

B-212463.3

July 29, 1994

The Honorable Ron de Lugo
Chairman, Subcommittee
on Insular and International Affairs
Committee on Natural Resources
House of Representatives

Dear Mr. Chairman:

We refer to your letter of February 22, 1994, with enclosures, in which you have requested an explanation of a discrepancy in our analysis of the duty collection costs for the Virgin Islands for fiscal year (FY) 1982, as set forth in our letter of December 13, 1991.

In that letter we reiterated our denial of a claim for \$5.2 million submitted by , Advisory Services of the Virgin Islands, on behalf of the Virgin Islands. The claim arose when the U.S. Customs Service discovered in 1987 that the Virgin Islands deposit account maintained by the U.S. Treasury showed a balance of \$5.2 million in excess of the balance in the Customs Service accounts. Customs advised us that the \$5.2 million balance was due to its errors in failing to report administrative expenses to the U.S. Treasury and was not an amount owed to the Virgin Islands. As evidence, Customs stated by letter dated September 17, 1991, that its records showed underreporting to the Treasury in the amount of \$1,667,611, of its duty collection costs of \$6,961,613 for FY 1982. We agreed with Customs that this evidence partially substantiated its position that the \$5.2 million balance arose because of reporting errors. We also noted that Mr. had not presented any evidence to support his claim. See, Letter to Advisory Services, B-241592.3, Dec. 13, 1991, p. 2 and 3.

The discrepancy to which you refer concerns our report, U.S. Customs Service's Collection of Duties on Imports to the Virgin Islands (GAO/GGD-84-26), October 25, 1983,² stating that duty collection costs for FY 1982 were \$2,711,042, thus contradicting the \$6,961,613 figure stated in our letter to

¹B-241592.3, Dec. 13, 1991.

²B-212463, Oct. 25, 1983.

Mr. . The \$2,711,042 figure in our 1983 report had been provided to us by the U.S. Customs Service in Miami, Florida. The \$6,961,613 figure, as stated, was provided to us by the Comptroller, U.S. Customs Service, by letter dated September 17, 1991.

We asked Customs to explain the discrepancy. The Chief Financial Officer of Customs replied by letter dated July 5, 1994, copy enclosed. He stated that Customs' use of the term "costs" in its September 17, 1991, letter may have caused confusion. He explains that the reported disbursements totalling approximately \$7 million deducted from the Virgin Islands Deposit Fund during fiscal year 1982 included both amounts deducted for costs incurred by Customs and amounts remitted to the Virgin Islands government. Thus, he reports that, in addition to the collection costs of approximately \$2.7 million referenced in our report GAO/GGD-84-26, supra, approximately \$4.2 million was remitted to the Virgin Islands as net duty proceeds. The remaining net duty proceeds for FY 1982, amounting to approximately \$1 million, were turned over to the Virgin Islands during the following year.

We believe that the Chief Financial Officer's letter explains the apparent discrepancy. We see no basis to change the basic conclusion reached in our 1991 letter that the \$5.2 million balance in the Virgin Islands deposit account arose because of reporting errors.

As to your request for information concerning the "User Fee Issue," we will be responding shortly to this request by separate letter, B-253292.

Sincerely yours,

Robert P. Murphy
Acting General Counsel

Enclosure

B-212463.3

July 29, 1994

DIGEST

In response to Congressman's inquiry as to apparent discrepancy in FY 1982 disbursement records between our 1983 report pertaining to the U.S. Customs Service account of the Virgin Islands and our subsequent letter of December 13, 1991, Congressman is advised that Customs has furnished this Office with clarification indicating that the amount stated in the 1991 letter included both amounts deducted for costs incurred by the U.S. Customs Service and amounts remitted to the Virgin Islands government as net duty proceeds.