



INTERNATIONAL TRADE

USTR Should Improve Coordination on New Automotive Rules of Origin

Report to Congressional Committees

January 2024

GAO-24-106330

United States Government Accountability Office

Accessible Version

GAO Highlights

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Highlights of [GAO-24-106330](#), a report to congressional committees

January 2024

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USTR Should Improve Coordination on New Automotive Rules of Origin

Why GAO Did This Study

The USMCA, which replaced the North American Free Trade Agreement, entered into force in July 2020. According to agency officials and industry stakeholders, this change was significant because it strengthened the rules of origin for automotive goods with a potentially widespread effect on trade. USMCA implementing legislation includes a provision for GAO to review the effectiveness of U.S. interagency coordination on implementation, enforcement, and verification of the automotive rules of origin, and the customs procedures of the USMCA with respect to automotive goods.

In this report, GAO examines (1) what mechanisms U.S. agencies use to coordinate on the new rules of origin; and (2) the extent to which relevant agencies are effectively coordinating the implementation, enforcement, and verification of the new rules and customs procedures. GAO reviewed legislation and documents, interviewed agency and labor and industry stakeholders, and analyzed responses from nine agencies that participate on the Interagency Autos Committee against leading interagency collaboration practices, identified in prior GAO work.

What GAO Recommends

USTR, as chair of the Interagency Autos Committee, should work with committee members to develop written guidance.

What GAO Found

Agencies used three key mechanisms to coordinate the implementation, verification, and enforcement of the United States-Mexico-Canada Agreement's (USMCA) new rules of origin for automotive goods:

- The Interagency Autos Committee, chaired by the U.S. Trade Representative (USTR), provides advice about and monitoring of the USMCA provisions regarding automotive goods.
- The USMCA Center provided guidance to stakeholders and facilitated verification activities from its inception in March 2020 to its closure in February 2023.
- Customs and Border Protection (CBP) and the Department of Labor (DOL) jointly developed guidance and shared information on certification and verification processes to ensure the value of the labor content of goods (Labor Value Content, or LVC) conforms to requirements.

GAO evaluated the effectiveness of ongoing coordination against selected leading collaboration practices identified in prior GAO work.

GAO's Leading Interagency Collaboration Practices



Source: GAO (data); GAO (icons). | GAO-24-106330

In its efforts to coordinate on the implementation, enforcement, and verification of new automotive rules of origin, the Interagency Autos Committee generally followed six of the eight leading collaboration practices, as identified in GAO's prior work. However, the committee partially followed two other practices. For example, the committee had not developed written guidance to help ensure accountability. Clearly articulated written guidance could improve communication, limit uncertainty for agencies and stakeholders, and aid in the monitoring of progress toward committee outcomes.

CBP and DOL have generally followed all eight of the leading collaboration practices during their implementation of the LVC certification process and planning for LVC verifications. Their LVC guidance details the agencies' roles and responsibilities, as well as other leading collaboration practices, for these two processes. In addition, GAO found that no significant interagency coordination takes place for enforcement of the new rules of origin, because CBP alone conducts those activities. According to officials, CBP has not yet enforced some of the requirements because the final set of rules of origin regulations are awaiting approval.

Contents

GAO Highlights		ii
	Why GAO Did This Study	ii
	What GAO Recommends	ii
	What GAO Found	ii
Letter		1
	Background	3
	Agencies Used Three Key Mechanisms for Coordination of New Automotive Rules of Origin in the USMCA	8
	Relevant Agencies Are Generally Coordinating Effectively, but the Interagency Autos Committee Could Strengthen its Accountability and Guidance Practices	14
	Conclusions	28
	Recommendation for Executive Action	29
	Agency Comments	29
Appendix I: Objectives, Scope, and Methodology		32
Appendix II: U.S. Agencies Participating on the Interagency Autos Committee		35
Appendix III: Agency Comments		38
	Accessible text for Appendix III: Agency Comments	39
Appendix IV: GAO Contact and Staff Acknowledgments		41
	GAO Contact	41
	Staff Acknowledgments	41
Tables		
	Table 1: Selected Differences between North American Free Trade Agreement (NAFTA) and United States-Mexico- Canada Agreement (USMCA) Rules of Origin for Automotive Goods	3
	Table 2: U.S. Offices and Bureaus with Roles or Expertise Related to the United States-Mexico-Canada Agreement (USMCA) Automotive Rules of Origin	35
Figures		
	GAO's Leading Interagency Collaboration Practices	iii

Figure 1: Timeline of Select Events Related to USMCA Automotive Rules of Origin, 2020-2025	4
Figure 2: Phase-in of United-States-Mexico-Canada Agreement (USMCA) Automotive Rules of Origin	5
Figure 3: Percentage of U.S. Automotive Imports from Canada and Mexico Subject to Duty, June 2017 through June 2022	6
Accessible data table for Figure 3: Percentage of U.S. Automotive Imports from Canada and Mexico Subject to Duty, June 2017 through June 2022	7
Figure 4: Leading Interagency Collaboration Practices and Selected Key Considerations Identified in Our Work	15
Figure 5: GAO Analysis of the Extent to Which the Interagency Autos Committee Followed Leading Collaboration Practices, as of July 2023	17
Figure 6: GAO Analysis of the Extent to Which the Customs and Border Patrol (CBP) and Department of Labor (DOL) Partnership on Labor Value Content (LVC) Requirements Followed Leading Collaboration Practices, as of July 2023:	24

Abbreviations

ASR	Alternative Staging Regime
CBP	Department of Homeland Security's Customs and Border Protection
DOL	United States Department of Labor
LVC	Labor Value Content
MOU	Memorandum of Understanding
NAFTA	North American Free Trade Agreement
TRA	Customs and Border Patrol, Office of Trade Regulatory Audit
RVC	Regional Value Content
USITC	United States International Trade Commission
USMCA	United States–Mexico–Canada Agreement
USTR	Office of the United States Trade Representative
WHD	Department of Labor, Wage and Hour Division

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January 31, 2024

Congressional Committees

The United States-Mexico-Canada Agreement (USMCA), which replaced the North American Free Trade Agreement (NAFTA), entered into force in July 2020.¹ According to U.S. agency officials and industry and labor stakeholders, the new agreement made significant changes for trade in automotive goods by modifying the rules of origin for these items, which make up the single largest category of trade among the three partners. The United States International Trade Commission (USITC) estimated that the new requirements would increase U.S. production of automotive goods and employment and lead to an increase in the price of vehicles in the United States.²

USMCA implementing legislation³ contains a provision for us to submit a report assessing the effectiveness of U.S. interagency coordination on implementation, enforcement, and verification of the new rules and the customs procedures for automotive goods.⁴ This report examines (1) what mechanisms U.S. agencies use to coordinate on the new automotive rules of origin included in the USMCA, and (2) the extent to which relevant agencies are effectively coordinating the implementation,

¹Agreement between the United States of America, the United Mexican States, and Canada, July 1, 2020, <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between> (last visited Nov. 15, 2023).

²United States International Trade Commission, *U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors*, April 2019, Pub. Number 4889.

³United States-Mexico-Canada Agreement Implementation Act, Pub. L. No. 116-113, 134 Stat. 11 (2020) (codified at 19 U.S.C. §§ 4501 - 4732).

⁴19 U.S.C. § 4532(g)(3). While the law does not define interagency collaboration, for purposes of this report, interagency collaboration involves collaboration between two or more federal entities. Collaboration can be broadly defined as any joint activity intended to produce more public value than could be produced when the organizations act alone. The term “collaboration” broadly refers to interagency activities that others have defined as “cooperation,” “coordination,” “integration,” or “networking.” See GAO, *Government Performance Management: Leading Practices to Enhance Interagency Collaboration and Address Crosscutting Challenges*, [GAO-23-105520](https://www.gao.gov/products/GAO-23-105520), (Washington D.C.: May 24, 2023). For this report, based on our prior work, we use the terms collaboration and coordination interchangeably.

enforcement, and verification of the new automotive rules of origin and the related U.S. Customs procedures of the USMCA.

To describe how agencies coordinate on the new automotive rules of origin included in the USMCA, we reviewed legislation and key documents. These included the USMCA Implementation Act provisions requiring creation of an Interagency Committee on Trade in Automotive Goods (Interagency Autos Committee);⁵ Executive Order 13908,⁶ which established the Interagency Autos Committee; and required reports to Congress, including the 2022 United States Trade Representative (USTR) report and the 2023 United States International Trade Commission (USITC) report. In addition, we interviewed officials from the nine agencies⁷ that coordinate on the Interagency Autos Committee and interviewed a judgmental sample of four private sector stakeholders, including representatives of the automotive industry and labor, that submitted comments to USTR for its first biennial report to Congress or to USITC for its 2022 investigation on the economic impact of USMCA auto rules of origin.

To assess the extent to which relevant agencies are effectively coordinating the implementation, enforcement, and verification of the new automotive rules of origin included in the USMCA and the related customs procedures, we reviewed legislation and relevant documents and interviewed agency officials and selected private sector stakeholders, including representatives of the automotive industry and labor. In addition, we sent a set of structured open-ended questions to the nine agencies, all of which responded, who participate on the Interagency Autos Committee. We asked about their coordination practices and evaluated those responses and the other information against leading interagency collaboration practices identified in our prior work. See appendix I for more detail on our objectives, scope, and methodology.⁸

⁵Codified at 19 U.S.C. § 4532(b).

⁶Exec. Order No. 13908, *Establishment of the Interagency Committee on Trade in Automotive Goods Under Section 202A of the United States-Mexico-Canada Agreement Implementation Act*, 85 Fed. Reg. 12983 (March 6, 2020).

⁷The nine agencies that coordinate on the Interagency Autos Committee are The Office of the United States Trade Representative (USTR), the Departments of Labor (DOL), Commerce, the Treasury, State, U.S. Customs and Border Protection (CBP), Energy, Transportation and the USITC.

⁸See [GAO-23-105520](#).

We conducted this performance audit from October 2022 to January 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

USMCA Rules of Origin Increased the Regional Value Content Required for Automotive Goods and Added Labor Value Content and Steel and Aluminum Rules

The USMCA replaced NAFTA, and included new automotive rules of origin, which determine whether automotive goods can qualify for preferential duty rates.⁹ USMCA’s automotive rules of origin require that a certain percentage of the value of a final product must originate in the partner countries to qualify for those rates—known as regional value content or RVC. Specifically, USMCA raised the RVC requirements for automotive vehicles and light trucks, compared to NAFTA’s. It also introduced a new Labor Value Content rule for automotive goods (LVC) tied to wage rates, and added a requirement that a share of steel and aluminum purchases originate in North America (see table.1).

Table 1: Selected Differences between North American Free Trade Agreement (NAFTA) and United States-Mexico-Canada Agreement (USMCA) Rules of Origin for Automotive Goods

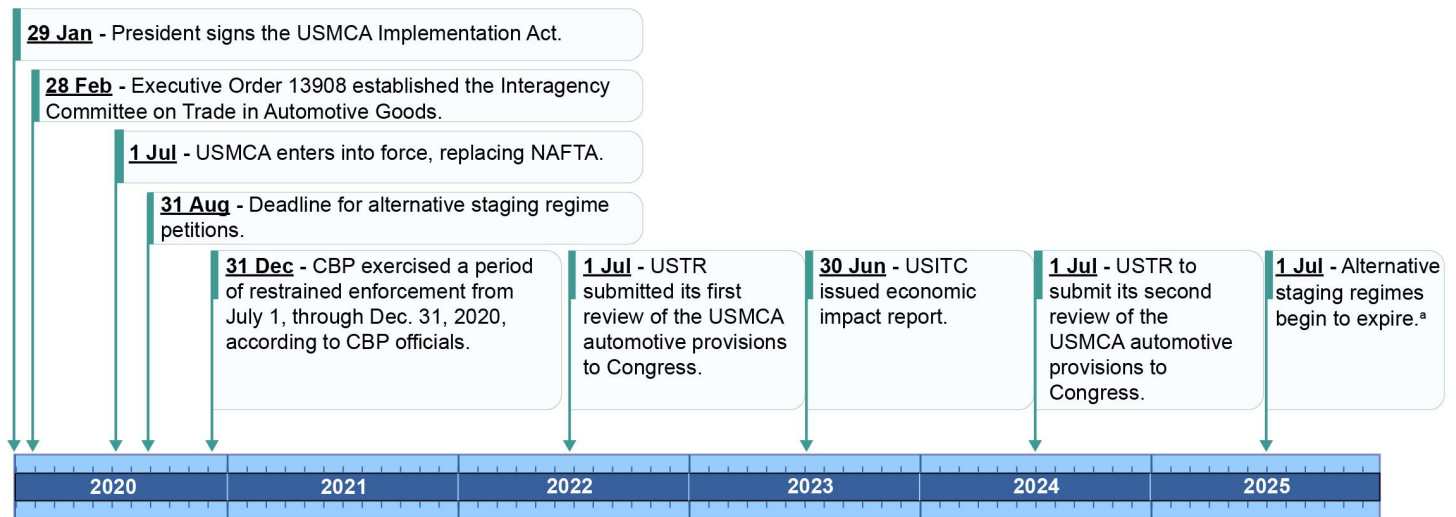
Selected Requirements	NAFTA	USMCA
Regional Value Content (RVC)	62.5% RVC	75% RVC for passenger vehicles, light trucks, and certain parts
Core parts	No core parts requirement	Certain core parts of a vehicle must meet a RVC threshold for the entire vehicle to meet the new rule of origin
Labor Value Content (LVC)	No LVC requirement	LVC 40-45% stating that qualifying vehicles be produced by workers earning at least an average of \$16 per hour
Domestic steel and aluminum requirements	No domestic steel and aluminum requirement	70% of automotive vehicle manufacturer’s steel and aluminum purchases must originate in North America

Source: GAO based on Congressional Research Service Report: USMCA: Motor Vehicle Rules of Origin, April 21, 2022. | GAO-24-106330

⁹Codified at 19 U.S.C. § 4532.

USMCA also allowed automotive importers to submit petitions for alternative staging regimes (ASRs). If a petition for an ASR is granted, companies generally have more time to phase in compliance with new rules of origin than under the standard staging (phase-in) regime (see fig. 1).

Figure 1: Timeline of Select Events Related to USMCA Automotive Rules of Origin, 2020-2025



Legend: CBP = U.S. Customs and Border Protection; USITC= United States International Trade Commission; NAFTA = North American Free Trade Agreement; USTR = U.S. Trade Representative; USMCA ACT = United States-Mexico-Canada Agreement Implementation Act.

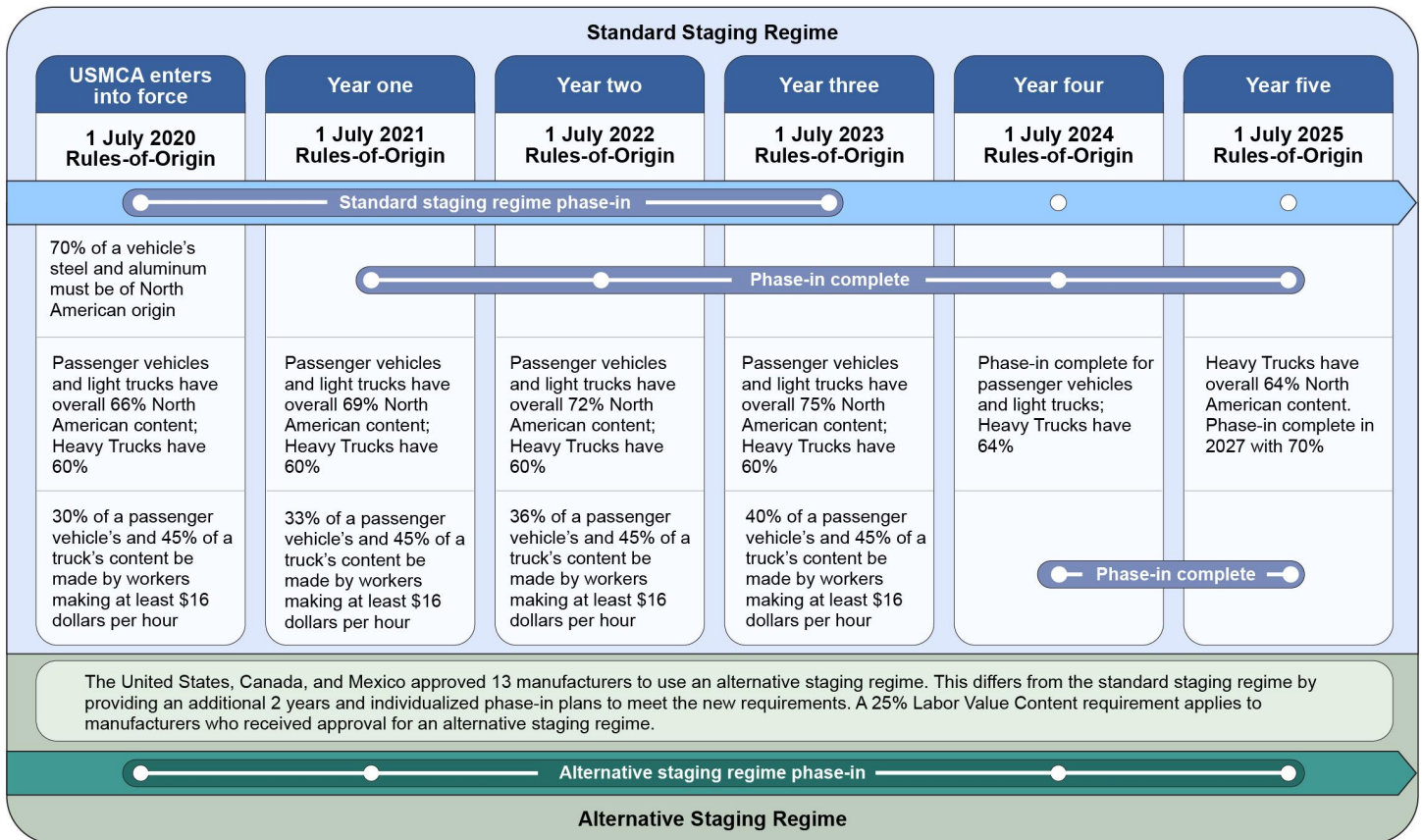
Source: GAO. | GAO-24-106330

^aThe USMCA alternative staging regime differs from the standard staging regime by providing additional time and a different phase-in of the new requirements. A few vehicle manufacturers using an alternative staging regime were approved for an additional 6 months to 1 year beyond July 1, 2025.

Some approved ASRs permit phase-ins beyond 2025, according to USITC (see fig. 2). However, according to a study by the USITC and our review of U.S. Census Bureau data, the new rules are already affecting trade.¹⁰

¹⁰United States International Trade Commission, *USMCA Automotive Rules of Origin: Economic Impact and Operation, 2023 Report*, June 2023, Pub. Number 5443.

Figure 2: Phase-in of United-States-Mexico-Canada Agreement (USMCA) Automotive Rules of Origin



Source: GAO. | GAO-24-106330

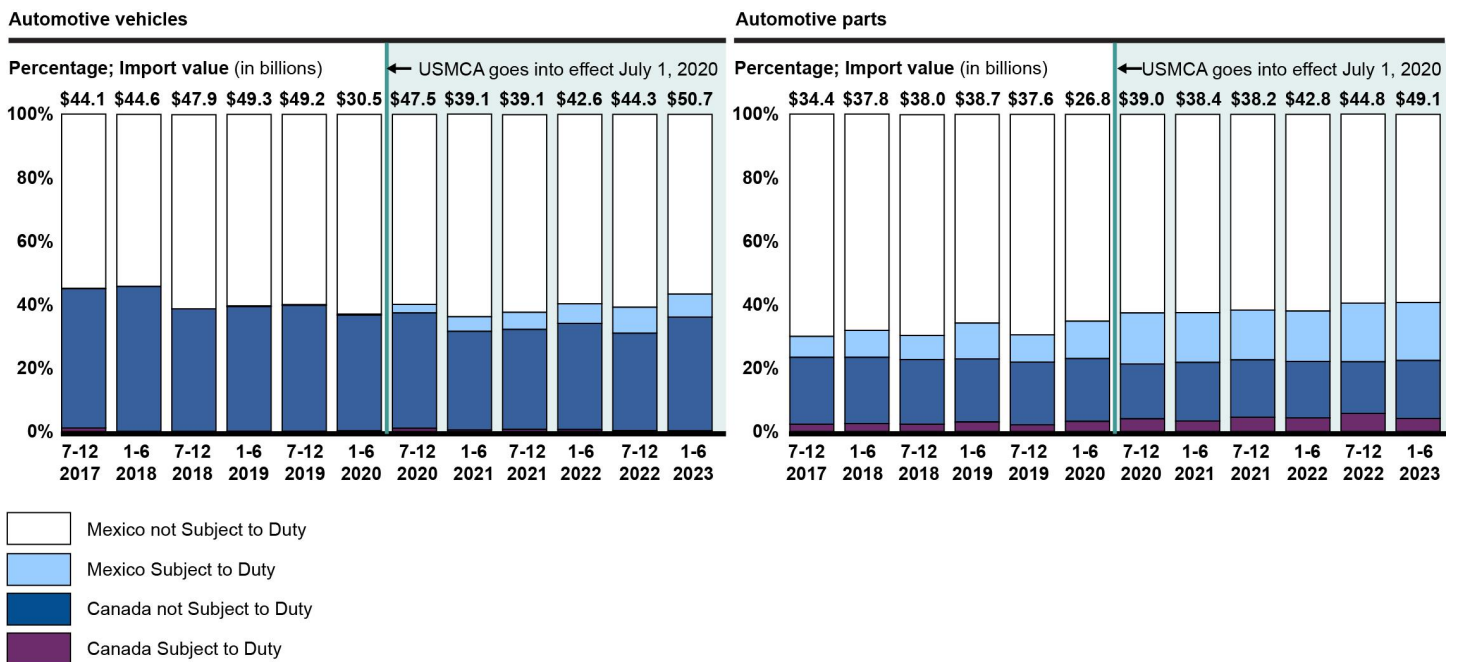
Note: The alternative staging regime differs from the standard staging regime by providing additional time and a different phase-in of the new requirements. A few vehicle manufacturers using an alternative staging regime were approved for an additional 6 months to 1 year beyond July 1, 2025.

U.S. Importers Paid Duties on More Automotive Imports since USMCA Entered into Force

U.S. importers have paid duties on more imports of automotive vehicles and parts from Canada and Mexico since the USMCA entered into force, according to Census trade statistics. According to those statistics, the value of automotive imports from Canada and Mexico on which importers paid duty increased from \$1.1 billion during the 3 years before the treaty entered into force to \$16.5 billion during the 3 years after the treaty was implemented. Some importers have opted to pay the 2.5 percent duty on imports of automotive goods from Canada and Mexico rather than follow

the new rules of origin requirements negotiated in the USMCA, according to knowledgeable industry representatives. In addition, importers of used automotive vehicles and used parts from Canada and Mexico are paying more duties, according to the USITC. Imports from Mexico have accounted for most of the imports subject to duty during the 3 years after the treaty entered into force (see fig.3). For automotive vehicles, roughly 91 percent of the \$16.5 billion of imports subject to duty came from Mexico (\$15.1 billion), whereas the remaining 9 percent came from Canada (\$1.4 billion) (see fig. 3). For automotive parts, roughly 79 percent of the \$53 billion of imports subject to duty came from Mexico (\$42 billion), whereas the remaining 21 percent came from Canada (\$11 billion).

Figure 3: Percentage of U.S. Automotive Imports from Canada and Mexico Subject to Duty, June 2017 through June 2022



Legend: USMCA = United States-Mexico-Canada Agreement.

Source: GAO Analysis of Census Trade Statistics. | GAO-24-106330

Accessible data table for Figure 3: Percentage of U.S. Automotive Imports from Canada and Mexico Subject to Duty, June 2017 through June 2022

Time Period	Canada Subject to Duty	Canada not Subject to Duty	Mexico Subject to Duty	Mexico not Subject to Duty	Total Trade
Jul. - Dec. 2017	2.3	21.1	6.6	70.1	34.38
Jan. - Jun. 2018	2.5	20.9	8.5	68.2	37.82
Jul. - Dec. 2018	2.3	20.4	7.6	69.6	37.98
Jan. - Jun. 2019	3	19.9	11.3	65.8	38.71
Jul. - Dec. 2019	2.1	19.8	8.6	69.5	37.61
Jan. - Jun. 2020	3.2	19.8	11.8	65.2	26.75
Jul. - Dec. 2020	4	17.3	16.1	62.6	39.01
Jan. - Jun. 2021	3.3	18.5	15.7	62.5	38.38
Jul. - Dec. 2021	4.5	18.1	15.7	61.7	38.23
Jan. - Jun. 2022	4.3	17.8	15.9	62	42.81
Jul. - Dec. 2022	5.7	16.3	18.5	59.6	44.84
Jan. - Jun. 2023	4.1	18.3	18.3	59.3	49.11

Time Period	Canada Subject to Duty	Canada not Subject to Duty	Mexico Subject to Duty	Mexico not Subject to Duty	Total Trade
Jul. - Dec. 2017	1.1	43.9	0.1	55	44.13
Jan. - Jun. 2018	0	45.7	0	54.3	44.61
Jul. - Dec. 2018	0	38.7	0	61.2	47.87
Jan. - Jun. 2019	0.1	39.3	0.2	60.4	49.34
Jul. - Dec. 2019	0.1	39.7	0.2	60	49.17
Jan. - Jun. 2020	0.2	36.5	0.3	63	30.51
Jul. - Dec. 2020	1	36.4	2.7	59.9	47.5
Jan. - Jun. 2021	0.5	31.1	4.6	63.9	39.1
Jul. - Dec. 2021	0.7	31.5	5.4	62.3	39.09
Jan. - Jun. 2022	0.6	33.5	6.2	59.7	42.55

Time Period	Canada Subject to Duty	Canada not Subject to Duty	Mexico Subject to Duty	Mexico not Subject to Duty	Total Trade
Jul. - Dec. 2022	0.3	30.7	8.2	60.8	44.32
Jan. - Jun. 2023	0.2	35.9	7.2	56.7	50.68

Source: GAO analysis of Census Trade Statistics. | GAO-24-106330

Agencies Used Three Key Mechanisms for Coordination of New Automotive Rules of Origin in the USMCA

Agencies used three key mechanisms to facilitate coordination of implementation, verification, and enforcement of new rules of origin for automotive goods included in the USMCA. These mechanisms include the Interagency Autos Committee, the USMCA Center, and the Department of Labor (DOL) and U.S. Customs and Border Protection (CBP) partnership on LVC certification and verification. At the policy level, the Interagency Autos Committee, as called for in the USMCA Implementation Act and established by the Executive Order 13908, provides advice, as appropriate, on implementation, enforcement, and modification of provisions of USMCA with regards to new automotive rules of origin. At the working level, the USMCA Center within CBP initially provided guidance to U.S. agency and private sector stakeholders on how to comply with the new rules, according to CBP officials. Since the Center closed in February 2023, according to officials, CBP and DOL have used ongoing collaboration and information sharing to facilitate certification and verification of USMCA’s new LVC rule.

Interagency Autos Committee Provides Advice on the Operation of USMCA Automotive Provisions

The Interagency Autos Committee Has Produced Several Key Outcomes

The Interagency Autos Committee has coordination responsibilities to provide advice and input to USTR, as appropriate, on the implementation, enforcement, and modification of USMCA provisions that relate to

automotive goods. It is also responsible for reviewing the operation of USMCA with respect to automotive goods—including the economic effects of the automotive rules of origin on the U.S. economy, workers, and consumers, and the impact of new technology on those rules. The USMCA Implementation Act directed the President to establish the committee, outlined committee membership, and identified USTR as the Chair. In addition to USTR, the statute called for the inclusion on the committee of Department of Commerce, DOL, CBP, USITC, and any other members determined necessary by USTR. On February 28, 2020, the President issued Executive Order 13908 that formally established the Interagency Autos Committee and added Treasury as a member, along with the other members specified in the USMCA Implementation Act. Subsequently, USTR added the Departments of Energy, Transportation, and State, because it determined that each had unique expertise on various issues on automotive goods. For example, Transportation has expertise on auto safety and Energy on emerging technologies, including electric automotive vehicles, according to USTR officials.

Executive Order 13908 describes a process for committee decision making. The order directs the committee to endeavor to make any recommendation on an action or a determination under section 202A of the USMCA Implementation Act by consensus, meaning that no member objects to the proposed action or determination. According to the order, if the committee is unable to reach consensus, and USTR determines certain circumstances exist, it may decide the matter by majority vote, with USTR allowed to vote and break a tie if necessary.¹¹ USTR made most decisions relating to rules of origin for automotive goods after obtaining the advice and consensus of the committee, according to USTR and agency officials who participate on the Interagency Autos Committee. As of October 2023, the committee has coordinated on several key outcomes, including providing input on guidance for seeking approval of ASRs, issuance of Uniform Regulations, CBP USMCA Implementing Instructions, and USTR's first biennial report to Congress.

- **Guidance for Alternative Staging Regimes:** On April 21, 2020, after review and with advice and input from the committee, according to agency officials, USTR published a *Federal Register* notice providing

¹¹According to Executive Order 13908, the committee can decide a matter by a majority vote if they are unable to reach consensus, and USTR determines that allotting further time would not unduly delay implementation of provisions of the Agreement that relate to automotive goods. According to USTR officials, the committee has not held a vote as of October 2023.

procedures and guidance for North American producers of automotive vehicles intending to submit a petition for an ASR for the rules of origin under the USMCA. Petitions with draft alternative staging plans were due by July 1, 2020, and petitions with final draft alternative staging plans were to be submitted by August 31, 2020. According to officials, USTR requested that the agencies on the committee review and provide advice and input on submitted petitions, which resulted in consensus decisions to recommend approval of all 13 of them by February 2021.¹²

- **Uniform Regulations:** In June 2020, after review and with advice and input from the committee, USTR published the Uniform Regulations for interpretation, application, and administration of the rules of origin and related provisions in the agreement between the United States, Mexico, and Canada. The Uniform Regulations became effective July 1, 2020, when USMCA replaced NAFTA. They contain definitions and information regarding the rules of origin requirements that importers must fulfill to apply for USMCA preferential duty rates. According to USTR and agencies on the Interagency Autos Committee, USTR developed the regulations with the input and advice of the committee.
- **CBP Implementing Instructions for USMCA:** In June 2020, CBP published its Implementing Instructions for preferential duty claims under USMCA that laid out general and special rules of origin for automotive goods, after obtaining input and review by the committee, according to officials. For example, the instructions include information about the RVC, steel, and aluminum, and LVC requirements for automotive goods. According to DOL and CBP officials, this guidance also lays out timeframes and step-by-step instructions on how the two agencies coordinate on the LVC certification process, among other things.
- **USTR Biennial Report:** On June 30, 2022, USTR, after review and with the advice and input of the committee, issued the first required biennial report to Congress. The USMCA Implementation Act included a provision that required USTR to consult with the Interagency Autos Committee and issue a report every 2 years until 2030 on the operation of the USMCA with respect to trade in automotive goods. According to USTR officials, they solicited input for the 2022 report from the committee members, as well as from producers of automotive goods, labor organizations, and other interested parties as

¹²According to the USITC report, *USMCA Automotive Rules of Origin, June 2023*, the 13 approved alternative staging regimes affect less than 15 percent of the vehicle models produced in USMCA countries. The affected models account for approximately 22 percent of North American production and a smaller percentage of U.S. sales.

needed. For example, USTR published a *Federal Register* notice in February 2022 soliciting input from the public on the operation of the USMCA for use in the report. According to USTR officials, it assigned Commerce, USITC, CBP, and DOL specific tasks as part of the drafting of the report related to their expertise on automotive goods. They worked directly with officials from the other agencies to resolve issues in the report where the agencies had conflicting input or opinions. Finally, USTR provided the agencies a full draft of the report for review before publication, according to USTR officials.

According to agency officials, the Interagency Autos Committee completed all the outcomes it coordinated on within required timeframes.

Ongoing Committee Work Includes Monitoring and Modifications to 13 Alternative Staging Regimes

USTR and the Interagency Autos Committee continue to monitor the performance of the companies with approved ASRs by reviewing the companies' annual ASR progress reports, according to USTR officials. Ongoing committee work also includes considering requests to modify existing ASRs. As of October 2023, USTR had approved two ASR modifications and was in the process of reviewing two draft modifications. USTR officials explained that the companies were seeking modifications for removal of products, time extensions, or changes of coverage from the original ASR. For the pending modifications, once formal requests are received from the companies, the agencies on the committee will work to reach consensus on their recommendations to USTR to approve or disapprove the requests. Officials said they expect additional companies to submit ASR modifications.

USMCA Center Provided Guidance to Stakeholders and Facilitated Verification Activities

At a working level, according to CBP, the USMCA Center coordinated CBP's implementation, verification, and enforcement of new rules of origin. Through the Center, CBP provided guidance to agencies, including DOL on the LVC certification process, and to the private sector for the transition from NAFTA to USMCA.

CBP established the USMCA Center to serve as a communications hub for stakeholders to coordinate USMCA implementation and to ensure a smooth transition from NAFTA to USMCA for the new rule of origin requirements for automotive goods, textiles, and other imports. The

Center created an automotive portal on its website for distribution and receipt of information, coordinated outreach events, responded to training requests, and provided information to agencies and the private sector, including guidance for USMCA compliance, according to CBP officials.

The Center coordinated the CBP response during the USTR-led ASR review and approval process, and Center staff participated in discussions on other automotive-related topics addressed by the Interagency Autos Committee, according to CBP. In addition, the Center facilitated certifications under the new automotive rules. For example, the Center staff organized the recurring meetings between DOL and CBP officials for the LVC certification process (discussed below) and ensured that all the appropriate CBP offices and personnel were involved, according to DOL officials.

The Center closed in early 2023 and its work transitioned to the CBP Textiles and Trade Agreements Division, which spearheads all USMCA issues and inquiries, according to CBP officials. Closure of the Center did not change the submission and processing of USMCA automotive certifications through its portal, according to CBP officials. In addition, the USMCA website and portal remained operational after closure of the Center. According to CBP officials and representatives of automotive producers, stakeholders continued to be able to locate and access the same information from the website. According to DOL officials, they saw no effect from CBP's closure of the Center and return of staff to their respective offices within the Textiles and Trade Agreements Division, because relationships among the relevant technical staff were already well established and continued to work smoothly.

CBP and DOL Share Information to Coordinate on LVC Certification and Verification

To be eligible for preferential tariff treatment under the USMCA the producer must provide a certification to CBP that it has met the LVC requirements. This includes a requirement that a certain percentage of the qualifying vehicles be produced by employees making an average hourly base wage rate of at least \$16. Currently, DOL and CBP work under a memorandum of understanding (MOU) that lays out information

sharing and coordination for the enforcement for the LVC.¹³ Automotive union representatives said they were pleased that the new rules of origin included the LVC. However, industry stakeholders said it can be challenging to get wage data from smaller suppliers who may be reluctant to share confidential or competitiveness information.

CBP and DOL coordinated to determine their roles and areas of expertise regarding the certification process of the LVC, according to agency officials. CBP and DOL jointly decided to adopt the current format of the LVC certification process, as described in the CBP Implementing Instructions. CBP's role is to receive a producer's LVC certification information through its automotive portal and submit it to DOL. DOL then reviews the submission for any errors or omissions and returns it to CBP with the appropriate status—errors found or not found. CBP next works with producers to make any needed corrections to the submissions. Upon receipt of final documentation and within 120 days of initial submission, CBP informs the producers that their certifications were properly filed and were accepted, according to CBP. From July 2020 through October 2023, CBP and DOL reviewed about 101 LVC certifications for errors and omissions, according to CBP officials.

According to officials, although CBP is ultimately responsible for all USMCA rules of origin verifications, it works jointly with DOL on verification of LVC requirements. Verification is done mainly using audits conducted by CBP's Trade Regulatory Audit (TRA) in conjunction with DOL. The agencies worked jointly on several products to coordinate verification of the LVC rule, including (1) a producer's notice of intent, (2) a supplier's notice of intent, and (3) an LVC questionnaire for producers and suppliers, according to DOL officials. DOL officials noted that CBP officials solicited their input as they drafted documents, such as the interagency technical guidance for auditors of the LVC requirement.

Officials said they have also initiated a pilot program to test their audit process with two firms. Typically, once audits are completed, they are referred to an import specialist at CBP's Automotive and Aerospace Center for Excellence and Expertise for any potential enforcement actions.

¹³This MOU pertains to information sharing and coordination related to the LVC outside of CBP's Automated Commercial Environment. Another MOU between CBP and DOL about information sharing within the Automated Commercial Environment system is not specifically related to the implementation or operation of the LVC.

Relevant Agencies Are Generally Coordinating Effectively, but the Interagency Autos Committee Could Strengthen its Accountability and Guidance Practices





The Interagency Autos Committee generally followed six of the eight leading practices for interagency collaboration, but partially followed the other two practices. The DOL and CBP partnership efforts to process and monitor the LVC requirement have generally followed all eight leading practices. The committee has several coordination elements, required by the USMCA Implementation Act and Executive Order 13908, that we consider components of the leading collaboration practices, but it could develop more clearly written guidance to enable its agency members to coordinate more effectively as their work continues. CBP and DOL have coordinated extensively on developing and implementing the LVC certification process and jointly developed procedures for auditing facilities to verify the LVC requirement have been met. CBP and DOL have begun piloting their audit program, which is the mechanism for LVC verification.

In prior work, we found that federal agencies have used a wide range of methods to implement interagency collaborative efforts, such as the President appointing a coordinator, agencies co-locating within one facility, or establishing interagency task forces. We also identified leading interagency collaboration practices and associated questions to consider when implementing them.¹⁴ In our work, we applied these leading practices for interagency collaboration as criteria for assessing effective interagency coordination.¹⁵ For this report, we used these eight leading practices to assess the effectiveness of the interagency coordination for the two ongoing efforts in the Interagency Autos Committee and between CBP and DOL on the new LVC requirements (see fig. 4).

¹⁴GAO, *Government Performance Management: Leading Practices to Enhance Interagency Collaboration and Address Crosscutting Challenges*, [GAO-23-105520](#), (Washington D.C.: May 2023).

¹⁵See, for example, GAO, *Iraqi and Syrian Cultural Property: U.S. Government Committee Should Incorporate Additional Collaboration Practices*, [GAO-17-716](#), (Washington D.C.: September 2017) and GAO, *Economic and Commercial Diplomacy: State and Commerce Could Build on Efforts to Improve Coordination and Effectiveness*, [GAO-22-105860](#) (Washington D.C.: June 2022).

Figure 4: Leading Interagency Collaboration Practices and Selected Key Considerations Identified in Our Work

Leading Collaboration Practices	Selected Key Considerations
 Define Common Outcomes	<ul style="list-style-type: none"> • Have the crosscutting challenges or opportunities been identified? • Have short- and long-term outcomes been clearly defined? • Have the outcomes been reassessed and updated, as needed?
 Ensure Accountability	<ul style="list-style-type: none"> • What are the ways to monitor, assess, and communicate progress toward the short- and long-term outcomes?
 Bridge Organizational Cultures	<ul style="list-style-type: none"> • Have participating agencies established compatible policies, procedures, and other means to operate across agency boundaries? • Have participating agencies agreed on common terminology and definitions?
 Identify and Sustain Leadership	<ul style="list-style-type: none"> • Has a lead agency or individual been identified? • If leadership will be shared between one or more agencies, have roles and responsibilities been clearly identified and agreed upon? • How will leadership be sustained over the long term?
 Clarify Roles and Responsibilities	<ul style="list-style-type: none"> • Have the roles and responsibilities of the participants been clarified? • Has a process for making decisions been agreed upon?
 Include Relevant Participants	<ul style="list-style-type: none"> • Have all relevant participants been included? • Do the participants have the appropriate knowledge, skills, and abilities to contribute? • Do participants represent diverse perspectives and expertise?
 Leverage Resources and Information	<ul style="list-style-type: none"> • How will the collaboration be resourced through staffing? • How will the collaboration be resourced through funding? If interagency funding is needed, is it permitted? • Are methods, tools, or technologies to share relevant data and information being used?
 Develop and Update Written Guidance and Agreements	<ul style="list-style-type: none"> • If appropriate, have agreements regarding the collaboration been documented? <ul style="list-style-type: none"> – A written document can incorporate agreements reached for any or all of the practices. • Have ways to continually update or monitor written agreements been developed?

Source: GAO (data); GAO (icons). | GAO-24-106330

Note: These selected considerations were most applicable and relevant to the collaboration mechanisms we assessed.

The Interagency Autos Committee Has Generally Coordinated Effectively to Implement USMCA Automotive

Provisions, but Could More Fully Follow Some Leading Practices

The Interagency Autos Committee Generally Followed Most Leading Collaboration Practices

Through our review of documents, as well as interviews with and written responses from interagency partners, we found that the Interagency Autos Committee has generally followed six, and partially followed two, of the eight leading practices for collaboration when coordinating with other agencies (see fig. 5).

Figure 5: GAO Analysis of the Extent to Which the Interagency Autos Committee Followed Leading Collaboration Practices, as of July 2023

Leading practice	Overall assessment	Summary of Findings
Define common outcomes		Collaborative efforts between organizations benefit from defining common goals and outcomes. Agency officials, the United States-Mexico-Canada (USMCA) Implementation Act and the Executive Order identified short-term outcomes and goals, such as issuing implementation measures and producing agency reports, as well as long-term outcomes, such as reviewing alternative staging regime (ASR) modifications. The committee also provides advice and input on USMCA auto provisions, which inherently identifies crosscutting challenges and opportunities.
Ensure accountability		When collaborating entities ensure accountability at both the agency and individual levels, they are better able to encourage participation, assess progress, and make necessary changes. The Interagency Autos Committee uses statutory and regulatory deadlines in part to track its progress but does not have a formal mechanism to track, monitor, or communicate progress towards committee goals and outcomes. For example, the committee does not have a communication method that would allow for review of other members' input or to receive a rationale for the U.S. Trade Representative's (USTR) decisions based on that input.
Bridge organizational cultures		When agencies come together to form a collaborative team, it is beneficial for them to develop compatible standards, policies, and procedures, using common definitions and terminology, so that they can coordinate effectively. The Interagency Autos Committee has agreed upon common definitions and terminology and developed standards, procedures, and regulations using those terms.
Identify and sustain leadership		Identifying and sustaining leadership provides the authority, support, and decision-making capabilities that allow interagency efforts to function and to facilitate oversight and accountability. USTR is the Chair, and leader, of the Interagency Autos Committee by statute and executive order. USTR coordinates the work of the Committee in the overall implementation of the auto rules of origin. The U.S. Trade Representative makes the determination whether to grant alternative staging regimes, following consultation with the Committee.
Clarify roles and responsibilities		Collaborating agencies should work together to define and agree on their respective roles and responsibilities, including how the collaborative effort will be led. The Executive Order and the USMCA Implementation Act broadly define agencies' roles and responsibilities as providing input and advice on the implementation, verification, and enforcement of the automotive rules of origin, as well as any future modifications to those rules. Further, agency officials characterized their roles as providing advice and input based on their respective areas of expertise.
Include relevant participants		Because crosscutting challenges and opportunities require coordination between multiple agencies, in many cases, no single organization or individual has the authority, resources, or skills necessary to address them. Certain agencies are mandated to participate, and others have been invited to join as needed. Agency officials have varying areas of expertise that represents a diversity of viewpoints. Officials generally agreed that all the relevant participants are included.
Leverage resources and information		To address crosscutting challenges or opportunities, collaborating agencies must successfully leverage staffing, funding, and technological resources. Participating members of Interagency Autos Committee provide staff to the committee, are directly funded by their own agency, and use technologies like OMB Max to share information.
Develop and update written guidance and agreements		Articulating agreements in formal documents can strengthen participants' commitment to working collaboratively and can enhance accountability for results. The committee has developed limited written guidance for its ASR modification process, but it lacks written guidance to clarify other areas of the leading collaboration practices, such as ensuring accountability.

- Generally followed: Our assessment that agencies are generally following a leading collaboration practice in their coordination means they generally followed the majority of the selected key considerations associated with the leading collaboration practice.
- Partially followed: Our assessment that agencies are partially following a leading collaboration practice means they followed some of the selected key considerations associated with the leading practice.
- Not followed: Our assessment that agencies did not follow a leading collaboration practice in their coordination means they did not follow any of the selected key considerations associated with the leading practice.

Source: GAO analysis of the Interagency Autos Committee guidance documents and interviews with agency officials using the leading collaboration practices from GAO-23-105520. | GAO-24-106330

Define Common outcomes. Agency officials on the committee, the USMCA Implementation Act, and Executive Order 13908 identified short-term outcomes on which the committee should offer input. For example, Executive Order 13908 directs a subset of committee members, in

consultation with the USTR, to issue regulations or other measures necessary and appropriate to implement the special rules for automotive goods. The full committee is also directed to provide advice, as appropriate, on implementation and enforcement. Additionally, the USMCA Implementation Act directed USTR, in consultation with the committee, to publish requirements, procedures, and guidance required to implement ASRs. The USMCA Implementation Act also directs USTR, in consultation with the committee, to conduct a biennial review of the operation of the USMCA with respect to trade in automotive goods, and to report to Congress on each review. Committee participants indicated to us that these measures guided their committee's work to date. Agency officials and the USMCA Implementation Act also identified some long-term efforts, such as offering input on the review and approval of petitions for ASRs, reviewing annual ASR progress reports, and reviewing and providing recommendations on any requests for modifications to ASRs.

More broadly, the Interagency Autos Committee has both short- and long-term outcomes related to its role in providing advice on the implementation, verification, enforcement, and modification of the USMCA automotive provisions and reviewing the operation of the agreement with respect to trade in automotive goods, including the economic effects of the rules of origin and the impact of new technology on such rules. By its nature, that activity will likely identify crosscutting challenges and opportunities. The committee is also directed to provide advice, as appropriate, on modifications to provisions of the USMCA that relate to automotive goods. The USMCA requires a joint review in July 2026.

Ensure accountability. The Interagency Autos Committee partially followed this leading practice. USTR officials told us that they use the timelines included in the USMCA Implementation Act and CBP Implementing Instructions as their method to track and monitor progress. Specifically, these deadlines include producing a report for Congress every 2 years and responding to any official ASR modification request within 90 days. However, the committee does not have formal guidance on how to track, monitor, or communicate progress towards committee outcomes. For example, the committee does not have a formal communication method that would allow all the agencies to monitor or assess the input of the other members, according to officials. Some agency officials said there have been instances where a clearer understanding of how decision making occurred would have been helpful in informing committee discussions. Other agency officials noted that USTR does not always provide a response to input or a rationale for its

final decisions. USTR officials said that, as the agency responsible for the continued implementation of the USMCA, USTR has the lead role in monitoring the progress of the agreed goals and outcomes of the committee and strives to provide such responses and rationale for final decisions at every opportunity.

The committee also does not have any guidance on how it will track, monitor, and communicate progress of the next iteration of the biennial report due to Congress. Nor does it have any guidance for how it might develop potential recommendations for future modifications to the automotive rules of origin for the 2026 review and extension of the USMCA. For the biennial report, USTR officials said they have the statutory deadline of June 2024 and have begun discussing the contents notionally, but do not have more formalized plans, goals, or interim deliverables or deadlines. Regarding any future recommendations on possible changes to the rules of origin, USTR said the committee does not have a statutory or regulatory deadline for this aspect of the committee's mandate. Furthermore, USTR, as Chair, has not formally tasked agencies to conduct this work as of October 2023. USTR officials said that it would be premature to draft guidance but will do so when it is timely. Without such guidance for ongoing and future work, the committee may have limited capacity to ensure accountability.

Bridge organizational cultures. The Interagency Autos Committee have agreed upon common definitions and terminology, as statute and regulation defined much of this language. For example, the Uniform Regulations include common definitions for multiple terms related to the automotive rules of origin (such as aftermarket part, heavy truck, and high-wage labor costs), while the USMCA Implementation Act describes and defines the ASRs. Additionally, certain agencies on the committee have, in consultation with the committee, developed standards, procedures, and regulations that are to work in coordination across the implementation, verification, and enforcement of the USMCA auto rules of origin. For example, according to CBP officials, CBP consulted with the committee when developing guidance such as CBP Implementing Instructions.

Identify and sustain leadership. USTR is the Chair of the Interagency Autos Committee, as required by the USMCA Implementation Act. It is also the overall lead in negotiating trade agreements, formulating U.S. trade policy, and implementing and monitoring the effectiveness of the agreements. USTR also coordinates with other agencies on trade and obtains input from the private sector, according to USTR officials. As

Chair of the Interagency Autos Committee, USTR convenes the meetings, identifies and assigns tasks, sets deadlines, and leads discussions, according to agency officials on the committee. Agency members provide input and advice at the committee meetings and through other means of communication, working within their agencies to present unified agency advice.

USTR leadership on the committee changed just prior to the date when USMCA entered into force, but participants we interviewed did not indicate that any gaps occurred in committee leadership or activity. As a result, we found that the committee generally follows the leading practice of identifying and sustaining leadership, but, as we have previously reported, written guidance can help support any future transitions in leadership.¹⁶

Clarify roles and responsibilities. The roles and responsibilities of the committee are set out in the USMCA Implementation Act, as well as the Executive Order establishing the committee. According to agency officials, the roles and responsibilities of committee members are broadly identified as providing input and advice on the implementation, verification, and enforcement of the automotive rules of origin, as well as any future modifications to those rules. The committee also has a role in reviewing ASR petitions and modifications. Officials have stated that they provide advice based on their agencies' varying areas of responsibility and expertise. For example, Commerce officials said that they provide analysis and technical information on the economic conditions confronting the U.S. and the global automotive industry. In addition, State monitors the implementation and enforcement of the rules of origin to understand the impact, if any, on foreign relations with our trading partners.

Along with their roles and responsibilities on the committee, each agency has other roles related to the automotive trade (see app. II). For example, CBP plays a role in enforcement of USMCA rules of origin and customs requirements, while DOL plays one in implementation and verification of the LVC. Commerce's Automotive Team has a role in supporting trade negotiations, monitoring implementation of existing agreements, and maintaining strong working relationships with Industry Trade Advisory Committees, trade associations, and individual automotive companies.

¹⁶See [GAO-23-105520](#).

Include relevant participants. The USMCA Implementation Act requires certain agencies to be participants of the Interagency Autos Committee. In addition, USTR has used its authority under the act to include additional agencies deemed relevant to the committee's purpose and goals. For example, according to officials, USTR added the Department of Energy in September 2022 for its technical expertise on EVs, batteries, and the mileage requirements adopted in the Inflation Reduction Act of 2022,¹⁷ which may help the committee assure consistency with USMCA rules.

Agency officials we interviewed indicated that individuals representing the agencies on the committee were selected because of their skills, knowledge, and subject matter expertise. For example, according to officials, DOL invited staff members from its Wage Hour Division (WHD) to function as the subject matter experts for DOL on USMCA LVC-related matters because they have the most familiarity with wage-related roles in DOL and responsibilities under the USMCA. According to agency officials, each member brings differing missions, responsibilities, goals, and perspectives, which can lead to productive discussions. All nine participating agencies told us that all the relevant participants have been included on the committee.

Leverage resources and information. Executive Order 13908 directs that each executive department and agency bear its own expenses incurred in connection with the Interagency Autos Committee's functions. Agency officials have said that USTR provides administrative support to the committee, such as organizing and maintaining the virtual document library and arranging the telephone or video conference logistics for committee meetings.

Agency responses to our structured open-ended questions generally agreed that the agencies currently have sufficient resources. However, one agency noted that advanced technology vehicle components will represent an increasing share of vehicle content in the next several years. Officials also noted that additional resources and technical expertise will be required to support future discussions on the modernizing of technical provisions of the agreement to adjust the content requirements and parts definitions for those components.

¹⁷Pub. L. No. 117-169, 136 Stat. 1818 (2022).

Develop and update written guidance and agreements. The committee has partially followed this leading interagency collaboration practice. According to USTR officials, the committee did not develop any written guidance over the first 2 and a half years of operation because it considered Executive Order 13908 to be sufficient. In early 2023, however, USTR, in consultation with the committee, developed guidance for the ASR modification review process.

The USMCA Implementation Act and Executive Order 13908 outline some components of the committee's purpose, outcomes, leadership, roles, participants, resources, and decision-making process. In addition, the committee has developed some guidance on the ASR modification process that it may apply on a case-by-case basis moving forward. However, the committee has not fully developed any written guidance to further articulate or formalize leading collaboration practices, such as ensuring accountability. As individual leaders or members of the committee change or transition, written guidance and agreements could help maintain stability and common understanding. Without such written guidance, the committee may be missing an opportunity to coordinate more effectively as it continues to work to support the implementation, verification, enforcement, and any future modification of the USMCA automotive rules of origin.

CBP and DOL Generally Followed Leading Collaboration Practices when Coordinating on LVC Certification and Plans for Verifications

CBP and DOL Have Guidelines and Procedures for LVC Certification and Verification That Generally Followed Leading Collaboration Practices

CBP and DOL have generally followed leading collaboration practices to implement the new LVC rules, first through the USMCA Center and then by the experts from each of agencies. This coordination resulted in the development of several guidance documents, such as regulations issued by DOL on the LVC in July 2020.¹⁸ DOL's LVC regulations established procedures for producers to follow regarding the wage components of the LVC. In the regulations, DOL outlined and described both its and CBP's

¹⁸See DOL regulations on *High-Wage Components of the Labor Value Content Requirements Under the United States-Mexico-Canada Agreement Implementation Act*, 85 Fed. Reg. 39782 (July 1, 2020), (codified at 29 C.F.R. Part 810).

role and responsibilities in the certification and verification of the LVC. An MOU between the two agencies also established procedures and guidelines to accommodate and facilitate the exchange of LVC related information.

Finally, the TRA created interagency technical guidance, in coordination with DOL, on how to perform verification audits of the LVC component of the auto rules of origin. This guidance provides additional details on the roles and responsibilities of each agency for LVC audits. Our analysis of these documents and interviews with CBP and DOL officials found that the CBP and DOL partnership had generally followed all eight of the leading coordination practices (see fig. 6).

Figure 6: GAO Analysis of the Extent to Which the Customs and Border Patrol (CBP) and Department of Labor (DOL) Partnership on Labor Value Content (LVC) Requirements Followed Leading Collaboration Practices, as of July 2023:

Leading practice	Overall assessment	Summary of Findings
Define common outcomes		Collaborative efforts between organizations benefit from defining common goals and outcomes. CBP and DOL guidance and regulations describe processes and procedures that the agencies will use to determine whether firms have met the LVC requirement. Regular meetings allow the agencies to reassess these outcomes and goals if needed.
Ensure accountability		When collaborating entities ensure accountability at both the agency and individual levels, they are better able to encourage participation, assess progress, and make necessary changes. CBP and DOL monitor, track, and communicate progress on outcomes by exchanging information on certifications through the CBP portal and by holding regular meetings to discuss any issues or problems.
Bridge organizational cultures		When agencies come together to form a collaborative team, it is beneficial for them to develop compatible standards, policies, and procedures, using common definitions and terminology, so that they can coordinate effectively. The Memorandum of Understanding (MOU) between CBP and DOL, interagency technical guidance, CBP United States-Mexico-Canada Agreement (USMCA) Implementing Instructions, and DOL's LVC Regulation establish policies, procedures, definitions, and terminology for use by both CBP and DOL. Agencies have been able to build trust by performing tabletop exercises.
Identify and sustain leadership		Identifying and sustaining leadership provides the authority, support, and decision-making capabilities that allow interagency efforts to function and to facilitate oversight and accountability. Both CBP and DOL perform roles relating to the LVC requirements, with CBP having the final authority on certifications and verifications, according to agency officials
Clarify roles and responsibilities		Collaborating agencies should work together to define and agree on their respective roles and responsibilities, including how the collaborative effort will be led. Agencies' guidance on LVC provides details about each agency's responsibilities and roles in the LVC certification and verification process.
Include relevant participants		Because crosscutting challenges and opportunities require coordination between multiple agencies, in many cases, no single organization or individual has the authority, resources, or skills necessary to address them. CBP and DOL are the relevant agencies and they have identified the most appropriate subject matter experts within their respective agencies.
Leverage resources and information		To address crosscutting challenges or opportunities, collaborating agencies must successfully leverage staffing, funding, and technological resources. CBP and DOL use methods for sharing information, such as emails, weekly meetings, and a virtual portal for certifications to coordinate their efforts and leverage resources. The MOU includes agreement on how agencies will fund these activities.
Develop and update written guidance and agreements		Articulating agreements in formal documents can strengthen participants' commitment to working collaboratively and can enhance accountability for results. CBP and DOL have articulated agreements in formal documents, such as the MOU. In addition, the interagency technical guidance, DOL's LVC regulations and CBP USMCA Implementing Instructions outline agreed upon roles and responsibilities.

- Generally followed: Our assessment that agencies are generally following a leading collaboration practice in their coordination means they generally followed the majority of the selected key considerations associated with the leading collaboration practice.
- Partially followed: Our assessment that agencies are partially following a leading collaboration practice means they followed some of the selected key considerations associated with the leading practice.
- Not followed: Our assessment that agencies did not follow a leading collaboration practice in their coordination means they did not follow any of the selected key considerations associated with the leading practice.

Source: GAO analysis of the Interagency Autos Committee guidance documents and interviews with agency officials using the leading collaboration practices from GAO-23-105520. | GAO-24-106330

Define Common outcomes. The CBP and DOL LVC documents describe processes and procedures that the agencies will use to determine whether firms have met the LVC requirement. For example, CBP USMCA Implementing Instructions and DOL's LVC regulations describe the timeframes and outcomes for processing LVC certifications. The MOU creates agreed upon outcomes on information sharing both

between the agencies and with importer, exporters, or producers as necessary.¹⁹ In addition, DOL officials reported that they support CBP in two main ways by reviewing, in consultation with CBP, the LVC certifications for omissions or errors, and by conducting USMCA verifications of the high-wage components of the LVC requirements.

Ensure accountability. The MOU between CBP and DOL described how they will conduct meetings to coordinate their working relationship related to the LVC and address issues of implementation and coordination, making any modifications in processes as needed. According to officials we interviewed, CBP and DOL met weekly for the first 2 years under the USMCA to clarify procedures and discuss how to work with auto producers to ensure a consistent understanding of the auto certification requirements. These officials noted that the meetings led to success in both agencies in the development of both a cross agency certification process and regulatory provisions. Officials also stated that they track their effectiveness by meeting the deadlines associated with the LVC certification process.

Bridge organizational cultures. The MOU between CBP and DOL and interagency technical guidance indicate the agencies have established compatible policies and procedures, such as for audit functions and responsibilities. Documents such as the DOL's LVC regulations and the interagency technical guidance have created common terminology and definitions. Using these documents, DOL coordinated with CBP in June 2021 on a few "table-top exercises" where they simulated joint certifications and audits, according to DOL officials. Agency officials also reported that since the USMCA entered into force, coordination on LVC certifications has gone smoothly, without any notable challenges.

Identify and sustain leadership. The USMCA Implementation Act assigns certain responsibilities to agencies relating to the LVC requirements. Both CBP and DOL perform roles relating to the LVC requirements, with CBP having the final authority on certifications and verifications, according to agency officials. CBP USMCA Implementing Instructions and DOL's LVC regulations and interagency technical guidance recognize when each agency has authority. Although the agencies have successfully shared leadership on the LVC certification process and development of verification plans and guidance, we could

¹⁹According to agency officials, CBP and DOL agencies are still in discussion about what information they can provide publicly without breaching enforcement or proprietary sensitive restrictions.

not fully evaluate their shared leadership of the LVC verification process as the pilot audit program was in progress as of October 2023.

Clarify roles and responsibilities. CBP and DOL coordinating documents provide details about each agency's responsibilities and roles in the LVC certification and verification process. In practice, CBP and DOL officials reported that the LVC certifications process was running smoothly, and they have successfully processed certifications without confusion about roles and responsibilities. The interagency technical guidance describes the roles and responsibilities for each agency during its collective USMCA verification work for the LVC requirements. For example, CBP verifies components of the LVC calculation (such as net cost of the vehicle or annual purchase value of high-wage parts), while DOL verifies that vehicle parts counted toward the LVC requirement were produced in plants with an average hourly base wage rate of at least \$16 per hour.²⁰

Include relevant participants. The CBP and DOL LVC guidance identify the relevant participants within CBP and DOL. Staff at CBP's TRA and DOL's WHD unit were identified as the subject matter experts and decision makers for the LVC certification process.

Leverage resources and information. According to officials, CBP and DOL use tools and methods for sharing information, such as emails, weekly meetings, a virtual portal for certifications, and tabletop exercises to collaborate and coordinate their efforts. Their MOU also outlines other aspects of their communication and describes how the two agencies will fund their activities related to the MOU.

Develop and update written guidance and agreements. CBP and DOL written guidance and agreements include regulations, MOUs, and interagency technical guidance to document their coordination. According to CBP and DOL officials we interviewed, the regular meetings CBP and DOL hold to compare notes and to update processes as appropriate have occurred and helped to address any operational challenges. These guidance documents and agreements address the other elements of leading collaboration practices.

²⁰For a full description of the LVC calculation methods and wage requirements see DOL regulations on *High-Wage Components of the Labor Value Content Requirements Under the United States-Mexico-Canada Agreement Implementation Act*, 29 C.F.R. Part 810.

CBP Enforces USMCA Automotive Rules of Origin

According to officials, CBP is the primary enforcement agency for the automotive rules of origin, imposing fines, fees, and taxes and identifying any noncompliant imports. As such, CBP conducts no significant interagency coordination on enforcement beyond considering other agencies' advice and input during the development of implementation instructions and regulations. CBP elected to exercise a period of restrained enforcement, from July 1, 2020, through December 31, 2020, on USMCA preferential duty treatment claims.²¹ It did so to provide industry sufficient time to adjust to the new requirements of the USMCA rules of origin and to make the business process changes required to achieve full compliance, according to CBP USMCA Implementing Instructions. According to officials, CBP has undertaken targeted enforcement efforts related to USMCA automotive trade.

A USITC report from June 2023 on USMCA Automotive Rules of Origin noted that a formal USMCA dispute brought by Canada and Mexico against the United States “has delayed finalization of detailed USMCA guidance from the U.S. Customs and Border Protection (CBP) to vehicle manufacturers on the ROOs [Rules of Origins], creating uncertainty for vehicle manufacturers and parts suppliers.”²² A USMCA dispute settlement panel ruled against the United States in December 2022.²³ According to officials, consultations between the three parties on a final resolution to the dispute are ongoing. According to CBP and USTR officials, this dispute has delayed the issuance of CBP's final regulations, which has limited CBP enforcement of certain RVC requirements.

In addition, except for the LVC requirement, CBP conducts verification of the other components of the automotive rules of origin, namely the RVC and the steel and aluminum requirements, without any interagency

²¹See CBP USMCA Implementing Instructions, June 30, 2020. The CBP USMCA Implementing Instructions indicated that CBP may, in appropriate cases, show restraint in enforcement during the 6-month period after the USMCA entered into force. The CBP USMCA Implementing Instructions noted that CBP would account for the difficulties importers faced in complying with the new rules, if importers were making satisfactory progress toward compliance and a good faith effort to comply with the rules to the extent of their ability.

²²USITC, *USMCA Automotive Rules of Origin*.

²³The details of this dispute and the dispute panel's final ruling are in Arbitral Panel Report, *United States Automotive Rules of Origin*, December 14, 2022.

coordination.²⁴ However, agencies on the committee provided advice and expertise on a variety of issues related to the automotive rules of origin, including developing the CBP USMCA Implementing Instructions and the regulations regarding enforcement of those rules.

Conclusions

When the USMCA replaced NAFTA, the new rules of origin for automotive goods had the potential to significantly affect trade, according to agency officials and industry stakeholders. The USMCA Implementation Act called for the creation of the Interagency Autos Committee, chaired by USTR, to provide advice, as appropriate, on the implementation and enforcement of these new automotive rules of origin.

The Interagency Autos Committee generally followed six leading collaboration practices, but partially followed two of those practices. The committee does not have agreed upon written guidance that would further employ the leading practices, such as ensuring accountability to track progress. We have previously reported about how such guidance can strengthen participants' commitment to work collaboratively and enhance accountability for results. Clearly articulated written guidance will help improve communication, limit uncertainty for agencies and stakeholders, and aid in the monitoring of progress toward committee outcomes, among them ongoing modifications to approved alternative staging regimes and future changes to the agreement. It will also help USTR to better benefit from the advice and expertise of the member agencies and mitigate uncertainty among the agencies and stakeholders.

Full implementation of the new automotive rules of origin is an ongoing process. Following leading collaboration practices will help enhance USTR and committee coordination and facilitate implementation, verification, and enforcement of the USMCA new rules of origin for automotive goods. In addition, improved accountability will help ensure that future USTR decisions, including any potential modifications to the rules as part of the 2026 review, will fully benefit from the expertise of all the members of the Interagency Autos Committee.

²⁴CBP conducts the steel and aluminum audits, and is still working out requirements, according to CBP officials.

Recommendation for Executive Action

USTR, as Chair of the Interagency Autos Committee, should work with committee members to develop written guidance that helps ensure accountability and reflects other leading collaboration practices, as appropriate. The guidance should include defining how the committee tracks, monitors, and communicates progress towards outcomes, such as providing recommendations for future modifications to USMCA rules of origin.

Agency Comments

We provided a draft of this report to the Office of the United States Trade Representative, the Departments of Labor, Commerce, Treasury, State, Homeland Security, Energy, Transportation and the U.S. International Trade Commission for review and comment. We received technical comments from Homeland Security and USTR which we incorporated as appropriate. USTR provided written comments which are reproduced in appendix III. In its response USTR concurred with our recommendation.

We are sending copies of this report to the appropriate congressional committees, the United States Trade Representative, the Secretaries of the Departments of Labor, Commerce, the Treasury, State, Homeland Security, Energy, Transportation and the Chair of the U.S. International Trade Commission, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8612 or gianopoulosk@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.



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Director, International Affairs and Trade

Letter

Congressional Committees

The Honorable Jeanne Shaheen
Chair
The Honorable Jerry Moran
Ranking Member
Subcommittee on Commerce, Justice, Science, and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Ron Wyden
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Hal Rogers
Chair
The Honorable Matt Cartwright
Ranking Member
Subcommittee on Commerce, Justice, Science, and Related Agencies
Committee on Appropriations
House of Representatives

The Honorable Jason Smith
Chairman
The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
House of Representatives

Appendix I: Objectives, Scope, and Methodology

This report examines (1) how U.S. agencies coordinate on the automotive rules of origin included in the United States-Mexico-Canada Agreement (USMCA), and (2) the extent to which relevant agencies are effectively coordinating the implementation, enforcement, and verification of the new automotive rules of origin and the new U.S. Customs procedures of the USMCA.

To examine how U.S. agencies coordinate on the new automotive rules of origin and identify the key coordinating mechanisms, we reviewed pertinent portions of the USMCA Implementation Act, Executive Order 13908 and the 2022 United States Trade Representative (USTR) and 2023 United States International Trade Commission (USITC) reports to Congress. In addition, we reviewed current trade literature and the Department of Homeland Security's Customs and Border Protection's (CBP) website and CBP USMCA Implementing Instructions, among other things. We based our description of the Interagency Autos Committee functions and results on section 202A of the USMCA Implementation Act, Executive Order 13908, committee agendas, and interviews with USTR and nine agencies that participate on the committee. We also selected and interviewed private sector stakeholders from a pool of those stakeholders who submitted comments to the USTR concerning the operation of the USMCA with respect to automotive goods, including representatives of the United Auto Workers Union, Motor and Equipment Manufacturers Association, Autos Drive America, and the American Automotive Policy Council. We based our description of the USMCA Center on the CBP USMCA website and interviews with CBP, the Departments of Labor (DOL) and Commerce, and private sector stakeholders. Finally, we based our description of the bilateral coordination at the working level between DOL and CBP on the USMCA Implementing legislation, the January 2021 memorandum of understanding between the CBP and DOL, CBP USMCA Implementing Instructions, and interviews with DOL and CBP officials in Washington D.C., and CBP officials from the Centers for Excellence and Expertise.

To assess the extent to which relevant agencies are effectively coordinating the implementation, enforcement, and verification of the new automotive rules of origin and the new customs procedures of the

USMCA, we reviewed relevant portions of the USMCA Implementation Act and relevant agency documents, interviewed agency and private sector stakeholders, and analyzed responses from the nine agencies who participate on the interagency committee to structured questions based on GAO leading collaboration practices. We conducted interviews with the nine relevant agencies that participate on the USMCA Interagency Autos committee. We determined that these agencies used three key mechanisms for the purpose of interagency coordination on the implementation, enforcement, or verification of the auto rules of origin, two of which remain operational. The first mechanism is the Interagency Autos Committee. The second mechanism is the key interagency partnership between CBP and DOL to coordinate on the certification and verification, or audit, of the Labor Value Content (LVC) requirements of the rules of origin. We did not evaluate the USMCA Center, the third mechanism, because that unit was temporary and now operates out of traditional CBP units.

We applied leading interagency collaboration practices identified in our work to assess and evaluate the extent to which these two mechanisms were coordinating effectively. To assess the interagency coordination of the Interagency Auto Committee against the leading collaboration practices, we reviewed the provisions in the USMCA Implementation Act and Executive Order 13908 that describe the purpose and structure of the committee. Employing those leading practices, we also sent a set of structured questions related to the extent and character of interagency coordination on the Interagency Autos Committee to the relevant units and officials of each agency participating on the committee. In addition to responses to our questions, we also reviewed and considered agency officials' testimony for relevant comments and evidence from multiple interviews with each participating agency on the Committee. To assess the CBP and DOL interagency coordination on the LVC against the leading collaboration practices, we reviewed the formal agreements and agency guidance between these two agencies, including DOL's LVC regulations, a Memorandum of Understanding between CBP and DOL, and interagency technical guidance on auditing the LVC. These documents delineated roles and responsibilities and outlined working level coordination. In addition, we conducted multiple interviews with various units of CBP, DOL, and private sector stakeholders.

To assess each leading collaboration practice we identified, compiled, and listed evidence in a matrix, which two analysts then reviewed. The analysts independently assessed the evidence and assigned a preliminary score. Next, they met to compare assessments and reach

consensus on any scores that differed. If a resolution was unclear a third party would review the material independently and decide. We used the following “summary scores” to categorize each practice for both the Interagency Autos Committee and the CBP and DOL partnership. We considered:

- Evidence that the agency generally followed the majority of the selected key considerations associated with the leading collaboration practice as “generally followed.”
- Evidence that the agency followed some of the selected key considerations associated with the leading practice as “partially followed.”
- Evidence that the agency did not follow any of the selected key considerations associated with the leading practice as “did not follow.”

Our analysis of the data in the background on the extent U.S. importers paid duties on imports of automotive vehicles parts from Canada and Mexico after the USMCA agreement entered into force in July 2020, was based on data available from monthly U.S. Census trade statistics combined with information in the USMCA Agreement. We used Tables A through D in the appendix to Annex 4-B of Chapter 4 of the USMCA which identify Harmonized Tariff Schedule (HTS) codes of automotive vehicles and related parts that are subject to the new automotive rules of origin in the USMCA agreement. We extracted data for non-seasonally adjusted monthly imports for products listed in those HTS codes between July 1, 2017, and June 30, 2023, to obtain a balanced view of U.S. import activity before and after the USMCA entered into force on July 1, 2020. To identify imports for which importers paid duty, we used the rate provision code, a specific field contained in publicly available Census trade data that flags imports subject to duty.

Appendix II: U.S. Agencies Participating on the Interagency Autos Committee

The United States Trade Representative and several other U.S. government agencies have roles and expertise that allow them to provide input on the implementation, enforcement, and verification of the United States-Mexico-Canada Agreement rules of origin, any subsequent modification of those rules, and approval or modification of the Alternative Staging Regime petitions (see table 2).

Table 2: U.S. Offices and Bureaus with Roles or Expertise Related to the United States-Mexico-Canada Agreement (USMCA) Automotive Rules of Origin

Agency	Roles and expertise related to USMCA rules of origin
Office of the U.S. Trade Representative (USTR)	<p>Lead Interagency Autos Committee efforts to implement, enforce, and verify USMCA automotive rules of origin.</p> <p>Litigates disputes under the USMCA dispute process involving the United States.</p> <p>More broadly, leads interagency efforts to monitor and enforce all trade agreements.</p> <p>Identifies, analyzes, and seeks to resolve trade barriers that may be inconsistent with U.S. trade agreements or have an adverse effect on U.S. interests under those agreements.</p> <p>Leads U.S. government participation in committees, working groups, and negotiating bodies under various World Trade Organization (WTO) agreements and free trade agreements (FTA) to secure U.S. trade interests and ensure that partner countries adhere to their commitments under these agreements.</p>
Department of Commerce	<p>Commerce's Industry & Analysis unit undertakes industry analysis, contributes to U.S. trade policy development, participates in trade negotiations, monitors the implementation of existing agreements, and evaluates the impact of domestic and international economic and regulatory policies.</p> <p>Commerce's Office of Transportation and Machinery's Automotive Team covers automotive vehicles (passenger cars, light trucks, and heavy trucks) and automotive parts (original equipment and aftermarket and specialty equipment).</p>
U.S. Customs and Border Protection (CBP), Department of Homeland Security	<p>CBP conducts verifications of importers' claims for trade benefits under USMCA, other FTAs, and trade preference programs. Verifications ensure compliance with trade agreements by checking for fraudulent practices, trans-shipments, false importer claims, improper description of merchandise, and undervaluation and undercounting of goods.</p> <p>Conducts site visits to international factories to verify compliance through validation of net cost or annual purchase value of parts and materials at production associated with USMCA rules of origin requirements.</p>

**Appendix II: U.S. Agencies Participating on the
Interagency Autos Committee**

Agency	Roles and expertise related to USMCA rules of origin
Department of Labor (DOL)	<p>In conjunction with CBP, DOL's Wage and Hour Division (WHD) reviews for the omissions or errors the LVC certifications filed by producers attesting that their production of covered vehicles meets the high-wage components of the LVC requirements.</p> <p>WHD's mission is to promote and achieve compliance with labor standards to protect and enhance the welfare of America's workforce.</p>
U.S. Department of the Treasury	<p>Treasury's Office of Tax Policy is responsible for the customs revenue functions of the United States, according to Treasury officials. These functions include approving and issuing regulations and implementing free trade agreements.</p> <p>This office also develops and implements tax policies and programs, reviews regulations and rulings to administer the Internal Revenue Code, negotiates tax treaties, provides economic and legal policy analysis for domestic and international tax policy decisions, and provides estimates for the President's budget, fiscal policy decisions, and cash management decisions. Treasury had the lead in incorporating into U.S. regulations the trilaterally agreed upon Uniform Regulations among the United States, Canada, and Mexico.</p>
U.S. International Trade Commission (USITC)	<p>According to USITC officials, the Chairman of the USITC delegated representative authority to the Office of External Relations on the Interagency Autos Committee. This office is also the focal point of contact with the USTR and other executive branch agencies, Congress, foreign governments, international organizations, the public, and news media.</p> <p>USITC's Office of Industry and Competitiveness Analysis provides industry experts and economists who offer qualitative and quantitative analysis of some of the crucial questions involving international trade and its place in the modern economy. Staff from this Office's Advanced Technology and Machinery Division apply this expertise to questions related to USMCA automotive rules of origin.</p>
Department of State	<p>State monitors the automotive rules of origin implementation and enforcement to understand their foreign relations impact, if any, with our trading partners.</p> <p>State's Bureau of Economic and Business Affairs coordinates with other agencies and State's Foreign Service economic officers based in overseas posts to resolve trade disputes or trade barriers and monitor and to enforce compliance with trade agreements, including agreements related to USMCA automotive rules of origin.</p> <p>State works with other State offices, U.S. embassies, and other agencies on WTO and FTA dispute settlement cases.</p> <p>State's Bureau of Western Hemisphere Affairs has a mission to engage with governments of the Americas to advance fair and reciprocal trade, sustainable economic development, and poverty reduction, and to strengthen our national security and our economy.</p> <p>Staff from both these bureaus represent State on the Interagency Autos Committee.</p> <p>USTR added State to the committee for its expertise on the foreign relations with Canada and Mexico.</p>
Department of Transportation	<p>Transportation's Office of International Transportation and Trade manages all transportation-related international trade policy issues within the interagency trade policy mechanism established to develop and coordinate the implementation of U.S. trade policy (such as policy on trade and trade-related investment) across the Executive Branch. Staff from this office represent Transportation on the Interagency Autos Committee.</p> <p>USTR added Transportation to the committee for their expertise on broader trade-related automotive issues (such as acceptance by other countries of vehicles certified to U.S. Federal Motor Vehicle Safety Standards).</p>

**Appendix II: U.S. Agencies Participating on the
Interagency Autos Committee**

Agency	Roles and expertise related to USMCA rules of origin
Department of Energy (DOE)	DOE's Office of International Affairs works with the larger U.S. interagency foreign policy team to collaborate with governments worldwide to design and accelerate global clean energy transitions that address the climate crisis, to enhance and ensure energy security, and to create good paying jobs and prosperity for the American people and communities. USTR invited this office to join the Interagency Autos Committee to provide technical assistance, due to its expertise on electric vehicles, batteries, and mileage requirements, according to DOE officials.

Source: GAO analysis of U.S. agency information. | GAO-24-160330

Appendix III: Agency Comments



THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON

January 10, 2024

Kimberly M. Gianopoulos
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Ms. Gianopoulos:

We appreciate the opportunity to review and comment on the draft report as part the Government Accountability Office's (GAO) engagement on the "United States-Mexico-Canada Agreement: Special Rules of Origin for Automotive Goods" (engagement #106330).

We thank GAO for its work in planning and conducting the engagement that led to this report. The United States-Mexico-Canada Agreement (USMCA) strengthened the rules of origin for automotive products to require higher amounts of North American content. These rules create strong incentives to invest and manufacture in the United States and North America more broadly. Effective coordination among U.S. agencies to implement, enforce, and verify the USMCA provisions is key to ensuring our workers and companies receive the maximum benefit under the USMCA.

The report demonstrates clearly that USTR is effectively coordinating with other U.S. agencies on Interagency Committee on Trade in Automotive Goods (Committee) to implement the USMCA automotive provisions in accordance with our obligations under the USMCA and U.S. domestic law and regulations. Nevertheless, we embrace GAO's recommendation that USTR work with its interagency partners to develop and update written guidance to further enhance our interagency coordination. Such written guidance would enhance our work, help to ensure accountability, and maintain stability and institutional knowledge, which will ultimately benefit our workers, companies, and stakeholders. USTR has begun a review to identify specific areas where written guidance will enhance the Committee's work and other areas where further adoption of GAO's leading practices to enhance interagency collaboration would further augment our work. For example, it may be advantageous to develop a system that allows Committee members to review written input USTR receives from other Committee members, and—where appropriate—to communicate with the Committee regarding the U.S. Trade Representative's rationale for making certain decisions.

Sincerely,

A handwritten signature in blue ink, appearing to read "K. Tai".

Ambassador Katherine C. Tai

Accessible text for Appendix III: Agency Comments

January 10, 2024

Kimberly M. Gianopoulos

Director, International Affairs and Trade

U.S. Government Accountability Office 441 G Street, NW

Washington, D.C. 20548

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Appendix III: Agency Comments

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Ambassador Catherine C. Tai

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Kimberly Gianopoulos at (202) 512-8612 or GianopoulosK@gao.gov

Staff Acknowledgments

In addition to the contact named above, Kim Frankena (Assistant Director), Tom Zingale (Analyst-in-Charge), James Boohaker, Ming Chen, Debbie Chung, Chris Keblitis, Robert Letzler, Terry Richardson, Aldo Salerno, Brian Tremblay, Sarah Veale, and Nicole Willems made key contributions to this report.

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