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HOMELAND SECURITY

Key Cargo Security Programs Can Be Improved

Statement of Richard M. Stana, Director,
Homeland Security and Justice Issues

April 26

HOMELAND SECURITY

Key Cargo Security Programs Can Be Improved

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Highlights

Highlights of GAO-05-466T, a testimony before the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U. S. ted States Senate

Why GAO Did This Study

U.S. Customs and Border Protection (CBP) has in place two programs to help address the threat posed by terrorists smuggling weapons of mass destruction (WMD) into the United States: the Customs-Trade Partnership Against Terrorism (C-TPAT) and the Container Security Initiative (CSI). In July 2003, GAO reported that these programs had management challenges that limited their effectiveness. Given plans to expand both programs, in two recently issued reports GAO examined selected aspects of both programs' operations. This statement is a summary of those publicly available reports.

What GAO Recommends

For the C-TPAT program, GAO recommended that CBP eliminate the weaknesses in its validation process, complete its human capital plan and performance measures, and put in place internal controls for the program. For the CSI program, GAO recommended that CBP refine its staffing model to help improve targeting of shipments at CSI ports, develop minimum technical requirements for the capabilities of inspection equipment, and complete development of program measures.

CBP generally concurred with the recommendations and described corrective actions to respond to them.

www.gao.gov/cgi-bin/getrpt?GAO-05-466T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Rich Stana at (202) 512-8777or stanar@gao.gov.

What GAO Found

In return for committing to making improvements to the security of their shipments, C-TPAT members receive a range of benefits that may change the risk characterization of their shipments, thereby reducing the probability of extensive inspection. Before providing benefits, CBP reviews the self-reported information contained in applicants' membership agreements and security profiles. Also, CBP assesses the compliance history of importers before granting them benefits. However, CBP grants benefits before members undergo the validation process, which is CBP's method to verify that their security measures are reliable, accurate, and effective. Although CBP's goal was to validate members within 3 years, to date it has validated 11 percent of them. Further, the validation process is not rigorous, as the objectives, scope, and methodology of validations are jointly agreed upon with the member, and CBP has no written guidelines to indicate what scope of effort is adequate for the validation. Also, although CBP has recently moved to a risk-based approach to selecting members for validation, it has not determined the number and types of validations that are needed to manage security risks or the CBP staff required to complete them. Further, CBP has not developed a comprehensive set of performance measures for the program, and key program decisions are not always documented and programmatic information is not updated regularly or accurately.

The CSI program is designed to target and inspect high-risk cargo containers at foreign ports before they leave for the United States. It has resulted in improved information sharing between U.S. and foreign customs operations and a heightened level of international awareness regarding securing the global shipping system. Yet, several factors limit CBP's ability to successfully target containers to determine if they are high-risk. One factor is staffing imbalances, caused by political and practical considerations, which impede CBP's targeting efforts at CSI ports. As a result, 35 percent of U.S.-bound shipments from CSI ports were not targeted and not subject to inspection overseas—the key goal of the CSI program. In addition, as of September 11, 2004, 28 percent of the containers referred to host governments for inspection were not inspected overseas for various reasons such as operational limitations. One percent of these referrals were denied by host government officials, generally because they believed the referrals were based on factors not related to security threats. For the 72 percent of referred containers that were inspected overseas, CBP officials told us that no WMD were discovered. However, the nonintrusive inspection equipment used at CSI ports varies in detection capability, and there are no minimum technical requirements for equipment used as part of CSI. As a result, CBP has limited assurance that inspections conducted under CSI are effective at detecting and identifying terrorist WMD in containers. Finally, CBP continues to make refinements to the strategic plan and performance measures needed to help manage the program and achieve program goals. Until these refinements are completed, it will be difficult to assess progress made in CSI operations.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to be here today to provide a summary of our recent reports for you on the Department of Homeland Security's (DHS) programs to improve the security of the international supply chain, as well as target oceangoing cargo containers for inspection at foreign seaports before they arrive at destinations in the United States.

In the aftermath of the terrorist attacks of September 11, 2001, there is heightened concern that terrorists may try to smuggle weapons of mass destruction (WMD) into the United States, specifically by using one of the millions of cargo containers that arrive at our nation's seaports each year. If terrorists did so and detonated such a weapon (e.g., a radiological explosive device) at a seaport, the incident could cause widespread death and damage to the immediate area, perhaps shut down seaports nationwide, cost the U.S. economy billions of dollars, and seriously hamper international trade.

DHS and its U.S. Customs and Border Protection (CBP) are responsible for addressing the threat posed by terrorists smuggling weapons into the United States. To carry out this responsibility, CBP has in place programs known as the Customs-Trade Partnership Against Terrorism (C-TPAT) and the Container Security Initiative (CSI). The C-TPAT program attempts to improve the security of the international supply chain (flow of goods from manufacturer to retailer). It is a cooperative program between CBP and members of the international trade community in which private companies agree to improve the security of their supply chains in return for a reduced likelihood that their containers will be inspected. C-TPAT membership is open to U.S.- and foreign-based companies whose goods are shipped to the United States via air, rail, ocean, and truck carriers. The CSI program specifically addresses the security of oceangoing cargo containers. Under the program, CBP places staff at foreign seaports to work with foreign counterparts to use risk assessment information to select, or target, those containers at risk of containing WMD and inspect them before they are shipped to the United States.

This statement presents a summary of our latest efforts in a series of GAO reports that evaluate CBP's response to the terrorist threat.[1] As requested,

[1]A list of related GAO reports appears at the end of this statement.

my testimony will focus on our assessment of CBP's efforts under both C-TPAT and CSI. Regarding C-TPAT, I will address the following issues:

- What benefits does CBP provide to C-TPAT members?
- Before providing benefits, what approach does CBP take to determine C-TPAT members' eligibility for them?
- After providing benefits, how does CBP verify that members have implemented their security measures?
- To what extent has CBP developed strategies and related management tools for achieving the program's goals?

Regarding CSI, I will address the following issues:

- What factors affect CBP's ability to target shipments at overseas seaports?
- Under CSI, to what extent have high-risk containers been inspected overseas prior to their arrival at U.S. destinations?
- To what extent has CBP developed strategies and related management tools for achieving the program's goals?

My statement today represents a summary of two unrestricted reports we have provided to Congress on these programs—that is, our March 2005 report on C-TPAT[2] and our April 2005 report on CSI.[3]

Summary

C-TPAT Issues

Our report on C-TPAT noted that C-TPAT members receive a range of benefits that reduce the level of scrutiny CBP provides to their shipments

[2]GAO, *Cargo Security: Partnership Program Grants Importers Reduced Scrutiny with Limited Assurance of Improved Security*. GAO-05-404 (Washington, D. C.: March 11, 2005).

[3]GAO, *Container Security: A Flexible Staffing Model and Minimum Equipment Requirements Would Improve Overseas Targeting and Inspection Efforts*. GAO-05-557 (Washington, D.C.: April 26, 2005).

bound for the United States. These benefits may change the risk characterization of their shipments, thereby reducing the probability of extensive documentary and physical inspection. Before providing benefits, CBP uses a two-pronged approach to assess C-TPAT members. First, CBP has a certification process to review the self-reported information contained in applicants' membership agreements and security profiles. Second, CBP has in place a vetting process to try to assess the compliance with customs laws and regulations and violation history of and intelligence data on importers before granting them benefits. However, CBP grants benefits to members before they undergo the validation process, which is CBP's method to verify that members' characterization of their security measures are accurate and that the security measures have been implemented.

Regarding the validation process, we found several weaknesses that compromise CBP's ability to provide an actual verification that members' supply chain security measures are accurate and are being followed. First, the validation process is not rigorous enough to ensure that the security procedures outlined in members' security profiles are reliable, accurate, and effective. For example, CBP officials told us that validations are not considered independent audits, and the objectives, scope, and methodology of validations are jointly agreed upon with the member company. Related to this, CBP has no written guidelines to indicate what scope of effort is adequate for the validation to ensure that the member's measures are reliable, accurate, and effective. Finally, CBP has not determined the extent to which validations are needed, abandoning its original goal to validate all members within 3 years because of rapid growth in membership and CBP staffing constraints. In 3 years of C-TPAT operation, CBP has validated about 11 percent of its certified members.

We also found weaknesses in some of the tools CBP uses to manage the program that could hinder achieving the program's goals. The new CBP strategic plan appears to provide the bureau with a general framework on which to base key decisions, including key strategic planning elements such as strategic goals, objectives, and strategies. CBP told us it has developed some initial performance measures to capture the program's impact but has not developed a comprehensive set of performance measures and indicators to monitor the status of program goals. Finally, the C-TPAT program lacks an effective records management system. CBP's record keeping for the program is incomplete, as key decisions are not always documented and programmatic information is not updated regularly or accurately.

Our report contained several recommendations to enhance the C-TPAT program. Specifically, we made recommendations to CBP to provide appropriate guidance to specialists conducting validations, determine the extent to which members should be validated in lieu of the original goal to validate all members within 3 years of certification, complete performance measures and a human capital plan, and implement a records management system for the program. CBP generally agreed with our recommendations and cited corrective actions the bureau either had taken or planned to take to implement them.

CSI Issues

Our report on CSI noted improved information sharing between U.S. and foreign customs operations and a heightened level of bilateral cooperation and international awareness regarding securing the whole global shipping system across governments. However, other, negative factors limit CBP's ability to successfully target containers to determine if they are high-risk. One such factor is staffing imbalances, which impede CBP from targeting all containers shipped from some CSI ports before they leave for the United States. For example, political and practical considerations have limited the number of staff at some ports. As a result of these limitations, 35 percent of U.S.-bound shipments from CSI ports were not targeted and were therefore not subject to inspection overseas—the key goal of the CSI program. We also noted that CBP's reliance on placing staff at overseas ports without considering whether some targeting functions could be performed domestically limits the program's operational efficiency and effectiveness.

Our report also noted that as of September 2004, 28 percent of the containers referred to host governments for inspection had not been inspected overseas. These containers were not inspected for reasons such as operational limitations that prevented the containers from being inspected before they left the port. One percent of these referrals were denied by host government officials, generally because they believed the referrals were based on factors not related to security threats, such as drug smuggling. For the 72 percent of referred containers that were inspected overseas, CBP officials told us that no WMD were discovered, although they acknowledged that technologies to detect other WMDs have limitations. Also, considering that the nonintrusive inspection equipment used at CSI ports varies in detection capability and that there are no minimum technical requirements for equipment used as part of CSI, CBP has limited assurance that inspections conducted under CSI are effective at detecting and identifying terrorist WMD in containers.

The bureau continues to make refinements to management tools needed to help achieve program goals. Although CBP issued a strategic plan for CSI in February 2004, the bureau continues to develop three key elements: (1) describing how performance goals are related to general goals of the program, (2) identifying key external factors that could affect program goals, and (3) describing how programs are to be evaluated. Although CBP has made progress in the development of some outcome-oriented performance measures, it continues to face challenges in developing performance measures to assess the effectiveness of CSI targeting and inspection activities. Therefore, it is difficult to assess progress made in CSI operations over time, and it is difficult to compare CSI operations across ports.

Our report made several recommendations to improve the CSI program. Specifically, we recommended that CBP revise its staffing model, develop minimum detection capability requirements for nonintrusive inspection equipment used in the program, and complete development of performance measures for all program objectives. CBP generally agreed with our recommendations and cited corrective actions the bureau either had taken or planned to take to implement them.

Background

CBP maintains two overarching goals: (1) increasing security and (2) facilitating legitimate trade and travel. Disruptions to the supply chain could have immediate and significant economic impacts. For example, in terms of containers, CBP data indicates that in 2003 about 90 percent of the world's cargo moved by container. In the United States, almost half of all incoming trade (by value) arrived by containers on board ships. Additionally, containers arrive via truck and rail. Both admitting dangerous cargo into the country and delaying the movement of cargo containers through ports of entry could negatively affect the national economy. Therefore, CBP believes it is vital to try to strike a balance between its antiterrorism efforts and facilitating the flow of legitimate international trade and travel.

Vulnerability of the Supply Chain

The terrorist events of September 11, 2001, raised concerns about company supply chains, particularly oceangoing cargo containers, potentially being used to move WMD to the United States. An extensive body of work on this subject by the Federal Bureau of Investigation and academic, think tank, and business organizations concluded that while the likelihood of such use of containers is considered low, the movement of oceangoing containerized cargo is vulnerable to some form of terrorist

action. Such action, including attempts to smuggle either fully assembled WMD or their individual components, could lead to widespread death and damage.

The supply chain is particularly vulnerable to potential terrorists because of the number of individual companies handling and moving cargo through it. To move a container from production facilities overseas to distribution points in the United States, an importer has multiple options regarding the logistical process, such as routes and the selection of freight carriers. For example, some importers might own and operate key aspects of the overseas supply chain process, such as warehousing and trucking operations. Alternatively, importers might contract with logistical service providers, including freight consolidators and nonvessel-operating common carriers. In addition, importers must choose among various modes of transportation to use, such as rail, truck, or barge, to move containers from the manufacturer's warehouse to the port of lading.

C-TPAT Is Part of CBP's Layered Enforcement Strategy

CBP has implemented a layered enforcement strategy to prevent terrorists and WMD from entering the United States through the supply chain. One key element of this strategy is the C-TPAT program. Initiated in November 2001, C-TPAT is a voluntary program designed to improve the security of the international supply chain while maintaining an efficient flow of goods. Under C-TPAT, CBP officials work in partnership with private companies to review their supply chain security plans to improve members' overall security. In return for committing to making improvements to the security of their shipments by joining the program, C-TPAT members may receive benefits that result in reduced scrutiny of their shipments (e.g., reduced number of inspections or shorter border wait times for their shipments). C-TPAT membership is open to U.S.-based companies in the trade community, including (1) air/rail/sea carriers, (2) border highway carriers, (3) importers, (4) licensed customs brokers, (5) air freight consolidators and ocean transportation intermediaries and nonvessel-operating common carriers, and (6) port authorities or terminal operators. Of these companies, CBP grants importers key program benefits. According to CBP, program membership has grown rapidly, and continued growth is expected, especially as member importers are requiring their suppliers to become C-TPAT members. For example, as of January 2003 approximately 1,700 companies had become C-TPAT members. By May 2003, the number had nearly doubled to 3,355. According to CBP officials, as of April 2005, the C-TPAT program had over 9,000 members. For fiscal year 2005, the C-TPAT budget request was about $38 million, with a requested budget for fiscal year 2006 of about $54 million for program expansion efforts. As of

August 2004, CBP had hired 40 supply chain specialists, who are dedicated to serve as the principal advisers and primary points of contact for C-TPAT members.[4] The specialists are located in Washington, D.C., Miami, Florida, Los Angeles, California, and New York, New York.

CBP has a multistep review process for the C-TPAT program. Applicants first submit signed C-TPAT agreements affirming their desire to participate in the voluntary program. Applicants must also submit security profiles—executive summaries of their company's existing supply chain security procedures—that follow guidelines jointly developed by CBP and the trade community. These security profiles are to summarize the applicant's current security procedures in areas such as physical security, personnel security, and education and training awareness. Next, CBP established a certification process in which it reviews the applications and profiles by comparing their contents with the security guidelines jointly developed by CBP and the industry, looking for any weaknesses or gaps in the descriptions of security procedures. Once any issues are resolved to CBP's satisfaction, CBP signs the agreement and the company is considered to be certified C-TPAT member, eligible for program benefits. However, members that are importers must first complete another review, as described below, before benefits can begin. CBP encourages all members to conduct self-assessments of their security profiles each year to determine any significant changes and to notify CBP. For example, members may be using new suppliers or new trucking companies and would need to update their security profiles to reflect these changes.

For certified importers, CBP has an additional review called the vetting process in which CBP reviews information about an importer's compliance with customs laws and regulations and violation history. Conducted concurrently with the certification process, CBP requires the vetting process for certified importers as a condition of granting them key program benefits. As part of the vetting process, CBP obtains trade compliance and intelligence information on certified importers from several data sources. If CBP gives the importer a favorable review under both the vetting process and the certification process, benefits are to begin

[4]For fiscal year 2004, CBP had authorization for 157 positions for supply chain specialists and support staff, but as of August 2004 had hired only 40 specialists. CBP officials noted that the bureau recognizes the need for additional permanent positions, and CBP planned to hire, train, and have in place an additional 30 to 50 supply chain specialists by the end of calendar year 2004.

within a few weeks. If not, benefits are not to be granted until successful completion of the validation process, as described below.

The final step in the review process is validation. CBP's stated purpose for validations is to ensure that the security measures outlined in certified members' security profiles and periodic self-assessments are reliable, accurate, and effective. In the validation process, CBP staff meet with company representatives to verify the supply chain security measures contained in the company's security profile. The validation process is designed to include visits to the company's domestic and, potentially, foreign sites. The member and CBP jointly determine which elements of the member's supply chain measures will be validated, as well as which locations will be visited. Upon completion of the validation process, CBP prepares a final validation report it presents to the company that identifies any areas that need improvement and suggested corrective actions, as well as a determination if program benefits are still warranted for the member.

CSI Is Another Layer of CBP's Enforcement Strategy

Announced in January 2002, the CSI program was implemented to allow CBP officials to target containers at foreign seaports so that any high-risk containers may be inspected prior to their departure for U.S. destinations. Strategic objectives for the CSI program include (1) pushing the United States' zone of security beyond its physical borders to deter and combat the threat of terrorism; (2) targeting shipments for potential terrorists and terrorist weapons, through advanced and enhanced information and intelligence collection and analysis, and preventing those shipments from entering the United States; (3) enhancing homeland and border security while facilitating growth and economic development within the international trade community; and (4) utilizing available technologies to leverage resources and to conduct examinations of all containers posing a high risk for terrorist-related activity.

To participate in the CSI program, a host nation must utilize (1) a seaport that has regular, direct, and substantial container traffic to ports in the United States; (2) customs staff with the authority and capability to inspect cargo originating in or transiting through its country; and (3) nonintrusive inspection equipment. In addition, a host nation must meet several operational criteria, including a commitment to establishing an automated risk management system. To implement the CSI program, CBP negotiates and enters into bilateral arrangements with foreign governments, specifying the placement of CBP officials at foreign ports and the exchange of information between CBP and foreign customs administrations. CBP first solicited the participation of the 20 foreign ports

that shipped the highest volume of ocean containers to the United States. These top 20 ports are located in 14 countries and regions and shipped a total of 66 percent of all containers that arrived in U.S. seaports in 2001. CBP has since expanded CSI to strategic ports, which may ship lesser amounts of cargo to the United States but may also have terrorism or geographical concerns. As shown in table 1, as of February 2005, CSI was operational at 34 ports, located in 17 countries or regions. For fiscal year 2005, the CSI budget was about $126 million, with a budget of about $139 million requested in fiscal year 2006.

Table 1: CSI Operational Seaports, as of February 2005

Country/region	CSI port	Date CSI operations began at port
Canada	Halifax	March 2002
	Montreal	March 2002
	Vancouver	February 2002
The Netherlands	Rotterdam	September 2002
France	Le Havre	December 2002
	Marseilles	January 2005
Germany	Bremerhaven	February 2003
	Hamburg	February 2003
Belgium	Antwerp	February 2003
	Zeebrugge	October 2004
Republic of Singapore	Singapore	March 2003
Japan	Yokohama	March 2003
	Tokyo	May 2004
	Nagoya	August 2004
	Kobe	August 2004
Hong Kong Special Administrative Region of China	Hong Kong	May 2003
Sweden	Gothenburg	May 2003
United Kingdom	Felixstowe	May 2003
	Liverpool	October 2004
	Southampton	October 2004
	Thamesport	October 2004
	Tilbury	October 2004
Italy	Genoa	June 2003
	La Spezia	June 2003
	Livorno	December 2004
	Naples	September 2004
	Gioia Tauro	October 2004
South Korea	Busan	August 2003
South Africa	Durban	December 2003
Malaysia	Port Klang	March 2004
	Tanjung Pelepas	August 2004
Greece	Piraeus	July 2004
Spain	Algeciras	July 2004
Thailand	Laem Chabang	August 2004

Source: CBP.

CBP then deploys a CSI team, which generally consists of three types of officials—targeters, intelligence analysts, and special agents. These officials come from either CBP or U.S. Immigration and Customs Enforcement (ICE). The team leader is a CBP officer or targeter who is assigned to serve as the immediate supervisor for all CSI team members and is responsible for coordinating with host government counterparts in the day-to-day operations. The targeters are team members responsible for targeting shipments and referring those shipments they determine are high-risk to host government officials for inspection. The targeter may also observe inspections of containers. The intelligence analyst is responsible for gathering information to support targeters in their efforts to target containers. In addition, the special agents are to coordinate all investigative activity resulting from CSI-related actions, as well as act as liaison with all appropriate U.S. embassy attachés. Under the CSI program, the targeting of cargo is largely dependent on CBP targeters' review of information contained within CBP's Automated Targeting System (ATS) in conjunction with other sources to determine the risk characterization of a container.[5]

CSI teams refer any containers they characterize as high-risk to host government officials for concurrence to inspect. If host government officials, on the basis of their review, agree that the shipment is high-risk, they will proceed with an inspection using nonintrusive inspection equipment (that is, X-ray) and physical examinations, if warranted. If the host government officials determine, on the basis of their review, that a shipment is not high-risk, they will deny inspection of the shipment. For any high-risk shipment for which an inspection is not conducted, CSI teams are to place a domestic hold on the shipment, so that it will be inspected upon arrival at its U.S. destination.

Prior GAO Work Disclosed Challenges

We have conducted previous reviews of the C-TPAT and CSI programs and CBP's targeting and inspection strategy. In July 2003, we reported that CBP's management of C-TPAT and CSI had not evolved from a short-term focus to a long-term strategic approach.[6] We recommended that the

[5]For all cargo containers arriving in the United States, CBP uses a targeting strategy that employs its computerized targeting model, the Automated Targeting System. CBP uses ATS to review container documentation and help characterize the risk level of shipments to determine the need for additional documentary review or physical inspection.

[6]GAO, *Container Security: Expansion of Key Customs Programs Will Require Greater Attention to Critical Success Factors*, GAO 03 770 (Washington, D.C.: July 25, 2003).

Secretary of Homeland Security work with the CBP Commissioner to develop for both programs (1) strategic plans that clearly lay out the program's goals, objectives, and detailed implementation strategies; (2) performance measures that include outcome-oriented indicators; and (3) human capital plans that clearly describe how the programs will recruit, train, and retain new staff to meet the program's growing demands as CBP implements new program elements. In March 2004, we testified that CBP's targeting system does not incorporate all key elements of a risk management framework and recognized modeling practices in assessing the risks posed by oceangoing cargo containers.[7]

C-TPAT Grants Importers Reduced Scrutiny with Limited Assurance of Improved Security

My statement will now focus on the results of our work on the C-TPAT program.

C-TPAT Benefits Reduce Scrutiny of Shipments

In our C-TPAT report we noted that the C-TPAT program offers numerous benefits to C-TPAT members. As table 2 shows, these benefits may reduce the scrutiny of members' shipments. These benefits are emphasized to the trade community through direct marketing in presentations and via CBP's Web site. Although these benefits potentially reduce the likelihood of inspection of members' shipments, CBP officials noted that all shipments entering the United States are subject to random inspections by CBP officials or inspections by other agencies.

[7]GAO, *Homeland Security: Summary of Challenges Faced in Targeting of Oceangoing Cargo Containers for Inspection*, GAO-04-557T (Washington, D.C.: March 2004).

Table 2: Benefits for C-TPAT Members

Benefit	Reduces amount of scrutiny provided for members?
A reduced number of inspections and reduced border wait times	Yes
Reduced selection rate for trade-related compliance examinations	Yes
Self-policing and self-monitoring of security activities	Yes
Access to the expedited cargo processing at designated FAST lanes (for certified highway carriers and certified importers along the Canadian and Mexican borders, as well as for certified Mexican manufacturers)	Yes
Eligible for the Importer Self-Assessment Program and has priority access to participate in other selected customs programs (for certified importers only)	Yes
A C-TPAT supply chain specialist to serve as the CBP liaison for validations	No
Access to the C-TPAT members list	No
Eligible to attend CBP-sponsored antiterrorism training seminars	No

Source: CBP's C-TPAT Strategic Plan, January 2005.

CBP Grants Benefits before Verification of Security Procedures

We also reported that CBP does not grant program benefits until it has reviewed and certified applicants' security profiles and, for importers, completed an additional review called the vetting process. According to CBP, approximately 23 percent of the security profiles it received contained shortcomings that prevented the companies from being certified and eligible for program benefits. However, CBP has stated that a company will not be rejected from participating in C-TPAT if there are problems with its security profile. Instead, CBP says it will work with companies to try to resolve and overcome any deficiencies with the profile itself. Regarding the vetting process, we reported that according to CBP, to date most members who have been vetted have proven to have favorable or neutral importing histories. CBP officials told us that not many members have been denied benefits as a result of the vetting process.

Although CBP does not grant program benefits until it has certified and vetted members, we reported that neither the certification nor the vetting process provides an actual verification that the supply chain security measures contained in the C-TPAT member's security profile are accurate and are being followed before CBP grants the member benefits. A direct

examination of selected members' security procedures is conducted later as part of CBP's validation process, as discussed below.

Weaknesses Exist in Process for Verifying Security Procedures

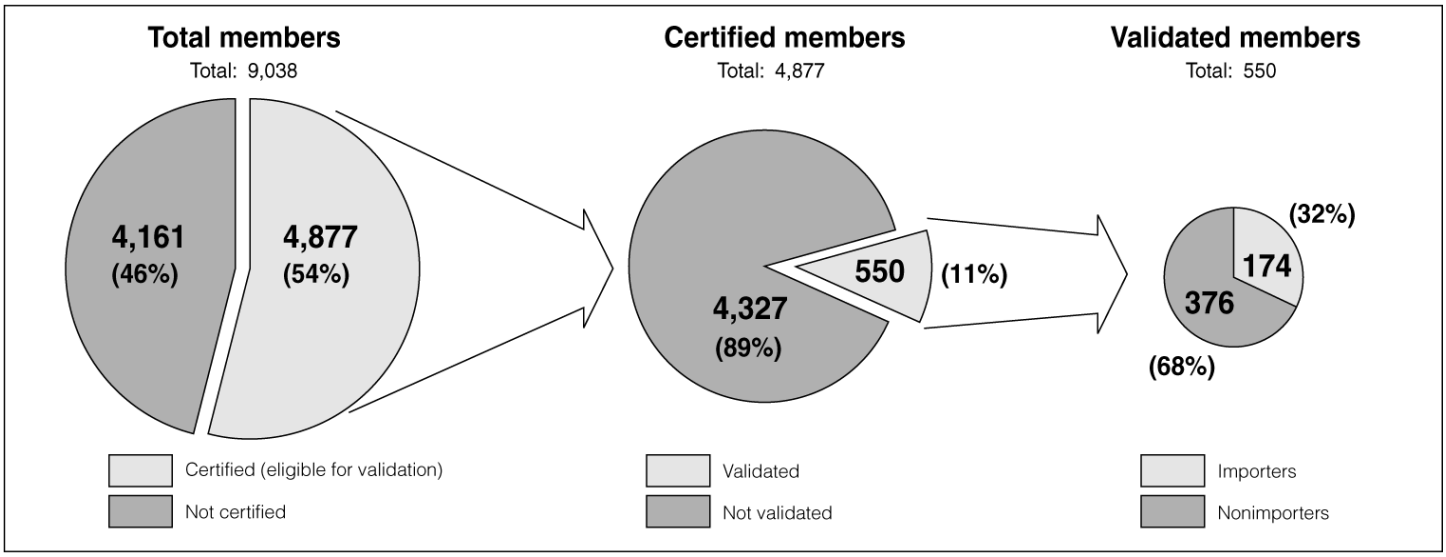
As we reported, we found weaknesses in the validation process that limit CBP's ability to ensure that the C-TPAT program supports the prevention of terrorists and terrorist weapons from entering the United States. First, we reported that CBP's validation process is not rigorous enough to achieve its stated purpose, which is to ensure that the security procedures outlined in members' security profiles are reliable, accurate, and effective. CBP officials told us that validations are not considered independent audits, and the objectives, scope, and methodology of validations are jointly agreed upon with the member representatives. In addition, CBP has indicated that it does not intend for the validation process to be an exhaustive review of every security measure at each originating location; rather, it selects specific facets of the members' security profiles to review for their reliability, accuracy, and effectiveness. For example, the guidance to ocean carriers for preparing a security profile directs the carriers to address, at a minimum, three broad areas (security program, personnel security, and service provider requirements), which contain several more specific security measures, such as facilities security and pre-employment screening. According to CBP officials, as well as our review of selected case files, validations examine only a few facets of members' security profiles. CBP supply chain specialists, who are responsible for conducting most of the validations, are supposed to individually determine which segments of a company's supply chain security will be suggested to the member for validation. To assist in this decision, supply chain specialists are supposed to compare a company's security profile, as well as any self-assessments or other company materials or information retrievable in national databases, against the C-TPAT security guidelines to determine which elements of the profile will be validated. Once the supply chain specialist determines the level and focus of the validation, the specialist is supposed to contact the member company with a potential agenda for the validation. The two parties then jointly reach agreement on which security elements will be reviewed and which locations will be visited.

Moreover, as we reported, CBP has no written guidelines for its supply chain specialist to indicate what scope of effort is adequate for the validation to ensure that the member's security measures are reliable, accurate, and effective, in part because it seeks to emphasize the partnership nature of the program. Importantly, CBP has no baseline standard for what minimally constitutes a validation. CBP discourages supply chain specialists from developing a set checklist of items to

address during the validation, as CBP does not want to give the appearance of conducting an audit. In addition, as discussed below, the validation reports we reviewed did not consistently document how the elements of members' security profiles were selected for validation.

Second, we also reported that CBP has not determined the extent to which it must conduct validations of members' security profiles to ensure that the operation of C-TPAT is consistent with its overall approach to managing risk. In 3 years of C-TPAT operation, CBP has validated about 11 percent of its certified members. CBP's original goal was to validate all certified members within 3 years of certification. However, CBP officials told us that because of rapid growth in program membership and its staffing constraints, it would not be possible to meet this goal. In February 2004, CBP indicated that approximately 5,700 companies had submitted signed agreements to participate in the program. As shown in figure 2, by April 2005, the number of members had grown to over 9,000, about 4,800 of which had been certified and were thus eligible for validation. According to CBP, as of April 2005, CBP staff had completed validations of 550 companies, including 174 importers.

Figure 2: Status of Validating C-TPAT Members, as of April 1, 2005



Source: GAO analysis of CBP data.

In our C-TPAT report we noted that CBP has made efforts to hire additional supply chain specialists to handle validations for the growing membership. As of August 2004, CBP had hired a total of 40 supply chain

specialists to conduct validations, with 24 field office managers also available to conduct validations. CBP officials told us the bureau is currently conducting as many validations as its resources allow. However, CBP has not determined the number of supply chain specialists it needs or the extent to which validations are needed to provide reasonable assurance that the program is consistent with a sound risk management approach to securing U.S.-bound goods.

Finally, we reported that it would not be possible for CBP to meet its goal of validating every member within 3 years of certification. Instead, CBP told us it is using a risk-based approach, which considers a variety of factors to prioritize which members should be validated as resources allow. CBP has an internal selection process it is supposed to apply to all certified members. Under this process CBP officials are supposed to prioritize members for validation based on established criteria but may also consider other factors. For example, recent seizures involving C-TPAT members can affect validation priorities. If a member is involved in a seizure, CBP officials noted that the member is supposed to lose program benefits and be given top priority for a validation. In addition, CBP officials told us that an importer that failed CBP's vetting process would also be given top priority for a validation. CBP officials have taken this approach because any importer that fails the vetting process is not supposed to receive program benefits until after successful completion of the validation process.

Incomplete Progress Made in Addressing Management Weaknesses

As we reported, CBP continues to expand the C-TPAT program without addressing management weaknesses that could hinder the bureau from achieving the program's dual goals of securing the flow of goods bound for the United States and facilitating the flow of trade. First, we reported that CBP is still developing an implementation plan to address the strategies for carrying out the program's goals and those elements required in a human capital plan. For example, CBP said it has developed new positions, training programs and materials, and a staffing plan. Further, CBP said it will continue to refine all aspects of the C-TPAT human capital plan to include headquarters personnel, additional training requirements, budget, and future personnel profiles.

Second, we reported that CBP continues developing a comprehensive set of performance measures and indicators for C-TPAT. According to CBP, developing these measures for C-TPAT, as well as other programs in the bureau, has been difficult because CBP lacks data necessary to exhibit whether a program has prevented or deterred terrorist activity. For

example, as noted in the C-TPAT strategic plan, it is difficult to measure program effectiveness in terms of deterrence because generally the direct impact on unlawful activity is unknown. The plan also notes that while traditional workload measures are a valuable indicator, they do not necessarily reflect the success or failure of the bureau's efforts. CBP is working to collect more substantive information—related to C-TPAT activities (i.e., current workflow process)—to develop its performance measures. In commenting on a draft of our report, CBP indicated it has developed initial measures for the program but will continue to develop and refine these measures to ensure program success.

Third, we reported that CBP's record keeping for the program is incomplete, as key decisions are not always documented and programmatic information is not updated regularly or accurately. Federal regulations require that bureau record-keeping procedures provide documentation to facilitate review by Congress and other authorized agencies of government. Further, standards for internal control in the federal government require that all transactions be clearly documented in a manner that is complete, accurate, and useful to managers and others involved in evaluating operations. During our review of six company files for which validations had been completed, it was not always clear what facet of the security profile was being validated and why a particular site was selected at which to conduct the validation because there was not always documentation of the decision-making process. The aspects of the security profiles covered and sites visited did not always appear to be the most relevant. For example, one validation report we reviewed for a major retailer—one that imports the vast majority of its goods from Asia—indicated that the validation team reviewed facilities in Central America. CBP officials noted that it recently revised its validation report format to better capture any justification for report recommendations and best practices identified. After reviewing eight of the more recent validation reports, we noted that there appeared to be a greater discussion related to the rationale for validating specific aspects of the security profiles. However, the related company files did not consistently contain other documentation of members' application, certification, vetting, receipt of benefits, or validation. While files contained some of these elements, they were generally not complete. In fact, most files did not usually contain anything other than copies of the member's C-TPAT agreement, security profiles, and validation report.

Further, we reported that CBP does not update programmatic information regularly or accurately. In particular, the reliability of CBP's database to track member status using key dates in the application through validation

processes is questionable. The database, which is primarily used for documentation management and workflow tracking, is not updated on a regular basis. In addition, C-TPAT management told us that earlier data entered into the database may not be accurate, and CBP has taken no systematic look at the reliability of the database. CBP officials also told us that there are no written guidelines for who should enter information into the database or how frequently the database should be updated. We made several requests over a period of weeks to review the contents of the database to analyze workload factors, including the amount of time that each step in the C-TPAT application and review process was taking. The database information that CBP ultimately provided to us was incomplete, as many of the data fields were missing or inaccurate. For example, more than 33 percent of the entries for validation date were incomplete. In addition, data on the status of companies undergoing the validation process was provided in hard copy only and included no date information. CBP officials told us that they are currently exploring other data management systems, working to develop a new, single database that would capture pertinent data, as well as developing a paperless environment for the program.

GAO Recommendations and CBP Response

Our C-TPAT report recommended that the Secretary of Homeland Security direct the Commissioner of U.S. Customs and Border Protection to take the following five actions:

- strengthen the validation process by providing appropriate guidance to specialists conducting validations, including what level of review is adequate to determine whether member security practices are reliable, accurate, and effective;
- determine the extent (in terms of numbers or percentage) to which members should be validated in lieu of the original goal to validate all members within 3 years of certification;
- complete the development of performance measures, to include outcome-based measures and performance targets, to track the program's status in meeting its strategic goals;
- complete a human capital plan that clearly describes how the C-TPAT program will recruit, train, and retain sufficient staff to successfully conduct the work of the program, including reviewing security profiles, vetting, and conducting validations to mitigate program risk; and

- implement a records management system that accurately and timely documents key decisions and significant operational events, including a reliable system for (1) documenting and maintaining records of all decisions in the application through validation processes, including but not limited to documentation of the objectives, scope, methodologies, and limitations of validations, and (2) tracking member status.

In commenting on a draft of the report, CBP generally agreed with our recommendations and outlined actions it either had taken or was planning to take to implement them.

After our work was completed, CBP issued new security criteria for C-TPAT importers. Although we have not assessed the new criteria in detail, the new criteria appear to better define the minimum security expectations of importers participating in the C-TPAT program than the prior security guidelines. For example, under the prior security guidelines, all importers were to secure containers' internal and external compartments and panels. Under the new security criteria, importers are to explicitly require all containers bound for the United States to have high-security seals affixed to them. In addition, the new criteria appear to place a greater emphasis on security procedures throughout importers' supply chains than the prior guidelines. Specifically, the new criteria state that importers must have written and verifiable processes for the selection of business partners, as well as documentation of whether these business partners are either C-TPAT certified or meet the C-TPAT security criteria—requirements not found in the prior security guidelines. However, the new security criteria do not address our recommendations for improving the program and may place an even greater emphasis on the need to strengthen the validation process. According to the new criteria, importers wishing to join the C-TPAT program must submit security profiles that address the new criteria as part of the certification process. But importers who are already C-TPAT members are not required to provide any written certification that they meet the new security criteria and will not have to resubmit their security profiles. Instead, CBP will use validations to gauge whether or not these members have adopted the new security criteria. This places a greater emphasis on the need for CBP to establish guidelines for what constitutes a validation and the extent to which it must conduct validations to ensure that the C-TPAT program is consistent with its overall approach to managing risk.

Improvements Needed in CSI Targeting, Inspection and Management Efforts

My statement will now focus on the results of our work on the CSI program.

Limitations Exist in Ability to Target Containers Overseas

In our CSI report, we noted that CBP officials told us the CSI program has produced factors that contribute to CBP's ability to target shipments at overseas seaports, including improved information sharing between the CSI teams and host government officials regarding U.S.-bound shipments and a heightened level of bilateral cooperation on and international awareness of the need for securing the global shipping system. However, we found factors that may limit the program's effectiveness at some ports, including (1) staffing imbalances at CSI ports and (2) weaknesses in one source of data CBP relies upon to target shipments.

As we reported, one factor negatively affecting CBP's ability to target containers is staffing imbalances across ports. Although CBP's goal is to target all U.S.-bound containers at CSI ports before they depart for the United States, it has not been able to place enough staff at some CSI ports to do so. As a result of these imbalances, 35 percent of U.S.-bound shipments from CSI ports were not targeted and were therefore not subject to inspection overseas—the key goal of the CSI program. CBP has been unable to staff the CSI teams at the levels called for in the CSI staffing model because of diplomatic and practical considerations. However, CBP's staffing model for CSI does not consider whether some of the targeting functions could be performed in the United States. For example, the model does not consider what minimum number of targeters need to be physically located at CSI ports to carry out duties that require an overseas presence (such as coordinating with host government officials) as opposed to other duties that could be performed in the United States (such as reviewing manifests and databases). CBP has placed targeters at its National Targeting Center to assist CSI teams in targeting containers for inspection, which demonstrates that CBP does not have to rely exclusively on overseas targeters as called for in its staffing model.

Further, we reported the existence of limitations in one data source CSI teams use for targeting high-risk containers. For CSI, CBP uses manifest information as one data source to help characterize the risk level of U.S.-

bound shipments, information that may be unreliable and incomplete. Although CBP officials told us that the quality of the manifest data has improved, there is no method to routinely verify whether the manifest data accurately reflect the contents within the cargo container.

Some Containers Were Not Inspected for a Variety of Reasons

As we reported, since the implementation of CSI through September 11, 2004, 28 percent (4,013) of containers referred to host government officials for inspection were not inspected for a variety of reasons including operational limitations that prevented the containers from being inspected before they left the port. In 1 percent of these cases, host government officials denied inspections, generally because inspection requests were based on factors not related to security threats, such as drug smuggling. Containers referred to host governments for inspection by CSI teams that are not inspected overseas are supposed to be referred for inspection upon arrival at the U.S. destination port. CBP officials noted that between July 2004 and September 2004, about 93 percent of shipments referred for domestic inspection were inspected at a U.S. port. CBP officials explained that some of these shipments were not inspected domestically because inspectors at U.S. ports received additional information or entry information that lowered the risk characterization of the shipments or because the shipments remained aboard the carrier and were never offloaded at a U.S. port.

Further, we reported that for the 72 percent (10,343) of containers that were inspected overseas, CBP officials told us there were some anomalies that led to law enforcement actions but that no WMD were discovered. There are two types of radiation detection devices used at CSI ports to inspect cargo containers—radiation isotope identifier devices and radiation portal monitors—as well as various types of X-ray and gamma-ray imaging machines used at CSI ports to inspect cargo containers, each with different detection and identification capabilities. However, the inspection equipment used at CSI ports varies in detection capability, and there are no minimum requirements for the detection capability of equipment used for CSI. In addition, technologies to detect other WMD have limitations. As a result, CBP has no absolute assurance that inspections conducted under CSI are effective at detecting and identifying WMD. According to CBP officials, the bureau has not established minimum technical requirements for the nonintrusive inspection equipment or radiation detection equipment that can be used as part of CSI because of sovereignty issues, as well as restrictions that prevent CBP from endorsing a particular brand of equipment. Although CBP cannot endorse a particular brand of equipment, the bureau could still establish

general technical capability requirements for any equipment used under CSI similar to other general requirements CBP has for the program, such as the country committing to establishing an automated risk management system. Because the CSI inspection could be the only inspection of a container before it enters the interior of the United States, it is important that the nonintrusive inspection and radiation detection equipment used as part of CSI provides some level of assurance of the likelihood that the equipment could detect the presence of WMD.

CBP Has Made Progress Developing a Strategic Plan and Performance Measures for CSI, but Further Refinements Are Needed

As we reported, CBP has made some improvements in the management of CSI, but further refinements to the bureau's management tools are needed to help achieve program goals. Regarding a strategic plan for CSI, CBP developed a strategic plan in February 2004 that contained three of the six key elements the Government Performance and Results Act (GPRA) required for executive agency strategic plans but lacked (1) a description of how performance goals and measures are related to the general goals and objectives of the program, (2) an identification of key factors external to the agency and beyond its control that could affect the achievement of general goals and objectives, and (3) a description of program evaluations. We also reported that CBP told us it was revising the CSI strategic plan to address the elements we raised in the report. We noted that it appeared that the bureau's initial efforts in this area met the intent of our prior recommendation to develop a strategic plan for CSI, but we could not determine the effectiveness of further revisions to the plan without first reviewing and evaluating them.

Further, we recommended in our July 2003 report that CBP expand efforts already initiated to develop performance measures for CSI that include outcome-oriented indicators. Until recently, CBP based the performance of CSI on program outputs such as (1) the number and percentage of bills of lading reviewed, further researched, referred for inspection, and actually inspected, and (2) the number of countries and ports participating in CSI. CBP has developed 11 performance indicators for CSI, 2 of which it identified as outcome-oriented: (1) the number of foreign mitigated examinations and (2) the percentage of worldwide U.S.-destined containers processed through CSI ports. However, CSI lacks performance goals and measures for other program objectives. In commenting on a draft of our April 2005 report, DHS noted that CBP is continuing to refine existing performance measures and develop new performance measures for its program goals. For example, CBP was developing a cost efficiency measure to measure the cost of work at a port and to contribute to staffing decisions.

GAO Recommendations and CBP Response

Our CSI report recommended that the Secretary of Homeland Security direct the Commissioner of U.S. Customs and Border Protection to take the following three actions:

- revise the CSI staffing model to consider (1) what functions need to be performed at CSI ports and what functions can be performed in the United States, (2) the optimum levels of staff needed at CSI ports to maximize the benefits of targeting and inspection activities in conjunction with host nation customs officials, and (3) the cost of locating targeters overseas at CSI ports instead of in the United States;

- establish minimum technical requirements for the capabilities of nonintrusive inspection equipment at CSI ports, to include imaging and radiation detection devices, that help ensure that all equipment used can detect WMD, while considering the need not to endorse certain companies and sovereignty issues with participating countries; and

- develop performance measures that include outcome-based measures and performance targets (or proxies as appropriate) to track the program's progress in meeting all of its objectives.

In commenting on a draft of the report, DHS generally agreed with our recommendations and outlined actions CBP either had taken or was planning to take to implement them.

This concludes my statement. I would now be happy to answer any questions for the subcommittee.

GAO Contacts and Staff Acknowledgments

For further information about this testimony, please contact me at (202) 512-8816. Stephen L. Caldwell, Deena D. Richart, and Kathryn E. Godfrey also made key contributions to this statement.

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