

DOCUMENT RESUME

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Report to Vernon V. Hann, Assistant Commissioner, United States Customs Service: Office of Operations; by Thomas R. Colan, Assistant Director, General Government Div.

Contact: General Government Div.

The Automated Merchandise Processing System is the Customs Service's approach to the problem of limited manpower to cope with an increasing imported merchandise workload. Under the system, import specialists are to determine which type of entries are "low risk" and can be machine processed and which require individual examination by a specialist. For the first 6 months of 1978, only 30% of the entries were designated for machine processing, and 70% of all entries were examined by import specialists. Because they are accountable for errors, specialists tend to "play it safe" and designate only a small percentage of entries for automated processing. The substitution of statistical sampling techniques for specialist judgments would probably increase the number of entries processed by machine. Import specialists would be better utilized if routine duties associated with review of entries were delegated to lower grade personnel since import specialists spend between 150 and 200 staff years performing routine clerical duties. Subjective risk assessments have resulted in inconsistent entry processing, and selection criteria vary according to location and the nature of the commodity. The Office of Operations should proceed with a study of entry characteristics in order to use a statistical sampling system for referral of entries to import specialists and should direct that routine tasks associated with the processing of imports be performed by clerks rather than by specialists. (RRS)



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

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GENERAL GOVERNMENT
DIVISION

B-114898

Mr. Vernon V. Hann
Assistant Commissioner, Office of
Operations
U.S. Customs Service
Department of the Treasury

Dear Mr. Hann:

We have completed our general survey of the early implementation phase of the Automated Merchandise Processing System. As you know, this phase deals with the computer processing of import entry documents. We believe the processing of these entries can be made more effective by better utilization of import specialists. The less time spent by specialists on routine matters means more time available for ensuring that complex import transactions adhere to the Government's laws and regulations. More time can be made available by having

- more routine entries processed by computer and
- lower paid personnel do the routine clerical work associated with import entries.

In fiscal year 1977, Customs processed about 3.5 million import entries and expects the yearly increase to average about 5 percent. Proportionate increases in personnel, however, are not expected. Better utilization of import specialists is part of the solution to the problem.

How Specialists Can Save Time

The Automated Merchandise Processing System is Customs' approach to the problem of limited manpower to cope with an increasing imported merchandise workload. Under an early phase of Customs' automated system, import specialists, who review entry documents to insure that merchandise is properly classified and valued for duty purposes, are to determine which type of entries are "low risk" and can be machine processed and which require individual examination by a specialist.

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In fiscal year 1977, 65 percent of all import entries required no corrections. For the first 6 months of 1978, however, only 30 percent of the entries were designated for machine processing. Therefore, although a low probability of error exists, 70 percent of all entries were examined by import specialists.

Designating entries for automated processing involves subjective risk assessments by import specialists. They determine which entries are to be routinely processed by considering

- whether there are known classification or valuation problems with the commodity;
- revenues involved;
- reliability of the importers and brokers; and
- whether the merchandise is subject to trade agreements (quotas, orderly marketing agreements).

Assigning risks is hindered by the lack of historical data showing which categories of entries have a high probability of error. Because they are accountable for errors, specialists "play it safe;" hence, the relatively small percentage of entries designated for automated processing.

Substituting statistical sampling techniques for specialist judgment would probably increase the number of entries machine processed. The idea is not new to Customs. Prior to development of the early phase of its Automated Merchandise Processing System in the early 1970s, Customs concluded there was merit in statistically selecting import entries for specialist review.

We understand the idea was not implemented, however, because there was a push to get an automated system in operation and a data base to effectively use a statistical sampling system was not available. To be effective, a system would have to be based on an analysis of entry characteristics showing the probability of import law violation.

Import specialists would also be better utilized if routine clerical duties associated with their review of

entries were delegated to lower graded personnel. Evaluations made in 1977 by Customs' Duty Assessment Division showed that import specialists spend between 150 and 200 staff years performing routine clerical duties.

In August 1977, Customs headquarters issued guidelines calling for more clerical assistance in processing entries. At locations we visited, the guidelines had not been fully implemented. For example, specialists were doing such routine tasks as:

- Reviewing coffee import entries to insure that certificates of origin were present.
- Recording, for certain commodities, quantities imported so that authorized limits were not exceeded.

By and large, import specialists seem just as reluctant to delegate routine entry processing tasks to clerks as to automation.

Subjective risk assessments have also resulted in apparent inconsistent entry processing. In some instances selection criteria such as the value of the import causes its processing to vary among locations and in other cases the nature of the commodity is the cause. For example,

- emeralds are processed by computer at one location when an entry is \$5,000 or less, but at another site the criteria used is \$90,000 or less. Similarly,
- certain tractors are processed by computer at one location when an entry is \$3,000 or less, but at another site the criteria used is \$10,000 or less. Also,
- rubber and plastic wearing apparel is referred to the import specialist at one location and processed by computer at another.

How particular commodities should be processed was beyond the scope of our survey. Nevertheless, the varied processing shown in the above examples indicates that subjective risk assessments by specialists may not be the best way of determining which entries should be computer processed.

Conclusion

We believe import specialists can better utilize their time. This can be accomplished by using both automation and clerical help to handle some of the routine processing. Accordingly, we believe that the Office of Operations should

--as part of the development of Customs' Automated Merchandise Processing System, proceed with a study of entry characteristics in order to use a statistical sampling system for referral of entries to the import specialists and

--direct that the routine tasks associated with the processing of import entries be performed by clerks rather than specialists.

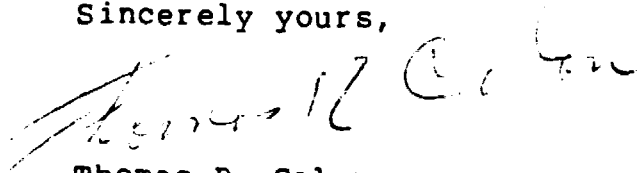
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Procedures and rationale involved in designating specific import entries for computer processing were discussed with import specialists at the Philadelphia and Baltimore Districts. The development and operational aspects of the automated processing system were discussed with Customs headquarters officials.

We appreciate the courtesies extended our staff during the review.

Please advise us of any action taken. We are, of course, available to go over in detail the matters discussed should you so desire.

Sincerely yours,



Thomas R. Colan
Assistant Director