



# Department of Homeland Security Office of Inspector General

## Improvements Needed in the Process to Certify Carriers for the Free and Secure Trade Program





Homeland  
Security

MAR 14 2011

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.

This report addresses the strengths and weaknesses of the United States Customs and Border Protection's ability to ensure that only low risk commercial carriers and drivers are allowed to participate in the Free and Secure Trade Program. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust 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 "Anne L. Richards".

Anne L. Richards

Assistant Inspector General for Audits

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## Abbreviations

|               |  |
|---------------|--|
| CBP           | United States Customs and Border Protection        |
| C-TPAT        | Custom-Trade Partnership Against Terrorism         |
| FAST          | Free and Secure Trade                              |
| GES           | Global Enrollment System                           |
| SAFE Port Act | Security Accountability For Every Port Act of 2006 |

# OIG

*Department of Homeland Security  
Office of Inspector General*

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## **Executive Summary**

The Free and Secure Trade program is a commercial clearance program for known low-risk shipments entering the United States from Canada and Mexico which allows for expedited processing of entities that have completed background checks and fulfill certain eligibility requirements. The purpose of our review was to determine whether Customs and Border Protection's initial enrollment process ensures that only low risk carriers and drivers are allowed to participate in the Free and Secure Trade program.

Improvements are needed in Customs and Border Protection's initial enrollment process for carriers to ensure that only low risk carriers are allowed to participate in the Free and Secure Trade program. Highway carriers that did not meet all Custom-Trade Partnership Against Terrorism's minimum security requirements have been certified to receive Free and Secure Trade program benefits. Supervisors did not review supply chain security specialists certification decisions to determine carrier eligibility. Also, the Customs and Border Protection Vetting Center and Customs-Trade Partnership Against Terrorism supply chain security specialists did not always follow established procedures when determining the initial eligibility of highway carriers. In some instances, the supply chain security specialist did not verify the accuracy of the law enforcement vetting information provided by the Vetting Center. In other instances, the supply chain security specialist did not receive law enforcement vetting information from the Vetting Center to verify. These instances occurred due to limited resources and interpretation of carrier vetting policy. As a result, the initial enrollment process for carriers is vulnerable to high risk carriers being certified and allowed to participate in the Free and Secure Trade program. However, Customs and Border Protection's initial enrollment process for Free and Secure Trade drivers generally ensures that only low risk drivers participate in the Program. We are making two recommendations to improve Customs and Border Protection's processing and oversight of the carrier initial enrollment certification process. Customs and Border Protection concurred with both recommendations and is in the process of implementing corrective actions.

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## Background

Customs and Border Protection's (CBP) priority mission is preventing terrorists and terrorist weapons from entering the United States, while also facilitating the flow of legitimate trade and travel. CBP uses multiple strategies and initiatives to accomplish its dual goals. One initiative is the Free and Secure Trade (FAST) program which was established after September 11, 2001 as a commercial clearance program for known low-risk shipments entering the United States from Canada and Mexico. This program is administered by CBP and allows for expedited processing for industry members (drivers, carriers, importers and manufacturers) that have fulfilled certain eligibility requirements and have qualified as low risk participants. Using FAST to help manage risk enables CBP to redirect security efforts on high or unknown risk commerce. Our review focused on the initial enrollment processes for FAST drivers and Customs and Trade Partnership Against Terrorism (C-TPAT) carriers and the policies and procedures CBP established to oversee these processes to ensure that only low-risk drivers and carriers are eligible for FAST participation.

A carrier desiring to participate in the FAST program must be certified through the C-TPAT process.<sup>1</sup> The carrier must provide sufficient information in the required security profile that demonstrates that its security processes and procedures satisfy the C-TPAT minimum security requirements. An entity interested in becoming a C-TPAT member first submits an application and a 29-part security profile via the C-TPAT Web Portal. Officers at the CBP Vetting Center vet carrier applicants by running queries in CBP's law enforcement database known as TECS and the Automated Commercial Environment system (ACE). The vetting officer then enters a vetting summary into the C-TPAT Web Portal. The C-TPAT supply chain security specialist assigned to the applicant then conducts further vetting to verify the Vetting Center's results. If the applicant successfully passes vetting, the specialist then reviews the security profile to determine if the applicant's responses satisfy C-TPAT minimum security criteria. If so, the carrier is certified as a C-TPAT member and is then eligible to receive FAST benefits. FAST benefits include use of dedicated FAST lanes at land border ports for greater speed and efficiency, reduced Automated Targeting System score lessening the probability

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<sup>1</sup> C-TPAT is a CBP initiative that seeks to achieve CBP's twin goals of security and facilitation of trade by collaborating with willing trade community members to secure their supply chains. Through this initiative, CBP attempts to strengthen supply chain security by requesting businesses to ensure the integrity of their security practices, as well as their business partners' security practices within the supply chain.

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of inspection, and they are allowed to move to the front of the line when FAST shipments are selected for Non-Intrusive Inspection and secondary examinations at the port facility. During FY 2009, C-TPAT approved 195 highway carriers and denied 134 applicants. At the time of our review, there were approximately 2,625 C-TPAT carriers. While FAST shipments are considered known low risks, they are still subject to screening and examination based upon targeting scores, selectivity, and inspector-initiated enforcement actions commensurate with the threat.

The Security Accountability For Every (SAFE) Port Act of 2006 requires C-TPAT to complete the certification process within 90 days of receipt of an application. The Act also requires C-TPAT to conduct an on-site validation of the C-TPAT member's supply chain security measures within one year of certification. The supply chain security specialist conducting the validation will make recommendations requiring corrective actions in areas where the member falls short of C-TPAT minimum security requirements. Carriers have 90 days to address these recommendations or face suspension from C-TPAT.

The shipment's driver must be a member of the FAST Commercial Driver Program. To become a member, a driver applies online via the Global Online Enrollment System. An Officer at the Vetting Center then vets the applicant by running queries in various law enforcement and operational databases such as TECS, the National Crime Information Center, the Central Index System, and the Automated Targeting System. The vetter notes any derogatory information on the risk assessment. If the applicant's review indicates that agency standards are satisfied, the vetter grants the applicant conditional approval which is subject to final review and approval at the enrollment center. If agency standards are not met, the application is denied. However, the supervisory vetting officer has authority to override the denial recommendation and grant conditional approval.

After conditional approval, CBP notifies the applicant and informs him to schedule an appointment at any of the 22 Enrollment Centers. At the Enrollment Center, a CBP officer verifies the applicants' identifying information by reviewing physical documents such as drivers licenses, birth certificates, social security numbers and other identification documents. The officer also interviews the applicant, takes the applicant's fingerprints and digital photograph, and attempts to resolve any issues identified by the Vetting Center. Fingerprint and digital photographs are queried using the Automated Biometric Identification System and the Integrated Automated Fingerprint Identification System. Based on the results, the officer can enroll the

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applicant in the FAST Driver Program or recommend denial. A supervisory officer reviews recommended denials and has the authority to override them. More than 90,000 drivers are enrolled in the FAST program nationwide. During FY 2009, CBP approved 20,391 and denied 1,578 driver applicant's participation in the FAST driver program.

## **Results of Audit**

Improvements are needed in CBP's initial enrollment process for FAST carriers to ensure that only low risk carriers are allowed to participate in the FAST program. Specifically, highway carriers that did not meet all C-TPAT's minimum security requirements have been certified to receive FAST program benefits. Supervisors did not review supply chain security specialist certification decisions to determine carrier eligibility. Also, the Vetting Center and C-TPAT supply chain security specialists did not always follow established procedures when determining the initial eligibility of highway carriers. In some instances, the supply chain security specialist did not verify the accuracy of the law enforcement vetting information provided by the CBP Vetting Center. In other instances, the supply chain security specialist did not receive law enforcement information from the Vetting Center to verify. CBP management explained that these instances occurred due to limited resources and interpretation of carrier vetting policy. As a result, the initial enrollment process for carriers is vulnerable to high risk carriers being certified and allowed to participate in the FAST program. The initial enrollment process for drivers generally ensures that only low risk drivers participate in the FAST program. CBP has improved its initial enrollment process for FAST drivers by reinforcing its policy at the Enrollment Centers that during the interview process the CBP officer must ask all the required questions to determine whether a driver is eligible to participate in the program.

### **Carrier Certification Process Needs Improvement to Ensure Only Low Risk Participation**

The initial enrollment process for carriers does not always ensure that only low risk carriers are eligible to participate in the FAST program. Highway carriers that did not meet all C-TPAT minimum security requirements have been certified to receive FAST program benefits. Furthermore, the Vetting Center and C-TPAT supply chain security specialists do not always follow established procedures when vetting carriers for certification. As a result, the initial enrollment process for

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carriers is vulnerable to high risk carriers being certified and allowed to participate in the FAST program.

**Highway Carriers were Certified that Did Not Meet Minimum Security Standards**

CBP certified highway carriers to receive FAST program benefits that did not demonstrate adherence to all of the C-TPAT minimum security requirements in the information provided in their application for certification. Supervisors did not review of the supply chain security specialist's certification decision to determine program eligibility. Also, supply chain security specialists' use of discretion when reviewing security profiles has added to the inconsistent application of C-TPAT minimum security requirements.

The standard operating procedure requires supply chain security specialists to review the applicant's security profile to establish that the company satisfies C-TPAT's minimum security requirements. The standard operating procedure requires the company's security profile responses to delineate in detail the security processes the company has implemented throughout its international supply chain. If the security profile is approved, the supply chain security specialist changes the company's C-TPAT status from "Applicant" to "Certified." Supply chain security specialists use their experience and discretion when reviewing the security profile and deciding whether to approve or reject security profile responses.

The SAFE Port Act of 2006 requires CBP to establish sufficient internal quality controls in support of C-TPAT program management. Specifically, CBP must ensure that C-TPAT has a standardized work program to be used by agency personnel to carry out the certifications. Additionally, OMB Circular No. A-123 states that Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations and compliance with applicable laws and regulations. In the security profile review process, C-TPAT Field Office supervisors review cases in which a supply chain security specialist recommends that a carrier be denied C-TPAT certification. However, supervisors do not review the supply chain security specialist's certification decision when the specialist grants C-TPAT certification.

We reviewed 19 carriers certified by CBP during fiscal year (FY) 2009 at the Buffalo, New York and Houston, Texas C-TPAT Field Offices to assess the C-TPAT's vetting process for carrier applicants. Of the 19 carriers, 11 had subsequently undergone validation examinations



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after receiving certification. C-TPAT determined that 5 of these 11 did not meet minimum security criteria at the time of on-site validation.

For example, the supply chain security specialist certified one of the carriers even though it failed to respond to 3 of the 29 critical security areas in its application: (1) Conveyance Security - no documented procedures to prevent unauthorized entry in storage areas; (2) Physical Access Controls - no documented procedures to ensure employees are only given access to secure areas needed for performance of their duties; and (3) - Physical Security -no documented procedures for issuance, removal, and changing of access devices. The supply chain security specialists assigned to review the security profile for this carrier used officer discretion by certifying the carrier without indication of adherence with these security requirements. During on-site validation, the supply chain security specialist determined that the carrier did not have effective security measures in place and failed to satisfy the same three requirements. CBP issued a 90 day compliance letter requiring the carrier to implement and document procedures for preventing unauthorized entry in storage areas; limit employee access to those secure areas needed for the performance of their duties; and implement and document procedures for the issuance, removal, and changing of access devices.

In another example the supply chain security specialist certified a carrier to participate in the FAST program despite failing to respond to another 3 critical security requirements in its application: (1) Business Partner Security Procedures - no documented process for screening business partners beyond financial soundness issues; (2) Physical Security - Alarm Systems and Surveillance - did not use video surveillance cameras to monitor premises and prevent unauthorized access; and (3) Security Training and Threat Awareness - no specific employee training to recognize internal conspiracies and no continuous security training to maintain currency of threat issues. During the on-site validation the supply chain security specialist determined that this carrier did not meet the minimum security requirements in these same three areas. CBP issued a 90 day compliance letter requiring the carrier to develop written and verifiable processes for screening business partners beyond financial soundness issues to include security indicators; use video surveillance cameras to monitor premises in order to prevent unauthorized access to conveyances, trailers, cargo handling and storage areas; and provide specific training to employees to help them to recognize internal conspiracies and provide continuous security training to keep up-to-date on security related issues. CBP will suspend or revoke the carriers C-TPAT certification when the

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corrective action taken by the carrier does not satisfy the compliance requirements.

We brought these concerns to the attention of C-TPAT management to obtain any additional insight that may have existed which impacted the supply chain security specialist's decision to grant certification despite the obvious failure of these members to meet established minimum security requirements. CBP management said that "a one size fits all" approach cannot be used when determining compliance with the security requirements and that each case must be handled on an individual basis. CBP management added that the supply chain security specialist often must rely on his experience and discretion when determining certification eligibility.

Certifying C-TPAT members whose security profile responses that do not satisfy minimum security requirements could compromise the goal of the FAST program, which is to offer expedited processing to known low-risk carriers. Moreover, because supply chain specialists have up to a year to conduct an onsite validation, high-risk carriers that were certified could have up to a year to participate in FAST. In these two examples the carriers were ineligible to receive FAST benefits, but were allowed to participate in the FAST program and receive benefits for approximately 3 months until the validation determined their ineligibility. C-TPAT should enhance management oversight to ensure that supply chain security specialists certify carriers only if they meet all of C-TPAT's minimum security criteria.

Effective May 1, 2010, CBP established a new procedure for withholding FAST lane benefits from newly certified Mexican Highway Carriers until they have been validated. This process requires that all validation site visits be completed within 120 days from the date of certification unless extenuating circumstances exist which must be approved by C-TPAT Headquarters. Further, FAST benefits will only be administered once the highway carrier has responded to all actions required that are listed within the initial validation report and has satisfied C-TPAT program officials that proper compliance has been established. Once the carrier is approved to receive FAST benefits the Field managers will notify CBP Headquarter's enforcement team to apply benefits for the highway carrier.

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**CBP Vetting Center and C-TPAT Supply Chain Security Specialist Do Not Always Follow Established Procedures When Vetting Carriers For Certification.**

Vetting Center officers and C-TPAT supply chain security specialists do not always vet carrier applicants using the two-tiered approach required by CBP operating procedures. In some instances, the supply chain security specialist did not verify the accuracy of law enforcement vetting information provided by the Vetting Center. In other instances, the Vetting Center did not provide law enforcement information to the supply chain security specialist to verify.

CBP's standard operating procedures for C-TPAT supply chain security specialists establish a two-tiered process for vetting highway carrier applicants. First, the Vetting Center reviews the TECS law enforcement database and the ACE system to determine whether the applicant has any derogatory information which would preclude FAST participation. The Vetting Center then provides the vetting results to the C-TPAT supply chain security specialist who must subsequently re-vet the applicant to ensure that the Vetting Center's results were accurate. Also, the CBP FAST Manual states that highway carrier applications are forwarded to C-TPAT for further review after risk assessments are conducted by the Vetting Center.

We reviewed a sample of 19 carriers that were certified during FY 2009 at the Buffalo, New York and Houston, Texas C-TPAT Field Offices. We determined that only 3 of the 19 carriers sampled were vetted by both the Vetting Center officer and the supply chain security specialists as required. Of the remaining 16 applicants, 5 were vetted by the Vetting Center only, while 11 carriers were vetted by a supply chain security specialist only. In one example, the Vetting Center surfaced concerns regarding a carrier's application whose company name was identified in the TECS database query as having transported an illegal commodity. However, because of differences in the TECS database regarding the identity of the suspect company and the applicant, the Vetting Center was unable to link the law enforcement database results to the applicant. The Vetting Center recommended approval contingent upon subsequent vetting, which could conclusively determine that no association existed between the applicant and the suspect company. CBP maintained no evidence that the supply chain security specialist performed subsequent vetting.

CBP management explained that the Vetting Center did not always follow the layered vetting process due to limited resources, which often results in a vetting backlog. When this backlog occurs, the

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vetting officer does not have sufficient time to conduct the required vetting and provide the results to the supply chain security specialist. Also, CBP management does not interpret its policy to require layered vetting for all carriers—only for carriers with negative law enforcement information. In addition, CBP explained that these instances occurred because of insufficient communication between C-TPAT and the Vetting Center regarding coordination of resources and requirements.

Inconsistent use of the established vetting process could increase the risk of granting FAST benefits to ineligible applicants and could compromise border security. The carrier vetting process combines the supply chain security specialists' expertise with C-TPAT requirements and the Vetting Center's enhanced vetting capabilities to create a layered vetting approach aimed at preventing C-TPAT certification of high-risk carrier applicants. CBP should enhance oversight to ensure that staff at the Vetting Center and C-TPAT complete all required vetting.

CBP officials subsequently informed us that the Vetting Center has made the following changes to ensure better compliance with operating procedures:

- Two additional officers were assigned to carrier vetting duties to address the workload issues.
- A weekly report is generated to identify carriers that require vetting.
- A supervisory officer is the direct contact with the C-TPAT office and receives all e-mail traffic.
- Backlogs are closely monitored and assignments are made at a weekly meeting to ensure that carrier vetting is completed in a timely fashion.

## **Initial Enrollment Process for FAST Drivers Generally Ensures Low Risk Participation**

We reviewed a statistical sample of 366 FAST drivers approved at CBP Enrollment Centers located across the United States. Our audit determined that CBP management established and consistently implemented controls to ensure the eligibility of low-risk participation in the FAST driver program with the exception of interview questions. However, CBP made improvements to the FAST driver approval interview question process during the course of our audit.

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The Consolidated Trusted Traveler Handbook provides a list of general questions that, at a minimum, must be answered to determine whether the applicant is low risk. We initially determined that CBP Officers did not always ask driver applicants the minimum eligibility questions required during Enrollment Center interviews. We discussed this issue with CBP Headquarters. Subsequently, on December 3, 2009, Headquarters released a memorandum reiterating that Enrollment Centers must ask all the required questions to determine whether an applicant is low risk, and can be approved for program participation. We obtained and reviewed documentation and conducted observations at the Buffalo, New York and Laredo, Texas Enrollment Centers and have since determined that CBP Officers are currently asking driver applicants the required minimum eligibility questions during Enrollment Center interviews.

## **Recommendations**

We recommend that the Assistant Commissioner, Office of Field Operations:

**Recommendation #1:** Require C-TPAT to establish and implement a process for supervisors to review decisions made by supply chain security specialists during the certification process to ensure that security profiles are thoroughly assessed and highway carriers meet all of the C-TPAT's minimum security requirements.

**Recommendation #2:** Clarify the FAST manual and supply chain security specialist standard operating procedures to ensure that layered carrier vetting process is conducted, and continue current staffing and oversight efforts to address vetting backlog and communication challenges between the CBP Vetting Center and C-TPAT supply chain security specialists.

## **Management Comments and OIG Analysis**

CBP concurs with both recommendations. Our summary and analysis of CBP's official response follows.

### **Management Response on Recommendation # 1**

CBP concurred: CBP management proposed several strategies in response to the recommendation. CBP stated that it will conduct refresher training for certifying all C-TPAT applicants and review 50 percent of all new highway carrier certifications over the next 6

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months to provide data to determine the extent of supervisory approval necessary during the certification process. Also, CBP stated that it issued new policy effective May 1, 2010, requiring FAST benefits to be withheld from Mexican highway carriers until they have been validated and all actions required resolved.

**OIG Analysis:** We consider the proposed action to be responsive to the recommendation. However, this recommendation will remain open and unresolved until the refresher training has been completed and CBP has completed their analysis of the extent of supervisory approval necessary during the certification process. Also the recommendation will remain open until the OIG has evaluated CBP's analysis and conclusion.

**Management Response on Recommendation # 2**

CBP concurred: CBP stated that its Vetting Center has trained additional officers to conduct the carrier vetting of applicants which has expanded the pool of officers who are available to conduct vetting and enabled CBP to apply resources to address the volume of applications. CBP also stated that the Assistant Director of the Vetting Center has been given oversight authority for all processes and communications linked to the C-TPAT program. CBP added that weekly meetings are now held to assess workload requirements and backlogs are closely monitored. Also, CBP said that the vetting process has been automated and now requires the Assistant Director to review the process to ensure a layered approach and timely processing of applicants for the C-TPAT program. Along with this CBP added that both the C-TPAT and Vetting Center directors will meet periodically to discuss operational issues.

**OIG Analysis:** We consider the proposed action to be responsive to the recommendation. However, this recommendation will remain open and unresolved until we receive a corrective action plan reflecting corrective action target dates.

## Appendix A

### Purpose, Scope, and Methodology

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The purpose of our audit was to determine whether CBP's initial enrollment process ensures that only low-risk drivers and carriers are allowed to participate in the FAST program. To accomplish this objective, we conducted site visits and interviewed Officials and key personnel at CBP Headquarters, the CBP Vetting Center, and C-TPAT. During survey, we also conducted site visits at the Champlain, NY and El Paso, Texas Enrollment Centers and Ports of Entry. We conducted fieldwork site visits at the CBP Buffalo, New York Field Office (Enrollment Center, Port of Entry, and C-TPAT Field Office), the Laredo, Texas Field Office (Port of Entry and Enrollment Center), and the C-TPAT Field Office located in Houston, Texas. To achieve our objective, we:

- Obtained and reviewed applicable laws, regulations, policy, and internal directives used by CBP to authorize low-risk participants, to identify, report, and track violations, and to revoke FAST participants who compromise border security.
- Reviewed CBP organizational structure and workforce mix, including a review of plans, actual staffing, and prior studies and reviews regarding CBP workforce.
- Evaluated the application approval processing for FAST participants, including a review of support documentation to justify approvals.
- Conducted a review of violations against FAST participants and measures to revoke those FAST participants who compromise border security.
- Interviewed CBP officials to obtain their views and opinions on the effectiveness of the program and additional measures to ensure that border security was not compromised (best practices, lessons learned, and areas of concern).
- Conducted observations of the Vetting Center process and driver and carriers.
- Conducted observations of the C-TPAT supply chain security specialist vetting process for determining carrier low-risk eligibility.
- Conducted observations of the Enrollment Center interview process for drivers and FAST processing at the Ports of Entry.
- Submitted Data Collection Instruments to key officials and personnel at CBP Headquarters, the Vetting Center, C-TPAT, Enrollment Centers, and Ports of Entry.

## Appendix A

### Purpose, Scope, and Methodology

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Coverage included program and participant information and statistics for fiscal year 2008 and 2009.

During the survey, we did not use statistical sampling methodologies for testing sample selections. Accordingly, the results of our testing represented the characteristics of a judgmental sample and were not projected to the population from which it was selected. We utilized statistical sampling methodologies for testing a nationwide sample of FAST drivers for audit field work.

We selected a national sample which included all enrollment centers in the U.S. DHS-OIG obtained a general list of approved drivers for fiscal year 2009 for all enrollment centers, which totaled 20,391. From that list we requested a breakdown of the data by month for each enrollment center. There were 5,883 northern border FAST drivers and 1,358 southern border FAST drivers, for a total of 7,241 drivers. We then selected a statistical sample using Interactive Data Extraction and Analysis software with a 95 % confidence interval and a 5% error rate, which resulted in a sample of 366 FAST drivers for testing. We requested the Risk Assessment Worksheet for each of the 366 drivers from CBP Headquarters. The risk assessment worksheet was used to determine if the vetting standards were consistently applied nationwide for all FAST drivers. We reviewed the risk assessment worksheets for all 366 FAST drivers and documented all the drivers with derogatory information on their risk assessments, which resulted in 48 case files.

For our carrier analysis, we began with the 203 carriers that the Houston and Buffalo C-TPAT Field Offices certified in fiscal year 2009. We conducted a 10% judgmental sample of the 203 carriers certified in fiscal year 2009, giving us 20 carriers. We subsequently removed one carrier after discovering it had failed vetting, giving us a final number of 19. For each of these 19 carriers, we reviewed documentation of Vetting Center vetting, documentation of C-TPAT vetting, the carrier's security profile responses, and the validation report, if available.

We conducted fieldwork from October 2009 to April 2010. Our review was conducted under the authority of the *Inspector General Act of 1978*, as amended. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the



## **Appendix A**

### **Purpose, Scope, and Methodology**

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audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. However, we relied on CBP law enforcement data from various databases. CBP relies on databases such as TECS, the National Crime Information Center, the Central Index System, the Automated Commercial System, and ACE to determine driver and carrier eligibility; therefore, we did not verify the accuracy database information obtained.

We appreciate the cooperation and courtesies extended to our audit team by CBP officials. Major contributors to this report are identified in Appendix D.

## Appendix B Management Comments to the Draft Report

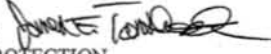
1300 Pennsylvania Avenue NW  
Washington, DC 20229



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

November 8, 2010

MEMORANDUM FOR: ANNE L. RICHARDS  
ASSISTANT INSPECTOR GENERAL FOR AUDITS

FROM: ASSISTANT COMMISSIONER  
OFFICE OF INTERNAL AFFAIRS   
U.S. CUSTOMS AND BORDER PROTECTION

SUBJECT: U.S. Customs and Border Protection's Comments on the Office  
of Inspector General Draft Report Letter Entitled  
"Improvements Needed in the Process to Certify Carriers for  
the Free and Secure Trade Program" (OIG 09-169-AUD-CBP)

Thank you for providing us with a copy of the Department of Homeland Security Office of Inspector General (OIG) draft report letter entitled *"Improvements Needed in the Process to Certify Carriers for the Free and Secure Trade Program."*

Attached is U.S. Customs and Border Protection's (CBP's) formal response to the draft report that includes corrective action plans to recommendations made by OIG and technical comments. CBP is concurring with both recommendations issued.

In an effort to provide balance and context to the report, CBP would like to offer that the Free and Secure Trade (FAST) program is an initiative between the United States, Canada and Mexico designed to ensure security and safety while enhancing the economic prosperity of the countries. The FAST program promotes free and secure trade by using common risk-management principles, supply chain security, industry partnership, and advanced technology to improve the efficiency of screening and clearing commercial traffic at our shared borders. FAST is aimed at improving and ensuring the integrity of the supply chain of these participants that range from manufacturing to transportation and importation. U.S. Ports of Entry on the northern and southern border have dedicated FAST lanes. Any conveyance using FAST lane processing must be a CBP approved carrier, carry qualifying goods from a CBP approved importer, and the driver must have a valid FAST-Commercial Driver Card.

To be CBP approved, the carrier and importer must be participants in the CBP Customs-Trade Partnership Against Terrorism (C-TPAT) program. In addition to these requirements,

## Appendix B Management Comments to the Draft Report

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manufacturers in Mexico must be a C-TPAT participant, and all FAST shipments must have a high-security seal properly placed in the approved manner when crossing the border.

CBP employs a layered enforcement strategy for FAST and C-TPAT participants to ensure the trust given to the participants is verified at regular intervals. The layered enforcement begins with the vetting and approval of all applicants through the FAST and C-TPAT enrollment programs. CBP has further implemented a strategy incorporating Automated Targeting System rule-sets established at the Headquarters level and combining them with the efforts of the National Targeting Center-Cargo (NTC-C) and port Manifest Review Units (MRU). In addition, FAST/C-TPAT shipments are subject to regular Non-Intrusive Inspection (NII) technology examinations, 100% Radiation Portal Monitor (RPM) screening, canine sweeps, and physical examinations. Also, CBP uses Random and Stratified Compliance Examinations (SCM) along with high-security seals to measure compliance with program participants.

With regard to the classification of the draft report, CBP has identified information within the report requiring restricted public access based on a designation of "For Official Use Only" as it exposes vulnerabilities in the FAST program which could be exploited by persons seeking to do harm. Therefore, CBP also includes sensitivity comments.

Please consider CBP's concerns prior to issuing the final report. Thank you for your assistance.

If you have any questions, please have a member of your staff contact Ms. Arlene Lugo, CBP Audit Liaison, at (202) 344-1218.

Attachments

## Appendix B Management Comments to the Draft Report

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### OIG Draft Report Entitled "Improvements Needed in the Process to Certify Carriers for the Free and Secure Trade Program"

#### CBP Corrective Action Plan

**Recommendation 1:** Require C-TPAT to establish and implement a process for supervisors to review decisions made by Supply Chain Security Specialists during the certification process to ensure that security profiles were thoroughly assessed and (highway) carriers met all of the C-TPAT minimum security requirements.

**Response:** CBP concurs with this recommendation and has developed the following strategies to address this issue.

- Strategy 1. C-TPAT will conduct Supply Chain Security Specialists (SCSS) refresher training for certifying all applicants. The Webinar will focus on the 29 sections of the security profile and will establish a threshold for appropriate responses to clarify approval/disapproval of each section by the SCSS. The training will include a matrix which crosswalks the minimum security requirements to the 29 sections of the security profile. **Due date: December 15, 2010.**
- Strategy 2. The C-TPAT Evaluation and Assessment Branch will review 50 percent of all new highway carrier certifications over the next 6 months to determine the thoroughness, completeness and timeliness of the security profile review before deciding if any further policy change is required. This option will provide data with which C-TPAT can thoughtfully address OIG's concerns and determine the extent of supervisory approval necessary during the certification process. **Due date: July 31, 2011.**
- Strategy 3. C-TPAT issued new policy effective May 1, 2010 establishing a new procedure for withholding FAST benefits from newly certified Mexican highway carriers until they have been validated and all actions required resolved. This policy ensures that the security profile is physically confirmed by the SCSS and validation report approved by the Supervisor before granting FAST benefits to Mexico Highway Carriers. **Due Date: Completed. (See policy memo attached)**

**Recommendation 2:** Clarify the FAST manual and supply chain security specialist standard operating procedures to ensure that layered carrier vetting process is conducted, and continue current staffing and oversight efforts to address backlog and communication challenges between the CBP Vetting Center and C-TPAT supply chain security specialists.

**Response:** CBP concurs with this recommendation and has developed the following strategies to address this issue.

- Strategy 1. The CBP Vetting Center has trained additional officers to conduct the carrier vetting of applicants. This has expanded our pool of officers who are

## Appendix B Management Comments to the Draft Report

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available to conduct this activity and enabled us to apply resources where needed in order to address the volume of applications. This will ensure that the layered approach with the Vetting Center officers and C-TPAT Supply Chain Security Specialists is consistently followed.

- Strategy 2. The Assistant Director of the Vetting Center has been given oversight authority for all processes and communications linked to the C-TPAT program. A C-TPAT headquarters officer sends a spreadsheet listing pending carrier applications and pending benefits to the Assistant Director of the Vetting Center. Weekly meetings with the assistant director or designated supervisor are now held to assess the workload and distribute assignments. Backlogs are closely monitored and assignments are made at these weekly meetings. The carriers in pending status as indicated in the portal are compared to the pending spreadsheet provided by C-TPAT headquarters officers.
- Strategy 3. The vetting process itself has been automated using scripts and we have built in a required review by the Assistant Director or his designee to ensure a layered approach and timely enhanced Vetting Center processing of applicants for the C-TPAT program.
- Strategy 4. The Vetting Center Director attended the C-TPAT conference in Buffalo, NY in August 2010. The purpose was to meet with senior management officials involved with the C-TPAT program to improve and strengthen the communication between the Vetting Center and headquarters and get a better understanding of the overall C-TPAT process. The C-TPAT and Vetting Center Directors will meet periodically to discuss operational issues. A meeting at the CBP Vetting Center is planned during the 1<sup>st</sup> quarter Fiscal Year 2011 with senior management representatives from the C-TPAT office. This will serve to further strengthen communication and coordination.

**Due Date:** CBP believes these actions address this recommendation and considers it closed.

**Appendix C**  
**Major Contributors to this Report**

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Alexander Best, Director  
Inez Jordan, Desk Officer  
LaTrina McCowin, Project Lead  
Jeffrey Wilson, Senior Program Analyst  
Carolyn Floyd, Auditor  
Melissa Motley, Program Analyst  
Victor Leung, Program Analyst  
Andre Marseille, Referencer

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