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# CUSTOMS SERVICE

# Comments on Strategic Plan and Resource Allocation Process

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# Customs Service: Comments on Strategic Plan and Resource Allocation Process

Under the Government Performance and Results Act of 1993, executive agencies are to develop strategic plans in which they define their missions, establish results-oriented goals, and identify strategies they will use to achieve those goals for the period covering at least 1997 through 2002. The Act specifies that strategic plans should contain (1) a mission statement; (2) agencywide long-term goals and objectives; (3) approaches (or strategies) and the various resources needed to achieve the goals and objectives; (4) a description of the relationship between the long-term goals/ objectives and the annual performance plans; (5) an identification of key external factors; and (6) a description of how program evaluations were used to establish and revise strategic goals.

The Customs Service's plan addresses the required elements. It also contains a discussion of management challenges but, in GAO's opinion, does not adequately recognize Customs' need to improve its financial management and internal control systems, its controls over seized assets, its plans to alleviate year 2000 problems, and its plans to improve computer security.

Regarding its resource allocation process, Customs officials told GAO that they were not aware of any formal agency-wide efforts prior to 1995 to determine the need for additional cargo and passenger inspectional personnel for its 301 ports. However, Customs officials told GAO that in June 1995, in preparation for its fiscal year 1997 budget request and a new drug enforcement operation (Hard Line), Customs conducted a formal needs assessment using factors such as the need to (1) fully staff inspectional booths and (2) balance enforcement efforts with the need to quickly move complying cargo and passengers through the ports.

# Customs Service: Comments on Strategic Plan and Resource Allocation Process

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss our observations on the Customs Service's strategic plan and its allocation of inspectional resources. My statement is based on our review of Customs' September 30, 1997, plan and extensive work we have performed at the Customs Service over the past few years. It is also based on the limited amount of work we have done reviewing its system for allocating inspectional resources to its cargo ports of entry along the Southwest border.

## The Customs Service's Strategic Plan

The Government Performance and Results Act of 1993 (the Results Act) seeks to shift the focus of federal management and decisionmaking away from a preoccupation with staffing, activity levels, and tasks completed to a focus on results—that is, the real difference that federal programs make in people's lives. Under the Results Act, executive agencies were to develop by September 30, 1997, strategic plans in which they defined their missions, established results-oriented goals, and identified strategies that they will use to achieve those goals for the period covering at least 1997 through 2002. These plans are to be updated at least every 3 years.

The Act specifies that all agencies' strategic plans should have six critical components: (1) a comprehensive agency mission statement; (2) agencywide long-term goals and objectives for all major functions and operations; (3) approaches (or strategies) to achieve the goals and objectives and the various resources needed to do so; (4) a description of the relationship between the long-term goals/objectives and the annual performance plans required by the Act; (5) an identification of key factors, external to the agency and beyond its control, that could significantly affect achievement of the strategic goals; and (6) a description of how program evaluations were used to establish and revise strategic goals and a schedule for future program evaluations.

The plan developed by the Customs Service addresses the six requirements of the Results Act.[1] However, its discussion of the management challenges it faces does not adequately recognize the agency's need to improve its financial management and internal control systems, its controls over seized assets, its plans to alleviate year 2000 problems, and its plans to improve computer security.

[1]The Customs Service is not a separate executive branch agency and therefore is not required under the Results Act to develop its own strategic plan.

Concerning the elements required by the Results Act, Customs' mission statement is results oriented and covers its principal statutory mission—"ensuring that all goods and persons entering and exiting the United States do so in compliance with all United States laws and regulations." This covers Customs' responsibilities to collect revenues and prevent smuggling.

Second, the plan's goals and objectives cover Customs' major functions—processing cargo and passengers entering the U.S. and cargo leaving the U.S. In addition, Customs has developed goals and objectives for two chronic problem areas—narcotics smuggling and money laundering—as well as for three mission support functions—information and technology, finance, and human resources management. These goals and objectives are generally results-oriented and appear to be measurable. For example, Customs' overall goal for its processing of arriving international passengers is that the passengers it admits into the country will be in compliance with applicable laws and regulations. This goal is results oriented because it focuses on the outcomes Customs is mandated to achieve—compliance with applicable laws and regulations. In this case, Customs plans to gauge its success by measuring the extent to which it identifies and denies entry to noncompliant passengers.

Third, the plan discusses the strategies by which Customs hopes to achieve its goals. Customs' overall strategy is two-pronged: it plans to maximize compliance by (1) informing the trade and traveling community of applicable laws and regulations and (2) taking enforcement activities against noncompliant exporters, importers, and travelers. Its specific strategies are logically linked to the goals. For example, among its strategies for maximizing trade compliance are to (1) detect areas of noncompliance and, through informed compliance and targeted enforcement actions, raise compliance levels; and (2) "investigate and prosecute willfully noncompliant importers, exporters, and brokers, wherever detected, and provide a highly visible deterrent factor."

Fourth, the strategic plan discusses in very general terms how it relates to annual performance plans. In addition, for each goal, Customs provides specific targets it hopes to achieve during fiscal years 1997 through 2000. For example, among Customs' strategies for facilitating exports while achieving compliance with applicable laws and regulations is to redesign its outbound process "so that it is clear, consistent, and understandable to all customers and stakeholders of the process." Customs' targets for fiscal years 1997 and 1998 are to "continue to implement the uniform policies"

and "implement performance measures." For fiscal years 1999 through 2002, Customs' targets are to "implement the redesigned process" and "determine the resources needed to optimally implement the redesigned" process. However, these targets are more process oriented than results oriented; targets more closely related to the strategy, such as the extent of positive results from a customer survey and eventually higher compliance rates, might give Customs a better idea of whether its strategy is working.

Fifth, the plan discusses some key factors, external to Customs and beyond its control, that could significantly affect achievement of the strategic goals. These factors range from the level of cooperation of other countries in reducing the supply of narcotics to the level of support from what Customs refers to as its "customers"—the trade community and the traveling public.

Finally, Customs' strategic plan contains a listing of program evaluations used to prepare the plan and provides a schedule of evaluations to be conducted in each of the functional areas. For example, in developing its narcotics strategy, the plan states that Customs used the 1996 and 1997 National Drug Control Strategy prepared by the Office of National Drug Control Policy. Similarly, in developing strategies for its mission support processes, the plan states that Customs used one of our reports.[2]

In addition to the six elements required by the Results Act, there are several other areas where agencies' strategic plans can provide Congress and other stakeholders important insights into whether the agency will be able to achieve its goals. First, there is the recognition of how the agency will work with other federal agencies to achieve common goals. Customs' plan recognizes that the agency shares responsibilities for carrying out many of its core functions with other agencies. For example, Customs is one of over 50 federal agencies involved in drug control activities. Customs' plan acknowledges the relationships the agency has with the Departments of Justice, State, and Defense and discusses how it plans to work with these agencies to achieve its narcotics smuggling goals.

Customs' plan also recognizes some of the management challenges that the agency faces in carrying out its core functions but does not, in our opinion, cover some important management challenges it will face in successfully carrying out the plan. The plan discusses three functions—information and technology, finance, and human resources

[2]Improving Mission Performance Through Strategic Information Management and Technology—Learning From Leading Organizations (GAO/AIMD-94-115, May 1994).

management. In a broad sense, the plan references the problems that we and others have identified regarding Customs' automated systems modernization efforts and its need to improve its financial management and internal control systems.[3]

However, the plan does not provide the detail necessary to determine how Customs plans to address such challenges so that they do not continue to hamper its ability to meet stated goals and objectives. For example, we have reported that Customs' financial management problems have hindered its ability to reasonably ensure that (1) duties, taxes, and fees on imports are properly assessed and collected; (2) sensitive data maintained in its automated systems, such as information used to monitor its law enforcement operations, are adequately protected from unlawful access and modification; and (3) core financial systems capture all activity that occurred during the year and provide reliable information for management to use in controlling operations.

The Treasury Department's Inspector General (IG) issued an unqualified opinion on Customs' fiscal year 1996 financial statements. However, the IG also reported that Customs had significant internal control weaknesses and that the financial management systems may not be able to provide reliable information in a timely manner. Further, the IG's report disclosed that extensive manual procedures and analyses were required to process certain routine transactions and to prepare financial statements at fiscal year-end. This lack of readily accessible, quality data raises questions about Customs' capacity to track and measure its performance. Customs' strategic plan would be more helpful to decisionmakers if it more clearly addressed how Customs intends to correct these data reliability problems.

Our report on high-risk issues within the information technology area cited information security and the year 2000 problem as two issues requiring agency-specific actions.[4] Customs' plan contains some discussion of the importance of information security but does not address the Year 2000 problem. Specifically, regarding information security, the plan briefly mentions that the agency will follow applicable security-related directives and policies while providing a secure global

[3]We have included Customs' financial management and its handling of seized assets on our list of high-risk areas. In 1990 we began a special effort to review and report on the federal program areas our work had identified as high risk because of vulnerabilities to waste, fraud, abuse, and mismanagement. Our third series of reports, issued in February 1997, provides the current status of designated high-risk areas. See High-Risk Series, (GAO/HR-97-20 SET, Feb. 1997), and High-Risk Program: Information on Selected High-Risk Areas, (GAO/HR-97-30, May 1997).

[4]GAO High-Risk Series, Information Management and Technology (GAO/HR-97-9, Feb. 1997).

network. Also, the plan mentions the need for secure technology in the context of improving certain information systems. However, the plan does not describe information security-related strategies or measures and there is no comprehensive discussion about the need to focus on information security issues such as Customs attempts to move to an environment where the agency increasingly relies on automation and technology to perform its mission.

With the year 2000 less than 3 years away, federal agencies including Customs must act quickly to ensure that systems are year 2000 compliant. Necessary steps include identifying and analyzing mission-critical computer systems, developing date conversion strategies and plans, and dedicating sufficient resources convert the computer systems by early 1999 to allow 1 year for testing and error correction. However, the Customs strategic plan, while identifying information and technology as a key mission support process, does not recognize the year 2000 problem. There is no discussion of the strategies or activities to address the year 2000 problem and the plan does not identify risks associated with the year 2000 problem as factors that could hinder accomplishment of the plan.

## Customs' Resource Allocation Process

We have not completely reviewed the processes by which the Customs Service determines its operational resource needs and allocates available resources to ports of entry. We are currently reviewing those processes for cargo inspections; this work has been requested by Senator Feinstein. We expect to report our results in the Spring of 1998. However, I can comment on some of the work we have completed so far.

Officials in Customs' Office of Field Operations told us that they were not aware of any formal needs assessments used to determine the number of cargo and passenger inspectional personnel to be assigned to each of its 301 ports, prior to 1995. Beginning in 1995, for the fiscal year 1997 appropriations cycle, Customs requested additional inspectors to help implement Operation Hard Line.[5] To determine how many more inspectors it needed and where it needed them, Customs asked its field managers—at the then district (and subsequently at the Customs Management Center[6]) level—to assess their resource needs on the basis of a variety of factors, such as the need to (1) fully staff primary cargo and passenger lanes and

[5]Operation Hard Line is Customs' effort to address border violence and drug smuggling through intensified inspections, improved facilities, and advances in technology.

[6]On October 1, 1995, Customs closed its 7 regional and 42 district offices and replaced them with 20 Customs Management Centers.

inspection facilities, (2) respond to staffing agreements with INS,[7] (3) provide canine enforcement to cargo and passenger processing operations, and (4) balance enforcement efforts with the need to quickly move complying cargo and passengers through the ports. As a result of this needs assessment and the ensuing appropriations process, Congress provided Customs with authority to hire an additional 657 inspectors and other staff in fiscal year 1997.

During preparation of its fiscal year 1998 budget request, Customs headquarters conducted another needs assessment for inspectors. The Customs' official who conducted the assessment told us that it was influenced by the number of drug seizures at ports, the increased smuggling threat through railway ports of entry, and the threat of internal conspiracies at certain ports.

We are currently reviewing the documentation for these needs assessments, as well as the process by which Customs officials determined the actual number of new inspectors to be assigned to each Customs Management Center and port.

At the request of this Subcommittee, we have obtained data from Customs on the total number of inspectors assigned to its major cargo and passenger ports, as well as on the latest workloads at those ports. However, Customs did not provide these data in time for us to complete our analysis and include our results in this statement. We are working with the data and hope to have the results for you soon.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions.

[7]Both Customs and INS inspect incoming passengers at ports of entry.

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