



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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GENERAL GOVERNMENT
DIVISION

B-214537 **RESTRICTIONS THAT CAN BE RELIEVED OUTSIDE THE GENERAL ACCOUNTING OFFICE** **MARCH 8, 1984**
by the Office of Congressional Relations.

RELEASED

The Honorable John C. Danforth
Chairman, Subcommittee on
International Trade
Committee on Finance
United States Senate



Dear Mr. Chairman:

Subject: U.S. Customs Service's Import Classification
Operations: Staffing and Workload Changes
(GAO/GGD-84-59)

We are studying, at your request, certain aspects of the U.S. Customs Service's process used to ensure the accurate classification of imported products. As arranged with your office, we are initially providing you information on the number of entries of imported goods and the staffing used to process the entry documentation for fiscal years 1979 through 1983. Our evaluation of the results of Customs' entry review process will be the subject of a separate report to be issued to you prior to the fiscal year 1986 subcommittee hearings. The full scope of our work is explained in enclosure I.

Over the last few years, there has been an increase in the number of formal entries--import transactions exceeding \$250 in value--of imported merchandise and a decline in the backlog of entries waiting Customs' review. This has occurred despite a decrease in the number of Customs' personnel used to process entries. Whether the quality of Customs' entry review process has kept pace with the increased workload is, as noted above, the subject of our ongoing review.

IMPORT CLASSIFICATION OPERATIONS

Customs import specialists determine whether importers or their brokers have properly classified and valued imported products, correctly calculated duties owed, and provided all data and documents required to admit merchandise into the

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country. Classification of imported goods determines the tariff rate for duty assessment purposes and is the basis for enforcing quota and other merchandise restrictions. The classification process also provides the means to accumulate statistics on imported products, such as dollar value, quantity, and country of origin.

Verifying the proper product classification from the Tariff Schedules of the United States for imported products is an essential but difficult step for Customs. Each imported product must be placed in one of the categories listed in the Tariff Schedules. The schedules prescribe the rates of duty for about 6,000 products by specific name; type; kind; physical characteristics, such as material composition, size, and weight; use; or combination of the above.

NUMBER OF ENTRIES IS INCREASING

The formal entry workload increased about 21 percent from fiscal year 1979 to fiscal year 1983, from 4.4 million entries to 5.3 million respectively. The largest increase occurred during fiscal year 1983 when entries increased from about 4.7 million to approximately 5.3 million. Customs officials estimate that the number of entries will increase to about 6.2 million by fiscal year 1986. The backlog of unprocessed entries waiting import specialists' review decreased about 40 percent, from about 96,000 entries at the end of fiscal year 1979 to approximately 58,000 at the end of fiscal year 1983.

An official in Customs' Duty Assessment Division, Office of Commercial Operations attributed the decline in the backlog of entries to several reasons. Section 209 of the Customs Procedural Reform and Simplification Act of 1978 added a new section 504 to the Tariff Act of 1930 which established a specific time period for Customs to liquidate an entry of merchandise, i.e., complete a final computation of the duties due. If liquidation has not occurred within 1 year from the date of entry or other specified date, the merchandise is deemed liquidated at the rate of duty, value, quantity, and amount of duties asserted at the time of entry by the importer. During November 1978, Customs directed its Regional Commissioners to place a priority on reducing the backlog of entries.

Customs also implemented a manual selective entry processing system in June 1981 to lessen the import specialists' workload. This system provides a means of grouping entries into either high or low risk categories. The high-risk entries include those with a potential for changes to tariff classifications, valuations, or duty estimates. Instead of import specialists looking at all entries, they review the high-risk entries and clerical personnel process the low-risk entries.

STAFFING OF IMPORT CLASSIFICATION
OPERATIONS HAS DECREASED

In September 1983, Customs' regions had 1,000 import specialists--about 131 fewer than in September 1981. Most of the decrease in the number of import specialists can be attributed to Customs not filling vacant positions, which increased from 4 to 107. Customs budget officials said the vacant positions have not been filled because of anticipated reductions of 2,000 Customs positions, which included 291 import specialists.

In addition to a decrease in import specialists, the number of customs aides in the regions who assist the import specialists in entry processing has also decreased. In September 1983, there were 738 customs aides--about 62 less than in September 1981. There was little change in the number of other entry processing positions, such as the clerical staff, during the same period.

Prior to 1981, Customs maintained aggregate staffing data only and could not provide us information on the number of import specialists, customs aides, and other positions in its regions. Therefore, we could not determine staffing changes in its import classification operations during 1979 and 1980.

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At your request, we did not obtain official agency comments. We hope the above information responds to your concerns. As arranged with your office, unrestricted distribution of this report will be made 5 days after the date of the report or at the time of public release of the report's contents by your office.

Sincerely yours,

W. J. Anderson

William J. Anderson
Director

Enclosure

OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of our review were to provide information on the (1) number of entries of imported goods, including the backlog of entries; and (2) the Customs' staffing used to process the entries from fiscal years 1979 through 1983. Staffing included import specialists, customs aides, and other support personnel involved in the classification of imported goods.

To accomplish our objectives, we interviewed Customs' headquarters officials from the Budget, Duty Assessment, and Personnel Divisions. We reviewed the workload and staffing information provided by Customs officials. Specific information on the number of import specialists was obtained from budget records. The number of customs aides and other types of employees involved in entry processing in the regions was obtained from payroll records for the last pay period in fiscal year 1981 through 1983. We could not determine the staffing changes in the regions made in 1979 and 1980 for import specialists and other personnel involved in import classifications because Customs maintained only aggregate staffing data. We did not independently verify any of the workload and staffing data. We discussed the report with Customs officials who agreed with the material presented.

Our review was made in accordance with generally accepted government auditing standards.