CUSTOMS' PERFORMANCE DATA FOR COMMERCIAL ACTIVITY

OIG-00-036

February 3, 2000

Office of Inspector General

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United States Department of the Treasury

OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220
February 3, 2000

MEMORANDUM FOR RAYMOND KELLY, COMMISSIONER
UNITED STATES CUSTOMS SERVICE

FROM: Dennis S. Schindel
Assistant Inspector General for Audit

SUBJECT: Audit Report on Customs' Performance Data for Commercial Activities

This memorandum transmits the final report of our audit of the *United States Customs Service Performance Data for Commercial Activities*. This audit is the first in a series of planned audits covering various aspects of the United States Customs Service (Customs) implementation of the Government Performance and Results Act (Results Act).

Our audit found that while considerable progress has been made, implementation of the Results Act is still a work in process. The report discusses improvements needed in the controls to verify data accuracy, the disclosure of data limitations, the completeness of performance measures, and the credibility of Results Act reports. We have made eight recommendations to assist Customs in its continuing effort to improve data reliability and validity for both Results Act reporting and for management decision making. The actions taken and planned by Customs satisfy the intent of our recommendations. The complete text of your response dated October 19, 1999 and supplemental response dated December 10, 1999 are included as Attachment 3 and 4.

We appreciate the courtesies and cooperation provided to our auditors during the audit. If you have any questions regarding this report, you may call me at (202) 927-5400, or a member of your staff may contact Charles Mataya, Director, Program Audits at (713) 706-4611.

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Overview

This report presents the results of our audit of the *United States Customs Service Performance Data for Commercial Activities*. The objective of the audit was to determine if the United States Customs Service (Customs) adequately ensured that the performance information reported under the Government Performance and Results Act (Results Act) for commercial activities was valid and reliable. Our audit found that while considerable progress has been made, implementation of the Results Act is still a work in process.

Commercial activities consist of three processes: trade, passenger, and outbound. Based on the audit results, our opinion of the overall quality of the Fiscal Year (FY) 1998 performance data for commercial activities was as follows: the trade data was reasonably accurate; the passenger data contained inaccuracies; and there was insufficient data to measure outbound program performance. While passenger data was inaccurate, the performance measures may not be materially misstated due to the net effect of positive and negative errors, the nature of the projections, and the sheer magnitude of the numbers of passengers.

Customs established a practical and user friendly database which accumulates data elements for performance measures, workload statistics, port profiles, resource allocation and executive information. However, as of March 1999, not all Results Act reporting data elements were in the database. In 1998, a number of controls were initiated to help improve the reliability and validity of Results Act data. These included the establishment of data owners,[1] data validators,[2] data element ratings, and a Field Management Advisory Group.[3]

Automated systems provide a means to maintain data quality. There are a number of major new automated systems and enhancements to existing systems in various stages of development. Ultimately there are plans to include data input edit checks and quality controls in these systems to ensure data reliability

[1] National Data Element Owners (data owners) are appointed by the responsible Program Directors and as collateral duties monitor and validate data element quality based on their specific operational experience.

[2] The National Data Validators (data validators) are Customs Management Center employees who are co-owners of the data elements. They assist the data owners in their responsibilities and perform an independent annual rating of data quality.

[3] Field Measurement Advisory Group functions as an interface between Customs field and Headquarters to receive, solicit, propose, and prioritize the satisfactory resolutions of measurement related issues.

and validity. However, this will require a long-term commitment of resources and expertise. In the interim, additional effort will be necessary to ensure data quality. The complete implementation of current initiatives and the recommendations in this report should help Customs achieve adequate data validity and reliability.

Background

The Results Act was enacted to systematically hold Federal agencies accountable for achieving program results. Agencies are required to describe the means to be used to verify and validate performance measurement data.

Customs performance for FY 1998 under the Results Act was presented in two reports, the *U.S. Customs Service Accountability Report* and *U.S. Customs Service FY 2000 President's Budget Justification Materials*. The Accountability Report combined the performance report and the financial statements. The budget justification combines the performance plan with the FY 2000 budget[4] request. The budget is structured into two major activities: Commercial, and Drug and Other Enforcement. The Commercial activity is comprised of three core processes: trade compliance which is the commercial importation of merchandise; passenger processing which is the processing of passengers entering the country; and outbound processing which is the commercial exportation of merchandise and the processing of passengers leaving the country.

There are 19 performance measures to gauge the results of commercial activity, as indicated in Attachment 1. Of these, five are new measures that are under development, and three have new definitions. In addition, there are three measures from FY 1998 that are discontinued or under review and may not be used in FY 1999.

Drug and other Enforcement activity includes five processes: these are the enforcement of laws to prevent narcotics smuggling, cybersmuggling, trade fraud, strategic and international money laundering. These are crosscutting issues that can involve more than one commercial process. Together, the

[4] During FY 1998, the most recent complete year of statistical data, Customs employed 19,000 personnel and had an operating budget of $2.7 billion. Customs collected $22.1 billion, processed 19.7 million entries valued at an estimated $955 billion, and cleared 460 million passengers.

commercial processes coupled with the enforcement systems encompass all operational activities to accomplish Customs mission.

Objective, Scope and Methodology

The objective of the audit was to determine if Customs adequately ensured that the performance information reported under the Results Act for commercial activities was valid and reliable. The audit included reviews of FY 1998 Results Act reports as well as policies and initiatives through March 1999. The audit was performed during the period of August 1998 through March 1999 at Customs Headquarters; Houston and Brownsville, Texas; Seattle and Blaine, Washington; and the Customs Data Center in Newington, Virginia. Additionally, we relied on work conducted during the Office of the Inspector General (OIG) audit of Customs financial statements[5].

We reviewed procedures for ensuring data validity and reliability, examined Results Act reports, observed cargo, passenger and export examinations, and analyzed selected data elements. We reviewed the performance measures related to compliance and targeting. In addition, we interviewed officials at Headquarters and the field locations. We reviewed Customs statistical methodologies and employed process control procedures to test the quality of selected data. We did not conduct application reviews of the major automated systems that serve as the source of the performance data.

Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and included such audit tests as were determined necessary.

Audit Results

Data Warehouse

Within Customs Headquarters, Office of Field Operations, there is a unit called the measurement team which maintains the Operations Management Report (OMR) Data Warehouse. The data warehouse is an accumulation of data elements from multiple Customs' systems. It is comprised of 310 data elements that are used as the sources for

[5] Report on the *United States Customs Service's Fiscal Year 1998 Financial Statements*, OIG-99-050, dated March 17, 1999.

performance measures, workload statistics, port profiles, resource allocations, and management decisions. Monthly, all data from the data warehouse is sent in disk format to each port and Customs Management Center (CMC). This provides field managers with information to evaluate the state of compliance at the port levels and to review the monthly data for obvious errors.

Currently, the data warehouse does not contain all of the data necessary to calculate all performance measures. This is because some performance data is accumulated manually and other data is derived from older systems. One of the goals of the measurement team is to eventually include all of the data elements needed for performance measurement in the data warehouse.

Customs is in the process of developing a number of major automated systems, and enhancing current systems. Since data quality issues center around the initial entry of source data, one of the ultimate goals is to incorporate automated edits into the data entry process. The data owners are expected to develop the expertise to establish the parameters for the control checks to be incorporated in the new and enhanced automated systems. Although the data owners are considered users, there is no requirement to provide the Office of Information Technology with current listings of data owners. Customs process for automated systems' application development and implementation requires user involvement in developing proposals and testing, as well as concurrence for implementation. Accordingly, the listings of current data owners need to be communicated to the Office of Information Technology, and updated frequently.

In 1998, a number of controls were initiated to improve data quality in the data warehouse. From February to November 1998, the following occurred: data owners were designated for the data elements; data validators at the CMCs were designated for the data elements; a Field Measurement Advisory Group was established to identify problems in validating the data; and the process of rating the quality of the data elements was started.

Data owners, and data validators rated 291 of the 310 data elements as of February 1, 1999. A rating scale of from 1 to 10 was used by the raters. The higher the rating number assigned, the more reliable the data

element. The following ratings were assigned: 30 were rated 1 through 5, not usable; 77 were rated 6, to be used with extreme caution; 36 were rated 7, these were data elements with small problems; 92 received a rating of 8, which were considered usable; and 56 received ratings of 9 or 10, which were considered very reliable.

The rating criteria was not clearly defined, therefore, the rating process was somewhat subjective. The ratings of data quality were not based on objective error rates or a uniform methodology, and were not adequately documented. However, a by-product of the rating process was the data quality review. The ratings gave management an indication of the general quality of the data. This also led to the discovery and correction of some logic errors. These errors included incorrect formulas, erroneous classes of transactions, inconsistent data parameters, and improper extraction of data from supporting systems. An analysis by the measurement team, made subsequent to the rating of the data elements, listed 141 of the 310 data elements as critical to various workload and performance reports. The measurement team plans to initiate validation improvement plans for data elements which they considered unacceptable.

While the initiatives to improve data quality represented a good start, they need to be further developed. How, when, and whether the data owners, data validators, CMC personnel, and ports reviewed the monthly data was based on their experience, time and judgment. The new Customs internal control system, the self-inspection program,[6] does not require the port or CMC personnel to review the quality of the data used for performance measurement.

Documentation of the data flow logic from initial events to performance measure calculations is needed. This should disclose problems, help new data owners and data validators understand the process, and assist in the process of enhancing or developing automated systems. Until all automated controls and edits are operational, the monthly reviews of data quality by the data owners and data validators will be an important control. In the long term, their expertise will help to incorporate the

[6] In 1999, Customs instituted a self-inspection program which requires all organizational unit managers to conduct internal reviews every six months. The reviews will be evaluated by an independent group every 18 to 24 months.

controls and checks necessary to ensure data quality in new automated systems.

Recommendation 1

The Assistant Commissioner for Field Operations should direct the data owners for each data element to review and document the process and logic of how the data flows from initial events to collection of the data, to entry of the data into the mainframe, to processing the data in the appropriate mainframe system, to monthly extraction of desired data from the mainframe into the OMR Data Warehouse database, and when appropriate, manipulation of the data by the OMR.

Management Response and OIG Comment

Customs management concurred with this recommendation. The requirement to document the process and logic of how the data flows was included in Customs Directive 4320-024 dated June 3, 1999.

The actions taken and planned by Customs satisfy the intent of this recommendation.

Recommendation 2

The Assistant Commissioner for Field Operations should direct the development of an automated program to review the monthly data extracted from the various systems for input into the OMR Data Warehouse. This program should check for duplicate or missing data. Also, the data owners should develop additional parameters, such as limit edits, for the program based on their experience and the review of the data flow logic.

Management Response and OIG Comment

Customs management concurred with this recommendation. The Office of Field Operations Measurement Team has developed and is testing several OMR related reports known as "Heads-UP" reports. Customs plans to implement these automated reports by the third quarter of FY 2000.

The actions taken and planned by Customs satisfy the intent of this recommendation.

Recommendation 3

The Commissioner of Customs should direct that the Office of Information Technology be periodically provided with a current listing of data owners so that they can have input into the design of new systems or updates of existing systems. The data owners should revise the data element documentation when system changes are made.

Management Response and OIG Comment

Customs management concurred with this recommendation. The Office of Information Technology was provided with a current listing of data owners, also a listing of data owners is now available to all Customs employees. Data owners have been instructed to revise data element documentation when system changes are made. This policy will be issued in a formal directive in FY 2001.

The actions taken and planned by Customs satisfy the intent of this recommendation.

Recommendation 4

The Director of Management Inspection should include reviews of the quality of performance measurement data by the port and CMC personnel in the self inspection program.

Management Response and OIG Comment

Customs management concurred with this recommendation. Reviews of Trade data elements were initiated in the second quarter of FY 1999. Reviews of Passenger data elements are planned for the second quarter of FY 2000. Outbound reviews were initiated and will be modified as the new Outbound measures are developed.

The actions taken and planned by Customs satisfy the intent of this recommendation.

Data Limitations

The Results Act reports should disclose limitations on the accuracy of measurement data. This was not adequately done. The accuracy of performance measures is dependent on factors such as consistency of inspections, reliable automated systems, strong internal controls and adequate systems security.

A prior General Accounting Office (GAO) report[7] stated that the Department of the Treasury's performance plan was not sufficiently credible. This was because it did not adequately describe procedures for verifying and validating performance data, or sufficiently discuss the ramifications of known data limitations. This condition continues to exist at Customs.

For example, the mission of Customs is to ensure that all goods and persons entering and exiting the United States do so in compliance with all laws and regulations. Therefore, the most important performance measures are the compliance rates for goods and persons entering and exiting the United States, but the compliance rates are overstated. Compliance rates published in the Results Act reports are based on statistical sampling. A random selection of cargo and passengers go through physical compliance examinations. The results are then projected as the compliance rate for all cargo and passenger processing. However, not all examinations would detect noncompliance. This is because not all the examinations are "complete." Also, not all

[7] *Results Act - Observations on Treasury's Fiscal Year 1999 Annual Performance Plan*, GAO/GGD-98-149, dated June 1998.

examinations are "consistent," since not all inspectors have the same experience or skills. For example, not all boxes in every container examined are opened, and not every passenger selected is x-rayed.

We recommended to management that the confidence levels and ranges be included for performance measures based on statistical samples. As a consequence, the Results Act information reported in the FY 2000 budget justification was more complete than the prior year. However, some of the information presented contained inaccuracies (Attachment 2). For example, confidence levels were reported for measures which were not based on samples, and therefore, it was not appropriate to present associated confidence levels with the resultant measures. This was not discovered, however, because the Results Act report was not reviewed by the Customs Statistician or Statistical Consultant before it was issued.

Recommendation 5

The Commissioner of Customs should ensure that Results Act reports sufficiently discuss data limitations in order to put the performance measures in a meaningful context.

Management Response and OIG Comment

Customs management concurred with this recommendation. Future Results Act reports will address significant data limitations identified by audit reports and unacceptable data element quality ratings.

The actions taken and planned by Customs satisfy the intent of this recommendation.

Recommendation 6

The Commissioner of Customs should direct the correction of the use of inappropriate confidence levels in the Results Act information provided in the FY 2000 budget justification. Future Results Act reports should be reviewed by the Customs Statistician and/or a Statistical Consultant prior to publication.

Management Response and OIG Comment

Customs management concurred with this recommendation. Future Results Act reports will be reviewed by a professional statistician prior to publication.

The actions taken and planned by Customs satisfy the intent of this recommendation.

Trade Data

The trade compliance data has been reported for at least 4 years. The trade compliance measurement program was also audited annually by the OIG as part of its audit of Customs financial statements. Therefore, based on the OIG audit of financial statements and our limited review, we found that the overall quality of trade data was acceptable.

The OIG findings and recommendations in this area are included in our report on the financial statements[8] and will not be repeated in this report. However, the first six recommendations which appear in this report are generic recommendations for the implementation of the Results Act, and accordingly apply to all three of the commercial processes.

Passenger Data

The compliance measurement program for the passenger process is COMPEX.[9] However, we found that not all passengers and modes of transport were included in COMPEX. We also found that, the sample sizes were insufficient, vehicle counts were inaccurate, vehicle information was not always entered in the Treasury Enforcement Communication System (TECS) and the data for air passengers was not complete.

The first full year of compliance measurement under COMPEX was FY 1996 for the land border and FY 1997 for the larger airports.

[8] Report on the *U.S. Customs Service's Fiscal Year 1998 Financial Statements*, OIG-99-050, March 17, 1999.

[9] The compliance measurement methodology for passenger processing was dubbed COMPEX by the developer after the term "Compliance Examination."

Vehicular passenger data from all land ports, either directly or as part of a cluster,[10] and airports with over one million passengers annually were included. Data was not included for pedestrians and passengers arriving by vessel, bus, rail, and at small airports and by private aircraft. Passenger data excluded from COMPEX represented approximately 20 percent of the 460 million persons entering the country in FY 1998. Customs strategy for collecting data and measuring passenger compliance for the modes of transport with the greatest number of passengers is logical. However, by excluding passenger data related to some transport modes in the COMPEX sample, Customs had not fully reported all information for accurate performance measurement/results.

The sample size used to measure compliance rates through March 1999 was 10,000 passengers per port, annually. This sample size was based on an educated guess of the violation rate. On November 3, 1998, the developer of COMPEX informed Customs that he had recalculated the sample size necessary for a 90 percent confidence level based on the analysis of actual results. Specifically, the developer determined the appropriate sample size would be 12,000 passengers per port annually. However, this revised sample size had not yet been adopted as of March 1999.

There were seven data elements in the data warehouse which were used to calculate the passenger compliance and targeting efficiency performance measures. These elements were given quality assessment ratings by the data owners. The quality ratings of two of these data elements for passengers arriving by land were, that they were to be used with extreme caution, and had small problems. For passengers arriving by air, the seven data elements were all rated usable, or very reliable.

We found that vehicle counts at land border ports were not complete, and vehicle information was not always entered in TECS. The following are examples of these deficiencies.

[10] This methodology groups a number of small land border ports and treats them as one large port for sampling purposes.

- At the Port of Blaine, devices used to count the vehicles were not accurate, and therefore Customs and the Immigration and Naturalization Service personnel stated that they added 20 percent to their vehicle counts to compensate.

- Although the Port of Blaine had automated license plate readers, vehicle information was not always entered into TECS. Vehicle information not entered in TECS was not subject to COMPEX sampling or complete enforcement targeting. For example, when we conducted our observation of passenger processing, one of the TECS terminals was inoperative. The Immigration Officer in the booth had been clearing vehicles steadily for 1 or 2 hours while the TECS terminal was inoperative. Although the supervisory inspector accompanying the auditor immediately replaced the terminal, the vehicles that had already been cleared by the Immigration Officer were not entered into TECS during the time the terminal was inoperative.

- At the Port of Brownsville, there were no automated license plate readers. Our analysis indicated that 13 percent of the vehicles were not entered into TECS.

Upon inquiry, we learned that Headquarters program managers were aware that vehicle counts were not complete. Customs is currently testing more accurate vehicle counters at Otay Mesa and plans to install these along the entire southern land border over the next year. There also are plans to install automated license plate readers along the entire southern land border over the next year. In addition, Customs is working with the Immigration and Naturalization Service and the Bureau of Census to develop common factors to estimate the number of passengers per vehicle by port.

The data warehouse reports passenger counts for air passenger workload statistics developed from the Automated Commercial System. Passenger counts for the performance measures were separate data elements that were developed from TECS. When we compared the passenger counts from the two different systems at 12 selected airports for FY 1998 we found that they did not agree. Ports such as Miami and Seattle had

significant differences every month. However, at other ports such as Atlanta and Chicago, the majority of the counts were the same and there were significant differences for only 1 month. Therefore, we selected an airport with significant differences for detailed analysis.

We reviewed the differences between the Automated Commercial System and TECS passenger counts by day for all of FY 1998 at Houston Intercontinental Airport. Our analysis of 2.17 million passengers found that there were differences totaling 71,221. Of these 49.1 percent were due to duplicate or missing days; 36.3 percent were the result of key punch errors; and 14.6 percent were charter flights not included (a logic error). The duplicate or missing days affect all of the data elements in COMPEX, not just passenger counts. Further, input and logic errors were just as likely in the other data elements as they were in the passenger counts. Since a very small number of violations are used to make statistical projections over a large number of passengers even small exceptions can have a significant effect.

Also, the physical layouts of the airport inspection areas, and the need to facilitate passenger exit, make the sample selection process a difficult problem. COMPEX random sample selections at airports were based on time intervals. For example, at 9:15 a.m. an inspector would stop the next available passenger approaching at that time for examination. Because this is not a precise passenger selection process, an inspector could use some judgment in making the choice. Therefore, the introduction of subjective judgment could bias the sample in favor of passengers with more or less baggage, or other judgmental criteria.

Recommendation 7

The Assistant Commissioner for Field Operations should direct COMPEX sampling for pedestrians and passengers arriving by vessel, rail, bus, private aircraft, and at small airports.

Management Response and OIG Comment

Customs management concurred with this recommendation. Customs has directed sampling for private aircraft. Customs plans six month sampling tests for pedestrians and persons arriving by vessel, rail and

bus to ensure statistical validity prior to national implementation. The tests are scheduled to be underway by the second quarter of FY 2001.

The actions taken and planned by Customs satisfy the intent of this recommendation.

Recommendation 8

The Assistant Commissioner for Field Operations should increase the COMPEX sample size to 12,000 passengers per port annually, or reduce the confidence level accordingly.

Management Response and OIG Comment

Customs management concurred with this recommendation. Customs will increase the COMPEX sample sizes to 12,000 passengers for FY 2000.

The actions taken and planned by Customs satisfy the intent of this recommendation.

Outbound Data

Customs does not have sufficient data to measure the performance of the outbound program. This is because the outbound program has been in a major period of transition. As a result the outbound performance measures are either new, redefined, or incomplete.

Outbound compliance surveys were conducted for export shipments by vessels in 1995, by air carriers in 1997, and by land transport in 1998. The first two surveys found serious discrepancies in both Customs and exporting carriers procedures. According to the Bureau of Census, export trade statistics were significantly underreported due to missing documentation, untimely data and inaccurate reporting. Therefore, before Customs could build the systems necessary to measure the outbound program, it first had to establish a credible program. A three phased approach to address the outbound problems was used. The first phase involved reviewing and updating Customs internal procedures. The second phase involved thousands of outreach visits and hundreds of workshops to educate the exporting public. The third phase involved

issuing penalties for violations detected through manifest reviews and post audits.

In addition to other program changes, Customs is in the process of transitioning to a new automated system. In 1995 Customs implemented the Automated Export System to electronically process export data. The Bureau of Census' Automated Export Reporting Program will be terminated on December 31, 1999. During FY 1998 export data was processed in the following ratios: 36.7 percent through the Canadian Data Exchange; 30 percent through paper export documentation; 31.8 percent through the Automated Export Reporting Program; and 1.5 percent through the Automated Export System. If successful in converting all filers to the Automated Export System, Customs will have better targeting information, more accurate trade statistics, and better data for performance measures.

The performance measures for the outbound program (Attachment 1) need significant improvement due to the following:

- The most important measure, "compliance," was incomplete in FY 1998 in that it did not capture the representative universe it was designed to measure. The compliance rate was based on a sample of vessels at only five ports. This might not be representative of a national compliance rate. Also, compliance rates for exports by air and land were not reported in FY 1998.

  Further, the definition for compliance required that inspectors examine export shipments to verify cargo descriptions on the bills of lading. However, Customs found the physical examination of exports to be impractical, and changed the process from physical examination of cargo to a document review. During our audit the definition was changed to require the calculation of the number of bills of lading filed timely, based on post audit verifications.

- The second performance measure, "targeting effectiveness," was significantly overstated. The data owner discovered a logic error in calculating the performance measure that caused it to be overstated for FY 1998, the first year it was reported.

- The third performance measure, "export cost," is new and no data was reported in FY 1998.

- The fourth performance measure, "the number of the Automated Export System participants," is not as meaningful as the percentage of participation. The percentage of participation needs to show the relationship of automated versus manual filers in order to put the performance in perspective. Customs plans to add this in FY 2000.

No specific recommendations have been made for the outbound program, however, the first six recommendations made earlier in this report are generic recommendations for the implementation of the Results Act and apply to all of the commercial processes. We intend to follow-up on the outbound performance measures at a later date when they are further developed.

Customs Commercial Performance Measures Reported

FY 99 Plan	FY 95 Actual	FY 96 Actual	FY 97 Actual	FY 98 Actual	Comments
TRADE					
1. Compliance all HTS	X	X	X	X	
2. Compliance PFI	X	X	X	X	New Definition For FY 98
3. Key Trade Statistics					Under Review by Customs
4. Revenue Compliance	X	X	X	X	
5. Customer Satisfaction					Under Development
6. Unit Cost					Under Development
Cargo Release Times		X	X	X	Under Review by Customs
7. Disrupting Fraud					Qualitative Measure
PASSENGER					
8. Pax Compliance			X	X	
9. Targeting Efficiency		X	X	X	
Results/Exams			X	X	Under Review by Customs
10. Cycle Time		X	X	X	
11. APIS Rate		X	X	X	
12. Unit Cost					Under Development
13. Customer Satisfaction					Under Development
OUTBOUND					
14. Export Compliance			X	X	New Definition For FY 98
15. Targeting Effectiveness				X	
16. # AES Participants			X	X	
17. Cost					Under Development
18. Disruption of Trafficking					Qualitative Measure
Currency Seizures	X	X	X	X	Now Total Currency
19. Licensing Violations	X	X	X	X	New Definition

List of Corrections Needed For The Customs FY 2000 President's Budget Justification Materials

Performance Measure*	
11	Confidence level should be deleted
13	Confidence level should be deleted
17	Confidence level should be deleted
18	Confidence level should be deleted
23	Confidence level should be deleted**
34	Confidence level should be deleted
35	Confidence level should be deleted
36	Confidence level should be deleted
1	Accuracy + or – X percent should be deleted
3	Accuracy + or – X percent should be deleted
26	Accuracy + or – X percent should be deleted
32	Accuracy + or – X percent should be deleted
33	Accuracy + or – X percent should be deleted
4	Should be baseline in 1999 not 1998***
16	The 63 percent compliance rate was for FY 1995 not FY 1997.

Notes: *The above Performance Measure numbers are from the Results Act Report included in the FY 2000 budget justification.

**Workload measure.

***May be deleted by Customs in the future.

MANAGEMENT RESPONSE

UNITED STATES GOVERNMENT
Memorandum

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

DATE: OCT 19 1999

FILE: AUD-01-OP MD

MEMORANDUM FOR DENNIS S. SCHINDEL
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM: Director
Office of Planning

SUBJECT: Draft Audit Report on Performance Data for Commercial Activities

Thank you for providing us with a copy of your draft report entitled, "Performance Data for Commercial Activities". In general, we agree with the recommendations stated and have taken steps to address issues noted. However, we did find some instances within the report which require clarification.

Attached are our comments regarding the draft report. If you have any questions regarding the attached response, please have a member of your staff contact Ms. Brenda Brockman on (202) 927-1507.

William F. Riley

Attachment

Performance Data for Commercial Activities Draft Report

Recommendation 1

The Assistant Commissioner for Field Operations should direct the data owners for each data element to review the logic of how the data flows from events to performance measurement. The review should trace the data through the various manual and automated systems to the OMR Data Warehouse, or other system from which performance measurement data is derived. This review should include assistance from the Office of Information Technology, the measurement team, other program managers, the data validators, and port personnel. The results of these reviews should be documented.

We concur with this recommendation except for its wording. Please revise the recommendation to read as follows:

The Assistant Commissioner for Field Operations should direct the data owners for each data element to review and document the process and logic of how the data flows from initial events to collection of the data, to entry of the data into the mainframe, to processing the data in the appropriate mainframe system, to monthly extraction of desired data from the mainframe into the OMR Data Warehouse database, and when appropriate, manipulation of the data by the OMR.

Planned Corrective Actions:

This requirement is included in paragraph 4.4.1 of Customs Directive 4320-024 dated June 3, 1999, "Managing OMR Data Quality", which reads as follows:

> "For each OMR element, NDEOs should document the process and logic of how the data flows: a) from the initial event to collection and to data entry into the mainframe; b) to processing of the data in the appropriate mainframe system; c) to monthly extraction of desired data from the mainframe into the OMR database; and d) when appropriate, manipulation of the data by the OMR (e.g. calculation of percentage, etc.).
>
> Documenting the mainframe process should be limited to a brief, high-level, non-technical description that can be comprehended by the average user. This review and documentation may require assistance from other individuals identified in this directive and/or the Office of Information Technology (OIT). OIT support will be coordinated through the OFO Measurement Team. An

example of data flow documentation is included in Chapter 11 of the OMR Handbook. Documentation of data flows will be completed in the same priority as described in paragraph 2.5."

This requirement will be completed in the same priority as described in paragraph 2.5 of Customs Directive 4320-024 dated June 3, 1999, "Managing OMR Data Quality", which reads as follows:

> "The data quality efforts outlined in this directive will initially focus on the national critical elements which received an "unacceptable" data quality rating. After data quality problems with the critical elements are satisfactorily addressed, efforts will then be directed to resolving the remaining data elements with unacceptable ratings."

The estimated final completion date for all OMR data elements is the end of FY 03.

Recommendation 2

The Assistant Commissioner for Field Operations should direct the development of an automated program to review the monthly data extracted from the various systems for input into the OMR Data Warehouse. This program should check for duplicate or missing data. Also, the data owners should develop additional parameters, such as limit edits, for the program based on their experience and the review of the data flow logic.

We concur with this recommendation.

Planned Corrective Actions:

The Office of Field Operations Measurement Team has developed and is currently testing several OMR related reports known as "Heads-Up" reports. These are automated monthly reports produced on the mainframe which provide the following information:

> Heads-Up Report #1 identifies potential data quality problems. For each OMR data element this report provides: 1) the OMR data value for the current month; 2) the OMR data value for the previous month; 3) the percentage difference between the current and previous months; 4) the average OMR data value for the previous 12 months.
>
> Heads-Up Report #2 identifies missing data for the current month. For each data element that has OMR data for every month for the previous six months but contains no data for the current month, the data element is printed by CMC on a report.

At the time the OMR Data warehouse is produced, the Heads-Up reports will be provided to the following individuals: each National Data Element Owner (NDEO), and the Measurement Coordinator at each CMC. Recipients are responsible for reviewing these reports and initiating corrective action if necessary.

We anticipate implementing these automated reports by the 3rd quarter FY 00.

Recommendation 3

The Commissioner of Customs should direct that the Office of Information Technology be periodically provided with a current listing of data owners so that they can have input into the design of new systems or updates of existing systems. The data owners should revise the data element documentation when system changes are made.

We concur with this recommendation.

Planned Corrective Actions:

As indicated in Chapter 10 of the "OMR Handbook" (CIS Handbook #4300-10 dated June 1999) any Customs employee can request the National OMR Status Report, a spread sheet of all OMR elements which contains a listing of the names of all NDEOs.

During 1st quarter FY 00, OFO will provide OIT with a current listing of data owners.

NDEOs have been instructed to revise the data element documentation when system changes are made. This policy will be formally included in the "OMR Handbook" and the "Managing OMR Data Quality" directive when they are revised in FY 01.

Recommendation 4

The Director of Management Inspection should include reviews of the quality of performance measurement data by the port and CMC personnel in the self inspection program.

We concur with this recommendation, but note that self-inspection reviews already exist for the Trade data elements that define compliance levels.

MANAGEMENT RESPONSE

Planned Corrective Actions:

The Customs Self Inspection Program which includes reviews for the Trade data elements that define compliance levels was initiated in the 2nd quarter FY 99.

The Office of Passenger Programs has established national guidelines for the conduct of COMPEX inspections. These guidelines are contained in the Passenger Programs Handbook, HB 3300-02A that is due to be published in the 2nd quarter FY 00.

A new Customs Directive on Compliance Measurement, CD 3310-003A, was signed by the Commissioner of Customs on June 1, 1999. This directive establishes policy and defines the measurements to be used. It also states that the procedures for the administration of this program are contained in the Passenger Programs Handbook, HB 3000-02A. These procedures emphasize the importance of supervisory reviews of COMPEX and the conduct of examinations in accordance to policy.

As part of the Office of Field Operations Self-Inspection Program, the Office of Passenger Programs will develop a plan for a National Inspection Team to conduct unannounced reviews of COMPEX exams that should begin in the 2nd quarter FY 00. Also, field locations will emphasize and perform more thorough supervisory reviews of COMPEX to ensure that examinations are conducted according to policy.

Recommendation 5

The Commissioner of Customs should ensure that Results Act reports sufficiently discuss data limitations in order to put the performance measures in a meaningful context.

We concur with this recommendation, however, we do not believe that OFO corrective actions are needed.

The draft report recommends that GPRA reports sufficiently discuss data limitations. In general, we agree. However, we do not believe the Results Act reports should discuss the skill levels of individual inspectors or minor procedural violations.

The process for measuring trade compliance is not significantly flawed. We believe the Trade's plus or minus 3% factor that accompanies our GPRA compliance rates sufficiently addresses data limitations.

Also, we take exception to the statement that "...compliance rates are overstated." Your rationale is based on alleged inconsistencies: not all examinations are "complete", and "not all inspectors have the same experience or skills."

With regard to trade compliance, Customs has scrutinized the measurement process and ensured that, to the degree possible, consistent, statistically valid measurement findings are reported. In that regard, examinations are only required to be "complete" as defined in the GAO approved procedures for conducting compliance measurement examinations.

The skills of individual inspectors will always vary, and procedures will not always be followed, but national oversight exists and is being applied to ensure high levels of accuracy in our trade measures.

It is our view that Customs compliance measurement rates for Trade are not overstated.

With regard to passenger data, all COMPEX measures are based on random samples and the resulting data related to Apprehension and Compliance Rates, and Targeting Efficiency have a confidence level for the accuracy of the data within the range deemed to be statistically valid.

Recommendation 6

The Commissioner of Customs should direct the correction of the use of inappropriate confidence levels in the Results Act information provided in the FY 2000 budget justification. Future Results Act reports should be reviewed by the Customs Statistician and/or a Statistical Consultant prior to publication.

Recommendation 6 does not reflect the issues identified in the discussion of review results. We request further clarification.

Recommendation 7

The Assistant Commissioner for Field Operations should direct COMPEX sampling for pedestrians and passengers arriving by vessel, rail, bus, private aircraft, and at small airports.

We concur with this recommendation with reservation.

Planned Corrective Actions:

OFO issued Customs Directive on General Aviation and Passenger Compliance. CD 099 3310-004. The purpose of this directive is to provide a means of measuring the compliance of the General Aviation population.

Our concern related to this recommendation is in expanding COMPEX programs to include private vessels, rail and buses. The relatively low number of persons arriving via vessels, rail and buses, makes us hesitant to expand COMPEX to these modes of transportation, without first ensuring that we can conduct random sampling that will provide statistically valid results.

We recommend that OFO's consultant statistician study these modes of transportation and provide a means to measure performance that will result in a statistically valid measure of the pedestrian, vessel, rail and bus environments.

We also would recommend that within 15 months a test plan be developed and implemented to expand COMPEX to these modes of transportation. After a six-month test, the results will be reviewed by a statistical consultant to ensure its validity prior to program implementation nationwide.

COMPEX test plans for pedestrians and persons arriving via vessels, rail and buses are scheduled to be completed by 3rd quarter FY 00.

Each mode of transportation will have a six-month test phased in with different start and finish dates to be determined by 3rd quarter FY 00. A COMPEX test of all modes of transportation will be underway by 2nd quarter FY 01.

Recommendation 8

The Assistant Commissioner for Field Operations should increase the COMPEX sample size to 12,000 passengers per port annually, or reduce the confidence level accordingly.

We concur with this recommendation.

Planned Corrective Actions:

Effective the 1st quarter FY 00, OFO will initiate action to increase the measures sample size at all COMPEX Land Border and Commercial Airport ports to 12,000 random inspections per year.

During the 1st quarter FY 00, the Director of Passenger Processing will issue a memorandum to all Directors, Field Operations, to increase the minimal sample size to 12,000 random inspections per year.

UNITED STATES GOVERNMENT
Memorandum

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE
DATE: DEC 10 1999
FILE: AUD-01-OP-MD

MEMORANDUM FOR DENNIS S. SCHINDEL
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM: Director
Office of Planning

SUBJECT: Draft Audit Report on Performance Data for Commercial Activities – supplemental response

Members of the Office of Field Operations and the Office of Planning met with representatives from your office to address issues regarding our comments to your draft report, subject as above. As a result of the meeting, Customs agreed to modify its response to Recommendation Numbers 4, 5 and 6.

If you have any questions regarding the attached response, please have a member of your staff contact Ms. Brenda Brockman on (202) 927-1507.

William F. Riley

Attachment

SUPPLEMENTAL RESPONSE TO OIG DRAFT REPORT "PERFORMANCE DATA FOR COMMERCIAL ACTIVITIES"

Recommendation #4: Corrective Actions – Add the following paragraph: The Customs Self Inspection Program, which also includes reviews for several of the Outbound data elements, was initiated in the second quarter of FY 1999. These reviews will be modified to reflect the proposed Outbound performance measures as the Outbound measures are developed.

Recommendation #5:
Revise the first paragraph to read as follows:
We concur with this recommendation.

Add the following under the heading of "Corrective actions":
Future Results Act reports will address meaningful data limitations that have been identified as:

1) Relevant "prior findings" in a previous OIG and GAO reports, or

2) source data with an "unacceptable" data quality rating in the OMR Data Warehouse.

Recommendation #6:
Revise the first paragraph to read as follows:
We concur with this recommendation.

Add the following under the heading of "Corrective Actions":
Future Results Act information will be reviewed by a professional statistician prior to publication.

MAJOR CONTRIBUTORS TO THE REPORT

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