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July 1998

# CUSTOMS SERVICE DRUG INTERDICTION

## Internal Control Weaknesses and Other Concerns With Low-Risk Cargo Entry Programs



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**General Government Division**

B-279229

July 31, 1998

The Honorable Dianne Feinstein  
United States Senate

Dear Senator Feinstein:

The Customs Service faces a major challenge in effectively carrying out its drug interdiction and trade enforcement missions while facilitating the flow of persons and cargo into the United States. To assist in performing these seemingly contradictory activities, Customs recognized that because of the high volume of imported cargo entering the country, processes were needed to identify low-risk cargo and facilitate its movement so that inspectors could focus on shipments that were potentially higher risk for narcotics smuggling. Toward this end, Customs developed several low-risk, cargo entry programs designed to process certain cargo expeditiously and at the same time target, for additional scrutiny, those shipments considered to be high risk for drug smuggling.

In response to your request that we review Customs' drug-enforcement operations along the Southwest border of the United States, this report describes Customs' low-risk, cargo entry programs in use at three ports on the Southwest border and discusses the results of our evaluation of the internal controls over the Line Release Program and processes used to assess the risk of narcotics smuggling in other cargo entry programs. In developing information for this report, we (1) interviewed key officials and reviewed program documents at Customs' headquarters and at three Customs Management Centers located along the Southwest border and (2) visited three cargo ports of entry—Otay Mesa, CA; Laredo, TX; and Nogales, AZ. At each port we visited, we interviewed key officials, reviewed program documents, and observed cargo entry processes—including inspection and enforcement activities—used by the ports to detect illegal drugs. Our objectives, scope, and methodology are discussed in more detail in appendix I. Appendix II describes the three ports we visited.

We requested comments on a draft of this report from the Secretary of the Treasury or his designee. The Under Secretary (Enforcement) provided written comments, which are discussed near the end of this letter and reprinted in appendix III. We performed our work between November 1997 and May 1998 in accordance with generally accepted government auditing standards.

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## Results in Brief

To balance the objectives of facilitating trade through ports and interdicting illegal drugs being smuggled into the United States, Customs has initiated and encouraged its ports to use several programs to identify and separate “low-risk” shipments from those with apparently higher smuggling risk. One such program is the Line Release Program, designed to expedite cargo shipments that Customs determined to be repetitive, high volume, and low risk for narcotics smuggling. Beginning on the Northern border in 1986 and expanded to most ports along the Southwest border by 1989, this program requires importers, brokers (companies who process the paperwork required to import merchandise) and manufacturers to apply for the program and to be screened by Customs to ensure that they have no past history of narcotics smuggling and that their prior shipments have been in compliance with trade laws and Customs’ commercial importing regulations. In 1996, Customs implemented the Carrier Initiative Program; this program required that Line Release shipments across the Southwest border be transported by Customs-approved carriers—trucks and trucking companies—and driven by Customs-approved drivers. After the Carrier Initiative Program was implemented, the number of Southwest border Line Release shipments dropped significantly.

We identified internal control weaknesses in one or more of the processes used at each of the three ports we visited to screen Line Release applicants for entry into the program. These weaknesses included (1) lack of specific criteria for determining applicant eligibility at two of the three ports, (2) incomplete documentation of the screening and review of applicants at two of the three ports, and (3) lack of documentation of supervisory review and approval of decisions. We also noted that the ports were not able to locate some of the application files and background checklists that served as support for approving applications. Further, although one port had implemented a recertification process based on volume of shipments, the other two ports did not require program participants to be recertified. In May 1998, Customs representatives from northern and southern land-border cargo ports approved draft Line Release volume and compliance eligibility criteria for program applicants and draft recertification standards for program participants; Customs expects to finalize and issue these standards by the end of fiscal year 1998.

The Three Tier Targeting Program—a method of targeting high-risk shipments for narcotics inspection—was being used at the three Southwest border ports that we visited. Customs published draft guidance, which was never finalized, to help ports classify cargo shipments into

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three tiers, from little risk to significant risk for narcotics smuggling. Customs officials were unable to explain why the guidance had never been finalized.

According to officials at the three ports we reviewed, the Three Tier Targeting Program had two operational problems that contributed to their loss of confidence in the program's ability to distinguish high- from low-risk shipments: (1) there was little information available in any database for researching foreign manufacturers; and (2) local officials doubted the reliability of the designations, citing some examples of narcotics seizures from shipments designated as "low-risk," and the lack of a significant number of seizures from shipments designated as "high-risk." In addition, they said that the research necessary to assign and recertify tier designations was very time consuming given the questionable reliability of the designations.

One new targeting method—the Automated Targeting System—is being pilot tested at Laredo. Used in conjunction with the Prefile Program, this system is designed to enable port officials to identify and direct inspectional attention to high-risk shipments. Under the Prefile Program, port analysts are to receive entry information on an expected shipment at least 4 hours before the shipment arrives at the port. Receiving this information in advance should enable ports to research Customs and other databases for information on the manufacturer, importer, and broker; this research, which is to include a review of companies' trade compliance history and a criminal record check, can help inspectors determine whether the shipment is high risk for narcotics smuggling. The Automated Targeting System, which automatically assesses shipment entry information for known smuggling indicators, is designed to enable inspectors to target high-risk shipments more efficiently. However, the Prefile Program, used in conjunction with the Automated Targeting System, does not require companies to use carriers approved under the Carrier Initiative Program. This is a significant disadvantage because past seizures have indicated that most illegal drugs are smuggled in the conveyance, not in the cargo. Also, Customs is in the process of evaluating the Automated Targeting System, as tested at Laredo, for expansion to other land-border cargo ports.

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## Background

The Office of National Drug Control Policy has reported<sup>1</sup> that international drug trafficking organizations have become sophisticated, multibillion-dollar industries that quickly adapt to new U.S. drug control efforts. According to Customs' Strategic Plan: Fiscal Years 1997 - 2002, drug smugglers have moved from (1) using small planes and fast boats to smuggle drugs into the Southeastern United States in the early 1980s, to (2) using commercial cargo and international carriers in the mid- to late-1980s, and (3) exploiting the Southwest border in the 1990s.

In addition to collecting revenue from international trade, the mission of the Customs Service is to enforce customs and related laws. It also processes persons, carriers, cargo, and mail into and out of the United States. One of Customs' major goals is to prevent the smuggling of drugs into the country by creating an effective drug interdiction, intelligence, and investigation capability that disrupts and dismantles smuggling organizations.

Customs performs its mission with a workforce of about 19,000 personnel at its headquarters in Washington, D.C., and at 20 Customs Management Centers, 20 investigative offices, and 301 ports of entry around the country. Of the 301 ports, 24 are located along the Southwest border and—through 39 crossing points (such as bridges)—handle both passengers and commercial cargo entering the United States. At the end of fiscal year 1997, Customs had deployed about 28 percent of its inspectors and about 62 percent of its canine enforcement officers at ports along the Southwest border.

The Commissioner of Customs has designated drug enforcement to be Customs' highest priority. As 1 of more than 50 federal agencies involved in the national drug control effort, Customs is responsible for stopping the flow of illegal drugs through the nation's ports of entry. Customs' inspectional, investigative, intelligence, canine, marine, and air interdiction assets combine with the efforts of other agencies to reduce the supply of narcotics coming into the country. In addition to routine (primary) inspections to search passengers, cargo, and conveyances (including cars, buses, trucks, aircraft, and vessels), Customs' drug interdiction efforts include (1) preprimary and postprimary inspections; (2) a more thorough, intensive inspection (secondary) of suspicious shipments or those automatically selected by Customs' computer system; (3) canine enforcement inspections; (4) inspections using X-ray machines

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<sup>1</sup>Report to Congress, Volume 1, United States and Mexico Counterdrug Cooperation, Enhanced Multilateral Drug Control Cooperation, and Enhanced Truck Inspections, Executive Office of the President, Office of National Drug Control Policy, Sept. 1997.

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for cargo and trucks; and (5) inspections of randomly selected groups of vehicles using canines and other inspection tools.

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## Internal Control Weaknesses and Other Issues Raise Concerns About the Line Release Program

Line Release is one of two programs the Customs Service is using at its land-border cargo ports to segregate low-risk shipments from other shipments. The Line Release Program was established on the assumption that port officials would know enough about the companies—the brokers, importers, and manufacturers—that participated in the program to assume that they would be unlikely to smuggle drugs. Our review indicated that the internal controls over the Line Release Program at three ports were lax and that port officials could not be reasonably assured that companies approved as low risk under this program should have been designated as such and afforded the benefits that go with it.

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## Description of the Line Release Program

The theory behind the Line Release Program is that companies that routinely import goods through a port and are generally in compliance with trade laws and Customs regulations pose significantly less risk for drug smuggling than other companies. Customs believes that if ports could identify and designate certain companies as low risk for drug smuggling, inspectors would have more assurance that these companies' shipments may pose a lower risk than those of other companies. Truck drivers transporting shipments for companies approved under the Line Release Program are not required to stop inside the port at the dock to process paperwork; this procedure expedites their entry processing, frees dock space for trucks that are required to stop, and allows inspectors to focus their attention on higher-risk shipments.<sup>2</sup>

The Line Release Program was first implemented in 1986 on the Northern border and was designed to expedite the release and tracking of high-volume, low-risk shipments by prescreening manufacturers, brokers, and importers to ensure that they did not present a threat of drug smuggling. In 1987, Customs began implementing the Line Release Program at cargo ports along the Southwest border; by the end of 1989, most of the major Southwest border cargo ports had fully implemented the program.

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<sup>2</sup>Line Release shipments are subject to several types of enforcement actions, such as random compliance and enforcement examinations.

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Customs' regulations for the Line Release Program, which became effective in 1992, are published in the Code of Federal Regulations.<sup>3</sup> Customs port directors are responsible for screening, reviewing, and approving Line Release applicants. Program applicants are required to complete and submit an application to the port director for review and approval.

In 1993, Customs issued guidance<sup>4</sup> on the administration and use of the Line Release Program. According to Customs, this guidance combined all the Line Release policies and procedures issued since the program's inception. The guidance instructed port directors to establish their own procedures for screening, reviewing, and approving applications; and it suggested that specific port personnel, such as import specialists, review the applications. The guidance did not specify what criteria ports should consider in approving applicants or what the reviews should entail, although it did state that the purpose of the reviews would be to conduct risk analyses of applicants to determine if they qualified for Line Release. The guidance did not require port officials to maintain any specific documentation on the review and approval process.

In August 1997, Customs developed national Draft Line Release Quality Standards that, among other things, established volume and compliance eligibility criteria for program applicants and recertification standards for program participants. The volume criterion proposes that applicants should have had "at least 50 shipments . . . within the previous 12 months prior to the filing of the application." The compliance criterion proposes that the applicants should have had "at least five Customs intensive examinations with no discrepant findings, or more than five Customs examinations with no more than a 10 percent discrepancy rate." The recertification standards propose that Line Release participants be reviewed at least annually to ensure they have had 50 shipments within the preceding 12 months. Biennially, participants are to be reviewed to ensure they have met a minimum compliance rate of 90 percent. In May 1998, Customs convened a Line Release Conference in San Diego, CA, during which representatives from northern and southern land-border cargo ports discussed, among other things, the above eligibility criteria and recertification standards, and agreed to finalize and issue the Line Release Quality Standards at the end of fiscal year 1998.

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<sup>3</sup>See 19 C.F.R. § 142.41 - 142.52 (1997).

<sup>4</sup>Customs Directive 099 5610-003 (Jan. 14, 1993).



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Each of the three ports we reviewed had developed a two-part process for screening, reviewing, and approving Line Release applicants, although the eligibility criteria and review procedures differed somewhat among the ports. Part one of each port's process involved screening applicants to determine whether they met the port's eligibility criteria for participating in Line Release—a high-volume of shipments each year and a history of compliance with trade laws and Customs commercial importing regulations. The second part of each port's process involved several components, including (1) verification of the data submitted by the applicants (i.e., verification of company name, address, identification number, etc.); (2) review of the application by an import specialist to ensure that, among other things, the commodity (merchandise) was properly classified; and (3) a background check on the applicants to ensure they had no past history of drug smuggling.

Each port had developed a Line Release checklist that was used to evaluate the applications and track them through this process, as well as a checklist that recorded the results of the background checks conducted on applicants. Although the ports' Line Release checklists varied, they included some of the same elements, such as approval by an import specialist and the Line Release coordinator. In addition, the checklists used to record and track background checks also included many of the same elements, such as name and address verifications, Internal Revenue Service numbers, and smuggling history.

In July 1996, Customs implemented the Land Border Carrier Initiative Program (Carrier Initiative Program). The program requires participating carriers to be prescreened by Customs—through background checks and site visits—and approved as low risk for drug smuggling. At the time this program was implemented, Customs established a new requirement that all Line Release participants (brokers, importers, and manufacturers) on the Southwest border use carriers (trucks and drivers) approved under the Carrier Initiative Program.

In fiscal year 1996, cargo entries<sup>5</sup> along the Southwest border totaled 1,408,790<sup>6</sup> of which 277,382 or about 20 percent, were Line Release entries. In fiscal year 1997, total entries increased by nearly 15 percent to 1,617,445, while Line Release entries dropped by almost 29 percent to

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<sup>5</sup>Merchandise arriving at a U.S. port must be "entered" with Customs unless specifically exempted. "Entry" refers to the required documentation filed with Customs to secure the release of imported cargo from Customs' custody. A shipment is a quantity of cargo that is transported together.

<sup>6</sup>Includes only entries from cargo ports that also process Line Release entries (see table 1).

197,344, or about 12 percent of total entries. Customs officials attributed the drop in Line Release entries to the implementation of the Carrier Initiative Program in July 1996. Of the three ports we reviewed, Otay Mesa had the largest number of Line Release entries during fiscal years 1996 and 1997 (see table 1) and, in fiscal year 1997, the greatest number of participants. Officials at the Laredo and Nogales cargo ports told us that Line Release entries dropped significantly at their ports at the time the Carrier Initiative Program went into effect. Laredo and Nogales officials said companies did not want to participate in the program either because they already had contracts with nonprogram carriers or because they did not want to tie themselves to Carrier Initiative—approved carriers, many of whom were located near the border and not the Mexican interior, where many of the commodities were produced.

**Table 1: Decline in Line Release Entries Following Start of Land Border Carrier Initiative Program**

Location	FY 1996 <sup>a</sup>		FY 1997	
	Line Release entries	Percent of total entries	Line Release entries	Percent of total entries
Southwest border <sup>b</sup>	277,382	19.7%	197,344	12.2%
Otay Mesa, CA	91,730	39.9	90,172	35.6
Laredo, TX	43,665	12.0	18,834	4.1
Nogales, AZ	35,645	20.2	679	0.4

<sup>a</sup>The Land Border Carrier Initiative Program started in July 1996.

<sup>b</sup>Includes all Southwest border Line Release ports: Calexico, CA; Otay Mesa, CA; Tecate, CA; Douglas, AZ; Nogales, AZ; San Luis, AZ; Brownsville, TX; Eagle Pass, TX; Laredo, TX; Hidalgo, TX; Pharr, TX; Progresso, TX; and El Paso, TX.

Source: U.S. Customs Service.

### Weak Internal Controls Over the Line Release Program at Three Ports

Although each of the three ports we reviewed had developed a process for screening and approving applicants, we found internal control weaknesses in the procedures actually followed. These weaknesses included (1) the lack of specific criteria for determining applicant eligibility at two of the three ports, (2) incomplete documentation of the screening and review of applicants at two of the three ports, and (3) lack of documentation of supervisory review and approval of decisions. We also noted that the ports were not able to locate some of the application files and background checklists that served as support for approving applications, and that two ports had not recertified Line Release companies.

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## Lack of Specific Criteria for Determining Applicant Eligibility at Two of the Three Ports

Otay Mesa had specific criteria for determining program eligibility and had established a standard review process for assessing Line Release applicants. To be considered for the Line Release Program, applicants were expected to have a minimum of 50 shipments during the 12 months prior to filing an application and to have at least 5 negative examinations.<sup>7</sup> However, until recently the other two ports—Nogales and Laredo—did not have specific criteria by which reviewers were to judge an applicant’s eligibility. Lack of specific eligibility criteria could allow individual reviewers at a port to reach different conclusions about an applicant’s eligibility.

The former and current Nogales Line Release coordinators told us that, until recently, Nogales did not have specific eligibility criteria in place for screening Line Release applicants. Instead, each application was to be reviewed on a case-by-case basis. The current Line Release coordinator said that in fiscal year 1997, to screen applicants, the port adopted the volume and compliance criteria specified in Customs’ Draft Line Release Quality Standards—50 shipments within the prior 12 months and at least 5 Customs intensive examinations with no discrepant findings. However, the coordinator could not provide port guidance that addressed this change, nor was the port’s Line Release checklist revised to reflect the new eligibility criteria.

The Laredo Line Release coordinator told us that until recently, Laredo had no specific eligibility criteria for volume and discrepancy rates, relying instead on the Line Release coordinator’s subjective evaluation of applicants. The coordinator said that applications are judged on a case-by-case basis and that theoretically all companies are eligible for the Line Release Program, except those that have a history of drug violations. To be approved, Laredo requires that applicants can only have had relatively minor compliance “discrepancies” or violations on their examination records, with no record of drug violations. The Line Release coordinator told us that in fiscal year 1997 Laredo also began using the volume standard cited in Customs’ 1997 Draft Line Release Quality Standards. However, the coordinator could not provide documentation to substantiate this change, nor did the port’s Line Release checklist reflect the new criteria.

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<sup>7</sup>Otay Mesa defined a “negative” examination, or inspection, of a shipment as one in which only “minor” infractions, such as marking violations, of Customs trade laws and regulations—less than a 6 percent discrepancy rate—were found, and no illegal drugs were discovered.

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Incomplete Documentation of the Screening and Review of Applicants at Two of the Three Ports

The Comptroller General's Standards for Internal Controls in the Federal Government (June 1983)<sup>8</sup> requires that "documentation of transactions or other significant events should be complete and accurate and should facilitate tracing the transaction or event and related information from before it occurs, while it is in process, to after it is completed" and that transactions and other significant events be promptly recorded and properly classified.

Officials at all three of the ports we visited said they routinely reviewed applicants' trade history—specifically, volume and compliance history—as part of their Line Release review process. However, Otay Mesa did not include volume and compliance history on the Line Release checklist, nor did reviewing officials document in the files<sup>9</sup> we reviewed that this information had been verified. In addition, 20 of the 46 Line Release checklists<sup>10</sup> we reviewed at Otay Mesa had not been fully completed. For example, in 12 cases, review officials had failed to check off all applicable review elements. For 8 of 46 Line Release checklists, reviewers had failed to either sign and/or date the checklist. Also, one of the application files did not have a Line Release checklist. None of the files we reviewed contained supporting documentation—the Line Release coordinator told us that the port did not require supporting documentation, such as computer printouts of applicants' trade histories. The Comptroller General's Standards for Internal Controls in the Federal Government specifies that "Internal controls systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination."

Both Laredo and Nogales had applicants' trade history as an element to be checked off on either their Line Release or background checklist. At Laredo, 64 of the 65 background checklists we reviewed documented applicants' trade history—volume of shipments and compliance with Customs regulations. In addition, 69 of the 72 Line Release checklists we reviewed had been completed. At Nogales, the port could locate only one

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<sup>8</sup>Although these standards remain conceptually sound and are used throughout the federal government, they are being updated and enhanced to recognize recent internal control evaluation guidance developed by the private sector with assistance from us and others as well as to give greater recognition to the increasing use of information technology.

<sup>9</sup>At Otay Mesa, because the universe of participants was large, we randomly selected 42 applications, approved between 1988 and 1997, for review. This sample was not large enough to be considered representative of the universe of Line Release participants at Otay Mesa, and the results of our review should not be projected beyond the sample. At Laredo and Nogales, because the universe of participants was small, we reviewed the applications for all active participants on Line Release during fiscal year 1997.

<sup>10</sup>Some Otay Mesa application files included more than one Line Release checklist.

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of the seven Line Release checklists associated with the application files we reviewed. Although the applicants' trade history was documented on the checklist as required, the entire checklist had not been completed. Further, the Nogales Line Release coordinator told us that there was no port requirement to retain supporting documentation for record checks conducted on Line Release applicants; however, one of the application files we reviewed included supporting documentation. Laredo had provided supporting documentation for 65 of the 66 files we reviewed.

Lack of Documentation of Supervisory Review for Aspects of the Review and Approval Process

According to the Comptroller General's Standards for Internal Controls in the Federal Government,

- qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. Assignment, review, and approval of a staff's work should result in the proper processing of transactions and events including (1) following approved procedures and requirements; (2) detecting and eliminating errors, misunderstandings, and improper practices; and (3) discouraging wrongful acts from occurring or from recurring.

We found that aspects of the ports' Line Release review and approval processes lacked documentation of supervisory review. At Otay Mesa, the Line Release coordinator told us he is responsible for reviewing the Line Release checklists to ensure they have been completed, signed, and dated. The coordinator also said he is responsible for documenting the progress of the application through the approval process but is not required to review other officials' research. None of the 46 checklists we reviewed documented a supervisory review, either by the coordinator or his supervisor. Further, the operations analyst told us there is no supervisory review required for the background checks he performs on importers and manufacturers.

The Laredo Line Release coordinator also told us that he is responsible for ensuring that the port's Line Release checklists are properly completed. The coordinator said he reviews the research performed on the applications, including the background checks and trade history recorded on the background checklists, but there was no documentation of supervisory review on either the 72 Line Release checklists or the 65 background checklists provided by the port.

At Nogales, applications are researched by the Line Release coordinator and others, including import specialists. Although the Line Release

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checklist provides for the chief inspector to document whether the application was approved or disapproved, the one checklist located by the port did not indicate whether the chief inspector had reviewed the checklist. According to the coordinator, the checklist used to document background checks performed on applicants does not have to have supervisory review.

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### Other Concerns About the Line Release Approval Process

Our work at the three ports raised other issues, which could compromise the integrity of the Line Release Program. First, Nogales officials were unable to locate two of the seven application files for the companies currently using Line Release; in addition, they could only locate one of the seven Line Release checklists identified with the application files. The current and former Line Release coordinators told us the port had not received any Line Release applications since July 1996, when the Carrier Initiative Program went into effect. At Otay Mesa, officials were unable to provide 15 of the background checklists for the 46 Line Release checklists we reviewed; at all three ports, background checks served as the basis for approving applicants. The operations analyst responsible—as of May 1998—for completing the background checklists at Otay Mesa told us that although he is not required to retain copies of the checklists or to provide documentation in support of his findings—e.g., database check printouts—he does both.

Second, although neither the Code of Federal Regulations nor Customs' implementing guidelines require ports to recertify companies already approved for the Line Release Program, Otay Mesa had recertified participants based on their volume criteria. The port does not recheck (recertify) participants for compliance or perform follow-up background checks. Without recertification, there is no assurance that the participants continue to meet the volume and compliance criteria or that they remain low risk for drug smuggling. We verified that Otay Mesa had performed the volume recertifications for the 42 application files we reviewed. These 42 files included 93 commodities; 52 were recertified as meeting Otay Mesa's volume criteria. The remaining 41 were either inactive or had been on Line Release for less than 12 months. Officials at Laredo and Nogales told us that they are planning to recertify Line Release participants, as required in the Draft Line Release Quality Standards, as soon as the standards are finalized.

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## Customs Officials at Three Ports Have Little Confidence in the Three Tier Targeting Program

Customs developed the Three Tier Targeting Program to help identify low- and high-risk shipments so that inspectors along the Southwest border could focus their attention on shipments determined to be high-risk for narcotics smuggling. Low-risk shipments were to receive expedited treatment for release, while high-risk shipments were to be subject to a higher rate of narcotics examinations. Customs headquarters defined how cargo shipments would be divided into three tier categories and allowed the ports to develop their own policies and procedures for assigning risk.

Officials at the ports we visited said they did not think the Three Tier Targeting Program was a viable program because it did not appear to have Customs headquarters' support. They also said they had little confidence in the system as a method for assessing risk because (1) there was little information available in any database for researching foreign manufacturers and (2) they doubted the reliability of the designations: two ports cited examples of narcotics seizures from shipments designated as "low risk" and the lack of a significant number of seizures from shipments designated as "high risk." In addition, they said that the research necessary to assign and recertify tier designations has been very time consuming given the questionable reliability of the tier designations.

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## Description of the Three Tier Targeting Program

In 1992, Customs implemented the Three Tier concept—a method of targeting shipments for narcotics examinations—at Southwest border ports. According to Customs' draft Three Tier Targeting Directive, this concept was devised to assist ports in classifying shipments according to a narcotics risk assessment so that they could better identify or "target" shipments that were "high risk" for smuggled narcotics. The intent of the program was for ports to better focus inspectional resources. According to a 1994 report<sup>11</sup> by Customs' Office of Regulatory Audit, ports were to start using the program in April 1992.

Under the Three Tier concept, ports were to conduct research on importers and foreign manufacturers who shipped through their ports. The draft directive called for port analysts to check Customs databases and other available sources for information on importers' and manufacturers' business histories and criminal activities. Commercial cargo shipments were to be divided into three categories, or tiers, according to perceived risk factors:

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<sup>11</sup>U.S. Customs Service, Southwest Region: Management Review of the Three Tier Targeting Program, Feb. 1994.

Tier I: bearing little risk for narcotics smuggling, based on analytical assessment.

Tier II: an unknown degree of risk for narcotics smuggling. (All shipments that are not clearly Tier I or Tier III were to fall into Tier II.)

Tier III: a significant risk for narcotics smuggling. (Shipments designated as Tier III were to be identified as high risk in Customs' Automated Commercial System so that inspectors would know they were to receive narcotics examinations.)

**Table 2: Number of Tier I and Tier III Designations at Three Ports**

Port	Tier I Designations	Tier III Designations
Otay Mesa, CA (as of 08/97)	1,576	16
Laredo, TX (as of 11/97)	2,035	29
Nogales, AZ (as of 03/96)	246	4

Note 1: Tier II designations were not included because the universe is unknown.

Note 2: Most recent data available at the time of our visit.

Source: U.S. Customs Service.

### Port Officials Have Little Confidence in the Three Tier Targeting Program

Officials at the three ports we visited expressed reservations about the viability of the Three Tier Targeting Program. The officials remarked that the program did not appear to have the full support of Customs headquarters because formal program directives were issued in draft but were not finalized. Officials at Customs headquarters could not explain why the Three Tier directive was not finalized. Customs' current Narcotics Interdiction Guide calls for continued use of the program.

Officials at the three ports told us they had little confidence in the program as a method for assessing risk for two reasons. First, program officials said sufficient information is not available to assess the risk of foreign companies. For example, a Nogales official told us that it was impossible to get enough information on Mexican manufacturers on which to base a reliable narcotics risk assessment. He said that no matter how much research was conducted through Customs' automated databases and other sources, there were no data available on Mexican companies, particularly data identifying those that had been involved in narcotics smuggling.

Second, port officials told us that inspectors had become suspicious about the reliability of Three Tier designations. In Laredo, for example, a



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program official told us the port had made two marijuana seizures from shipments classified as Tier I, or low risk. Conversely, in Nogales, the analyst responsible for the program told us there had been no narcotics seizures found in Tier III, high-risk shipments. Laredo officials also told us that inspectors were more suspicious of shipments classified as low risk because they had doubts about the reliability of the tier designations. These doubts could lead them to order more examinations of low-risk shipments, in direct conflict with the original intent of the program—to process low-risk shipments quickly so that inspectors could focus their attention on high-risk shipments.

Port officials also told us that the research necessary to assign and recertify tier designations has been very time consuming given the questionable reliability of the tier designations. In addition to conducting the initial research necessary to assign tier designations, ports are to annually recertify Tier I designations by updating the research. An official at Otay Mesa told us that because of time constraints, port analysts were unable to both recertify companies for Tier I and certify companies for the Line Release Program. He said that in fiscal year 1997, port analysts would have needed to do 50 recertifications per month to keep the database current; but they had only been able to recertify—update the research for—39 Tier I companies for the entire year from a total of 1,576 Tier I designations in their database. According to the port official, other operations, such as providing research support to the port’s investigative team, take priority over Tier I recertifications. At Laredo, a port official told us that for the past two years, the port has continued to maintain the Tier I database but has not added any new companies to the Tier I database.

Officials at the three ports said that the Three Tier Targeting Program should be discontinued and that, although the program had worked well in facilitating cargo, it had not been effective in distinguishing between high- and low-risk shipments. In February 1994, Customs had also reported in its Management Review of the Three Tier Targeting Program<sup>12</sup> that “. . . the Three Tier Targeting Program is a good cargo facilitation tool, however, because of the lack of reliable intelligence, it has not been effective in targeting narcotics in cargo shipments . . . .” Port officials told us their inspectors now rely on other cargo entry programs—such as Line Release—to identify shipments that are low risk for drug smuggling.

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<sup>12</sup>U.S. Customs Service, Southwest Region: Management Review of the Three Tier Targeting Program, Feb. 1994.

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Customs' 1994 Management Review also stated that “. . . no narcotic seizures have resulted from Three Tier Targeting . . .” Customs headquarters officials told us that they did not know if any seizures had been made from Tier III, high-risk shipments. Further, they said they did not know whether any of the 61 narcotics seizures in commercial cargo in fiscal year 1997 were made from Tier III shipments. The officials also told us that there is no headquarters oversight of the Three Tier Targeting Program, and consequently no evaluations of the program or measures of success.

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## **Profile Process and Automated Targeting System Provide More Current Information to Assist in Identifying High-Risk Shipments**

“Profile” is a cargo entry process used at the Port of Laredo to expedite low-risk shipments. The Profile Process, which began in 1989, requires participating brokers to file cargo entry paperwork at least 4 hours prior to a shipment’s arrival at the port. This advance filing is to enable port officials to review the paperwork and perform computerized background checks on the manufacturer, importer, and broker to assess the smuggling risk of each shipment before it arrives at the port. The Profile Process is complemented by the Automated Targeting System, which evaluates and scores arriving shipments through the use of approximately 400 “rules” designed to identify or profile high-risk shipments. The higher the score, the more the shipment warrants attention. This process is being evaluated to establish its effectiveness.

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## **The Profile Process Allows Inspectors to Review Current Information on Shipments for Potential Drug Smuggling**

According to Laredo officials, the Profile Process was designed to expedite processing cargo through the port. Customs officials said it facilitates processing by identifying, before the cargo reaches the port, low-risk shipments that can be released at the primary inspection gate and shipments that should be held at the dock for intensive examinations. Compared with other low-risk cargo entry programs (e.g., Line Release and the Three Tier Targeting Program), which rely on initial research of applicants before they are approved or designated as “low risk,” the Profile Process involves reviewing the most current—“real-time”—information available on companies and their potential for drug smuggling before the shipments reach the port. Although the databases may not include information on foreign manufacturers, the data accessed is the most current information available.

When a broker uses the Profile Process, the port is to receive the hard-copy entry paperwork—the entry summary, for example—at least 4 hours before the shipment arrives at the port. Under Customs’ standard

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entry-filing process, drivers park their trucks at the dock and give a hard copy of the entry paperwork to Customs for processing. While the drivers wait, Customs compares the hard copy with entry information that was filed electronically in advance by the broker. Any comparison of the hard copy and the electronic filing for consistency must be conducted while the trucks are parked at the dock.

Under the Prefile Process, Customs inspectors are to perform the same reviews of the electronic and hard-copy entry documents that they would do under the standard entry-filing process, including additional research;<sup>13</sup> but receiving the hard-copy entry paperwork in advance allows the port to perform these reviews, and any necessary additional research, before the shipment arrives at the port. If the research does not provide a reason to inspect the shipment, it is to be cleared for release. The inspector in the primary inspection booth can then allow the cleared shipment to proceed directly to the exit gate when it arrives at the port. (For other reasons—such as a driver acting suspiciously or a random, computer-generated order for an inspection—a Customs inspector may order the shipment held at the dock for an intensive examination.) One official estimated that approximately 70 percent of cargo shipments at Laredo are Prefile shipments, although statistics were not maintained to confirm this figure.

A disadvantage of the Prefile Process is that unlike the Line Release process, Prefile focuses on the importer, broker, and manufacturer and does not require the use of prescreened carriers. Companies participating in the Line Release Program are required to use preapproved carriers and drivers cleared under the Carrier Initiative Program. According to a September 1997 report from the Office of National Drug Control Policy,<sup>14</sup> 76 percent of the seizures made in the Southwest border commercial cargo environment during 1997 were found in the conveyance (truck and trailer), not in the actual cargo.

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<sup>13</sup>Additional research is to be performed if the reviewing inspector identifies suspicious or unusual information in the electronic and hard-copy entry paperwork. This research might include more extensive background checks in Customs' automated databases for information or intelligence on the importer, broker, and manufacturer.

<sup>14</sup>Report to Congress, Volume 1, United States and Mexico Counterdrug Cooperation, Enhanced Multilateral Drug Control Cooperation, and Enhanced Truck Inspections, Executive Office of the President, Office of National Drug Control Policy, Sept. 1997.

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**Automated Targeting System Designed to Assist in Identifying Shipments Warranting Extra Inspectional Attention**

In May 1997 Laredo began pilot testing, in conjunction with the Prefile Process, a computerized system called the Automated Targeting System. The Automated Targeting System assists the port in identifying shipments that could pose a high risk for drug smuggling. According to Customs, the system is designed to help the port prioritize shipments according to threat, in order to allow the port to more effectively use resources and to ensure that shipments that pose the highest risk for smuggling are researched first.

The Automated Targeting System standardizes entry and entry-summary data received from the broker and creates integrated records called "shipments." The shipments are to be evaluated and scored by the Automated Targeting System through the use of approximately 400 weighted "rules" designed to identify or profile high-risk shipments. According to the system's program officer, the rules are based on targeting and evaluation methods successfully used by experienced Customs inspectors. The higher the score, the more the shipment warrants attention.

Customs inspectors may use the score to determine whether the shipment should be detained for inspection after it reaches the port. For example, a shipment going to a "first-time importer" might be selected for an intensive inspection. One of the rules used for scoring a potentially high-risk shipment is a first-time importer because little information is available about first-time importers on which to assess the risk of drug smuggling.

The Automated Targeting System also allows Customs inspectors to query several databases simultaneously to conduct background checks on importers, brokers, and manufacturers associated with a shipment. Because data from several systems are displayed on a computer screen at one time, inspectors are able to compare information for potential irregularities and inconsistencies.

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**Customs Is Currently Evaluating the Effectiveness of the Automated Targeting System**

Customs officials told us that Laredo is the first land-border port of entry to test the Automated Targeting System. Depending on the outcome of Laredo's pilot test, Customs may expand the system to all major seaports, airports, and land-border ports of entry. Customs is currently evaluating the pilot test at Laredo. According to the system's program officer, Customs does not plan to expand the system to other land-border, cargo ports of entry until an evaluation has been completed. According to the program officer, the system will be assessed for use at other Southwest

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border ports on the basis of three factors: (1) drug threat, (2) volume of shipments and method of processing (i.e., Line Release, etc.), and (3) technological capability. Laredo port officials told us they are tracking drug seizures attributed to the Automated Targeting System; as of May 1998, three marijuana seizures had been made, totaling over 5,000 pounds.

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## Conclusions

The Customs Service is faced with the challenge of facilitating the flow of legitimate cargo into the United States while, at the same time, detecting and intercepting illegal drug smuggling. Customs has developed several programs to try to identify shipments that are lower risk than others and give more inspectional attention to the higher-risk shipments. Theoretically, these programs would facilitate the processing of lower risk cargo and enable Customs to use its inspectional resources more efficiently and effectively.

The key to the success of these programs is Customs' ability to identify the risk that any given shipment poses. Our review of three programs at three Southwest border ports raises several concerns about the implementation of two of these programs. The weak internal controls over the Line Release Program at three ports may not assure Customs that program participants, at these three ports, are fully researched and properly designated as low risk.

Further, port officials' concerns about the Three Tier Targeting Program raise questions about the continued value or utility of the program at the three ports we visited. Officials at all three ports said that the program should be discontinued, and that they relied on other programs for distinguishing high- and low-risk shipments. These reasons cause us to conclude that the Three Tier Targeting Program may not be an effective tool for assessing narcotics risk.

We recognize that under current operating conditions, Customs will not be able to subject all cargo entering the United States to intensive inspections to detect drug smuggling. We also recognize that inadequately controlled processes for identifying low-risk shipments can give Customs inspectors a false sense of confidence that those shipments are low risk for drug smuggling. While the Prefile Process, used in conjunction with the Automated Targeting System, seems to have the potential to offer the advantage of basing inspection decisions on more current information

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than the Line Release and the Three Tier Targeting programs, it does not cover the carriers, and has not been thoroughly evaluated.

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## Recommendations

We recommend that the Commissioner of Customs

- strengthen internal control procedures for the Line Release application and review process to ensure fully researched and documented risk-assessment decisions on applicants;
- suspend the Three Tier Targeting Program until it can be determined if more complete and comprehensive data are available on which to base “low risk for narcotics smuggling” risk assessments; and
- evaluate the effectiveness and efficiency of the Automated Targeting System, as designed and implemented at Laredo, and use the evaluation results to determine whether other land-border cargo ports should implement the system or whether additional testing is needed.

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## Agency Comments

Treasury provided written comments on a draft of this report, and its comments are reprinted in appendix III. Overall, Treasury and Customs management generally agreed with our conclusions, and Customs is taking action, or is planning to take action, on all of our recommendations.

Regarding our first recommendation, Treasury stated in its written comments that Customs’ Office of Field Operations plans to publish the Line Release Quality Standards in the form of a Headquarters Directive by the end of fiscal year 1998. According to Treasury, this directive will create consistent national criteria and guidance with regard to the application procedures. Included will be a requirement for ports to retain the original approved applications and supporting documentation on file for as long as the applicants are active participants in the program.

Regarding our second recommendation, Treasury agreed that the Three Tier Program should be suspended until more reliable information is developed for classifying low-risk importations. Treasury stated in its written comments that Customs believes its other targeting methods, including the Line Release Program, the Automated Targeting System, the Prefile Program, and the Land Border Carrier Initiative Program, are better able to fulfill Customs’ narcotic interdiction goals and responsibilities.

Regarding our third recommendation, Treasury said Customs is currently evaluating the Automated Targeting System as implemented at the port of

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Laredo. It also plans to assess data regarding cargo volume and cargo processes used—e.g., Line Release—on other Southwest border ports of entry to determine future deployment of the system.

Customs management, in their written comments, acknowledged that the Prefile Process, used in conjunction with the Automated Targeting System, does not require the use of preapproved carriers and drivers cleared under the Carrier Initiative Program and that this could be seen as a disadvantage. They also stated that the Prefile approach narrows the scope of Customs' interdiction efforts to focus on the driver and conveyance because the cargo has been determined to be low risk. Customs pointed out that Prefile shipments are also subject to other enforcement actions, including (1) random checks performed on all companies using the Prefile Process, (2) X-ray and detection dogs, and (3) the experience and knowledge of Customs inspectors. Nevertheless, we still feel that the fact that the Prefile Process does not require shipments to use carriers preapproved under the Carrier Initiative Program is a significant disadvantage. Line Release shipments are also subject to the same enforcement actions mentioned above. Yet, in July 1996, Customs strengthened the Line Release Program by requiring all participants on the Southwest border to use carriers approved under the Carrier Initiatives Program.

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We are sending copies of this report to the Secretary of the Treasury, the Acting Commissioner of Customs, and to the Chairmen and Ranking Minority Members of the congressional committees that have responsibilities related to these issues. Copies also will be made available to others upon request. The major contributors to this report are listed in appendix IV. If you or your staff have any questions about the information in this report, please contact me on (202) 512-8777 or Darryl Dutton, Assistant Director, on (213) 830-1000.

Sincerely yours,



Norman J. Rabkin  
Director, Administration  
of Justice Issues

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# Objectives, Scope, and Methodology

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Our objectives for this report were to (1) describe Customs' low-risk, cargo entry programs in use at three ports on the Southwest border and (2) discuss the results of our evaluation of the internal controls over the Line Release Program and processes used to assess the risks of narcotics smuggling in other low-risk, cargo entry programs. As agreed with your office, we focused our work on three of the busiest commercial cargo ports of entry along the Southwest border—Otay Mesa, CA; Laredo, TX; and Nogales, AZ.

To identify Customs' low-risk, cargo entry programs on the Southwest border, we interviewed Customs headquarters officials in the offices of Anti-Smuggling and Trade Compliance. We also reviewed agency program documents, including Customs' Southern Border Cargo Action Plan, Narcotics Interdiction Guide, Line Release Directive and draft standards, draft of the Three Tier Targeting Directive, and other program documents. We also reviewed program documents at the three cargo ports of entry, including local guidance and directives for the programs. At each of the three ports and their Customs Management Centers, we interviewed key officials, including the center director, port director, the Line Release coordinator, and senior operations and analysis officials responsible for developing and overseeing the low-risk, cargo entry programs.

At each port, we observed both low-risk and standard cargo entry processes—including inspection techniques and enforcement activities—used by the ports to facilitate commercial shipments and to detect illegal drugs contained in these shipments. We also observed the use of nonintrusive technology, such as the pallet X-rays used at all three ports and the truck X-ray system used at Otay Mesa.

To examine the processes Customs uses for screening cargo shipments designated as low risk for narcotics smuggling, we began by reviewing each port's processes and procedures and internal controls for reviewing and approving applicants for the Line Release Program. We also attempted to determine whether ports were following their local criteria and procedures in evaluating Line Release applications. Of the three ports we visited, Otay Mesa had the largest number of Line Release entries during fiscal year 1997 and the greatest number of participants. Because Otay Mesa's universe of participants was large, we randomly selected a sample of 42 application files,<sup>15</sup> approved between 1988 and 1997, for review to determine whether Otay Mesa was following its local criteria and

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<sup>15</sup>For the purposes of this review, Line Release "application files" are defined as the completed forms companies submit to a port when they apply for the Line Release Program and the documentation ports produce during their review and approval of the applicants.

procedures in approving Line Release applicants in accordance with applicable internal control standards. This sample was not large enough to be representative of the universe of Line Release participants at Otay Mesa, and the results of our review should not be projected beyond the sample. At Laredo and Nogales, because the universe of participants was small, we reviewed the applications for all active participants on Line Release during fiscal year 1997.

To examine Customs' processes for designating cargo shipments as low risk for narcotics smuggling under the Three Tier Targeting Program and to determine the extent to which selected ports had implemented the program, we interviewed key officials at Customs headquarters and reviewed program documentation. At all three ports, we interviewed officials responsible for overseeing the program, including the analysts who performed the background reviews leading to low-risk designations. We also reviewed checklists that the ports had developed to facilitate their background reviews, and obtained the most recent data available on the number of Tier I (low-risk) and Tier III (high-risk) designations in place at each port. We did not review port files to determine whether ports were in compliance with local policies and procedures for assigning the tier designations.

At Customs headquarters and at the Port of Laredo, we reviewed applicable program guidance and interviewed key officials concerning the Prefile Process and the Automated Targeting System. We also received a demonstration of the Automated Targeting System, including the computer research, from Customs inspectors at Laredo.

We performed our work between November 1997 and May 1998 in accordance with generally accepted government auditing standards. We discussed the contents of this report with relevant Customs officials, and we incorporated their comments where appropriate.

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# Description of Ports Visited

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## Otay Mesa, California

Otay Mesa, CA, is the third busiest commercial cargo facility on the Southwest border. In fiscal year 1997, Otay Mesa handled over 585,000 vehicles, which was an average of 1,604 vehicles per day.<sup>16</sup> The port processes a variety of imports, including produce, television sets, and electronic components. Otay Mesa has over 100 dock spaces available for inspections and, as of December 1997, had 140 inspectors, canine enforcement officers, and supervisors.<sup>17</sup> The port utilizes standard technology, such as pallet X-ray and tanker scales, as well as a truck X-ray system to inspect commercial vehicles and cargo for narcotics. In fiscal year 1997, the port seized about 24,000 pounds of marijuana, but no cocaine. Otay Mesa is located about 15 miles south of San Diego, CA.

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## Laredo, Texas

Laredo, TX, consists of two separate cargo facilities, the downtown Laredo facility and the Colombia Bridge facility. Together, they form the busiest commercial cargo port along the Southwest border. Customs considers, for administrative purposes, the two facilities as one port and does not track data separately for each facility (e.g., volume of entries, inspections, etc.). Although we examined cargo entry operations at both facilities, for purposes of this review and data collection, we considered the Laredo and Colombia facilities as one port. Therefore, the Laredo data included in this report incorporate both Laredo and Colombia operations.

During fiscal year 1997, Laredo handled about 994,600 vehicles, which was an average of 2,722 vehicles per day. Both facilities handled auto parts, steel, and chemical products; Colombia also processed hazardous materials. The Laredo facility has 13 dock spaces to examine trucks and cargo, while the Colombia facility has 100 dock spaces available for inspections. As of December 1997, Laredo and Colombia had a combined staff of 139 inspectors, canine enforcement officers, and supervisors. Both Laredo and Colombia had pallet X-ray systems and tanker scales; and, at the time of our review, Colombia was scheduled to receive a truck X-ray system in September 1998. In fiscal year 1997, the two-facility port seized 3,252 pounds of marijuana and 450 pounds of cocaine. The Laredo facility is located 154 miles south of San Antonio, TX, and the Colombia facility is located 22 miles west of Laredo.

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<sup>16</sup>The average number of vehicles per day reflects the traffic average over a 1-year period, which includes both weekdays, when the traffic volume is much higher, and weekends, when the traffic volume is much lower.

<sup>17</sup>Twelve inspectors and three supervisors from Otay Mesa were assigned to the San Diego airport/seaport.

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**Nogales, Arizona**

Nogales, AZ, is the fifth busiest commercial cargo port on the Southwest border. Nogales handled about 223,000 vehicles during fiscal year 1997, which was an average of 611 vehicles per day. During the winter season, the port's busiest period, Nogales mainly handles produce; during the summer months, it primarily processes industrial commodities such as auto parts and medical supplies. Nogales has 92 dock spaces dedicated to Customs inspections and, as of December 1997, had a staff of 36 inspectors, canine enforcement officers, and supervisors. Nogales has both a pallet X-ray and a scale for weighing tanker trucks; and, at the time of our review, it expected to receive a truck X-ray system in August 1998. In fiscal year 1997, Nogales seized 3,304 pounds of marijuana and 960 pounds of cocaine. The port is located 67 miles south of Tucson, AZ.

# Comments From the Department of Treasury



UNDER SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

**JUL 14 1998**

Mr. Norman J. Rabkin  
Director  
Administration of Justice Issues  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Rabkin:

Thank you for the opportunity to review and comment on GAO's draft report entitled *Customs Service Drug Interdiction: Internal Control Weaknesses and Other Concerns with Low-Risk Cargo Entry Programs*. Enclosed, please find our comments on the report. This office and Customs Service management agree with all three of GAO's recommendations and have already taken steps to implement the suggestions presented in the draft report.

If this office can be of further assistance, please let us know.

Sincerely,

A handwritten signature in cursive script that reads "Raymond W. Kelly (R)".

Raymond W. Kelly  
Under Secretary  
(Enforcement)

Enclosure

cc: Assistant Secretary (Management)  
Commissioner of Customs

**“Customs Service Drug Interdiction:  
Internal Controls Weaknesses and Other Concerns  
With Low Risk Cargo Entry Programs”  
GAO Recommendations and Treasury Responses**

**Recommendation 1:**

We recommend that the Commissioner of Customs strengthen internal control procedures for the Line Release application and review process to ensure fully researched and documented risk-assessment decisions on applicants.

*Customs Management Response:*

We concur with GAO that there is a need to strengthen procedures and internal controls on the Line Release Program. The Line Release Quality Standards have been revised and a consensus was reached with the ports and the trade community. The Office of Field Operations plans to publish the final policy in the form of a Headquarters Directive by the end of fiscal year 1998.

This directive will create consistent national criteria and guidance with regard to the application procedures, yet should not preclude the ports from developing local criteria based on their local threat assessments. Included in the directive will be amendments to the Line Release Quality Standards which will require the ports to retain the original approved applications and supporting documentation on file for as long as the applicant is an active participant in the program. Additionally, the Quality Standards will be updated to require recertification of participants based on volume of shipments and compliance rates. The directive will also include requirements for the approving official for the Line Release application to be the Port Director or the Port Director's designee.

**Recommendation 2:**

We recommend that the Commissioner of Customs suspend the Three Tier Program until it can be determined if more complete and comprehensive data is available on which to base “low risk for narcotics smuggling” risk assessments.

*Customs Management Response:*

We agree that the Three Tier Program should be suspended until more reliable information is developed for classifying low risk importations. The Three Tier Program was designed to target cargo importations which posed a high risk for narcotics smuggling by classifying importations at three different risk levels. However, due to a lack of reliable information on foreign corporations, in addition to the workload involved in obtaining this data, the program has proved to be impractical. Customs believes that its other targeting methods, including Line Release, Automated Targeting System (ATS), Prefile Program, and the Land Border Carrier Initiative Program, are better able to fulfill narcotics interdiction goals and responsibilities.

GAO's report does indicate that there is a weakness with the Prefile Program used in conjunction with ATS because companies are not required to use carriers approved under the Carrier Initiative Program. While Customs management recognizes this could be seen as a

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**Appendix III  
Comments From the Department of  
Treasury**

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disadvantage, we do address this issue in other ways. The Prefile approach does narrow the scope of our interdiction effort to focus on the driver and the conveyance because the cargo has been determined to be low risk. However, random checks are still performed on all companies participating in the program. X-rays and detection dogs are also utilized as well as the experience and knowledge of Customs Inspectors.

**Recommendation 3:**

We recommend that the Commissioner of Customs evaluate the effectiveness and efficiency of the Automated Targeting System, as designed and implemented at Laredo, and use the evaluation results to determine whether other land-border, cargo ports should implement the system or whether additional testing is needed.

*Customs Management Response:*

We concur with this recommendation and are in the process of evaluating ATS at the port of Laredo. So far, ATS has been successful in assisting the Document Review Unit in identifying three shipments which contained narcotics. The amount of marijuana in the three shipments totaled more than 5,000 pounds. We also plan to collect data regarding cargo volumes and cargo process used, i.e., Prefile and Line Release, on the other Southwest border ports of entry to determine the deployment of ATS to those ports.



# Major Contributors to This Report

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