

# THE CUSTOMS SERVICE: ALLOCATION OF INSPECTIONAL PERSONNEL

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## HEARING

BEFORE THE  
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,  
INFORMATION, AND TECHNOLOGY  
OF THE  
COMMITTEE ON  
GOVERNMENT REFORM  
AND OVERSIGHT  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

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AUGUST 14, 1998  
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# THE CUSTOMS SERVICE: ALLOCATION OF INSPECTIONAL PERSONNEL

FRIDAY, AUGUST 14, 1998

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,  
INFORMATION, AND TECHNOLOGY,  
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,  
*New York, NY.*

The subcommittee met, pursuant to notice, at 10 a.m., in the Alexander Hamilton Customs House, One Bowling Green, New York, NY, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representative Horn.

Staff present: J. Russell George, staff director and chief counsel; Mark Brasher, senior policy director; Matthew Ebert, clerk; and Brian Cohen, minority professional staff member.

Mr. HORN. The Subcommittee on Government Management, Information, and Technology will come to order.

Today, we examine several issues surrounding the U.S. Customs Service. There has been a revolution in the past 50 years with respect to world trade. Any visit to the Ports of New York and New Jersey will show the importance of trade to this region. The massive growth of world trade has led to many high-paying export industries in the United States. Jobs in trade typically pay more than the average job. This huge volume of trade, however, has not been without its difficulties.

For example, the trade in goods has also been accompanied by the trade in "bads"—illegal narcotics and herbs; pirated fakes of intellectual property, including video and music cassettes; and illegal weapons designed for use by international terrorists and domestic nuts. The primary Federal agency with responsibility in these areas is the U.S. Customs Service. The Customs Service ensures that traded goods can be purchased by Americans, and attempts to minimize the illegal imports and exports that threaten our citizens in many ways. The Customs Service assesses the correct duties on trade, bringing in billions of dollars per year, enforces trade quotas for certain sensitive goods, and generally enforces our trade laws.

Each area of the country faces unique threats based upon its proximity to drug source countries and the nature and scope of the trade flows coming into the United States. So today we will examine the process by which the Customs Service allocates inspectional personnel and how these allocations connect to workloads to various air and sea ports.

Hopefully, by obtaining better information about how our resources are deployed, we will be able to better focus Federal agen-

cies, including the Customs Service, on improving results. That was the premise of the whole Government Performance and Results Act of 1994, which was passed on a bipartisan basis and has been looked at by Congress since that time on a bipartisan basis.

In that law, we try to get agencies to focus on their results. Without an examination of the resources needed to do the job and their appropriate geographical distribution, a move toward results-based government will simply fail. We do not want that to happen, and that's why we are here today.

I think one of the most difficult jobs in any human organization is to develop the markers, the behavioral standards, the points along the way toward achieving the goal, and make it other than fiscal, make it on performance, and to hold people to accountability of performance. As a former university president, it took me 5 years to convince our trustees that ought to be done. We did it, and it completely turned the whole management structure around statewide when we held people to 6-month and 1-year contracts, when we developed goals you could measure on accomplishment.

The only State of the Union that has done this is the State of Oregon. Two of the countries that have done this in the world are New Zealand and Australia, and we need to play catch-up in this area.

We are joined now by witnesses in the General Accounting Office and the Customs Service, as well as from the Port Authority of New York and New Jersey, to explore these issues. And we thank you all for coming and look forward to your testimony.

[The prepared statement of Hon. Stephen Horn follows:]

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### Opening Statement of Chairman Stephen Horn Subcommittee on Government Management, Information and Technology

August 14, 1998

Today, we will examine several issues surrounding the U.S. Customs Service. There has been a revolution in the past 50 years with respect to world trade. Any visit to the Ports of New York and New Jersey will show the importance of trade to the region. The massive growth of world trade has led to many high-paying export industries in the United States. Jobs in trade typically pay more than the average job. This huge volume of trade, however, has not been without its difficulties.

For example, the trade in "goods" has also been accompanied by trade in "bads" -- illegal narcotics and herbs; pirated fakes of intellectual property, including video and music cassettes; and illegal weapons designed for use by international terrorists and domestic nuts. The primary Federal agency with responsibility in these areas is the U.S. Customs Service. The Customs Service ensures that traded goods can be purchased by Americans, and attempts to minimize the illegal imports and exports that threaten our citizens in many ways. The Customs Service assesses the correct duties on trade, bringing in billions of dollars per year, enforces trade quotas for certain sensitive goods, and generally enforces U.S. trade laws.

Each area of the country faces unique threats based upon its proximity to drug source countries and the nature and scope of the trade flows coming into the United States. So today we will examine the process by which the Custom Service allocates inspectional personnel, and how those allocations connect to workloads at the various air- and seaports.

Hopefully, by obtaining better information about how our resources are deployed, we will be able to better focus Federal agencies, including the Custom Service, on improving results. That was the premise of the Government Performance and Results Act of 1994. In that law, we

tried to get agencies to focus on their results. Without an examination of the resources needed to do the job, and their appropriate geographical distribution, a move towards results-based government will fail. We do not want that to happen and that is why we are here today.

We are joined by witnesses from the General Accounting Office and the Customs Service, as well as from the Port Authority of New York and New Jersey, to explore these issues. We thank you, and look forward to your testimony.

Mr. HORN. Our first panel, as usual with this committee, we open with the leading member of the General Accounting Office because they are our objective source for looking at some of these questions. And we did that yesterday with the so-called Y2K, year 2000 situation, and we are doing it with this one.

So our first witness is going to be Mr. Norm Rabkin, the Director of Administration of Justice Issues, General Government Division of the General Accounting Office, which has been part of the legislative branch since 1921.

Mr. Robert Trotter, the Assistant Commissioner of the U.S. Customs Service, will be our next witness.

And then Mr. Anthony Liberta, the Director of the Customs Management Center for the Customs Service and Department of the Treasury.

And Mr. Charles Seliga, general manager, John F. Kennedy International Airport, part of the Port Authority of New York and New Jersey.

John Varrone, the New York Special Agent in Charge, is also going to be here and is here, I believe.

Mr. TROTTER. That's correct.

Mr. HORN. Where is Mr. Varrone? Why don't you come take a seat at the table? We will swear you all in. This is an investigating committee and, by tradition, all of our subcommittees and full committee, we swear in all the witnesses. So, gentleman, if you would stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. There are five witnesses, and they have all affirmed the oath, the clerk will note.

And we will begin now with Mr. Rabkin, Director of Administration Justice Issues, General Accounting Office.

**STATEMENTS OF NORM RABKIN, DIRECTOR, ADMINISTRATION OF JUSTICE ISSUES, GENERAL GOVERNMENT DIVISION, GENERAL ACCOUNTING OFFICE; ROBERT S. TROTTER, ASSISTANT COMMISSIONER, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY, ACCOMPANIED BY ANTHONY LIBERTA, DIRECTOR, CUSTOMS MANAGEMENT CENTER, NEW YORK, AND JOHN VARRONE, SPECIAL AGENT IN CHARGE, OFFICE OF INVESTIGATIONS, NEW YORK; AND CHARLES G. SELIGA, GENERAL MANAGER, JOHN F. KENNEDY INTERNATIONAL AIRPORT, PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

Mr. RABKIN. Thank you, Mr. Chairman. I have submitted a statement for the record. I would like to summarize it at this time, if you don't mind.

Mr. HORN. I might say, on statements, your statements are automatically put in the record once I introduce you, and we would appreciate your summarization. But we have got plenty of time this morning, so if you want to take 10 minutes rather than the usual 5, or 15 rather than the usual 10, that isn't going to bother me because I think this is a very important matter, and take your time and get the questions and issues out on the table.

Mr. RABKIN. Well, my opening statement will probably take about 5 minutes, but I will be glad to expand on anything during the questioning.

I am pleased to be here this morning to talk to you about the work we have just completed on how the Customs Service allocates its resources among its 301 ports.

Last October, I testified before this subcommittee about Customs' strategic plan and some work we were doing for Senator Feinstein on Customs' allocation of resources to its cargo ports on the Southwest border.

Since then, at your request and at the request of Chairman Crane of the Trade Subcommittee of the House Ways and Means Committee, we have examined Customs' resource allocation process more broadly. Today we are issuing to you our final report, and I will briefly summarize what you asked us to do, what we found, and what we think it means.

You asked us to examine two broad questions about how the Customs Service decides how many inspectors it needs at its ports and how it allocates the inspector positions that Congress gives us among the ports. You asked us to look at four ports: Los Angeles International and JFK Airports, and the seaports in Long Beach, CA and Newark, NJ.

You asked us to first compare the number of inspectors that Customs determined these ports needed to the numbers that were actually on board. Our work showed that Customs does not have a systematic, agency-wide process to determine how many inspectors it needs from port to port and from year to year. From time to time it has performed limited assessments of the need for additional inspectors at ports along the Southwest border or in other areas of the country. These assessments focused on the number of inspectors needed to carry out Customs' counter-drug missions.

Customs has also used a quantitative model to estimate the number of additional inspectors needed to handle arriving international passengers at major airports, but it has not developed or routinely used the process for assessing its needs at all ports.

As a result, Customs can't objectively determine whether it has assigned too many, too few, or just the right number of inspectors to any port. So although we could determine how many inspectors Customs had at each port, we couldn't make the comparison you requested, that is, the comparison to how many it needed.

We spoke to port officials at all the ports we visited, and they generally told us that, with the number of inspectors they had and with the use of overtime funds, they were able to meet head-quarter's expectations for moving passengers and cargo through the ports within a given amount of time. They were less sure, however, whether they had enough inspectors and overtime funds to detect and seize all the drugs that were moving through those ports.

The second question you asked us was to research related to workload-to-staff ratios at the four ports. The issue was whether ports performing similar functions, such as processing air passengers, had comparable ratios; and if not, why not. We ran into three problems that kept us from being able to answer this question, also.

First, we had some problems with the workload data that Customs was reporting. We noted differences between the data that headquarters provided us and the data that the individual ports had gathered. Although Customs could explain some of the differences, we didn't have enough confidence in the data to use it in this kind of an analysis.

Second, we couldn't easily determine how many inspectors Customs was assigning to each function at the ports. At JFK, for example, inspectors could be assigned to work on air passengers one day and on cargo the next day. So to be able to determine how many were assigned to the air passenger workload during the year or air cargo during the year was problematic. Neither we nor Customs officials could determine that easily.

Finally, even if we had reliable workload and staffing data, Customs officials told us it would be essential to consider more than just workload when comparing ports. For example, they said that the most important factor would be the drug smuggling threat faced by each port. Other factors that could affect staffing decisions include the physical layout of the port and the availability of technology.

So unfortunately, Mr. Chairman, we were unable to answer the two questions as you posed them to us, but we hope the information we gathered will be useful to you in exploring this issue of how Customs does and should determine the amount of inspectors to assign to each support. That summarizes the report that we are issuing to you today, and I will be glad to answer any of your questions.

[The prepared statement of Mr. Rabkin and the report referred to follow:]

## CUSTOMS SERVICE: INSPECTIONAL PERSONNEL AND WORKLOADS

SUMMARY STATEMENT OF NORMAN J. RABKIN  
DIRECTOR, ADMINISTRATION OF JUSTICE ISSUES  
GENERAL GOVERNMENT DIVISION  
U.S. GENERAL ACCOUNTING OFFICE

The U.S. Customs Service is responsible for collecting revenue from imports and enforcing customs and related laws. Customs also processes persons, carriers, cargo, and mail into and out of the United States. In fiscal year 1997, Customs collected about \$19 billion in revenues and processed, among other things, about 18 million import entries and 442 million air, land, and sea passengers entering the country. At the end of fiscal year 1997, Customs had deployed 7,207 inspectors at ports of entry around the country.

The Chairmen of the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform and Oversight and the Subcommittee on Trade, House Committee on Ways and Means, respectively, requested that we analyze the (1) relationships between actual cargo and passenger inspectional personnel levels at selected airports and seaports and those determined by Customs to be appropriate for these ports (assessed levels) and (2) cargo and passenger processing workload-to-inspector ratios at the selected ports. We focused our work at Los Angeles International Airport, New York City's John F. Kennedy International Airport, the seaport in Long Beach, CA, the air and sea ports in Newark, NJ, and the air and sea ports each in Houston, TX and Detroit, MI.

Over the past 3 years, Customs has assessed the need for additional inspectors to combat drug smuggling through ports along the Southwest border. Customs also uses a quantitative model to estimate the need for inspectional personnel at airports, but not to establish the appropriate personnel levels, according to Customs officials. However, Customs does not have a systematic, agencywide process for assessing the need for inspectional personnel and allocating such personnel to process commercial cargo or land and sea passengers at all of its 301 ports. Therefore, we were not able to identify the implications of differences between assessed and actual inspectional personnel levels.

We were also not able to perform the workload-to-inspector ratio analyses because we did not have a sufficient level of confidence in the quality of the workload data. We identified a few significant discrepancies in the workload data we obtained from Customs headquarters and the ports we contacted, and we did not identify any systematic controls over the quality of the data. In addition, workload is only one of several factors Customs has considered in the few assessments completed since 1995; Customs also considers factors such as the smuggling threat at each port and legislative constraints on the movement of certain inspectional positions.

Mr. Chairman and Members of the Subcommittee:

Today we are releasing a report that you and the Chairman of the Subcommittee on Trade, House Committee on Ways and Means requested on certain aspects of the U.S. Customs Service's inspectional personnel and its commercial cargo and passenger workloads.<sup>1</sup> I am pleased to be here to summarize the information we presented in that report.

You asked us to analyze (1) the implications of any differences between the cargo and passenger inspectional personnel levels at selected airports and seaports around the United States and those determined by Customs to be appropriate for these ports (assessed levels) and (2) any differences among the cargo and passenger processing workload-to-inspector ratios at the selected ports and the rationales for any significant differences in these ratios. We were unable to complete those analyses basically because Customs does not have a systematic method for determining the number of inspectors it needs at its ports, and we did not have confidence in the workload data Customs had reported.

To try to answer your questions, we obtained and reviewed relevant staffing, budget, and workload documents at headquarters and nine ports; interviewed cognizant Customs officials at those locations;

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<sup>1</sup>See Customs Service: Inspectional Personnel and Workloads (GAO/GGD-98-170, Aug. 14, 1998).

and visited four ports--the international airports in Los Angeles and New York and the seaports in Long Beach and Newark--where we observed cargo and passenger processing operations. Although we did not perform a complete quality assessment of Customs' inspectional personnel data, we compared workload data we obtained for each port from various sources and attempted to reconcile any differences. Our objectives, scope, and methodology are discussed in more detail in appendix I of the report. We shared our findings and conclusions with Customs officials; they generally agreed with the information we developed.

#### BACKGROUND

Created in 1789, Customs is one of the federal government's oldest agencies. Customs is responsible for collecting revenue from imports and enforcing customs and related laws. Customs also processes persons, carriers, cargo, and mail into and out of the United States. In fiscal year 1997, Customs collected about \$19 billion in revenues and processed about 18 million import entries; about 128 million vehicles and trucks; about 706,000 commercial aircraft; about 214,000 vessels; and about 442 million air, land, and sea passengers entering the country.

Customs performs its mission with a workforce of about 19,500 personnel at its headquarters in Washington, D.C., and at 20

Customs Management Centers (CMC),<sup>2</sup> 20 Special Agent-in-Charge offices, and 301 ports of entry around the country. At the end of fiscal year 1997, Customs had deployed 7,207 inspectors at these ports. This represented an increase of 17 percent over the level deployed in fiscal year 1992, the earliest year for which complete data were available.

The nine ports we visited or contacted--Los Angeles International Airport (LAX); Los Angeles/Long Beach Seaport; New York City's John F. Kennedy International Airport (JFK); New York/Newark Seaport; Newark International Airport; and the Houston and Detroit air and sea ports--were among the busiest of their kind in the United States in fiscal year 1997. According to Customs workload data, these ports accounted for about 31 percent of all air and sea passengers and about 19 percent of all cargo entries processed by Customs in fiscal year 1997. The ports also accounted for about 21 percent of all inspectors deployed by Customs at the end of fiscal year 1997.

IMPLICATIONS OF DIFFERENCES BETWEEN ASSESSED AND ACTUAL  
INSPECTIONAL PERSONNEL LEVELS COULD NOT BE DETERMINED

We were not able to perform the requested analyses to identify the implications of differences between assessed and actual inspectional personnel levels because, as we reported in April

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<sup>2</sup>On October 1, 1995, Customs closed its 7 regional and 42 district offices and replaced them with 20 CMCs. The CMCs have oversight responsibilities over Customs' ports of entry.

1998,<sup>1</sup> Customs does not have a systematic, agencywide process for assessing the need for inspectional personnel or allocating them to its commercial cargo ports. We have since learned that Customs does not have these processes for its sea or land ports. While Customs uses a quantitative model to determine the need for additional inspectional personnel to process air passengers, the model is not intended to establish the level at which airports should be staffed, according to Customs officials.

Customs is in the early stages of responding to our April 1998 recommendation that it establish an inspectional personnel needs assessment and allocation process. Customs has awarded a contract for the development of a resource allocation model. Customs officials have told us that, upon delivery of the model, they will customize a process for using it to meet changing personnel needs and new initiatives.

Customs officials at the ports we visited told us that the current personnel levels, coupled with the use of overtime, have enabled these ports to meet Customs' performance standards for trade and passenger processing, such as completing the inspection of passengers within 5 minutes of their retrieving checked baggage. Customs also had performance standards for cargo examination--in fiscal year 1997, Customs expected its ports to examine 3.1 percent

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<sup>1</sup>See Customs Service: Process for Estimating and Allocating Inspectional Personnel (GAO/GGD-98-107, Apr. 30, 1998).

of all arriving cargo. Customs reported that, overall, it inspected only 2.6 percent of arriving cargo in fiscal year 1997; the ports we visited or contacted reported that they examined an average of 2.2 percent of incoming cargo in fiscal year 1997. Customs has dropped this indicator from its current performance plan for fiscal year 1999 as part of its ongoing effort to refine performance measures.

WORKLOAD-TO-INSPECTOR RATIOS AND RATIONALES FOR DIFFERENCES COULD NOT BE DETERMINED

We were also not able to perform the analyses to identify workload-to-inspector ratios and rationales for any differences in these ratios because we did not have a sufficient level of confidence in the quality of the workload data. We identified significant discrepancies in the workload data we obtained from Customs headquarters, two CMCs, and three ports. For example, for fiscal year 1997, data from Customs headquarters indicated that the JFK and Newark airports processed a total of about 1.4 million cargo entries (shipments) of all types, including those with a value of less than \$1,250 (informal entries) and those with a value of over \$1,250 (formal entries). However, data from the New York CMC indicated that these airports processed about 1.5 million formal entries alone, almost 100,000 entries more than headquarters' number for all entries at these airports. We could not obtain specific explanations for these discrepancies without Customs

having to conduct extensive additional work. We also did not identify any systematic controls over the quality of the data.<sup>4</sup>

However, workload was only one of several factors considered by Customs in the few assessments--which focused on its drug smuggling initiatives--completed since 1995 to determine its needs for additional inspectional personnel and allocate such personnel to ports. Customs also considered factors such as the threat of drug smuggling, budgetary constraints, and legislative limitations.

Mr. Chairman, this concludes my prepared statement. In closing, I would like to acknowledge the cooperation of Customs personnel during the course of our review. I will be pleased to answer any questions.

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<sup>4</sup>In conjunction with the development of the resource allocation model discussed earlier, Customs indicated that it was undertaking an initiative to assess and improve the quality of the data to be used in the model. Details of this initiative are discussed in our report.



United States  
General Accounting Office  
Washington, D.C. 20548

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General Government Division

B-259233

August 14, 1998

The Honorable Stephen Horn  
Chairman, Subcommittee on  
Government Management  
Information, and Technology  
Committee on Government  
Reform and Oversight  
House of Representatives

The Honorable Phil Crane  
Chairman, Subcommittee on Trade  
Committee on Ways and Means  
House of Representatives

On December 12, 1997, and January 29, 1998, respectively, you requested that we review certain aspects of the U.S. Customs Service's (Customs) inspectional personnel and its commercial cargo and passenger workloads. Specifically, you requested that we analyze (1) the implications of any differences between the cargo and passenger inspectional personnel levels at selected airports and seaports around the United States and those determined by Customs to be appropriate for these ports (assessed levels) and (2) any differences among the cargo and passenger processing workload-to-inspector ratios at the selected ports and the rationales for any significant differences in these ratios.

We briefed your offices on the results of our work on May 19 and May 21, 1998, respectively. This report documents the information that we were able to obtain in response to your requests and that we presented at the briefings. Specifically, this report discusses the reasons why we were not able to perform the analyses you requested on the relationships between assessed and actual personnel levels and workload-to-inspector ratios. In addition, it presents information on (1) the cargo and passenger inspectional personnel levels at selected ports and (2) the cargo and passenger processing workloads at selected ports.

In developing the information in this report, we obtained and reviewed relevant staffing, budget, and workload documents; interviewed cognizant Customs officials at headquarters and nine ports; and visited four major seaports and airports, where we observed cargo and passenger processing operations. We did not assess the quality of Customs' inspectional personnel data. However, to

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discrepancies in the workload data we obtained from Customs headquarters, a Customs Management Center (CMC),<sup>2</sup> and two ports. For example, for fiscal year 1997, data from Customs headquarters indicated that John F. Kennedy International Airport (JFK) and Newark International Airport processed a total of about 1.4 million cargo entries (shipments) of all types, including those with a value of less than \$1,250 (informal entries) and those with a value of over \$1,250 (formal entries). However, data from the New York CMC indicated that these airports processed about 1.5 million formal entries alone, almost 100,000 entries more than the number headquarters had for all entries at these ports. We could not obtain specific explanations for such discrepancies without Customs having to conduct extensive additional work. We also could not identify any systematic controls over the quality of the data.

In addition, workload was only one of several factors considered by Customs in the few assessments—which focused on its drug smuggling initiatives—completed since 1995 to determine its needs for additional inspectional personnel and allocate such personnel to ports. Customs also considered factors such as the threat of drug smuggling, budgetary constraints, and legislative limitations.

### BACKGROUND

Created in 1789, Customs is one of the federal government's oldest agencies. Customs is responsible for collecting revenue from imports and enforcing customs and related laws. Customs also processes persons, carriers, cargo, and mail into and out of the United States. In fiscal year 1997, Customs collected about \$19 billion in revenues and processed about 18 million import entries; about 128 million vehicles and trucks; about 706,000 commercial aircraft; about 214,000 vessels; and about 442 million air, land, and sea passengers entering the country. Customs performs its mission with a workforce of about 19,500 personnel at its headquarters in Washington, D.C., and at 20 CMCs, 20 Special Agent-in-Charge offices, and 301 ports of entry around the country. At the end of fiscal year 1997, Customs had deployed 7,207 inspectors at these ports. This represented an increase of 17 percent over the level in fiscal year 1992, the earliest year for which complete data were available.

The nine ports we visited or contacted—LAX Airport; Los Angeles/Long Beach Seaport; JFK Airport; New York/Newark Seaport; Newark International Airport; and the Houston and Detroit air and sea ports—were among the busiest of their kind in the United States in fiscal year 1997. According to Customs workload data, these ports accounted for about 31 percent of all air and sea passengers and about 19 percent of all cargo entries processed by Customs in fiscal year 1997. The ports also accounted for about 21 percent of all inspectors deployed by Customs at the end of fiscal year 1997.

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<sup>2</sup>On October 1, 1995, Customs closed its 7 regional and 42 district offices and replaced them with 20 CMCs. The CMCs have oversight responsibilities over Customs' ports of entry.

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IMPLICATIONS OF DIFFERENCES BETWEEN ASSESSED AND ACTUAL INSPECTIONAL PERSONNEL LEVELS COULD NOT BE DETERMINED

We were not able to perform the requested analyses to identify the implications of differences between assessed and actual inspectional personnel levels because Customs had not assessed the appropriate inspectional personnel levels for its ports. Customs had not done so because it does not have a systematic, agencywide process for assessing the need for inspectional personnel and allocating such personnel to process commercial cargo at air, sea, and land ports and to process passengers at sea and land ports. While Customs uses a quantitative model to determine the need for additional inspectional personnel to process air passengers, the model is not intended to establish the level at which airports should be staffed. Customs is in the early stages of responding to a recommendation in our April 1998 report<sup>3</sup> that it establish an inspectional personnel needs assessment and allocation process.

Inspectional personnel levels at the selected ports at the end of fiscal year 1997 were at or near the levels for which funds had been provided to the ports. According to Customs officials we interviewed at air and sea ports, these personnel levels, coupled with the use of overtime, enabled the ports to process commercial cargo and passengers within prescribed performance parameters.

Customs Has Not Determined Appropriate Inspectional Personnel Levels for its Ports

In our April 1998 report, we reported that Customs does not have a systematic, agencywide process for determining its need for inspectional personnel for processing commercial cargo and allocating such personnel to ports of entry nationwide. We also reported that, accordingly, Customs had not determined the appropriate inspectional personnel levels for each of its cargo ports and for its cargo processing functions. In addition, we reported that while Customs had moved in this direction since 1995 by conducting three assessments and two allocations, these assessments and allocations were limited because they (1) focused on the need for additional positions rather than first determining the feasibility of moving existing positions, Customs' drug-smuggling initiatives rather than its overall cargo processing operations, and Southwest border ports and certain air and sea ports considered to be at risk from drug smuggling rather than all 301 ports; (2) used different assessment and allocation factors each year; and (3) were conducted with minimal involvement from nonheadquarters Customs units, such as CMCs and ports. Accordingly, we pointed out that focusing only on a single aspect of its operations (i.e., countering drug smuggling); not consistently including the key field components (i.e., CMCs and ports) in the personnel decisionmaking process; and using different assessment and allocation factors from year to year could prevent Customs from accurately estimating the need for inspectional personnel and then allocating them to ports.

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<sup>3</sup>GAO/GGD-98-107.

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In its assessment for fiscal year 1997 (conducted in 1995), to estimate the number of inspectional personnel needed, Customs combined factors such as the need to (1) fully staff inspectional facilities and (2) balance enforcement efforts against violators with the need to move legitimate cargo and passengers through the ports. In its assessments for fiscal years 1998 and 1999 (conducted in 1996 and 1997, respectively), Customs used factors such as the number and location of drug seizures and the perceived threat of drug smuggling, including the use of rail cars to smuggle drugs. To allocate to the ports the inspectional personnel that were funded by Congress, Customs used factors such as (1) commercial cargo workloads and (2) specific aspects of the drug smuggling threat, such as attempts by private sector employees at sea and air ports to assist drug smuggling organizations in their efforts to smuggle drugs (described by Customs as "internal conspiracies").

Customs also does not have a systematic inspectional personnel assessment and allocation process for processing land passengers. In 1995, Customs assessed the need for additional inspectional personnel to process incoming land passengers but since then has not done such an assessment. As with the assessments for cargo processing, this assessment was limited to Southwest border ports to address drug smuggling and related border violence. The primary factor considered in this assessment was the physical configuration, i.e., the number of primary passenger lanes, of the ports involved.

Customs has not assessed the need for inspectional personnel to process sea passengers. According to Customs officials at the Newark seaport, because of the cyclical nature of the sea passenger workload (in terms of the time of week and year), they did not assign inspectional personnel to process sea passengers on a full-time basis. The port assigned inspectional personnel from other functions, such as cargo processing, on an "as needed" basis to process sea passengers. Conversely, a Customs official at the Los Angeles/Long Beach seaport indicated that it would be operationally desirable to have dedicated inspectional personnel to process sea passengers that arrive on board cruise ships three days a week. This port also assigned inspectors to process sea passengers on an as needed basis.

#### Quantitative Model Used to Estimate Need for Inspectional Personnel for Air Passenger Processing

Unlike its cargo and other passenger processing functions, Customs has employed a quantitative model since 1993 to determine the need for additional inspectional personnel to process air passengers at the 16 largest international airports in the United States, including the 5 airports we visited or contacted.<sup>1</sup> In developing its recommendations for inspectional personnel, the model utilized the following factors in its formula: (1) the number of arriving international passengers and the activities required to clear them for entry, (2) workforce productivity, (3) growth in workload, (4) the number of passenger

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<sup>1</sup>The 16 airports each handle more than 700,000 international passengers. The additional personnel are funded through revenues from user fees established by the Consolidated Omnibus Budget Reconciliation Act of 1985 as amended, codified at 19 U.S.C. 58c.

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terminals at each port, (5) enforcement risk (threat), and (6) the number of positions equivalent to the amount of overtime spent to operate a particular port. Table 1 shows the model's recommendations for inspectional positions and Customs' allocations of such positions to the five airports we visited or contacted for fiscal year 1998 and the recommendations for fiscal year 1999.

Table 1: Results of Customs' Air Passenger Staffing Allocation Model for Selected Airports, Fiscal Years 1998 and 1999

Airport	Number of additional inspectional positions recommended for FY 1998	Number of additional inspectional positions allocated for FY 1998	Number of additional inspectional positions recommended for FY 1999
JFK	108	12	88
LAX	20	16	(8)
Newark	9	2	14
Houston	(9)	0	(6)
Detroit	18	10	8

Note 1: Numbers in parentheses indicate that the model considered these ports to be overstaffed for that fiscal year.

Note 2: The allocation of inspectional positions for fiscal year 1999 is pending the results of congressional appropriations.

Source: U.S. Customs Service.

Customs officials considered the model to be an analytical tool in their decisionmaking. As such, the model is not intended to establish the level at which airports should be staffed. Rather, the model's results and recommendations are considered to be an indicator of the additional inspectional positions needed by each of the 16 ports, given the six factors discussed earlier that the model considers.

The model's results and recommendations are reviewed by Customs officials and are modified in two primary ways. First, Customs does not allocate all of the positions recommended for particular ports. According to Customs officials, because additional inspectional positions have generally not been available from regular ("Salaries and Expenses") appropriations, Customs has provided additional positions to airports mainly

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by funding them through user-fee revenues.<sup>5</sup> However, according to these officials, user-fee revenues each fiscal year were not sufficient to fund all of the positions the model estimated were needed. For example, for fiscal year 1998, a total of 142 additional positions were actually funded by user-fee revenues, while the model estimated that 288 additional positions were needed. The model recommended that out of the 288 estimated additional positions, JFK Airport needed 108 additional positions and LAX Airport needed 20 additional positions. As a result of internal reviews by Customs officials, JFK Airport was allocated 12 positions and LAX Airport was allocated 16 positions. For fiscal year 1999, the model recommended that out of the 175 total additional positions it estimated as needed, JFK Airport needed 88 additional positions. As discussed below, the model indicated that LAX Airport was overstaffed. As of August 1998, the allocation of inspectional personnel was pending the outcome of congressional appropriations for fiscal year 1999. The appropriations would determine the actual number of additional positions that could be funded.

Second, Customs did not move existing positions from airports that the model indicated were overstaffed. For example, for fiscal year 1998, the model indicated that 4 airports were overstaffed by a total of 37 positions. For fiscal year 1999, the model indicated that LAX Airport was overstaffed by 8 positions and that 4 other airports were overstaffed by a total of 42 positions. In our April 1998 report,<sup>6</sup> Customs officials stated that they generally did not reallocate existing inspectional personnel for several reasons, including legislative limitations placed on the movement of certain positions, such as those funded by user-fee revenues for specific purposes at specific locations. In addition, according to the Customs official who administers the model, primarily because the model did not take into account certain factors, such as sudden changes in airline markets, Customs did not plan to move positions from the ports that the model indicated were overstaffed.

#### Customs' Response to Our Recommendation on Need for Inspectional Personnel Assessment and Allocation Process

In our April 1998 report, we concluded that in order to successfully implement the Government Performance and Results Act of 1993 (the Results Act) (P.L. 103-62),<sup>7</sup>

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<sup>5</sup>In our April 1998 report, we indicated that the President's budgets for fiscal years 1997 to 1999 did not request all of the additional inspectional positions that Customs estimated it needed for its commercial cargo processing operations. Congress funded the number of positions that were requested for fiscal years 1997 and 1998. As of August 1998, fiscal year 1999 appropriations were pending.

<sup>6</sup>GAO/GGD-98-107.

<sup>7</sup>The Results Act was enacted to improve the efficiency and effectiveness of federal programs. The Results Act required that executive agencies develop strategic plans in which, among other things, they defined their missions and established performance goals and measures for each of their program activities. Customs' Strategic Plan for fiscal years 1997 through 2002 established performance goals and measures for its program

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Customs had to determine its needs for inspectional personnel for all of its operations and ensure that available personnel were allocated where they were needed most. Accordingly, we recommended that, as a sound strategic planning practice, Customs establish a systematic process that would properly align its inspectional personnel with its operational activity goals, objectives, and strategies.

Customs' Assistant Commissioner for Field Operations told us that, in part, as a result of reviewing the April 1998 report and its recommendation, Customs recognizes that staffing imbalances may exist at certain ports. In a June 1998 written response to our recommendation, Customs detailed the steps it was taking to implement it. Specifically, Customs indicated that it had awarded a contract for the development of a resource allocation model that would define the work of Customs' core occupations and prioritize workload. The model also is to process data using performance measurement methodologies, be compatible with cost accounting and other management controls, and establish linkages between core occupations and support positions. Upon delivery of the model, Customs indicated it would customize a process for using it to meet changing personnel needs and new initiatives. The model is scheduled to be ready for implementation by fiscal year 1999.

In conjunction with the development of the resource allocation model, Customs indicated that it was undertaking an initiative to assess and improve the quality of the data to be used in the model. Specifically, the initiative is to review and confirm data definitions and sources and assess the quality of the data.

#### Inspectional Personnel Levels at Selected Ports Were at or Near Funded Levels

Table 2 shows the combined (cargo and passenger processing) onboard inspectional personnel levels at the end of fiscal year 1997 at the ports we visited or contacted. According to Customs officials at the ports, inspectors who are not funded by user-fee revenues often shift between cargo and passenger processing functions, depending on workload demands and the need to work overtime. Consequently, it could be difficult to establish the exact number of inspectors dedicated to each function at any given time. Accordingly, we did not separate the staffing levels by function.

Table 2 also shows that the onboard personnel levels for each port were very near the levels funded from appropriations. According to Customs officials, under its current "staff-to-budget"<sup>8</sup> procedures, rather than "authorized" levels, Customs tracks its personnel

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activities. The Results Act also required that strategic plans describe, among other things, (1) the human and other resources needed and (2) how agencies proposed to align these resources with their activities to support mission-related goals and objectives.

<sup>8</sup>According to Customs officials, under the "staff-to-budget" concept, rather than attempting to fill "authorized" positions, which was unrealistic given funding levels, Customs seeks to fill the number of positions that its appropriated funding actually allows.

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levels at ports through "tables-of-organization"--which reflect the number of positions that are funded at a particular port--and the number of personnel onboard.

Table 2: Table-of-Organization (Funded) and Onboard Inspectional Personnel Levels for Selected Ports, as of September 30, 1997

Port	Inspectional Personnel Levels (Funded)	Inspectional Personnel Levels (Onboard)
LAX Airport	336	320
Los Angeles/Long Beach Seaport	156	145
JFK Airport	563	531
Newark Airport	100	95
New York/Newark Seaport	307	292
Houston Airport	62	58
Houston/Galveston Seaport	93	89
Detroit Airport	43	43
Detroit Seaport	2	2

Source: U.S. Customs Service.

According to Customs officials at the ports we visited or contacted, the existing inspectional personnel above and the use of overtime funds enabled the ports to process arriving international passengers and cargo within the performance measures established by Customs for these functions in its strategic plan. The performance measure for processing air passengers requires that 95 percent of such passengers be cleared within 5 minutes from the time they retrieve their checked luggage, while the measure for air cargo (formal entries) requires that 99.6 percent of such entries be released in 1 day.<sup>9</sup>

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<sup>9</sup>Customs' fiscal year 1997 performance plan included a performance measure for examining incoming cargo. The plan called for 3.1 percent of such cargo to be examined. In its fiscal year 1999 budget request submission, Customs reported that, overall, 2.6 percent of cargo had been examined in fiscal year 1997. It also reported that the cargo examination performance measure was being discontinued as part of Customs' ongoing efforts to improve and refine its performance measures. The ports we visited or contacted reported that they examined an average of 2.2 percent of incoming cargo in fiscal year 1997.

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WORKLOAD-TO-INSPECTOR RATIOS AND RATIONALES FOR DIFFERENCES COULD NOT BE DETERMINED

We were not able to develop reliable workload-to-inspector ratios because we could not establish a sufficient level of assurance regarding the overall quality of the workload data to conduct further analyses. Specifically, we identified significant discrepancies in the workload data as reported from Customs headquarters and a CMC and ports for two ports. For example, headquarters workload data—considered by Customs to be the official data—showed that the Newark Seaport processed 154,206 sea passengers in fiscal year 1997. However, the port itself reported that it processed 186,957 passengers that same year. The data discrepancies for JFK Airport are discussed earlier in this report. We could not obtain specific reasons for these discrepancies without Customs having to conduct additional work. In addition, we could not identify any systematic internal controls over the accuracy and reliability of such data, either at Customs headquarters or at the CMCs and ports we visited or contacted.

Workload is one of several factors that Customs considered in the assessments and allocations done over the past 3 years. According to Customs officials, the drug smuggling threat—such as the use of rail cars to smuggle drugs—was the primary factor considered in these assessments and allocations. As discussed earlier, Customs also considered budgetary constraints and legislative limitations in its personnel assessment and allocation decisionmaking.

Cargo and Passenger Processing Workloads at Selected Ports

Table 3 shows the cargo and passenger processing workloads for fiscal year 1997 at the selected ports we visited or contacted as reported by Customs headquarters. The cargo workload data are presented as totals of all types of entries, including formal entries, for each port.

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Table 3: Cargo and Passenger Processing Workloads for Selected Ports, Fiscal Year 1997

Port	Passengers	Cargo (all entries)
LAX Airport	7,317,123	604,038
LA/Long Beach Seaport	804,418	800,511
JFK Airport	9,710,193	786,617
Newark Airport	2,613,760	660,159
Newark Seaport	154,206	660,159
Houston Airport	1,881,970	59,575
Houston/Galveston Seaport	17,424	97,125
Detroit Airport	1,460,469	45,250
Detroit Seaport	12,557	18,747

Note 1: Customs uses the same code to track cargo entries at the Newark sea and air ports.

Source: U.S. Customs Service headquarters database.

### CONCLUSIONS

We could not perform the staffing and workload analyses requested by the Subcommittees because (1) Customs had not assessed the level of appropriate staffing at its ports and (2) of concerns about the quality of Customs' workload data. In addition, Customs considered factors other than workload—such as budget constraints and legislative limitations—in determining its need for inspectional personnel and allocating such personnel to ports. According to Customs officials, these factors must be considered in their decisionmaking in order to maximize the effectiveness of deployed resources.

Based on statements to us by senior Customs officials and their response to the recommendation in our April 1998 report, we believe that Customs has recognized that staffing imbalances may exist at certain ports and that it needs to improve the manner in which it assesses the need for and allocates inspectional personnel to ports of entry. Customs' actions—the award of a contract to develop a resource allocation model and an initiative to improve the quality of data in its management database—are steps in the right direction to address the personnel assessment and allocation issues we identified during our work. Given these steps by Customs, we are not making any recommendations in this report.

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AGENCY COMMENTS AND OUR EVALUATION

We requested comments on a draft of this report from the Secretary of the Treasury or his designees. On August 4, 1998, Customs' Assistant Commissioner for Field Operations provided us with Customs' comments on the draft. The Assistant Commissioner generally agreed with the information presented in the report and its conclusions and provided technical comments and clarifications, which we have incorporated in this report where appropriate.

We are sending copies of this report to the Chairmen and Ranking Minority Members of the congressional committees that have responsibilities related to Customs, the Secretary of the Treasury, and the Acting Commissioner of Customs. Copies will also be made available to others on request. Major contributors to this report are listed in appendix II. If you have any questions or wish to discuss the information in this report, please contact Brenda J. Bridges, Assistant Director, on (202) 512-5081 or me on (202) 512-8777.



Norman J. Rabkin  
Director, Administration  
of Justice Issues

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ABBREVIATIONS

- CMC Customs Management Center
- JFK John F. Kennedy International Airport
- LAX Los Angeles International Airport

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives in this review were to analyze (1) the cargo and passenger inspectional personnel levels at selected airports and seaports around the United States and the implications of any differences between these levels and those determined by Customs to be appropriate for these ports (assessed levels) and (2) the cargo and passenger processing workloads and related workload-to-inspector ratios at the selected ports and the rationales for any significant differences in these ratios.

To identify the cargo and passenger inspectional personnel levels at the selected ports and the implications of any differences between the assessed and actual personnel levels, we reviewed budget documents and summaries, staffing statistics, cargo and passenger processing performance data, and Customs' strategic plan for fiscal years 1997 to 2002. We also interviewed Customs officials at headquarters, Customs Management Centers (CMC), and ports where we also observed cargo and passenger processing operations. In addition, we sought to determine how Customs assesses the need for inspectional personnel and allocates such personnel to ports of entry to process cargo and passengers. Accordingly, we reviewed documents related to Customs' three assessments since 1995 focusing on its drug smuggling initiatives and documents related to Customs' air passenger processing model, including a September 1992 report about the model done for Customs by two consulting firms. We did not independently assess the validity and reliability of the air passenger processing model or its results. However, we conducted a limited review of the consultants' report and discussed its findings and recommendations—and Customs' responses to them—with cognizant Customs officials. Because of the similarities in the subject matter, we relied extensively on information in our April 1998 report<sup>10</sup> that focused on Customs' inspectional personnel assessment and allocation processes for commercial cargo ports.

To identify the cargo and passenger processing workloads and any related workload-to-inspector ratios at the selected ports and the rationales for any significant differences in these ratios, we obtained and reviewed workload data from Customs headquarters, CMCs, and ports. Given time constraints, we did not independently verify the accuracy and reliability of Customs' workload data. However, to obtain some indication of the overall quality of these data, we sought to identify whether Customs had in place any procedures for verifying data. Customs officials could not identify any formal, systematic procedures to verify data quality. Some port officials told us that they informally monitored data in management reports to detect potential errors. In addition, we compared workload data obtained from headquarters, CMCs, and ports and identified several discrepancies, such as those in the number of cargo entries at John F. Kennedy International (JFK) Airport. While Customs officials said they could not explain specific discrepancies in the data without conducting lengthy additional work, they provided some general reasons that

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<sup>10</sup>GAO/GGD-98-107.

could potentially explain the discrepancies. These reasons included the possibility that some ports tracked workload data differently from Customs headquarters.

We visited the CMCs in Los Angeles and New York and the Los Angeles International Airport (LAX), Los Angeles/Long Beach Seaport, JFK Airport, New York/Newark Seaport, and Newark International Airport, which, although not part of our original scope, we visited due to its proximity to the seaport—at the request of the Subcommittees. We subjectively selected both the airports and seaports each in Houston and Detroit and telephonically interviewed cognizant officials from these ports in response to the Trade Subcommittee's request following our May 21 1998, briefing that we expand the geographic scope of our work to include ports along the Northern and Southern borders of the United States.

As discussed earlier, the nine ports we visited or contacted were among the busiest of their kind in the United States in fiscal year 1997. JFK Airport was the busiest in terms of passenger workload and the second busiest in terms of cargo workload and had flights arriving from all over the world. The Newark Airport, while seventh in terms of passenger workload, has been experiencing rapid growth. Specifically, the number of passengers arriving at the airport had grown by 67 percent between fiscal years 1992 and 1997, while the number of arriving flights had grown by 30 percent during the same period. The New York/Newark Seaport was the second busiest in terms of cargo workload, which was expected to grow by over 10 percent annually for the next 4 years. The Los Angeles/Long Beach Seaport was the busiest in terms of cargo workload, collecting 18 percent—about \$4 billion—of the duties, fees, and taxes collected by Customs nationwide in fiscal year 1997. LAX Airport was the third busiest in terms of passenger workload and fifth busiest in terms of cargo workload. For example, over 7 million passengers and 41,000 flights were cleared through LAX Airport in fiscal year 1997. The Houston/Galveston Seaport was the eighth busiest in terms of cargo processing, while the Houston Airport was the eighth busiest in terms of passenger processing. The airport's workload had grown by between 12 to 15 percent annually over the past 2 to 3 years. The Detroit Airport was the 13th busiest in terms of passenger processing, while the seaport processed a relatively small number of cargo entries and vessel crew.

The results related to inspectional staffing levels and cargo and passenger workloads apply only to the five ports we visited and the four ports we telephonically contacted and cannot be generalized to all Customs ports.

MAJOR CONTRIBUTORS TO THIS REPORTGENERAL GOVERNMENT DIVISION, WASHINGTON, D.C.

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Mr. HORN. What recommendations are you making to the Customs agency in terms of solving the problem, both the differential between headquarters and the field as well as some of the other areas you have pointed out?

Mr. RABKIN. We had recommended in April when we issued the report to Senator Feinstein that the Customs Service develop a better way of determining its resource needs at the ports. Not just the cargo ports; although, we focused on the commercial cargo ports at that time, we felt that the principles of resource allocation that we were recommending would apply to any of the functions, processing air passengers or sea passengers, or air or sea cargo, in addition to the land cargo. The Customs Service accepted that recommendation and embarked on a contract to help them develop these kind of resource allocation models.

In terms of the data problems, while we didn't highlight the data problems in that report, the Customs Service did recognize that to be able to use resource allocation models, it would need reliable, consistent data. I think they were aware at that time that they did have some problems in getting consistent data from all the ports and from year to year. They told us then they would be focusing on improving the quality and consistency of their data.

Because of the actions that we recommended in April and the reactions that the Customs Service gave us, we are not making any further recommendations in the report we are issuing today. We think that those actions should help deal with the problems that we are pointing out.

Mr. HORN. Did you look at their approach to the random sample, for example, of what comes in in containers at both ports? And is that methodology the same on both coasts? Because that, it seems to me, is part of the shall we say grist for the mill, that when you have a resource allocation you have got—and you mentioned the key thing here the Customs feel ought to be determinative are the data on drug imports.

And it seems to me part of that solution is the random sample review and how that has been conducted, and should there be a different sample. Because if I am a drug lord sitting in Latin America or anywhere else, I just look at it as the cost of doing business: "So you picked out one container out of a hundred. Hey, you got me. So what? So I had 20 in there, and you didn't get me." That kind of thing. Did you look at that formula at all?

Mr. RABKIN. We didn't look at that specifically for this work. However, we are doing some other work at the Customs Service looking at some of these issues. And there's two sides to this.

The one side for the sampling I think is, and I am sure the Customs officials can explain this more clearly than I, but as we understand it, there is the one side for what they call trade enforcement where they pull samples to make sure that the paperwork that the exporters have submitted to them is accurate; that if they say there are, for example, running shoes in that container, that there really are; if they say that there are 100 dozen, that there really are 100 dozen, and they are properly classified. And they pull samples of that to ensure that the incoming cargo is in compliance with the trade laws.

The inspectors have the authority and are encouraged to examine additional incoming cargo or passengers or vehicles if they are suspicious that the cargo or passengers may be carrying drugs. There is a lot of different ways that these suspicions arise, and I am sure Mr. Trotter and the other Customs officials can explain that.

They are constrained, however, by both physical layout—in terms of the cargo ports, there is only so much room for them to examine cargo—and by their competing mission of facilitating the legitimate trade. If the trade is in compliance, then the Customs Service is expected to move it through the port in a reasonable amount of time.

Same thing with passengers, passengers coming off of international flights, Customs Service has some expectations that once they get their baggage, they will move through the Customs inspection in a reasonable amount of time. If, however, Customs is suspicious that they may be in violation of some of the trade laws, including smuggling drugs, then they will perform more intensive inspections of them and they don't have to bother about how fast they get them through.

Mr. HORN. Well, I will have a lot of other questions for you. I just wanted to ask those few before we moved to Mr. Trotter.

Mr. Robert Trotter is the Assistant Commissioner of the U.S. Customs Service, and we are glad to have you here. You were at our Long Beach, Los Angeles hearing. It's good to see you again. So please give us a summary of your testimony.

Mr. TROTTER. Thank you, Congressman. As you mentioned earlier, Mr. Anthony Liberta is with me today. He is the Director of Customs Management Center in New York; and Mr. John Varrone, who is our Special Agent in Charge of the Office of Investigations. We did not have prepared testimony for them. I will give that testimony, but they are here, Congressman, to answer any questions that you may have.

We are, indeed, pleased to be here with you this morning. It was in Los Angeles in October 1997 when I last addressed your subcommittee. At that meeting we discussed the Customs Service strategic plan under the Results Act; the allocation of resources by the Customs Service based on workload and performance; and other general management issues.

Today I will address our port and enforcement profiles in New York, how we are employing performance-based management to address our workload and staffing, and I will conclude with the topic of staffing and resource allocation in the context of what we have done and what we are planning to do.

Before discussing these topics, I would like to mention to the committee that upon the arrival of our new Commissioner, Mr. Raymond Kelly—whose path included being the Police Commissioner of New York City and for the last 2 years serving at the Treasury Department, was actually our immediate supervisor as Under Secretary of the Treasury—upon his arrival 1 week ago today, Commissioner Kelly advised Customs managers that he wanted a staffing allocation model that would take a zero based approach to determining staffing levels for the Customs Service.

He wants a model that will tell us what is required to accomplish the work of the Customs Service. He stated that this model can be utilized to give us proportionality so that, regardless of the total numbers of staff, we will have a more appropriate distribution of resources. Customs intends to employ a well-respected national firm to develop a credible model. This is in response to the GAO study and recommendations and your request.

Throughout the history of the U.S. Customs Service, the Port of New York has accounted for a significant portion of the Customs workload. In fiscal 1997, our most current full data year, the Port of New York cleared 21.3 percent of all arriving international air passengers, collected 20.8 percent of duties and taxes, and processed 10.7 percent of formal entries filed nationally.

Customs' recent reorganization eliminated regions and districts but retained the port function. In addition, the Port of New York was reduced from three to two "areas," allowing us to improve service and reduce staffing by 43 positions.

JFK Airport is one of these areas. It is the largest single Customs operational entity. During fiscal 1997 it processed 9.71 million arriving air passengers and collected \$3.76 billion in revenue from 1.2 million entries of imported merchandise. JFK is also the home of the largest airmail facility in the United States and processed over 8 million arriving international mail parcels.

The operation at JFK is complicated by the fact that arriving international air passengers must be processed in five separate terminals, each of which operate from 18 to 24 hours a day, 7 days a week. The sixth terminal was opened in May 1998. Alone among major Customs facilities, JFK was precluded from having a centralized site by the Omnibus Budget Reconciliation Act of 1987. As a result, we must disburse our inspectional staff to 139 separate facilities to examine arriving cargo.

During fiscal 1997, JFK initiated a separate Outbound Branch with 39 employees devoted exclusively to examining persons and merchandise departing the United States. Although relatively new, this operation has been successful in identifying various types of articles of currency scheduled to leave the United States in contravention of various laws and regulations. This is, indeed, an important part of our activity in the outbound arena.

Thus far in fiscal 1998, the number of arriving passengers is up approximately 3 percent and commercial entries are up by approximately 10 percent from equivalent periods in previous years. Arriving mail parcels are up 20 percent as well.

The second area in the Port of New York is referred to as the Newark/New York area. The area is primarily a maritime gateway for the East Coast to the United States. The Ports of Newark and Elizabeth, NJ, and Staten Island and Brooklyn, NY, handled the arrival of 4,008 vessels which offloaded 939,165 containers during fiscal 1997. To support the movement of this large volume of containerized cargo, Customs oversees an infrastructure of 106 bonded warehouses, 68 container freight stations, 19 foreign trade zones, six centralized examination sites, and two central devanning sites.

In addition, the Newark/New York area, a completely intermodal port complex, processed 269,923 containers at five major rail terminals during fiscal 1997. The majority of cargo moved in bond

from West Coast ports such as Los Angeles, Long Beach, with Customs entries, examination and releases taking place in New Jersey or New York.

Within the past 2 fiscal years, the Newark/New York area has directed its resources to establish an outbound process. During calendar year 1997, 404,400 20-foot equivalent units [TEU's], were exported out of the port, and close to 2,000 containers were examined for outbound purposes.

The Customs Service in the Newark/New York area works in partnership with the trade community to ensure a predictable level of service. The Port Authority of New York and New Jersey forecasts a 10.3 percent increase per year in the growth of the seaport workload for the next 4 years. This is based upon an expected shift in manufacturing trends in the Far East and shifts in the trade lanes. The port is already experiencing increased activity.

The Newark/New York area is also home of the seventh largest air passenger processing center. We anticipate a substantial growth in passengers in 1998. In addition, a 3.5 percent growth per year is projected for the next 10 years. Since 1985 passenger workload has grown over 800 percent. To accommodate staffing needs for air activities, resources have been redirected from the maritime environment.

The Ports of New York/New Jersey/JFK present a unique challenge to the enforcement efforts of the U.S. Customs Service. The volume of commercial traffic and passenger arrivals, the size and diversity of the working environment, and the geographic location of the port, make the New York metropolitan area attractive for narcotics smuggling organizations.

The methods used by the narcotic traffickers to transport their contraband varies. Internal conspiracies at the seaports and airports, involving individuals working in different capacities, such as dock and ramp workers, exist throughout the area. Additionally, smugglers create front companies, made to appear as legitimate businesses but created solely for the purpose of smuggling narcotics. Then there is the difficult problem of pinpointing smuggling attempts while millions of passengers, containers, and massive amounts of cargo are arriving.

Although it's a difficult mission, Customs inspectors and special agents have interdicted significant quantities of cocaine, heroin and other drugs. In fiscal 1997 we seized in the Port of New York over 14,000 pounds of cocaine, almost 9,000 pounds of marijuana, over 900 pounds of heroin, and \$19.9 million in outbound currency.

And to get into your point about measurements, the Customs Service is improving how it measures performance and productivity. Every port will be rated ultimately on how well they perform and the results they achieve in various processes. To this end, we are deploying and implementing a performance-based management system.

To more directly measure the performance of Customs ports, an Operational Management Report [OMR], has been developed. More than 300 data elements reflecting port operations in key functional areas are captured and made available to the Customs Management Centers each month. Recognizing that this data is not perfect, we are consistently working to improve it. We use this data

to ensure that port performance productivity and effectiveness standards are met.

The importance of data quality in this era of data driven decisions cannot be overemphasized. The Office of Field Operations is currently involved in an initiative to assess and improve the quality of each of the 300 elements of operational summary data included in the OMR data warehouse.

To address your questions about staffing and resource allocation, in April of this year the GAO recommended that Customs establish an inspectional personnel needs assessment and allocation process. In response to that recommendation, the Customs Service did issue a contract to build a model for the allocation of all Customs resources, including inspectional personnel.

That contract has since been canceled, and we are in the process of revisiting the statement of work for the contract and starting a new procurement. We expect to have the contract in place within 2 to 3 weeks and the resource allocation model completed within 6 months from the date of contract award.

The purpose of the model will be to ensure that on a proportional basis, we know where we have the right numbers of people in the right jobs, doing the right work, and where we do not have the right combination of people and work. In other words, the model will tell us where we need to put people.

As I stated earlier, Customs intends to employ a well-respected national firm to develop a credible model. We do not want to continue to rely on dated and ineffective methods of allocating resources.

I want to thank you for the opportunity to testify. I, Mr. Liberta and Mr. Varrone will be glad to take your questions. Thank you.

[The prepared statement of Mr. Trotter follows:]

**Statement of Robert S. Trotter  
Assistant Commissioner for Field Operations  
United States Customs Service  
before the  
Subcommittee on Government Management, Information and Technology  
of the  
Committee on Government Reform and Oversight  
U.S. House of Representatives  
on  
Friday, August 14, 1998  
New York, New York**

Good morning Mr. Chairman. It is a pleasure to come before you today. With me today is Mr. Anthony Liberta, our Customs Management Center Director for New York. We are here today at your request to talk about the Port of New York and allocation of resources.

It was in Los Angeles in October of 1997, when I last addressed your Subcommittee. At that meeting, we addressed the Customs Service Strategic Plan under the Results Act; the allocation of resources by the Customs Service based on workload and performance; and other general management issues. Today, I will address our Port and Enforcement profiles in New York, how we are employing performance-based management to address our workload and staffing, and I will conclude with the topic of staffing and resource allocation in the context of what we have done and are planning to do.

Before discussing the aforementioned topics, I would like to remind the Committee that we have a new Commissioner. Upon convening his first Customs Executive Staff Meeting one week ago today, Commissioner Kelly advised Customs managers that he wants a staffing allocation model that will take a zero based approach to determine staffing levels for the Customs Service. He wants a model that will tell us what is required to accomplish the work of the Customs Service; of course, depending on the level of service and enforcement desired. He stated that this model can be utilized to give us proportionality so that regardless of the total numbers of staffing, we will have a more appropriate distribution of resources. Customs intends to employ a well-respected national firm to develop a credible model.

**PORT PROFILE**

Throughout the history of the U.S. Customs Service, the Port of New York has accounted for a significant portion of Customs workload. In FY 1997, the Port of New

York cleared 21.3% of arriving international air passengers, collected 20.8% of duties and taxes, and processed 10.7% of formal entries filed nationally. New York Customs serves the five counties of New York City, and all of Long Island, north to Dutchess County in New York State and south to Monmouth County in New Jersey, including the Port of Perth Amboy.

Prior to the reorganization in 1995, New York was a Region, District and Port, all in one, and operated with three Areas. The reorganization which eliminated the Region and District, retained the port function and it continues to operate as one port today. As part of the reorganization, the New York Seaport and Newark Areas were consolidated into one to effect both efficiency and effectiveness. New York is distinctive in that regardless of where merchandise is unladen, the processing of entries and other functions may occur in any area. We refer to this process as "cross-filing".

While the unique structure of the areas which allows for cross-filing of entries remains a complicating factor, the reduction from three to two areas has improved service and reduced staffing by 43 positions. With the reorganization, our internal organizational structure was reconfigured into three core processes: Trade Compliance (Imports), Passenger Operations, and Outbound (Exports).

#### JFK Airport

JFK Airport is the largest single Customs operational entity in the U.S. During FY97, it processed 9.71 million arriving air passengers and collected \$3.76 billion in revenues from 1.2 million entries of imported merchandise. JFK is also the home of the largest airmail facility in the U.S. and processed over 8 million arriving international mail parcels.

The operation at JFK is complicated by the fact that arriving international air passengers must be processed in 5 separate terminals, each of which operate from 18 to 24 hours a day, 7 days a week. A sixth terminal was opened in May of 1998. Unlike other major Customs facilities, JFK was precluded from having a centralized examination site by the Omnibus Budget Reconciliation Act of 1987 and, as a result, must disburse its inspectional staff to 139 separate facilities to examine arriving cargo.

During FY 97, JFK initiated a separate Outbound Branch with 39 employees devoted exclusively to examining persons and merchandise departing the U.S. Although relatively new, this operation has been successful in identifying various types of articles and currency scheduled to leave the U.S. in contravention of various laws and regulations.

Thus far in FY 98, the number of arriving passengers is up approximately 3% and commercial entries are up approximately 10% from equivalent periods in the previous year. Arriving mail parcels are up approximately 20% as well.

### Newark/New York Area

#### *I. The Maritime Environment*

The Newark/New York Area is the primary maritime gateway for the East Coast of the United States. The Ports of Newark and Elizabeth, New Jersey and Staten Island and Brooklyn, New York handled the arrival of 4,008 vessels which off loaded 939,165 containers during FY 1997. To support the movement of this large volume of containerized cargo, Customs oversees an infrastructure of 106 bonded warehouses; 68 container freight stations; 19 Foreign Trade Zones; 6 Centralized Examination Sites; and 2 Central Devanning Sites.

In addition, the Newark/New York Area is a completely inter-modal port complex which processed 269,923 containers in FY 1997, at five (5) major rail terminals. The majority of this cargo moved "in bond" from west coast ports; Customs entries, examinations and releases taking place in New Jersey. This rail cargo is considered "high risk" in the trade compliance arena because it involves issues of quota/visa admissibility, prison labor restrictions, Consumer Product Safety warnings, and Food and Drug restrictions. Additional work within the Maritime environment included the boarding, entrance/ clearance and gauging of 490 bulk carriers; and the processing of 2.2 million parcels at the International Mail Facility.

Within the past two fiscal years, the Newark/New York Area has redirected some of its own resources to establish an Outbound Process. During CY 97, 404,400 Twenty-foot Equivalent Units (TEU's) were exported out of the Port; and 1,927 containers were examined for outbound purposes.

The Customs Service in the Newark/New York Area works in partnership with the trade community to ensure a predictable level of service. The Port Authority of New York and New Jersey forecasts a 10.3% increase per year in the growth of the seaport workload for the next four years. This is based upon shifting manufacturing trends in the Far East. The expectation is for a dramatic shift in trade lanes from the Pacific Rim to trade lanes thru the Suez Canal, the Mediterranean Sea, and across the Atlantic to the East Coast. The port is already experiencing the initial shift of activity.

The Newark/New York Area also handles cruise ship operations which include trans-Atlantic and round the world crossings. During FY 1997, 186,957 passengers arrived at the Seaport.

## II. *The Air Environment*

The Newark/New York Area is also the "home" of the seventh largest international air passenger processing center. We anticipate a substantial increase in passenger growth during 1998, in addition, a 3-3.5% growth per year is projected over the next ten years. The projected growth in passengers for FY 98 will move Newark International Airport into the top five airports. There is a similar growth expectancy in the air cargo arena. Air Cargo is processed at a Central Examination Site. In addition, the Newark/New York Area services two Express Carrier Consignment Facilities (Federal Express and UPS); one user fee airport; one re-imbursable airport; and two private airports.

As a frame of reference to better describe the growth of Newark International Airport, we offer the following statistics:

<u>FY 85</u>		<u>FY 98 (projected)</u>
397,318	# of Passengers	3,351,420
1,034	# of Flights	18,562
2	# of Carriers	34

To accommodate staffing needs for all air activities, staffing resources have been re-directed from the maritime environment. In addition, we readily off-set seasonal surges and peak work periods by moving inspectors and canine officers from the maritime to the air facilities.

## ENFORCEMENT PROFILE

The ports of New York/Newark/JFK present a unique challenge to the enforcement efforts of the U.S. Customs Service. The volume of commercial traffic and passenger arrivals, the size and diversity of the working environment, and the geographic location of the port, makes the New York metropolitan area attractive for narcotic smuggling organizations.

The methods used by the narcotic traffickers to transport their contraband varies. Internal conspiracies at the seaports and airports exist throughout the area. Additionally, smugglers create "front" companies, made to appear as legitimate businesses, but created solely for the purpose of smuggling narcotics. Then there is the difficult problem of pinpointing smuggling attempts while millions of passengers, containers and massive amounts of cargo are arriving. Although it is a difficult enforcement mission, Customs inspectors and special agents have interdicted significant quantities of cocaine, heroin, and other drugs.

In FY 1997 we seized in the Port of New York over 14,000 pounds of cocaine, almost 9,000 pounds of marijuana, over 900 pounds of heroin, and \$19.9 million in outbound currency.

### PERFORMANCE-BASED MEASUREMENT

The Customs Service is improving how it measures performance and productivity. Every port will be rated ultimately on how well they perform and the results they achieve in their various processes. To this end, we are deploying and implementing a performance-based management system.

While we have realized success in program-level performance-based management, one area in which our thinking is still maturing is in the strategic level planning and evaluation of our enforcement efforts, including narcotics smuggling, money laundering, trade fraud, and export violations. Within these areas, Customs has faced many challenges in meeting the requirements of the Results Act, especially in the performance measurement arena. Measuring one's success against an undefinable universe, such as the number of crimes being committed, is difficult.

Traditionally, Customs has relied on "workload" and "output" type measures, such as caseload, seizure and arrest data, to gauge the effectiveness of our efforts. Customs is trying to take these one step further by incorporating meaningful outcome-type measures which reflect our effectiveness in achieving our strategic goals and enable policy and budget decision makers to focus resources in those areas with the greatest potential for impact. The focus of these outcome-oriented measures are indications of our impact on disrupting the activities of criminal organizations involved in violation of Customs laws.

To more directly measure the performance of customs ports, an Operations Management Report (OMR) has been developed. More than 300 data elements reflecting port operations in key functional areas are captured and made available to all Customs Management Centers (CMCs) each month. Recognizing that this data is not perfect, we are constantly working to improve it. We use this data to insure that port performance productivity and effectiveness standards are met.

The importance of data quality in this era of data driven decisions cannot be overemphasized. Quality data that everyone is in agreement with will improve confidence in using a resource allocation model.

The Office of Field Operations is currently involved in an initiative to assess and improve the quality of each of the 300 elements of operational summary data included in the OMR Data Warehouse. This initiative involves: 1) naming "owners" for each data element, 2) having the owner review and confirm the definitions and sources of the data, and 3) having

owners render an annual data quality assessment for each of their elements. In so doing, we plan to identify elements with the highest quality data and begin improving elements with poor quality data.

To assist "owners" in rendering accurate and meaningful data quality assessments in a timely manner, we recently asked each CMC to "adopt" approximately 15 data elements. CMCs adopting elements will work with the data element owner(s) to validate the data, assess data quality on a scale of 1 to 10, and share the results with the data element owner.

Additionally, the Office of Field Operations recently established a 12 member "Field Measurement Advisory Group" (F-MAG) to provide field recommendations regarding measurement issues. One of F-MAG's key initial projects is the coordination of the above initiatives to improve the quality of Customs data.

#### STAFFING AND RESOURCE ALLOCATION

In April of this year, the GAO recommended that Customs establish an inspectional personnel needs assessment and allocation process. In response to that recommendation, the Customs Service did issue a contract to build a model for the allocation of all customs resources, including inspectional personnel. That contract has since been canceled and we are in the process of revising the statement of work for the contract and starting a new procurement. We expect to have a new contract in place within two to three weeks and the resource allocation model completed within six months from the date of contract award.

The purpose of the model will be to ensure that on a proportional basis, we have a better understanding of where we have the right numbers of people in the right jobs, doing the right work, and where we do not have the right combination of people and work. In other words, the model will help us have a better idea of where we need to put people.

As I stated earlier, Customs intends to employ a well-respected national firm to develop a credible model. We do not want to continue to rely on dated and ineffective methods for allocating resources.

Thank you for the opportunity to testify. We will be happy to take your questions.

Mr. HORN. Well, we thank you. Let me go back and start with GAO and get some of that out—I'm sorry. OK. Mr. Seliga. I thought perhaps Mr. Trotter was speaking for everybody.

Mr. TROTTER. No, sir, just the Customs Service.

Mr. HORN. All right. I will be glad to hear from you, the general manager of the John F. Kennedy International Airport. You are a client of the Customs Service.

Mr. SELIGA. Yes. Thank you. Good morning, Chairman Horn, members of the committee, ladies and gentlemen. My name is Charles Seliga, and I am the general manager of John F. Kennedy International Airport for the Port Authority of New York and New Jersey. The port authority is very pleased that the committee has chosen to hold these hearings in New York, and we appreciate this opportunity to discuss our perspective regarding the U.S. Customs Service and the important role it plays in our operations.

My remarks will focus on the issue of service. We are quite pleased the port authority and U.S. Customs Service share a common organizational goal, which is to provide a superior service level to our customers. Mr. Robert Boyle, executive director of the port authority, has given a clear direction to all departments, aviation, maritime, road, and rail transport and real estate, that providing excellent customer service is our first priority.

As a way of background, the Port Authority of New York and New Jersey is more than 75 years old, having been created by compact between New York and New Jersey which was approved by Congress in 1921. Our jurisdiction extends for roughly 25 miles from the Statue of Liberty. It encompasses 17 counties, home to more than 18 million people.

The port authority manages a diverse group of transportation facilities, including four airports, five maritime terminals, six bridges and tunnels, two bus terminals, an interstate rapid transit system, and the nearby World Trade Center complex. The mission of the port authority is to identify and meet the critical transportation infrastructure needs of the bi-state region's businesses, residents, and visitors by providing the highest quality, most efficient transportation and port facilities and service that provide access to the rest of the world and strengthen the economic competitiveness of the New York/New Jersey metropolitan region.

Clearly, to be successful in these efforts we need the continued assistance and cooperation of the U.S. Customs Service. However, for U.S. Customs to be successful, they need the continued support of Congress. I would like to take a few minutes to discuss the unique characteristics of our market and our facilities which illustrates our need for significant staff and resources from the Customs Service.

On the aviation side of our business, the three major passenger airports of the port authority, John F. Kennedy International, Newark International and LaGuardia, comprise the world's largest aviation system. In 1997, 84 million passengers traveled through these airports. Of these 84 million, 24 million were international passengers. Just as significant, in 1997, a record 2.8 million tons of air cargo were processed at JFK and Newark, more than any other airport system in the world.

As general manager of JFK, I can assure you that as impressive of these statistics are, it is equally important to discuss the operational challenges that we face in providing these passengers and shippers with superior service.

JFK has six separate Federal inspection service locations for passenger processing. These six facilities are under the direct control of six different private entities. Historically, the port authority operated one of these terminals, and as such, Terminal 4 received 24-hour Federal Inspection Service coverage. However, in May 1997 we relinquished control of this terminal.

The six private operators believe that to ensure fairness and adequate service, the Federal agency should expand FIS coverage for all regularly scheduled flights to equal that offered at Terminal 4. JFK's unique design, with 10 passenger terminals and six FIS facilities, challenges the port authority and the U.S. Customs Service to provide the resources necessary to ensure excellent service.

In addition, JFK and Newark suffer from a peaking problem. JFK is the Nation's No. 1 gateway for international passengers. Of the 17 million international passengers that used JFK in 1997, 31 percent used the airport during the busy summer months and 36 percent arrived between the hours of 2 p.m. and 5 p.m. The operating window for transatlantic flights and curfews at other airports drive this peaking problem.

Although we will never be able to build and fully staff our facilities to accommodate a Sunday afternoon in August, the port authority and the Federal agencies must provide enough personnel so that we do not return to the days of long lines and frustrated customers, which will only result in a poor perception of the United States and the Customs Service.

Just as important in understanding the staffing needs of JFK and Newark is the fact that the traditional hours of operation of the FIS halls continues to expand. Airlines from South America, Asia, and Africa are introducing service to our airports arriving at any time between 5 a.m. and 10 p.m. Thus, the traditional 8-hour period for international arrivals now stretches to more than 18 hours.

The Port of New York, home to Ellis Island and the Statue of Liberty, continues to be the first point of arrival for many of the Nation's immigrants. JFK has received many charter flights from Russia, Iraq and elsewhere, filled with refugees preparing to begin their new life in America. We are proud to continue to serve as the host of these new Americans; however, it is important to recognize that it takes significantly longer to process these passengers than it does tourists.

It is important to put our statistics in context. Not only do we have the Nation's largest number of international passengers being served from seven FIS facilities at two airports, but we also are experiencing significant growth rates. During the past 3 years, traffic has increased more than 5 percent per year, and we forecast similar growth in the upcoming year.

Let me turn for a moment to the subject of air cargo. As I mentioned earlier, we processed a record 2.8 million tons of air cargo at JFK and Newark. Here again, the unique operational requirements of our airports magnify this accomplishment.

In 1987, Congress passed the Omnibus Reconciliation Act which precluded JFK from establishing a central examination facility. Congress passed this legislation in response to community concerns from freight forwarders, customs brokers, container stations, and air carriers who were worried about increased costs and potential delays. As a result, air cargo is cleared by U.S. Customs Service inspectors at any 1 of 140 possible sites.

In addition to seeking adequate staffing for our many facilities, we also acknowledge the key role automation will play in the future of passenger and cargo processing. In 1989, U.S. Customs chose JFK as the first place to implement the Automated Manifest System for air shipments, thereby speeding the flow of cargo and eliminating the need to submit manifests and waybills to U.S. Customs. To compliment this innovation, Customs has already started work on an Automated Export Manifest System which we believe will improve service for exporters.

At Newark Airport, representatives of the port authority and the Federal agencies seek assistance in implementing an electronic Customs declaration which will speed arrivals and provide more accurate passenger information. It is imperative that Congress continues to support automation as an important way of addressing the continued growth in cargo and passenger movements. Without this investment, the Nation's airports and harbors will be overwhelmed, preventing us from providing an even adequate level of service.

On the maritime side of our business, ocean-borne general cargo handled in 1997 increased 14.4 million long tons. In the container market, volume increased by 7 percent over 1996 to 2.4 million 20-foot equivalent units. The overall value of ocean-borne general cargo was \$60.2 billion in 1997. The total number of motor vehicles moving through the port in 1997 was 428,000 units. This represents 15 percent of the total U.S. auto imports and exports.

The U.S. Bureau of the Census reported that the total overall cargo volumes, including all general cargo plus bulk commodities such as fuel oil and salt, handled in the port in 1997 was 50.5 million tons. Over 165,000 direct and indirect jobs are created by this volume of ocean-borne cargo. The total monetary impact of the port on the local economy is \$19 billion.

In this port we have a very diverse range of cargo commodities, ranging from consumer to semi and manufactured goods and raw materials. This cargo commodity mix is not found at all U.S. ports. Some handle a considerable volume of cargo, but for the most part it is of the same or similar commodity class.

Other ports handle cargo by simply having it off-loaded from the conveyance only to be dispatched to the Port of New York and New Jersey for Customs inspection, clearance and delivery to the ultimate consignee. This cargo mix requires that Customs have the resources to enable it to enforce a wide variety of laws and regulations. Cargoes that arrive at other U.S. ports but are not Customs cleared, are transported by rail or truck to the Port of New York and New Jersey for clearance. Most if not all of this cargo is destined for this region or for overnight delivery to a consignee.

We recognize that the Customs Service does an excellent job of utilizing their resources as effectively and efficiently as possible.

The inspectors are split between the airports and the seaport. The port authority, however, is very concerned about the future cargo volumes and the level of Federal Inspection Services available.

In the seaport, for example, our consultants are projecting a 300 percent increase in cargo volume by the year 2015. Only last month we had the largest container vessel in liner service call at our port. The Regina Maersk is a 6,000 plus 20-foot equivalent unit container ship that is over 1,000 feet long. It represents the future of container shipping. In order to handle the cargo volumes that ships like the Regina Maersk will carry to our port, we must have sufficient Customs inspectors.

In closing, I would like to acknowledge the close working relationship the port authority has with the U.S. Customs Service. The staff of the port authority meets regularly with U.S. Customs and the other Federal agencies as part of the Port Quality Improvement Committee. The port authority, the carriers and the Federal agencies work through these meetings to solve problems, maximize coverage, and improve service at our facilities.

Thank you for this opportunity to present our views, and I will be happy to entertain any questions you may have.

[The prepared statement of Mr. Seliga follows:]

Testimony of  
Charles G. Seliga, General Manager  
John F. Kennedy International Airport

U.S. House of Representatives  
Subcommittee on Government Management, Information  
and Technology

Oversight Hearing on  
The U. S. Customs Service  
August 14, 1998

Good morning, Chairman Horn, Members of the Committee, Ladies and Gentlemen. My name is Charles Seliga, and I am the General Manager of John F. Kennedy International Airport for The Port Authority of New York and New Jersey. The Port Authority is very pleased that the committee has chosen to hold these hearings in New York and we appreciate this opportunity to discuss our perspective regarding the U.S. Customs Service and the important role it plays in our operations.

My remarks will focus on the issue of service. We are quite pleased the Port Authority and the U.S. Customs Service share a common organizational goal- which is to provide superior service to our customers. Mr. Robert Boyle, Executive Director of the Port Authority, has given clear direction to all departments-aviation, maritime, road and rail transport and real estate, that providing excellent customer service is our first priority.

As way of background, The Port Authority of New York and New Jersey is more than 75 years old, having been created by compact between New York and New

Jersey which was approved by Congress in 1921. Our jurisdiction extends for roughly 25 miles from the Statue of Liberty. It encompasses 17 counties, home to more than 18 million people.

The Port Authority manages a diverse group of transportation facilities including four airports, five maritime terminals, six bridges and tunnels, two bus terminals, an interstate rapid transit system and the nearby World Trade Center complex.

The mission of the Port Authority is to identify and meet the critical transportation infrastructure needs of the bi-state region's businesses, residents, and visitors by providing the highest quality, most efficient transportation and port facilities and services that provide access to the rest the world, and strengthen the economic competitiveness of the New York-New Jersey metropolitan region.

Clearly, to be successful in these efforts we need the continued assistance and cooperation of the U.S. Customs Service. However, for U.S. Customs Service to be successful they need the continued support of the Congress.

I would like to take a few minutes to discuss the unique characteristics of our market and our facilities which illustrates our need for significant staff and resources from the Customs Service. On the aviation side of our business, the three major passenger airports of the Port Authority, John F. Kennedy International, Newark International and LaGuardia comprise the world's largest aviation system. In 1997, 84 million passengers traveled through these airports.

Of these 84 million, 24 million were international passengers. Just as significant in 1997, a record 2.8 million tons of air cargo were processed at JFK and Newark, more than any other airport system in the world.

As General Manager of JFK, I can assure you that as impressive as these statistics are, it is equally important to discuss the operational challenges that we face in providing these passengers and shippers with superior service. JFK has six separate Federal Inspection Service locations for passenger processing. These six facilities are under the direct control of six different private entities. Historically, the Port Authority operated one of these terminals, and as such Terminal 4 received 24-hour Federal Inspection Service (FIS) coverage. However, in May 1997 we relinquished control of this terminal. These six private operators believe that to ensure fairness and adequate service, the Federal agencies should expand FIS coverage for all regularly scheduled flights to equal that offered at Terminal 4. JFK's unique design, with ten passenger terminals and six FIS facilities challenges the Port Authority and the U.S. Customs Service to provide the resources necessary to ensure excellent service.

In addition, JFK and Newark suffer from a peaking problem. JFK is the nation's number one gateway for international passengers. Of the 17 million international passengers that used JFK in 1997, 31 percent used the airport during the busy summer months and 36 percent arrived between the hours of 2:00 p.m. and 5:00 p.m. The operating window for transatlantic flights and curfews at other

airports drives this peaking problem. Although we will never be able to build and fully staff our facilities to accommodate a Sunday afternoon in August, the Port Authority and the Federal agencies must provide enough personnel so that we do not return to the days of long lines and frustrated customers which will only result in a poor perception of the U. S. and the Customs Service.

Just as important in understanding the staffing needs at JFK and Newark is the fact that the traditional hours of operation of the FIS halls continues to expand. Airlines from South America, Asia and Africa are introducing service to our airports arriving at any time between 5:00 a.m. and 10:00 p.m. Thus, the traditional eight-hour period for international arrivals now stretches to more than 18 hours.

The Port of New York, home to Ellis Island and the Statue of Liberty, continues to be the first point of arrival for many of the nation's immigrants. JFK has received many charter flights from Russia, Iraq and elsewhere, filled with refugees preparing to begin their new life in America. We are proud we continue to serve as host to these new Americans, however, it is important to recognize that it takes significantly longer to process these passengers than it does tourists.

It is important to put our passenger statistics in context. Not only do we have the nation's largest number of international passengers, being served from seven FIS facilities at two airports, but we also are experiencing significant growth rates.

During the last three years traffic has increased more than 5 percent per year and we forecast similar growth in the upcoming year.

Let me turn for a moment to the subject of air cargo. As I mentioned earlier, we processed a record 2.8 million tons of air cargo at JFK and Newark. Here again, the unique operational requirements of our airports magnify this accomplishment. In 1987, Congress passed the Omnibus Reconciliation Act which precluded JFK from establishing a central examination facility. Congress passed this legislation in response to community concerns from freight forwarders, customs brokers, container stations, and air carriers who were worried about increased costs and potential delays. As a result, air cargo is cleared by U.S. Customs Service inspectors at any one of 140 possible sites.

In addition to seeking adequate staffing for our many facilities, we also acknowledge the key role automation will play in the future of passenger and cargo processing. In 1989, U.S. Customs chose JFK as the first place to implement the Automated Manifest System for air shipments thereby speeding the flow of cargo and eliminating the need to submit manifests and waybills to U.S. Customs. To compliment this innovation, Customs has already started work on an Automated Export Manifest System which we believe will improve service for exporters. At Newark Airport, representatives of the Port Authority and the Federal agencies seek assistance in implementing an electronic Customs declaration which will speed arrivals and provide more accurate passenger

information. It is imperative that Congress continues to support automation as an important way of addressing the continued growth in cargo and passenger movements. Without this investment the nation's airports and harbors will be overwhelmed, preventing us from providing an even adequate level of service.

On the maritime side of our business, oceanborne general cargo handled in 1997 increased to 14.4 million long tons. In the container market, volume increased by 7 percent over 1996 to 2.4 million twenty-foot equivalent units (TEUs). The overall value of oceanborne general cargo was \$60.2 billion in 1997. The total number of motor vehicles moving through the port in 1997 was 428,000 units. This represents 15 percent of the total U.S. auto imports-exports. The U.S. Bureau of the Census reported that the total overall cargo volumes, including all general cargo plus bulk commodities such as fuel oil and salt, handled in the Port in 1997 was 50.5 million tons. Over 165,000 direct and indirect jobs are created by this volume of oceanborne cargo. The total monetary impact of the port on the local economy is \$19 billion.

In this port we have a very diverse range of cargo commodities ranging from consumer to semi and manufactured goods and raw materials. This cargo commodity mix is not found at all U.S. ports. Some handle a considerable volume of cargo, but for the most part it is of the same or similar commodity class. Other ports handle cargo by simply having it off-loaded from the conveyance only to be dispatched to the Port of New York & New Jersey for

Customs inspection, clearance and delivery to the ultimate consignee. This cargo mix requires that Customs have the resources to enable it to enforce a wide variety of laws and regulations. Cargoes that arrive at other U.S. ports, but are not Customs cleared, are transported by rail or truck to the Port of New York & New Jersey for clearance. Most, if not all, of this cargo is destined for this region or for overnight delivery to the consignee.

We recognize that the Customs Service does an excellent job of utilizing their resources as effectively and efficiently as possible. The inspectors are split between the airports and seaport. The Port Authority, however, is very concerned about the future cargo volumes and the level of federal inspection services available. In the Seaport for example, our consultants are projecting a 300 percent increase in cargo volume by the year 2015. Only last month we had the largest container vessel in liner service call at our port. The Regina Maersk is a 6,000 plus <sup>Twenty forty container</sup> TEU container ship that is over 1,000 feet long. It represents the future of container shipping. In order to handle the cargo volumes, that ships like Regina Maersk will carry to our port, we must have sufficient Customs inspectors.

In closing, I would like to acknowledge the close working relationship the Port Authority has with the U. S. Customs Service. Staff of the Port Authority meets regularly with U. S. Customs and the other Federal agencies as part of the Port Quality Improvement Committee. The Port Authority, the carriers and the Federal agencies work through these meetings to solve problems, maximize coverage and improve service at our facilities.

Thank you for this opportunity to present our views. I will be happy to entertain any questions you may have.

Mr. HORN. Well, we thank you very much for coming. We appreciate it.

Mr. SELIGA. Thank you.

Mr. HORN. Before we go back to the general questioning, and I will give a dialog to the panel, I would like to have Mr. Varrone—you are a Special Agent in Charge. Remind me to whom the special agents report.

Mr. VARRONE. I report directly to the Assistant—

Mr. HORN. Why don't you move that thing up until it's right under you.

Mr. VARRONE. I report directly to Washington, to the Assistant Commissioner for the Office of Investigations, Bonni Tischler.

Mr. HORN. OK. And do special agents generally come up through the Customs Service or are they separately recruited?

Mr. VARRONE. Through a variety of ways. It's both internal and external.

Mr. HORN. Generally, does one prevail or the other?

Mr. VARRONE. I would like to say we are pretty diverse. We get a number of applicants from other Federal agencies, a number of special applicants, as well as we have a very aggressive cooperative education program with several schools. So we try to get a real balance.

Mr. HORN. They are mostly coming out of the law enforcement profession when they become special agents?

Mr. VARRONE. Yes, sir.

Mr. HORN. FBI, let's say, or what? What's the general background?

Mr. VARRONE. We have a variety who come from criminal investigative jobs throughout the government, 1811 series. Not that many with the FBI come over. We have had Drug Enforcement Agents come over, Social Security, the various Inspector Generals, 1811 series come over. So it's really—it's very diverse.

Mr. HORN. Now, in terms of special agent personnel, are those worked out based on the formulas of the Customs supervisor? Is it worked out at the Assistant Secretary of the Treasury level?

Mr. VARRONE. The allocation, sir?

Mr. HORN. Generally as to who gets what, when, and where.

Mr. VARRONE. Our allocation comes through our Assistant Commissioner in Washington. It's centralized.

Mr. HORN. So it's part of the Customs allocation process?

Mr. VARRONE. Yes, sir.

Mr. HORN. And that—usually, that decision usually comes about when they are preparing the annual budget, they are taking a look at the past year's experience, are they?

Mr. VARRONE. Yes, sir.

Mr. HORN. So it doesn't come up except at budget time?

Mr. VARRONE. The—as far as I understand it—I just spent 6 years in Washington, so I am really just back in the field about a year—it gets negotiated through the Customs Service, through the Department and to Congress.

Mr. HORN. Do you find your Washington experience gave you a different understanding of allocations than simply your field experience?

Mr. VARRONE. Yes. Clearly.

Mr. HORN. In which direction did it give you?

Mr. VARRONE. It was—it was rather mixed. In times of retrenchment, my personal feeling at times would be that I thought we could have used more. Clearly, understanding the overall need of the organization, though, I saw a side where deployment was for the betterment of the whole service, not just the individual or special agent in charge office.

Mr. HORN. And yet the special agents have a major role in law enforcement, in breaking up drug rings and all the rest of it.

Mr. VARRONE. Yes, sir.

Mr. HORN. Do special agents get any differential pay compared to the average person on the Customs beat?

Mr. VARRONE. Yes, sir. We have a system of pay where—I'm trying to think of what it's called—administrative uncontrolled overtime. It's been changed to availability pay. It's called availability pay now, and it's approximately 25 percent of your base pay in overtime.

Mr. HORN. And that's just automatic whether you put in the overtime or not, or is that a limit on overtime?

Mr. VARRONE. No. That's—that's the top of the scale. I think that most special agents, they did the comparison of when it was administrative uncontrolled overtime versus availability pay now, and because of the long hours and the surveillance required, I think that that's a fair—I believe more people put in more hours than they are compensated for, quite frankly, but I believe that is a fair method of compensation.

Mr. HORN. Mr. Trotter, what is the policy on allocation of overtime?

Mr. TROTTER. Well, we have two different issues that we are speaking about here, Congressman Horn. As for the Office of Investigations that Mr. Varrone mentioned, Assistant Commissioner Bonni Tischler and headquarters administers that particular part of the organization. They have the air operations and the marine operations, intelligence, and Office of Investigations.

My arena is a little different. I have the inspectors, the import specialists, the canine enforcement officers, and the FP&F officers. There are 12,000 people in my side of the organization, and about 4,000 in the enforcement side. That's kind of how we are divided.

Our budgets are determined a little differently and our overtime is different. Our budgets, as you say, are planned out actually 3 years in advance. We are working in fiscal 1998. I have already negotiated 1999. We are discussing with Treasury and Congress 2000, and we are formulating 2001. So we are always 3 years ahead with our budget.

Our overtime on the Customs Office of Field Operations side is different. It's paid differently. We have actually not only different overtime schemes for paying our people, we have different retirement systems. The agents have a different retirement system than the inspectors and the canine enforcement officers and the canine—

Mr. HORN. Now, they have the 20 years bit that the FBI has and Secret Service has.

Mr. TROTTER. Yes, sir. That's what Mr. Varrone referred to when he said 1811. That's the job series type. Those are law enforcement

officers, and that's what their title is, and they share the same retirement and pay system.

The inspectors have a new pay and retirement system, and it has just been in existence about 4 years now. Our original system was in place since 1911, and it lasted almost 90 years. We are now into a new pay system and retirement system for the Customs inspectors. They are paid by the hours they work. There is a cap. The cap was just raised last year by Congress. The cap is \$30,000 a year. They make their base salary and can make up to an additional \$30,000 a year.

Mr. HORN. What would base salary be, generally?

Mr. TROTTER. Base salary would be \$30,000 or so for a Customs inspector, and then it goes up from there for a first-line supervisor and second line supervisor. Our inspectors generally start at the GS-5 level, and some start at GS-7. The journeyman level for inspector is GS-9.

Mr. HORN. Let me make sure I understand this. The \$30,000 is a cap—

Mr. TROTTER. Yes, sir.

Mr. HORN [continuing]. In addition to \$30,000?

Mr. TROTTER. That's correct.

Mr. HORN. So your inspectors can make up to \$60,000. What do special agents make up to?

Mr. TROTTER. I don't know.

Mr. VARRONE. The journeyman special agent—

Mr. HORN. Yes.

Mr. VARRONE [continuing]. Probably makes about \$75,000.

Mr. HORN. \$75,000. So there's about a \$15,000 differential. In what area do the inspectors become comparable to what special agents do? Do they both carry guns, for example?

Mr. TROTTER. They both do carry guns, yes, sir.

Mr. HORN. Both can arrest?

Mr. TROTTER. Yes, sir.

Mr. HORN. So what else can they do together, that they do the same thing?

Mr. TROTTER. They do a lot of things together.

Mr. HORN. I'm talking about function.

Mr. TROTTER. OK.

Mr. HORN. In other words, let's compare, just for the sake of argument, what the inspectors are doing by function, what the special agents are doing by function.

Mr. TROTTER. Yes, sir. The similarities are they do carry weapons and they do arrest. The differentiation is that investigators—and, Mr. Varrone, please step in here and help me if I misspeak—investigators investigate. They do undercover investigations, they do in-depth investigations of not only businesses but individuals, of crime rings.

Generally speaking, when you hear of undercover investigations, we recently just had a very, very productive operation in your area and Los Angeles that we called Casablanca, where hundreds of thousands of dollars were recovered in money laundering. Those folks who set up these store fronts, if you will, who set up money laundering schemes, are undercover special agents.

Inspectors do not do those two functions. Generally speaking, inspectors do not work undercover and they do not investigate. Also special agents deal with informants, confidential informants. Customs inspectors do not deal with confidential informants for the most part. Now, there are always a few exceptions here and there.

Inspectors, for the most part, inspect the cargo and the passengers arriving. If they find a violation in cargo or passengers, for the most part they hand that violation, if it's criminal, over to the Office of Investigations.

Mr. HORN. In other words, the bill of lading that has fraudulent activity, doesn't describe what's in the container when they open the container, and there is a lot of these where they are under—is that turned over to the special agent?

Mr. TROTTER. There are two different instances there, Congressman. If it is criminal, if it's determined to be criminal, and the special agents then are involved with the determination on the criminal side, they will then be dealing with the U.S. Attorney. That's if it goes criminal. In other words, it's not a civil case.

Mr. HORN. Who is deciding at what point as to whether the bill of lading is criminal? Is it a pattern of practice from the same person, or is it the first time, where they have simply—where they will claim it is a great error on their part?

Mr. TROTTER. We have several different techniques that we use and several filters that we build into that determination. For the most part we are talking about very experienced Customs officers that are looking at numbers and numbers of these issues.

We have, as an aside, an "informed compliance" branch that informs people of what the law and regulations are. So we expect people to be up to these standards.

If we open a container, quite often the main reason we do it is because we have advance information. We have literally hundreds of people who do nothing but look at target opportunities for us, not only on the commercial side but in the air passenger arrivals or the land border arrivals. So we are doing a lot of targeting.

That was the example mentioned about information technology. We are moving to the future. We are getting most of our entries for cargo on vessels and aircraft before they ever land in the United States. We are making our determinations based on past practices, and filtering that we put into the system.

When that container is opened and we have targeted it, we have a reason to do so. You talked about random exams. Our inspectors for the most part are up to 100 times more efficient than a random exam. We have proven that. And we have standards for them to comply with. In some arenas, they are 20 times more efficient; in some arenas, 10 times. It's all according to different arenas.

If they opened that container and hypothetically, just to use an example that happens in the real world, there was prohibited merchandise for importation, what they would then do—and quite often we are working side by side with the Office of Investigations, we have teams that work together, not only just our officers, not just Customs officers, but other agencies as well—they would then confer with the Office of Investigations and they would say, "Do you have any information on these people? Have they done this be-

fore? Are they known importers? Does this look like a clerical error?"

This is prohibited merchandise. It's not a clerical error. We would then give that information, those documents and perhaps even the cargo itself to the agents, because sometimes the agents want to use it in controlled deliveries. They may not want to just take down the investigation right there. So often you hear that the inspectors will find something; what the agents want to do is, they want to follow that through. They want to get into the organized crime element. That's one of their charges, to take down large drug smuggling or prohibited merchandise smuggling organizations.

So at that point it would be handed to them. They would work with the U.S. Attorney. The U.S. Attorney and they, with other people involved, would come back and say "We are going to go criminal." Then, for the most part, the inspectors are pulled out of it until we actually go to court and testify. If they go civil, then we bring in another arm of Customs to handle that. It's fairly complex.

Mr. HORN. Would you say most of the tips on which containers you want to open come through the special agents, or do they come through inspectors that have sort of collectively seen a pattern or practice?

Mr. TROTTER. I don't really have that data at my fingertips. It comes from both arenas.

Mr. HORN. Is it preponderance on the inspectors' side or the—I'm sorry—the agents' side, as opposed to the regular Customs?

Mr. TROTTER. I would say that it's fairly equal. If you look at some of the merchandise and narcotics seizures we make, the inspectors develop the information, and perhaps as much as 50 percent of the agents develop that information. It's a little bit different on the trade side. More information will be developed by the inspectors. But I would say it's equal in the drug arena.

Mr. HORN. Was that something, Mr. Rabkin, that GAO looked at all as to the source of activity?

Mr. RABKIN. We have looked at that, and I agree with Mr. Trotter that it does come from both cases. The results of the investigations are transferred out to the ports so that the inspectors can be on the lookout for people or cargo coming in that they know are likely to be containing illegal materials.

Similarly, the inspectors are on their own. If a driver of a truck or a passenger behaves in a way that triggers something, some recognition on an inspector's part, they can refer those incoming cargo or passengers for more intensive examination. So they make their hits from both directions.

Mr. HORN. Is there—on the air traffic side and things that might be brought in by particular passengers, is there any way that U.S. Immigration tips off Customs? Or I have forgotten which you clear first in some of these airports, but how does that work?

Mr. SELIGA. Immigration clears first before Customs.

Mr. HORN. OK. So if they see somebody suspicious, do they let them go and think Customs better take a look at it?

Mr. VARRONE. Sir, if I may, what I believe is that through automation, our process of prescreening has gotten much greater over the last couple years. And in support of what Mr. Trotter just stated is that the variety of methods in which we are able to place

lookouts or develop intelligence, what we like to term actionable intelligence, we will act as to information on an individual or shipment, is increasing every year.

Mr. TROTTER. Chairman Horn, Mr. Liberta can explain to you how we work with Immigration, how we use a combined automated lookout system and how we use automation in that.

Mr. LIBERTA. Yes. A good deal of our targets, Congressman, are generated through an advance passenger information system. And we work very closely with Immigration and some other agencies in basically determining as well as we can which targets are the best targets. We do not want to hold up the honest passenger, obviously.

And we kind of measure our targeting efficiency and effectiveness by the results. If we find that we are getting better results in certain areas, we might increase our targets or our activities there. Whereas in other areas where we do not have the same results, we may go back and take a look at what our criteria was in developing the targets. So it's a very ongoing process. It's very dynamic. We do interact very closely very often with other agencies, including the INS.

Mr. HORN. We haven't talked about the land borders here, but I know there is a lot of cooperation there. In fact, over the years various people have suggested there be a merger on our borders of both Immigration, Border Patrol, Customs, so forth and so on.

Let me ask, what's the history of the special agent, and about when did that start? Did it used to be that the Customs officers just did all this? When did that separation of law enforcement begin?

Mr. TROTTER. Well, actually the special agents have been around as long as the Customs Service. They were called different things.

Mr. HORN. 1793?

Mr. TROTTER. Since 1789, yes, sir. In fact, I was reading in a recent history book where one of our corps directors in the Pacific Northwest ordered muskets and cannons to protect himself from the Indians. Headquarters said, "No, you can't have that. You don't need it." They were mad because he paid too much for his rent. And, sure enough, shortly thereafter he was killed by the Indians.

We are of course trying not to retrace some of those historic steps. But Customs agents have been around since the founding of the Customs Service. They were called different things. As you well know, during Prohibition we had our own border patrol. The U.S. Customs Service was really the border agency until the U.S. Immigration Service was brought into play, many, many years later than the U.S. Customs Service. So we have been around since the founding of the Republic.

Sometimes you don't hear about special agents is because they don't want people to hear about them. The work they do is not so public as the work that we do. Mr. Varrone, I think, could highlight some of the big cases that he has been involved with and it would surprise you. So that's sometimes the reason why we don't hear about the work they do.

But I would like just to say on our land borders as well as in our airports and in seaport activity, we work very closely with the Justice Department, not only with INS but with the U.S. Attorneys

part of the Justice Department as well as the Drug Enforcement Administration and the FBI.

They have been around a long time. We generally don't talk about them as much as we do other parts of our organization. Some of their heroism isn't so well publicized as ours, and we do that on purpose.

Mr. HORN. Mr. Rabkin, in the GAO, looking at allocations, are you looking at the land borders in relation to the sea borders?

Mr. RABKIN. We have looked at all of them, and looking for opportunities or places where the Customs Service seems to have a better handle on assessing the resource needs. And neither land borders nor the seaports are subject to the kind of systematic resource allocation and needs determination that we were looking for.

The closest we came was in their air passenger operations, where they have developed a quantitative model that they have been using for about 5 or 6 years. And it has its limitations, but it's closer to what we were looking for than any of the other ports.

Mr. HORN. I don't know about Detroit because I haven't been there in 30 years, so I will get there, but our land border in California is a major problem in terms of trucks under NAFTA. A lot of them can just sail through. They have been pre-cleared. And a lot of people have suspicions about what's going on in that situation.

And do we have sufficient personnel to deal with that situation, both on the intelligence side of Mexico and other parts of central and Latin America as well as, as you clear the border, so other people can also get through? And I don't know if you are taking a look at that, but you might want to do that since, one, it's a very squeezed border right now. They haven't built sufficient infrastructure to handle all this traffic, but they are in the process of doing it.

Mr. RABKIN. We did look at that, and that was one of the focuses of the work that he did for Senator Feinstein. The Customs Service technically could examine every truck that came across the border between Mexico and the United States.

Mr. HORN. In terms of human resources, you're saying?

Mr. RABKIN. They could do it, but the traffic would be backed up for days at a time. That's just not acceptable. Their challenge is to find the balance between how much inspection they can do and how much facilitation they have to do.

They recognize, and I think it's appropriate, that legitimate trade should be able to get across the border, any border, through any port relatively quickly. The challenge is to be able to separate the high-risk cargo or passenger from the low-risk cargo and passenger. From a performance measurement point of view, the challenge is to be able to get data on how well you're doing. And those are some challenges that the Customs Service is still trying to deal with.

Mr. HORN. Well, in the border situation where they are pre-cleared, some truck companies or drivers or so forth, do they then also occasionally do a search just so they are all awake?

Mr. RABKIN. Yes, sir. There are computer-generated targets that are established. And there are other times as trucks come through, trucks that would normally be pre-cleared and could move through relatively quickly, trucks that Customs thinks are low-risk entries,

get detained just because the inspectors decide to do a certain kind of inspection activity, what they call a block blitz, and they take all the trucks in the compound at that point in time, even those that can move through quickly, and ask them to stop. They will run dogs through. They will take other technology to look at what they have in the vehicle. And the data from this helps them re-target and adjust their random sample.

Mr. HORN. Of those who have been pre-cleared, how much have been caught later as violating the laws?

Mr. RABKIN. I can't answer that with any certainty. We did look at some of the pre-clearance or the low-risk cargo entry processes that the Customs Service had and recently reported on that, and there were instances where cargo that the Customs Service thought was low-risk was identified as having some contraband or some drugs.

Mr. HORN. Without objection, I want to leave a little space in the record here for an answer from Customs and the GAO on that question.

[The information referred to follows:]

We recently reported that, at the Laredo, Texas port of entry, a Customs official told us that the port had made two marijuana seizures from shipments that had been classified as low risk. (See *CUSTOMS SERVICE DRUG INTERVENTION: Internal Control Weaknesses and Other Concerns With Low-Risk Cargo Entry Programs*, GGD-98-175, p. 15.)

Mr. HORN. Let me move to some others.

In your April 1998 report, Mr. Rabkin, of the General Accounting Office, on the Customs Service process for allocating inspectional personnel, you noted that the Customs Service does not have a process to annually determine its need for inspectional personnel and you recommended that they establish that process. In fact, you note that such a process is essential to successfully implement the Government Performance and Results Act. And how did the Customs Service react to your principal conclusion in that report?

Mr. RABKIN. Their reaction was very favorable. They recognize that they needed to get a better handle on the resources that they needed to produce the kinds of results that their strategic plan had laid out for them, and that they didn't have the kind of processes at that time to be able to do that.

Mr. HORN. Mr. Trotter, could you enlighten us after that recommendation as to what Customs did?

Mr. TROTTER. Yes, sir. Based upon your request that we look at this, our hearings out in Los Angeles, Long Beach, and the GAO report, we went out and actually contracted to start the allocation model review.

When Commissioner Kelly came on board, he had looked at what we had done and thought that it did not go far enough. He felt that we needed a much more conclusive look at just what Mr. Rabkin had mentioned, the broad base of staffing in the U.S. Customs Service, not only current staffing but future staffing.

And what he did then was he asked us to pull that contract back, which we did. This all just happened within the last 2 weeks he's been on board. And, as I stated earlier in my testimony, he asked to reestablish the contract. And that's what we are doing now.

We wholeheartedly agree with the GAO recommendation that we obtain a staffing model. We concurred with their findings, and we said it was absolutely something that we needed to do.

Mr. HORN. Very good. Mr. Rabkin, in that report you are releasing today, you note that the General Accounting Office was unable to perform the analysis requested by myself and by Mr. Crane of Illinois, the second ranking person on Ways and Means and chairman of the Subcommittee on Trade. Primarily, was this simply due to the discrepancies in the workload data? And how wide are these discrepancies, in your judgment? And what is the problem basically?

Mr. RABKIN. The problems we had were not solely based on the data. In fact, I would say that's probably a small part of it. You had asked two questions. The first one is to look at what—at various ports, what level of resources they needed, and compare that to what they actually had, to see where the difference was and what were some of the implications of that difference. But we couldn't figure out what they needed. Neither could the Customs Service, without this kind of a model. It was more seat-of-the-pants, if you will.

The second question was more focused on the relationships between the ports that, if you had two major airports that were handling similar numbers of incoming air passengers, shouldn't they have similar numbers of inspectors? And that's where we ran into some of the data problems as to what was the workload of air passengers or cargo coming into a port.

The discrepancies we found, as I mentioned, could be resolved with enough digging, and we just didn't have enough time to do all that digging. But the Customs Service really wasn't focusing on the quality of the data, either, at that point. They had agreed that they needed to improve the data.

But the real issue is looking at more than just workload and staffing and looking at some of the other factors, and we have talked about them this morning. A major factor is the threat. The threat at each port is a little different and changes from time to time as the smugglers, both of drugs and other contraband, try to exploit the weaknesses in the system. That's what they are all about. The Customs Service, as any law enforcement agency, always seems to be in a reactive mode, trying to react to the changes in the tactics of the offenders.

Another issue that they have to consider is the physical layout. This was explained this morning with JFK. Incoming passengers and cargo are dispersed throughout the airport and require a lot of resources to be able to provide a given level of service, whether that service is directed toward facilitating them through Customs or providing examinations to see if they are bringing in drugs or other contraband. At other places like LAX where it's a little more centralized, the same workload might require fewer inspectors just because of the way it's laid out.

All those factors have to be considered. The weight that's given to each and the kind of data that is generated on threat or potential increases in workload, that's the difficult part of figuring out how and where those data should come from and how to manipu-

late them. I think that's what the contract is going to help the Customs Service do.

Mr. HORN. Well, how do we look from 1 year to the other as to what the threat was estimated to be, which seems to be the trigger in the strategic factor, and how that allocation is made versus what it actually was and including how much of it did you stop?

Mr. RABKIN. Well, there are a couple of aspects to that. One is that threat is generally relative, that it's higher at one port than another. I'm not sure you could quantify what the threat is.

One of the challenges to the Customs Service is trying to quantify the amount of drugs that actually does come through the port. They know how much they seize. In the past, a lot of their threat assessments have been based on what they have seized. That is an indication of what they get; it's not an indication of what they miss. That is the real difficult question for them to try to answer.

I think they are trying to incorporate some of the intelligence that they get about what kind of patterns the smugglers are using. Intelligence that comes from other agencies in the government. Intelligence from the source countries and transit zones, as to where and how the drugs are being smuggled into the United States, what are the ports, and what are some of the methods that are being used. And then to combine all of that to assess the relative threat at any given port and how that relates to other ports. And then to try to figure out what kind of resources they need to assign to be able to deal with that threat.

And as I said, it changes and it changes quickly. Mr. Trotter pointed out that sometimes the budget estimates and funding estimates are developed 2, 3 years ahead of time and that the process, to a certain extent, limits their flexibility. So they can't rely solely on what a model tells them. They have to have some flexibility to move their resources around. That's another issue.

Mr. HORN. I believe that air passenger model points out that JFK would get an additional 88 officers for fiscal year 1999, while LAX is overstaffed by 8 officers. Now, how do you explain that differential? Here you have got most of the Asian drugs coming into LAX, probably most of the Latin American drugs coming into both places. Well, I will get to that in a minute. At that point, what is your feeling on this, how we deal with this?

Mr. TROTTER. I would like just to make two points. Mr. Rabkin is absolutely right. We look at threat, but we also look at results, and the New York area actually outproduces by quite a ways the L.A. area in enforcement results. That is another way we measure threats, by results. It's very difficult to do.

Mr. HORN. But you're saying they get what? Of the total seizures, New York would get, what, 50 percent?

Mr. TROTTER. No, not quite. Fiscal 1997 data shows 14 percent of all Customs narcotics seizures was in the New York/New Jersey area. For currency seizures, it was 28 percent. And then we count a little difference in dollars of actual revenue, but they outproduced Los Angeles considerably in currency and narcotics.

Mr. HORN. Currency and narcotics?

Mr. TROTTER. Yes, sir.

Mr. HORN. Or currency from narcotics?

Mr. TROTTER. Currency seizures, outbound currency seizures, and narcotics.

Mr. HORN. Is that mostly the Secret Service on the currency?

Mr. TROTTER. No, they are our seizures. We seize about \$225 million a year in outbound currency seizures. John, you may know those numbers from Operation Casablanca, but how much did they get in that currency operation, as well?

Mr. VARRONE. Just in the New York Operation Casablanca, we seized \$14.5 million in bulk currency. We had 52 arrests and seized 1,000 pounds of cocaine. That was just in support of another city's operation. So a large percentage of their workload was centered here.

Mr. TROTTER. New York is kind of the mecca for many things, not only in business but crime. One of the reasons that we have difficulty in counting what we do is for that reason. The work is not always done where it would appear. Even in New York, in this area itself, the work doesn't always appear to reflect where it's done, because they have special provisions in this area that permit the trade community to present documentations for New Jersey actually at JFK. And that makes it a little more difficult to get those counts down.

Mr. Liberta is actually working on a system that is going to make that much better, so that he can get his hands around that. But it's not always as easy as it appears.

But to go back to your question, why didn't we put 88 new inspectors in New York, and why didn't we take 20 out of JFK, had a great deal of conversation with Mr. Liberta. He felt that he didn't need 88 new inspectors. He felt that he was answering JFK's concerns about air passengers. His seizures were certainly up there with the best in the Nation. And he felt, actually, that there was a better way to do the work.

So despite the model, as good as it is, we just don't factor in passenger counts, we factor in threats, and then we factor in results. And that would give you some of that differentiation.

Mr. HORN. Well, let me give you one to add a few more positions on the East Coast. Two years ago, three of us as Members borrowed the Coast Guard Commandant's plane and went down and talked to some of our people in Panama, in Key West and so forth. And it was clear to us, without any rocket science needed, that when you looked at where drug planes went in Latin America, besides going up the West Coast, a lot of them weren't being intercepted, not being followed by the Navy or anything else. They just didn't dedicate any platforms there.

We personally asked the Secretary of Defense to do that. And they have got these ships roaming around the world, and they can be put to some useful work around our own coast, as far as I'm concerned.

But on the East Coast, no question that we have an absolute flood of narcotics coming into Puerto Rico. I mean, when you look at where those drug planes were going that we were following by radar and everything else, where the services did help on the East Coast, you just had one solid bunch of ink when you mark up the flights.

Now, it's part of the United States as a Commonwealth. I think it ought to be independent, and that's our problem. So you get it to Puerto Rico. You dump it right in the ocean. You dump it on the land. They pick it up. They get on our planes, and they come to JFK, and we don't check them. So why shouldn't we? And what do we have to do to change the law? Simply change the law?

Mr. TROTTER. Well, you have made two good points there, Congressman Horn. We realize the transit zone in the Caribbean, as Mr. Rabkin said, is a very serious concern for us. We realize, as he pointed out, that the bad guys, the smugglers, take advantage of any route. They go the path of least resistance. And we know that Puerto Rico and other islands in the Caribbean are representing extremely high threats for us.

What the Customs Service is doing as a whole is trying to work with other agencies. The Attorney General herself is very actively involved in this. We have also had conversations with the Attorney General from Puerto Rico and his immediate staff on these same issues.

The air threat certainly is a concern for us, and we could use more assets in air as well as marine. But it does go back to the law, because when those shipments enter the Commonwealth of Puerto Rico, for all intents and purposes they have entered the Customs territory of the United States of America. And it's very difficult for us then to search those containers or any cargo or aircraft that come out of Puerto Rico because they are basically in the domestic trade.

The laws for domestic search, the reasons that law enforcement officers need search warrants, all those sorts of things, are because they are not at the border. The land border or any border of the United States—gives us much more search, seizure and arrest authority than our cohorts have in local law enforcement.

So what we can recommend, Congressman Horn, if you would be willing to at least look at potential legislation, we have some proposals on that very thing.

Mr. HORN. Good. I would like to see them. I just made a note to get your general counsel to send me some language.

Mr. TROTTER. Yes, sir. We would be glad to do that.

Mr. HORN. We briefed General McCaffrey when we came back. He certainly recognizes that we just need to do something about that. They don't need all of the political nonsense that is going on. But it's an outrage to have those things come into this country and kill young people, and that's what it boils down to. And Commonwealth or no Commonwealth, they keep all the money they raise anyhow in taxes. We should treat them just like a foreign nation, because that's in essence what the drug dealers are doing. They know you are not going to touch them.

So good. Maybe we can make some progress on that.

Mr. VARRONE. Sir, as you are aware, we launched an Operation Gateway down in the Caribbean and specifically Puerto Rico, and we had tremendous success with our interdiction activities in that area.

Mr. HORN. Now, all these other people from other islands, we can deal with that, can't we?

Mr. VARRONE. Yes.

Mr. HORN. I mean if they fly from that island, we can't. But if they go into Puerto Rico, I don't know if we can or not, and then come on a plane that doesn't clear Customs, it lands domestically.

Mr. VARRONE. Correct, sir. The DEA does some things domestically. We do some things in a domestic environment where we use our canines to develop probable cause to search, but certainly not the scrutiny that we would all like.

Mr. HORN. Very good. Now, let's get down to overtime again, in the air passenger situation in particular. Is there more overtime at JFK than LAX, or what is it in terms of the overtime?

Mr. TROTTER. I don't have those figures right at hand, but the overtime—

Mr. HORN. Can we get them in the record?

Mr. TROTTER. We can get them to you, sir.

[The information referred to follows:]

As of October 20, 1998, Customs automated overtime tracking system showed FY 1998 expenditures of approximately \$10.5 million for overtime at JFK Airport and approximately \$6.5 million at LAX Airport.

Mr. TROTTER. The overtime is kind of a flexible arena. We try to move it—we don't only use it for passenger processing, we use it for enforcing laws.

We just came out of a very, very successful 6-month Operation Brass Ring where we increased drug seizures across all of our categories, currency, heroin, cocaine, and marijuana, across the country by 20 percent in all those categories. We are quite proud of that. During that time period we used a lot of overtime money, not just for processing passengers or cargo but for the enforcement mission of the U.S. Customs Service.

Quite literally, inspectors at JFK or LAX, since those are airport arenas, are paid in a little different format than people who work at seaports and than people who work at land borders. Although they come under the same provisos of the Overtime Pay Act, they are paid a little differently because of shift premiums, what we call callbacks, commutes. It's quite a complicated formula.

Quite honestly, the U.S. Customs Service spends about \$160 million a year in overtime for customs inspectors. Out of that, pure overtime earnings run about \$102 million to \$104 million. The rest of that money is paid in shift premiums. Inspectors who work midnight to 8 a.m. get a different shift premium than people who work the daylight hours. There is also foreign language pay. We do pay our officers who use foreign languages and are proficient at it a special pay rate of 5 percent additional. And there's also pay for other issues that we address.

So it's \$160 million in expenditures for the U.S. Customs Service. All that is collected on a user fee basis. None of that comes from the general revenue of the United States. It's a cost that goes back to the users of our services, for example, to the air carriers, to the passengers, and to the sea carriers in some instances. So it is a big part of how we do business.

Basically, when you talk about staffing, we are probably staffed to do work 5 days a week. We then increase it to 7 by overtime. It is a big part of the work that we do and a big part of our budget.

Mr. HORN. The language proficiency you talk about, it seems to me that ought to be just base pay appropriated by the Congress.

Are you telling me that the 5 percent for language comes out of the user fee?

Mr. TROTTER. That's correct. The user fee is quite broad-based in what we can pay out of it. And legal determinations have stated that we are able to pay the shift premiums and the night differentials as well as the foreign language pay. I will tell you, Congressman, that many of your fellow people on the Hill, your congressional folks up on the Hill—

Mr. HORN. My colleagues.

Mr. TROTTER. Your colleagues, I'm sorry. I was searching for the word there. Many of your colleagues up on the Hill are looking at our overtime expenditures as we speak. Congressman Crane and others have proposed legislation for consideration about overtime. It's always been a big issue with the U.S. Customs Service, how we spend it.

We are looking closely—I have initiated a group that is looking at overtime expenditures. To give you some example of where overtime fits in my budget, my budget is a little over \$800 million a year for 12,000 people; \$160 million of that goes to overtime.

Mr. HORN. And the \$160 million is within the \$800 million?

Mr. TROTTER. Yes, sir. Correct. And there are, Congressmen, your colleagues up on the Hill that are looking at this at the very same time. I go up and meet with Ways and Means recurringly.

Mr. HORN. Well, personally I'm not against overtime. The question is, is it legitimate overtime? And it just seems to me on the language bit, that shouldn't be considered part of overtime. We should just be doing it. And the more the merrier for the people who speak for foreign languages.

Mr. TROTTER. As you well know, Congressman, the budgets of all agencies tend to be very constricted these days. Ours is no exception. We work with the administration to put forward a good budget to Congress, and we are generally well treated in that respect. We would always like more, as everybody would. But we feel that we are living well within our budget.

We look very closely at overtime. As I say, I have instituted just now a review of overtime, it's called port certification, to ensure that indeed we are expending the moneys for staffing and for the workload and we are getting results.

Mr. HORN. On your collections of fees, do we have a debt situation in Customs where some people just don't pay up, and, yet they keep wanting the services? What's that amount to?

Mr. TROTTER. I don't have the exact dollar amount, but we do have that. However, we have just taken a very, very aggressive stance with user fees, for the most part with air carriers, and in fact recovered quite a bit of revenue for the U.S. Government just very recently.

The fees are paid from air passengers, and in some instances sea passengers. Because we have not set up a huge auditing apparatus, they are based on the fact that the air carriers or the sea carriers tell us how many passengers they have had over a quarter. They then submit the payment to the U.S. Customs Service.

What we have done is we have gone into agreement with the other agencies who collect user fees, the Department of Agriculture and the Department of Immigration. Customs Service, Immigration

and Agriculture have entered into an agreement with Agriculture will go out and audit these payers of user fees, and that's really starting to pay off. Just over the past few days I have been told that there is a good deal of revenue coming into our user fee accounts because of this auditing.

Mr. HORN. Congresswoman Maloney and I have authored this debt collection bill a few years ago, and we are very maternalistic and protective of that law and wonder why it isn't used in some agencies. And what started me off on it was the IRS claiming they had \$100 billion in debt they couldn't collect, and another pot of \$64 billion that they could but they weren't organized to do it. We now have a Commissioner in IRS who is going to get a lot of these things done. But I just wondered what we are doing in Customs. And if we could place in the record, without objection, as to what the situation is, I would appreciate it.

[The information referred to follows:]

Customs currently collects in excess of 99 percent of the roughly \$22 billion in revenue due the Federal Government on imports in the form of duties, taxes and fees. For the user fee portion of this revenue, in FY 1998 Customs collected fees totalling \$273.4 million for airline passengers, \$9.3 million for vessel passengers, and \$8.6 million for railroad cars.

Customs continues to pursue audit and collection actions to improve the payment compliance of user fee payors, and better manage debt collection activities. Customs is working with the Immigration and Naturalization Service and Agriculture's Animal, Plant, and Health Inspection Services (APHIS) to streamline and more effectively manage the user fee process involving all three of the agencies.

For example, 15 audits have been scheduled by Customs for completion by March 31, 1999. An interagency agreement was implemented in April 1998 between Customs and APHIS to perform the audits. As of October 28, 1998, six audits have been completed resulting in audit findings of passenger user fee underpayments by airlines in the amount of \$1.9 million, with \$1.8 million collected. Customs Salaries and Expenses Appropriation (S&E) costs incurred for the six audits totaled \$36,994.

Nine more audits remain under the existing interagency agreement with APHIS, and are scheduled for completion by April 1999. FY 1998 S&E funds committed in total for the 15 audits currently scheduled, are \$113,820. Also, it should be noted that emphasis on audits is being expanded to include joint audits by APHIS and INS for all three agencies. The success of the coordinated audit effort between Customs and APHIS is evident in the results thus far (an approximately 4,800% return on investment) for the first six audits completed.

Expansion into joint audits for all three agencies, continuation of APHIS and Customs audits and the ability to perform more frequent audits using the combined resources of all three agencies, are expected to raise revenue collection compliance overall while using a proven more cost effective audit approach.

Mr. TROTTER. Yes, sir. Because as you well know, we collect \$22 billion that aren't user fees.

Mr. HORN. As we all well know, you paid all the bills of the United States for about two-thirds of its life.

Mr. TROTTER. We take a great deal of pride in that.

Mr. HORN. Except for the Civil War. The income tax started because you Customs weren't coming in enough.

Mr. TROTTER. There was a blockade on. That slowed us up.

Mr. HORN. That's right. It was the British.

OK. Let me move into a few of the other things on the Customs side. There is no problem, is there, in moving inspectional personnel from Customs from one port to another as the need is, or is there a problem in terms of home adjustment and all the rest? How much of that occurs?

Mr. TROTTER. The movement of people, once they become Customs inspectors, is pretty much left to them. For myself, as an example, I started as a Customs inspector in 1971. I worked in Chicago. I moved to St. Louis. I moved to Washington. I moved to Los Angeles. I moved to Houston. I moved back to Washington. All of those moves have been voluntary.

And if I were just a GS-5 inspector, or a GS-7 or GS-9 inspector, I would then have an opportunity through our negotiated contract with the National Treasury Employees Union to say, "Hey, I would like to go . . ."—say I am in Houston and I want to go to Buffalo. I would say, "I would like to go to Buffalo." I can request to go to Buffalo through the original system. I can work a swapout with other folks, or I can use some other means to go to Buffalo or wherever I want to go.

But we do not have a policy, a mandatory policy to move people once they do become Customs inspectors. They are not hired under that respect, and we do not have that policy, nor do we generally exercise that policy.

We would have, and there is a proposal now in Congress to give us authority to move Customs inspectors at a manager's discretion. Most of that is to address integrity concerns. There is a concern by some folks that if you leave people in one location too long, they become more susceptible to bribery or integrity concerns. We have looked at that fairly closely and we have not seen a real pattern there, but that is a feeling that many people have and a very strong feeling.

We in the Customs Service, if we were to say that I wanted to move out 10 positions from port A to port B, generally how I would do that would be to move vacant positions. I would wait until those positions become vacant and I would move them.

If the needs of the service were so great that I could not wait for the vacancies to occur, there is a mechanism to do that. It would be negotiated with the National Treasury Employees Union, and it would basically be done through a series of volunteers, volunteerism, and then by seniority.

We have normally not exercised that kind of operational or administrative method. The reason that we don't is not only the people involved who sign on to work in Chicago, not San Diego, but, second, there is a great deal of impact in the local communities.

As you just heard, regarding New York or New Jersey, I don't think they said, "Take inspectors from us and send them other places." I think they said, "We are going to have dynamic growth, and we need to ensure that we can cover what we have." So, traditionally, that's what we run into. Even moving just a few people, we run into your colleagues and they ask, what about this, what about that?

So it's kind of a real world that we have to work in. And we are confined, sir, from just moving bodies as we would choose, if I go in one day and need 100 more bodies here. We do it through other methods.

Mr. HORN. After 5 years as an inspector in the Customs Service, what would be the average rank, GS rank?

Mr. TROTTER. Probably the average right now is GS-9.

Mr. HORN. Overall, the average?

Mr. TROTTER. Excuse me, in the whole Customs Service?

Mr. HORN. I said after 5 years of service, what would they be basically?

Mr. TROTTER. Most of them would start as a GS-5, they would go to a GS-7, and then they would be a GS-9. We do have senior inspector GS-11 positions. In some locales more people are GS-11's than GS-9's, but on a national average it's 50/50.

Mr. HORN. Now, we do have differential pay, I assume, for New York, Los Angeles, and the high cost-of-living places.

Mr. TROTTER. Yes, sir.

Mr. HORN. It's very difficult to buy a house, for people who are somewhere between GS-5's and GS-9's, unless everybody in the family is working.

Mr. TROTTER. Yes, sir.

Mr. HORN. What kind of problems do you have on maintaining personnel?

Mr. TROTTER. Actually, people who come to work for the Customs Service, for the most part, once they come in, they stay for 30 years or more. We have a very low turnover rate of people who come in and want to do other things. We have people who will go to other ports of entry—for example, most of our jobs are on the southern tier. And they may go and take a job on the southern tier, but really, their intentions are to return back to the Midwest or wherever they come from.

But for the most part, people like myself who start with Customs, and most other people in this room, stay with Customs. It's a great place to work.

We are having difficulty now with the same issues that you bring up. We have a person in this room, Kathy Haage, who is our port director from Newark, has explained to me the concerns that she has bringing people on at a GS-5 salary. Quite often people have to live in their cars if they don't have families to support them. We have issues like that. There is no doubt about it, Federal pay in high cost-of-living areas just doesn't quite make it for many people.

But we are looking and we have started a new program for hiring people in the U.S. Customs Service. It's called a quality hiring initiative. We will be coming out the 17th of this month with a broadcast. We are looking at interviewing and testing 20,000 new people for filling 1,000 new jobs next year.

Mr. Kelly has sponsored this from Treasury, as well as in his new position as Commissioner, to find the finest people for the U.S. Customs Service. To attract those people, we offer what we consider very good employment. We offer excitement. We offer things that other agencies might not necessarily offer. But it is always a problem recruiting and retaining good people. There is no doubt about it. Each time Congress can help us with a little bit of a pay raise—and the overtime is certainly an incentive for Customs officers.

Now we have a whole group of people, I don't want you to think, Congressman, that all of our people earn \$30,000 in overtime. That's the maximum they can earn. They work for that. They work very hard. They give up their Christmases, their holidays, their weekends. They do a lot of what they call 16-hour tours of duty. They work 16 straight hours. That money is hard to come by.

We have other people who work in the organization, our import specialists, and our administrative people, who don't obtain that kind of income. They work just for straight government salary. So it is hard for us. It is difficult. But I think, overall, we get very good quality people and we retain them for a long time.

Mr. HORN. What's the movement between air passenger inspection and seaport cargo operations?

Mr. TROTTER. It's limited. What the Congress has done, because of initiatives that have been pushed over the last decade or so, we have a floor and ceiling on cargo—excuse me, on air passenger processing. In other words, the Congress has written into the law of how we collect fees and how we then expend them for people, that we need to keep a certain floor or ceiling.

Just to use a hypothetical airport, let's say that the floor is 40 inspectors, and these inspectors are paid by user fees. Now, there may actually be more than 40 inspectors assigned to the airport, because we need inspectors to do other things than process air passengers. There may be 60 inspectors assigned. Out of those 60, and our room for maneuvering is only within the 20. If we were to buck up cargo sea operations, we have to take them out of the regular S&E accounts, and that's what really keeps our hands from being flexible.

Mr. Rabkin talked about 3 years in advance for building a budget. User fees are good, but also tie your hands in another respect. You do not have the flexibility to move those positions where you would necessarily want to use them. So quite often, even if the inspectors would want to leave the passenger processing area and go work in the sea passenger area or if we would want them to do that, we are prohibited by our user fee statutes from having that happen.

Mr. HORN. I am curious about the security in Customs areas of the Ports of New York and Los Angeles and Long Beach, as well as Newark. I have heard over the years that we have had quite a bit of criminal activity in the port authority area where people just walk out with truckloads of merchandise or containers or whatever.

To what degree is that still a problem, Mr. Seliga, and how do you deal with it? And I am told L.A. and Long Beach also have some of that, they are just in a state of denial at this point and

won't quite admit it. But I understand that, too. So go ahead and tell me the story here.

Mr. SELIGA. Over the past many years, we have our own police force, as you may be aware, which also has a detective component which works very closely with Customs and the other agencies and interagency task force. And over the past several years we have had some sting operations that have mainly been off the airport but included people on the airport. The crime has gone down substantially over the last 5 years on the airport. And, in fact, there's less than 1 percent of the total volume that passes through Kennedy Airport.

Mr. HORN. I want to make sure I understand that. One approximates to what?

Mr. SELIGA. Less than 1 percent of the total value of cargo that is shipped through the airport. In Kennedy's particular case, we get blamed for cargo that is off the airport. There are associated operations off-airport and in cargo that are very close to the airport physically but in fact are outside of the airport proper.

Mr. HORN. These are major facilities that some passenger line, or what?

Mr. SELIGA. It's mainly cargo.

Mr. HORN. Cargo.

Mr. SELIGA. Right. Station operators and what have you.

Mr. HORN. So, I mean, to what degree is—is that within the jurisdiction of the New York police?

Mr. SELIGA. Yes, it is.

Mr. HORN. And have they been helpful in dealing with that?

Mr. SELIGA. They have. But more so, I believe, the Customs Service has been more of a help to us in the interagency task force that we have had with other agencies.

Mr. HORN. Now, your own port authority police, what is their jurisdiction under State law?

Mr. SELIGA. We are a bi-state agency, so they have jurisdiction in both States. They have police powers in both States.

Mr. HORN. But for things being stolen outside of the actual jurisdiction of the port authority, do they have, say—well, I am thinking of our own university police. For the State university, you have jurisdiction within a mile of the campus, and obviously the county sheriff has jurisdiction everywhere. But what is your situation here? Can your port authority police help nab some of the people that are going to these out-of-your-zone, that type thing?

Mr. SELIGA. Yes, they do. They basically have police powers in both States equivalent to what the State police would be in those two States.

Mr. HORN. OK. Is the jurisdiction, then, set with a certain mileage or what, or can they arrest you in upstate New York?

Mr. SELIGA. Technically they could, but they really don't. You know, we do have people that do participate in the interagency task force, and that really goes internationally as well. But they are specially trained and usually out of our detective squad. But we do on the airport have a 24-point program that we have implemented about 5 years ago basically for the tenants on the airport, that teaches them on how to maintain the facilities and how to guard against crime and to identify it and report it.

Mr. HORN. Mr. Varrone, how do you see the picture?

Mr. VARRONE. I echo Mr. Seliga's comments, but I would also like to add to the task forces in this area, we participate—the port authority participates with us on our internal conspiracy operations. In Mr. Trotter's testimony he sites internal conspiracies.

Over the last 5 years we had a growth in the criminal element that's either employed or somehow gains access to our ports of entry, and we had a conference here in 1994 to address it. It is a growing problem. Violators take advantage of the size, the complexity, and the volume of work, and they attempt to penetrate our security within the ports of entry.

Just a couple of weeks ago we had two kilos of heroin that was taken off an aircraft, that was being attempted to be removed from an aircraft by an airline employee. We have numerous examples of that around the country.

Mr. HORN. Where had they hidden it, under the plane, sort of control panel there?

Mr. VARRONE. In this particular case it was in the back of the airplane over the bathroom, in the roof. The concealment method was in the bathroom. But we—there's a tendency of increase. There is clearly an increase in activity.

Mr. HORN. Would a dog sniffer be able to discover that?

Mr. VARRONE. We have some success with the canines.

Mr. HORN. Runs through the cabin?

Mr. VARRONE. Yes, sir.

Mr. HORN. I must say the first time I ever saw one is when I landed at Kennedy coming back from Europe, and that little dog was earning its pay and ought to get overtime. I think they were really coming through.

Mr. VARRONE. Canines are excellent, excellent on that. We have—through source development, even the carriers themselves, through the programs that we have, which the Office of Field Operations has with the various carriers, the carriers themselves are becoming more vigilant. Their security forces, we are training them as to preventive measures. And we are keeping a much higher level of success.

Mr. LIBERTA. Congressman, I just wanted to add, at Kennedy Airport we also have, I believe it's two or possibly three licensed mechanics, aircraft mechanics, who are very effective in determining if there might be something in the aircraft itself. With the safety concerns that the airlines and the FAA and so on have, we need to have them know what they are doing, obviously.

We also have a hologram program which sometimes will separate some of the mechanics before they're hired by the airlines, and this has been quite effective also. But we are somewhat limited in some ways. We do not have access to what the FBI investigations are doing to try to separate some of these people.

Mr. HORN. Do you have a fairly good background check of the people that have passes to move around within the port authority, be they mechanics or airline personnel?

Mr. SELIGA. All of the air side people that have access to the aeronautical area have to specifically adhere to an FAA regulation on clearance. That is—we do that.

Mr. HORN. So you run an FBI file check?

Mr. SELIGA. There is a background check.

Mr. HORN. Does it include an FBI file check?

Mr. SELIGA. The FBI does not have the capability at this point in time to process them all through.

Mr. HORN. They do it for the Federal Civil Service, don't they?

Mr. SELIGA. They do.

Mr. TROTTER. The FBI, for the most part, has a prohibition against using their files for jobs. And that's where it really gets more difficult. In other words, you—

Mr. HORN. This really does shock me. I have got my bones to pick with them on a number of things, but this is a new one. They are there to serve the country. And I just can't believe that where drugs are coming in and all the rest of it, that we wouldn't get a file check.

Mr. TROTTER. Well, Congressman, there are Privacy Act rights, and there is the Freedom of Information Act. I am not a lawyer.

Mr. HORN. And there is a committee that has jurisdiction on that.

Mr. TROTTER. Right. It may be a question better posed to them. It is a legitimate concern to them that we take in—because these airports, literally there are 40,000 or 50,000 people that work at these airports, Chicago, L.A., Miami, JFK, probably more, or in the airport authority—it would be difficult to take that many names in. And many of these people only work a couple of weeks. They are not long-term employees of the airport. They are contract employees. They come in and they only work a few weeks. To take and put that kind of workload on the FBI, it's a huge workload. You have to multiply it times 10 or 20 or 30, whatever they do here.

Not only that, but in the seaport environment, I like what Mr. Varrone said: we work with these carriers. They come forward. We have programs out there called Carrier Initiatives, or Supercarrier Initiatives. We work with importers. We try to do as much as we can. But that would be a question better asked of the FBI, and I think when you hear their answers, they are legitimate.

Mr. HORN. Yes, they gave us that stuff, too, on the average citizen applying to see their file and said, "Sorry, we only do it every 4 years, you know." That was the attitude. And that included Members of Congress. And I said, "Oh, really? Well, we are going to have a little hearing on this. Now, is this case going to be considered, or isn't it?" We got the case considered.

But that's a crazy thing. American people ought to have a right to see their file. And it's just a matter of getting the resources there, and Congress would back that because that's a legitimate function, for people to have a right to know what kind of idiocy is on file in some cases. Anyhow, we will try to deal with that.

Now there is a National Crime Information Center. Does any of this paper, who's working within a port authority, get processed by them or what?

Mr. SELIGA. My understanding, Congressman, it doesn't go there. The FAA does have a 10-year background check that we do go through. If there are any gaps in employment, that person would not be issued an ID to go into the aeronautical area. They have to substantiate the past 10 years of activity, of where they have worked. That includes people who could be retired such as, say, a

port authority police officer. If he should be out in the field working part time, even though he might have had an ID previously, that gap would have to be substantiated month-by-month or week-by-week, as the case may be, in order to reissue an ID if he worked for a security firm.

Mr. HORN. Now, isn't technically the port authority a creature of the State of New York?

Mr. SELIGA. It's a bi-state agency, sir, New York and New Jersey.

Mr. HORN. Well, but a creature of both States. I don't know, is Connecticut in there at all?

Mr. SELIGA. Not yet, sir.

Mr. HORN. I assume you have something in mind. But the State agencies also could, it seems to me, run a file check in New Jersey and New York on personnel. Is that impossible in this State or what?

Mr. SELIGA. I am not quite sure of the rights under that myself. That's something we could find out for you.

Mr. HORN. The rights are, if you want a job at the port authority, you are going to go through a narrow check. If they don't want to do that, don't ask for a job at the port authority. But you know I have read about the criminal activity there for, I don't know, 20 years, I guess, and where it looked like they were just driving containers right through the gate with a nod. And you are saying we sort of stopped that?

Mr. SELIGA. Absolutely. We have the crime statistics that can substantiate that, as well.

Mr. HORN. Now, I am told that in the past the Customs Service has had difficulty with controls over seized cargo. And Mr. Trotter, or whoever on your staff, would you describe these problems and tell us whether or not this has been resolved?

Mr. TROTTER. If I could clarify the question, you mean merchandise that we seize and then we lose control of it?

Mr. HORN. Yes. That's generally the—you have got controls over the seized cargo. You have seized it. And then maybe nobody is going to claim it if they think you have already got it, although the bill of lading probably tells who should have received it. And I was just curious on how much seized cargo do we have? Where do we put it? And what do we do with it? Do you offer it for sale when nobody claims it?

Mr. TROTTER. We have procedures not only for seized cargo but for general order merchandise, merchandise that's imported into the United States and it's not claimed. Seized cargo is usually treated in a much different format, because there may be criminal or civil penalties associated with that. But general cargo is treated in a different way. We have a contractor. Mr. Liberta might be able to explain how that operates locally. New York is the biggest area for this kind of cargo, and I was just briefed on this 2 days ago.

Mr. LIBERTA. Yes, as far as seized cargo is concerned, we consider narcotics in a similar way although the security for it is probably better. We have a storage facility right in our building at the Trade Center. We only have one facility in New York for that reason. We contemplated having three of them, but we felt that we could keep better controls by keeping it there.

And the contractor, some of the vanned merchandise and other types of merchandise is handled through a contractor. There's a process by which certain entities are responsible for it, and it's moved until it goes through a process of notification to any parties of interest that it's there and eventually for sale.

But as far as the narcotics and currency and other seizures that may wind up in court, I must tell you a few years ago we were hit over the head fairly well by the IG and the GAO. I believe that we have fairly good controls these days. We implemented internal control processes that—where we constantly look at ourselves to see how we are doing. I have three financial advisors who work in New York, and they do the test themselves. We want to know before the IG comes in to test how we are handling the seizures and whether we need to make some improvements.

But I must say that's a recent procedure. I would say in the last 3 for 4 years we have gotten a lot better at it.

Mr. HORN. How about if they haven't paid their fees they need to pay Customs? What do we call that? Do we seize that cargo? And do we release it when the fees are paid? And do we take a check or make sure the check is paid or this kind? On just your basic fees that come in to the United States, how much is that a problem?

Mr. LIBERTA. I'm not sure if you're talking about duties or fees or storage charges. There may be some liens on merchandise.

Mr. HORN. I'm talking about anything that relates to money that is owed to the Federal Government. I don't care what you call it, a duty.

Mr. LIBERTA. If they owe duties, there is generally a surety that backs up the importations. So if an importer of record does not pay us, we will go to a surety company.

If it has to do with a storage charge or something of that nature, the merchandise is eventually sold. There is a process which we go through, paying out that money that comes out of that. The contractor handles that. We do not handle that ourselves.

Mr. HORN. Well, yes, I am just interested in where the little dollars are lost around America in various agencies, and that's why I was curious. If they haven't paid the bill, are we keeping the goods? And at what point do we just release it for auction or however you do it? I don't know how that system works.

Mr. LIBERTA. If they have an importation and they don't claim the merchandise, it becomes abandoned. Eventually it finds its way into a general order warehouse. It stays there for a period of time, and there will be some notifications to the importer of record. That information is available. If there's no response to it, then the merchandise will generally get sold.

If it has to do with a strict nonpayment, and we know who the individual is and we have a record of it, like I said, there is a surety that is backing up the importation. So if the importer of record doesn't pay, then the surety will pay.

Mr. HORN. How do we go about picking who auctions this?

Mr. LIBERTA. It's a contract. EG&G I believe is the name of the contractor. It's a national contract, not just here.

Mr. TROTTER. We could get you a briefing on that, sir, because it is a big business and it's done throughout the United States, by

one single contractor. And they auction off literally millions of dollars worth of merchandise to return to the Government of the United States.

Mr. HORN. And that goes back into the general funds?

Mr. TROTTER. It does. It's in—maybe the GAO has looked at this. But actually two things happen with the revenue. The government's fees are always paid first. Uncle Sam gets their money first, as always. And then it pays liens, it pays storage charges, it pays things like that. But, yes, the U.S. Government always wants to get first cut at that money.

Mr. HORN. If you can put a little statement in the record at this point, I would appreciate it, so everybody understands how it works. I know you have been praised for that, and you might even put that in the record. We are not against praise for the Federal agencies.

Mr. TROTTER. We appreciate that.

[The information referred to follows:]

The Customs Service uses a private contractor to dispose of both General Order (G.O.) property and seized property.

Merchandise shall be considered general order merchandise when it is taken into the custody of the port director and deposited in the public stores or a general order warehouse at the risk and expense of the consignee. (CFR 127.4)

After six months, merchandise which has not been properly entered will be made available for auction. After such goods are auctioned, Customs uses the sales proceeds to cover the costs of the contractor and the agency, and any duties, taxes, and fees owed the government. The remainder of the proceeds reimburse expenses incurred by general order warehouse proprietors. Any funds remaining after these reimbursements are deposited in the general fund.

Seized property may also be auctioned if it is eventually forfeited to the U.S. Government. The proceeds from the sale of seized property are deposited into the Treasury Forfeiture Fund.

To provide a brief explanation of the Treasury Forfeiture Fund, the following has been redacted from the Treasury Forfeiture Fund Notes to Financial Statements for the years ended September 30, 1997 and 1996.

The Department of the Treasury Forfeiture Fund (the Fund) was established by the Treasury Forfeiture Fund Act of 1992, P.L. 102-393, and is codified at 31 USC 9703. The Fund was created to consolidate all Treasury law enforcement bureaus under a single forfeiture fund program administered by the Department of the Treasury. Treasury law enforcement bureaus fully participating in the Fund include Customs, IRS, U.S. Secret Service, the Bureau of Alcohol, Tobacco and Firearms, the Financial Crimes Enforcement Network, and the Federal Law Enforcement Training Center. The U.S. Coast Guard, part of the Department of Transportation, also participates in the Fund.

The principal goals of the Treasury forfeiture program are to: (1) punish and deter criminal activity by depriving criminals of property used in or acquired through illegal activities; (2) be cognizant of the due process rights of affected persons; (3) enhance cooperation among foreign, federal, state, and local law

enforcement agencies through the equitable sharing of forfeited assets; and (4) produce revenues to enhance the forfeiture program and strengthen law enforcement.

The Fund is a no-year account, from which expenses may be incurred consistent with 31 USC 9703, as amended. A portion of these expenses, referred to as discretionary expenses, are subject to annual appropriation limitations. Others, referred to as non-discretionary (mandatory) expenses, are limited only by the availability of resources in the Fund. Both expense categories are limited in total by the amount of revenue in the Fund.

The majority of the revenue recorded by the Fund is used for operating expenses or distributed to state and local law enforcement agencies, other federal agencies, other foreign governments and the Office of National Drug Control Policy (ONDCP) Special Forfeiture Fund in accordance with various laws and regulations governing the operations and activities of the Fund.

Non-discretionary expenses include all proper expenses of the seizure (including investigative costs and purchases of evidence and information leading to seizure, holding cost, security costs, etc.), awards of compensation to informers, satisfaction of liens against the forfeited property, and claims of parties in interest to the forfeited property. Expenses incurred by state and local law enforcement agencies in joint law enforcement operations with a Treasury law enforcement organization are also recognized as non-discretionary expenses. Under the enabling legislation, non-discretionary expenses are authorized by permanent indefinite authority and limited only by revenue generated from forfeiture activities.

Discretionary expenses include purchases of evidence and information related to smuggling of controlled substances; equipment to enable vessels, vehicles or aircraft to assist in law enforcement activities; reimbursement of private persons for expenses incurred while cooperating with a Treasury law enforcement organization in investigations; and publication of the availability of awards. Discretionary expenses are subject to an annual, definite Congressional appropriation limitation and are paid from deposits made to the Fund.

The Fund's expenses are generally paid on a reimbursement basis. Reimbursable

expenses are incurred by the respective bureaus participating in the Fund against the Salaries and Expenses appropriation and then submitted to the Fund for reimbursement. Certain expenses such as equitable sharing payments, are paid directly from the Fund.

At the end of a fiscal year, certain excess unobligated balances, on a budgetary basis, remaining in the Fund are to be transferred to the ONDCP Special Forfeiture Fund. The Omnibus Crime Control Act of 1994 requires the transfer of one half of all excess unobligated balances, up to \$100 million, to the ONDCP Fund. The remaining excess unobligated balances are retained in the Treasury Forfeiture Fund.

Forfeited property, currency, or proceeds from the sales of forfeited property may be shared with federal, state, and local law enforcement agencies or foreign governments which provided direct or indirect assistance in the related seizure. In addition, the Fund may transfer forfeited property to other federal agencies which would benefit from the use of the item. In 1995, a new class of asset distribution was established for victim restitution. These distributions include property and cash returned to victims of fraud and other illegal activity.

Finally, 31 USC 9703 (g)(4)(B) allows for the expenditure, without fiscal year limitation, of funds amounting to one half of the excess of unobligated balances after the reservation of amounts needed to continue operations of the Fund. This "super surplus" balance may be used for law enforcement activities of any Federal agency.

Treasury's Executive Office of Asset Forfeiture has available several publications if there is further interest, such as FY 1997 audited financial statements, the Secretary of the Treasury's Guidelines for Seized and Forfeited Property, and the Treasury Guide to Equitable Sharing for Foreign Countries and Federal, State, and Local Law Enforcement Agencies.

Mr. HORN. OK. I don't think we have any more questions. And I guess I would simply ask GAO if you have anything you think we should have raised here, since you are still pursuing this study. We would like to have your suggestions.

Mr. RABKIN. Well, I would like to just come back to the Results Act that you mentioned at the beginning. The theory of the Results Act, as you stated, is that the major Federal agencies will set what their overall goals are and come up with some annual performance plans of what they expect to achieve each year with the funds that Congress gives them.

For the Customs Service, they have a whole set of performance measures, some of which are what have been traditional performance measures and some of them are being developed, new ones. And I would suggest that the committee, as a so-called stakeholder of the Customs Service, keep an eye on not only the performance measures that the Customs Service has established, but the ones that they are developing and how they intend to use them to measure their success.

We have heard talk this morning about the success of the Customs Service, and they certainly have—you know, I have worked with a number of inspectors and investigators, special agents, and they do work hard at what they do. And they do achieve success in terms of seizures and recovery of revenues and things like that.

The question is whether they are doing as much, getting as much as they can, as much as they should. In the drug smuggling area, in the drug interdiction area, as I said earlier, it is a very difficult question to know. We may know how much they seize at Kennedy Airport, at the Otay Mesa Port of Entry at the Southwest border, but what are they missing?

The real goal is to reduce the drugs that are available in this country. The Customs Service's role in that is to stop the drugs at the border. We know how much they stop, but we don't know how much they miss. If there is a way through intelligence or through better technology to be able to get some handle on that, I think all the stakeholders of the Customs Service will be able to tell much more clearly how well they are doing and whether an investment of additional resources would be useful in achieving higher goals and better return on that investment.

Mr. HORN. Well, I wonder if anyone has ever thought of having just a random day, move from port to port maybe once or twice a year, where you bring everything to a screeching halt and you have enough inspectors crawling around there to see what is it that we are getting on this particular day. That might be give you a measure of what we are missing.

Mr. RABKIN. It's very interesting you mentioned that. They certainly do that at the cargo ports. Not day-to-day, but they do it for maybe 20 minutes or an hour. Everything that comes through in that period of time will be given a more intensive inspection.

When we were doing some work a couple years ago at the Miami airport, they had a compliance examination program where they were oversampling the passengers that were coming through. Customs inspectors would normally identify those people that they thought were a little suspicious and would ask them to step aside

for more intensive examination to see if they were violating any of the laws that Customs enforces.

For a period of time, they were oversampling; that is, taking people beyond those that they would normally take, to give them a statistical basis to project what they were missing. We looked at the methodology that they had employed for that and found it to have a lot of merit. It's a little resource-intensive to do that because they are conducting many more inspections, but it gives them a better statistical projection of what you are missing.

To the extent that that kind of an examination, the sampling method, could be employed elsewhere at the time the Customs Service had plans to expand that concept, and I don't know what happened to that. I don't know if Mr. Trotter does. Maybe he can provide something for the record. But that was the idea. The whole purpose was to try to find out what they were missing. That was one way at least in those controlled environments at the airports where they could do that.

Mr. HORN. Mr. Trotter, any comment on that experiment?

Mr. TROTTER. Well, we have continued that. We have measures now in the passenger environment where we do the very same thing. We generate random numbers. We do over-exams. So I think we could provide you some information on that.

We are not so sophisticated in some of the other environments, but we are very sophisticated in the passenger processing environment. That's where those numbers came up to tell you that inspectors were 100 times more efficient. And so that is good feedback for us, too, that we are looking in the right areas.

Mr. HORN. Without objection, we will leave a little space right here and get that filled out.

[The information referred to follows:]

## Compliance Measurement in Passenger Processing

### “COMPEX”

The goal of the Passenger Process is to attain a 99% compliance rate with all Customs and related laws for arriving passengers. This is achieved via four sub-processes: Informed Compliance, Target, Identify, and Examine. The selection of fewer, but more likely to be violative people allows for the enforcement focus to result in facilitation. Success in Passenger Processing is measured with the Compliance Measurement program, “COMPEX.”

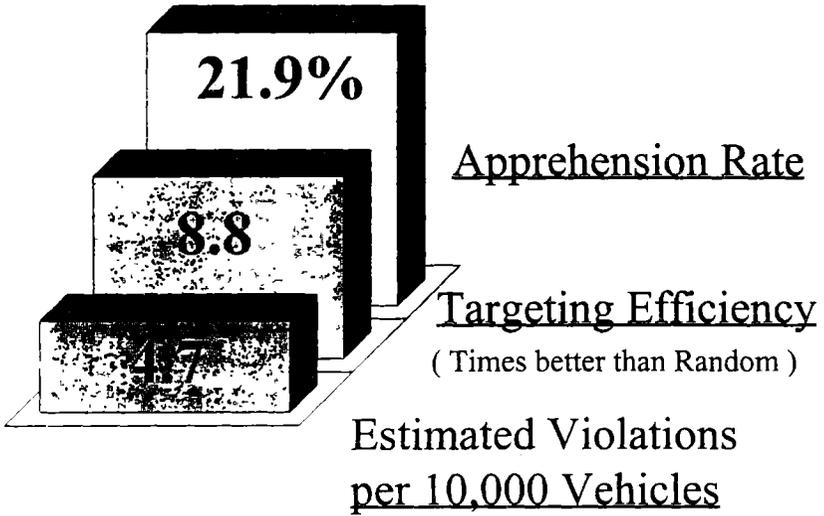
COMPEX is performed by Customs Inspectors at 20 major Airports and most Land Border Ports of Entry. COMPEX begins by randomly examining a sample of travelers believed to be in compliance with the law. Customs Inspectors perform a complete inspection. The results of the COMPEX examinations and the results of Targeted Enforcement are combined to produce a total estimated number of violations. A total estimated number of violations when compared to the total population of vehicles or travelers can provide a rate of Compliance. COMPEX tells us Compliance Rate, Apprehension Rate, Targeting Efficiency, and Estimated Total Number of Violations. This estimated number of violations is presented as the number of estimated violations per 10,000 vehicles or passengers.

Targeting Efficiency demonstrates the proficiency in targeting suspect passengers and vehicles. Targeting Efficiency is based on the actual interceptions and the estimated total number of violations. It is presented as the number of times that our targeting is better than random selection.

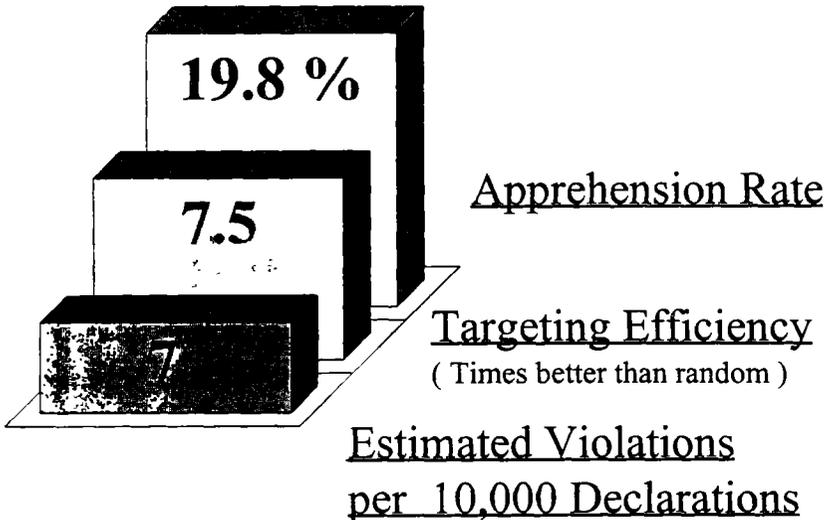
Apprehension Rate represents the percentage of the estimated total violations that are apprehended.

The following COMPEX results comprise data through the third quarter of fiscal year 1998.

# Land Border FY-98 3rd qtr



# Air FY -98



Mr. HORN. An example of what New Zealand does on results-oriented government is the Central Bank, which would be Mr. Greenspan in this country as head of the Federal Reserve, if the head of the Central Bank does not hold inflation to 2 percent, the person is out or they can cut the salary substantially, which has an unhappy person in office but maybe the next year he will hit the mark. And I found that rather intriguing.

As I have told some of you, Oregon is the only State in our country that has results-oriented government, and it's worth looking at. In New Zealand and Australia, they are the only countries really doing a good job on results-oriented government. We are way behind. We have rejected most of the strategic plans the agencies give us. We have given them 5 years to prepare them, and you never know it because you could have done what most of them did in 2 weeks at the most. And hopefully we see better plans next year.

Everybody in the House is taking it very seriously. The majority leader, Mr. Arney, a Ph.D. in economics, has a war room on the executive branch where all those goals are being put up to see do they make any sense. And the relevant committees are going to be much more active than they have been, and this committee has been very active with it.

But we want the authorization committees and the appropriations subcommittees to get deeply involved. While their staffs were involved in some of it this year, they weren't enough to my satisfaction. So hopefully we will get this on the road.

But the idea in mind is what New Zealand and Australia are doing and what Oregon doing. They went out to the people and said, "Hey, what is it you expect of us? You are our clients. Do you think this program is worth it? How do you know? How will we know? Do you think you achieved success? If so, how do we measure it?" That kind of thing.

I think good management, and I am sure you are all good managers, that what you do is sort of say, "Hey, are we succeeding or are we just losing ground?" I know it's tough when you are dealing with the narcotics world. It's a very difficult client to deal with.

But I thank you all for coming, and we appreciate the testimony, and we thank you all for it. I want to now thank the staff that have worked on this particular hearing, which is a little different than the one that worked on the year 2000 yesterday.

J. Russell George, who is staff director and chief counsel, where is he? Where are you? Right behind the pillar up there. OK. Russell is a New Yorker and takes great love in this city, so he's even convinced a few of us. Mark Brasher to my left here, your right, is our senior policy director. This has been an interest of his, as has debt control policy and strategic planning. Matthew Ebert, our clerk, is here I think right behind me. And Mason Alinger, staff assistant, is here to the left. And then Brian Cohen, a professional staff member for the minority, I believe he's behind me. Put your hand up, Brian. I want them to know that Democrats are allowed in New York City still. And Vicky Stallsworth, our court reporter, came up from Washington. We are always glad to have her.

And we want to thank the people from the General Services Administration that arranged the facilities for us here, John Marcig, and from the building managers here, Ed Yudkoff and Marge Ocasio. So we thank you all. And with that, this hearing is adjourned.

[Whereupon, at 12 p.m., the subcommittee was adjourned.]

