklist, which lists the areas of risk to evaluate, the relative importance of each area, and examples of possible high risk indicators;
4. Implement a standard format for compliance review schedules to be utilized by all ports for transmission to CBP-HQ. Ensure timely response and review by HQ personnel;
5. Develop and implement a more comprehensive electronic port survey system to provide additional detailed and timely information on the BWH and FTZ programs;
6. Using the information received from a more detailed port survey system or through other means, prepare an analysis of common discrepancies identified in compliance reviews, risks presented by those discrepancies, and techniques for mitigating those risks;

## EXHIBIT II

7. Increase HQ and field office oversight to ensure that compliance reviews are being conducted properly and timely in accordance with the Compliance Review Handbooks; and
8. Require ports to monitor the bond status of BWHs to ensure each BWH has a valid bond.

### **CBP Response:**

See managements' response included in the attached letter.

## **D. Information Technology**

### **Background:**

Controls over information technology (IT) and related financial systems are essential elements of financial reporting integrity. Effective general controls in an IT and financial systems environment are typically defined in six key control areas: entity-wide security program planning and management, access control, application software development and change control, system software, segregation of duties, and service continuity. In addition to reliable controls, financial management system functionality is important to program monitoring, increasing accountability of financial and program managers, providing better information for decision-making, and increasing the efficiency and effectiveness of services provided by the Federal government.

### **Condition:**

During fiscal year 2008, CBP took corrective actions to address prior year IT control weaknesses. However, during fiscal year 2008, we continued to find significant deficiencies related to IT general and application controls at CBP. The most significant deficiency from a financial statement audit perspective relate to information security. Collectively, the IT control deficiencies limit CBP's ability to ensure that critical financial and operational data is maintained in such a manner to ensure confidentiality, integrity, and availability. Because of the sensitive nature of the issues identified, we will issue a separate restricted distribution report to address those issues in detail.

### **Criteria:**

The *Federal Information Security Management Act* (FISMA), passed as part of the *E-Government Act of 2002*, mandates that Federal entities maintain IT security programs in accordance with OMB and National Institute of Standards and Technology (NIST) guidance. OMB Circular A-130, *Management of Federal Information Resources*, and various NIST guidelines describe specific essential criteria for maintaining effective general IT controls. In addition, OMB Circular A-127 prescribes policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems.

### **Recommendation:**

Due to the sensitive nature of these findings, our separate report will recommend that CBP management implement and enforce certain procedures to address the general and application control vulnerability of its financial systems.

## **EXHIBIT II**

### **CBP Response:**

See managements' response included in the attached letter.

**Compliance with Laws and Regulations**

**(Findings A and B - D are presented in Exhibits I and II, respectively)**

***E. Federal Information Security Management Act (E-Government Act of 2002)***

CBP is required to comply with the FISMA, which was enacted as part of the *E-Government Act of 2002*. FISMA requires the head of each agency to be responsible for 1) providing information security protections commensurate with the risk and magnitude of the harm resulting from unauthorized access, use, disclosure, disruption, modification, or destruction of (i) information collected or maintained and (ii) information systems used or operated; 2) complying with the requirements of the Act and related policies, procedures, standards, and guidelines, including (i) information security standards under the United States Code, Title 40, Section 11331 and (ii) information security standards and guidelines for national security systems; and 3) ensuring that information security management processes are integrated with agency strategic and operational planning processes. We noted instances of non-compliance with FISMA that have been reported by us in Exhibit II within Comment D – *Information Technology*.

**Recommendations:**

We recommend that CBP fully implement the requirements of FISMA in fiscal year 2009.

**CBP Response:**

See managements' response included in the attached letter.

***F. Federal Financial Management Improvement Act of 1996 (FFMIA)***

CBP is required to comply with FFMIA, which requires that an agency's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. We noted instances of non-compliance with FFMIA in relation to Federal financial management systems requirements and the United States Government Standard General Ledger at the transaction level.

Specifically, we noted the following weaknesses:

1. With respect to Federal financial management system requirements, CBP's inventory transactions do not interface between the inventory systems and the financial system (SAP) and non-entity accounts receivable do not interface between ACS and SAP; and
2. With respect to the United States Government Standard General Ledger at the transaction level, inventory activity (usage, turn-ins, interagency transfers) and non-entity accounts receivable are not recorded at the transaction level in SAP. Non-entity accounts receivable information is maintained in ACS, SAP, and on manually prepared schedules. ACS is made up of several financial modules that track receivables through entry or case number. Year-end balances are posted through the ACS/SAP interface and through manual calculations for receivables not recorded through the ACS/SAP interface.

## **Exhibit III**

### **Recommendation:**

We recommend that CBP improve its processes to ensure compliance with the FFMIA in fiscal year 2009.

### **CBP Response:**

See managements' response included in the attached letter.



**STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES AND NON-COMPLIANCE WITH  
SIGNIFICANT LAWS AND REGULATIONS**

Prior Year Condition	As Reported at September 30, 2007	Status as of September 30, 2008
<b>Drawback of Duties, Taxes and Fees</b>	<b>Material weakness:</b> ACS lacked controls to detect and prevent excessive drawback claims and payments, requiring inefficient manual processes to compensate and the drawback review policies did not require drawback specialists to review all related drawback claims.	<b>Continue as a material weakness:</b> Weaknesses continue to exist related to the drawback process in fiscal year 2008. See control finding letter A.
<b>Entry Process – In Bond</b>	<b>Significant deficiency:</b> Several weaknesses existed related to in-bond, such as the lack of official guidance and training to address the monitoring of in-bond shipments at the port level, lack of CBP-HQ review of the in-bond program, and the overall inability to determine the effectiveness of the in-bond program for CBP in its entirety.	<b>Continue as a significant deficiency:</b> Although improvements were made, weaknesses still remain during fiscal year 2008. See control finding letter C.
<b>Entry Process – Compliance Measurement Program</b>	<b>Significant deficiency:</b> Several weaknesses existed related to CMP, such as inconsistent procedures followed at the ports, reduced CMP sample size, lack of NTCB (formally NASD) port audits, and little review or analysis on the CM data to ensure that it was inputted correctly.	<b>Continue as a significant deficiency:</b> Although improvements were made, weaknesses still remain during fiscal year 2008. See control finding letter C.
<b>Entry Process – Bonded Warehouse and Foreign Trade Zones</b>	<b>Significant deficiency:</b> Several weaknesses existed related to BWH/FTZ, such as the lack of official guidance and training to address the monitoring of BWH/FTZ, and lack of management review of the BWH/FTZ surveys.	<b>Continue as a significant deficiency:</b> Weaknesses continue to exist related to the bonded warehouse and foreign trade zone process during fiscal year 2008. See control finding letter C.
<b>Information Technology</b>	<b>Material weakness:</b> Weaknesses were noted in entity-wide security, system access, segregation of duties, service continuity, and system software change management.	<b>Reduced to a significant deficiency:</b> Improvements were made to correct the material weakness; however, significant deficiencies remain in all areas noted during fiscal year 2008. See control finding letter D.
<b>Continued Dumping and Subsidy Offset Act of 2000 (CDSOA) Refunds</b>	<b>Significant deficiency:</b> Weaknesses existed related to CDSOA such as the lack of a process to validate and verify CDSOA disbursements.	<b>No longer considered a significant deficiency.</b>
<b>Non-compliance with the Federal Information</b>	<b>Instance of non-compliance:</b> CBP was not in substantial compliance with FISMA. FISMA requires the head of each agency to	<b>Continue reporting as an instance of non-compliance:</b> Although improvements were

**STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES AND NON-COMPLIANCE WITH SIGNIFICANT LAWS AND REGULATIONS**

Prior Year Condition	As Reported at September 30, 2007	Status as of September 30, 2008
<i>Security Management Act</i>	be responsible for 1) providing information security protections commensurate with the risk and magnitude of the harm resulting from unauthorized access, use, disclosure, disruption, modification, or destruction of (i) information collected or maintained and (ii) information systems used or operated; 2) complying with the requirements of the Act and related policies, procedures, standards, and guidelines, including (i) information security standards under the United States Code, Title 40, Section 11331 and (ii) information security standards and guidelines for national security systems; and 3) ensuring that information security management processes are integrated with agency strategic and operational planning processes.	made, CBP did not substantially comply with all categories of FISMA during fiscal year 2008. See compliance finding letter E.
<b>Non-compliance with the Federal Financial Management Improvement Act of 1996</b>	<b>Instance of non-compliance:</b> CBP was not in substantial compliance with FFMIA, which requires that an agency’s financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. We noted instances of non-compliance with FFMIA in relation to Federal financial management systems requirements, the United States Government Standard General Ledger at the transaction level, and Federal accounting standards	<b>Continue reporting as an instance of non-compliance:</b> Although improvements were made, CBP did not substantially comply with all categories of FFMIA during fiscal year 2008. See compliance finding letter F.



U.S. Customs and  
Border Protection

DEC 16 2008

MEMORANDUM FOR: Inspector General  
U.S. Department of Homeland Security

FROM: Eugene H. Schied  
Assistant Commissioner  
Office of Finance

SUBJECT: Management Response to Independent Auditor's Report on  
U.S. Customs and Border Protection's Fiscal Year 2008  
Financial Statements

On behalf of U.S. Customs and Border Protection (CBP), I am responding to the Independent Auditor's Report on CBP's Fiscal Year (FY) 2008 Financial Statements, which is included in our FY 2008 Performance and Accountability Report.

I accept the independent public accounting firm's (KPMG) *unqualified* opinion on CBP's FY 2008 Financial Statements, which concluded that CBP's consolidated financial statements are fairly presented in all material respects in conformity with accounting principles. CBP efforts to resolve identified weaknesses from the FY 2007 audit resulted in reducing the "Information Technology" finding from a material weakness to a significant deficiency in FY 2008.

CBP has reviewed and concurs with the one material weakness, three significant deficiencies, and two instances of non-compliance with laws and regulations cited in the auditor's FY 2008 report. CBP will be preparing Mission Action Plans (MAPs) to address these items and will forward such plans to the U.S. Department of Homeland Security's Office of Financial Management for review and feedback. CBP will continue working to resolve all auditor-identified weaknesses.

CBP appreciates the opportunity to review this year's audit report and looks forward to continuing our strong working relationship with your office. If you have any questions or would like additional information, please contact me at (202) 344-2300 or a member of your staff may contact Mari Boyd, Executive Director, Financial Operations, at (202) 344-2364.

A handwritten signature in black ink, appearing to read "E. Schied".

Eugene H. Schied

## Report Distribution

---

### **Department of Homeland Security**

Secretary  
Deputy Secretary  
Chief of Staff  
Deputy Chief of Staff  
General Counsel  
Executive Secretary  
Director, GAO/OIG Liaison Office  
Assistant Secretary for Policy  
Assistant Secretary for Public Affairs  
Assistant Secretary for Legislative Affairs  
Under Secretary, Management  
Chief Financial Officer  
Deputy Chief Financial Officer  
Acting Director Office of Financial Management  
Chief Information Officer  
Chief Security Officer  
Chief Privacy Officer

### **Customs and Border Protection**

Commissioner, Customs and Border Protection  
Chief Financial Officer  
Chief Information Officer

### **Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Program Examiner

### **Congress**

Congressional Oversight and Appropriations Committees, as appropriate



#### ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this report, please call the Office of Inspector General (OIG) at (202) 254-4199, fax your request to (202) 254-4305, or visit the OIG web site at [www.dhs.gov/oig](http://www.dhs.gov/oig).

#### OIG HOTLINE

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to department programs or operations:

- Call our Hotline at 1-800-323-8603;
- Fax the complaint directly to us at (202) 254-4292;
- Email us at [DHSOIGHOTLINE@dhs.gov](mailto:DHSOIGHOTLINE@dhs.gov); or
- Write to us at:  
DHS Office of Inspector General/MAIL STOP 2600,  
Attention: Office of Investigations - Hotline,  
245 Murray Drive, SW, Building 410,  
Washington, DC 20528.

The OIG seeks to protect the identity of each writer and caller.