

**CBP's Houston Seaport
Generally Complied with Cargo
Examination Requirements
but Could Improve Its
Documentation of Waivers and
Exceptions**

(Redacted)





HIGHLIGHTS

CBP's Houston Seaport Generally Complied with Cargo Examination Requirements but Could Improve Its Documentation of Waivers and Exceptions

April 14, 2015

Why This Matters

U.S. Customs and Border Protection's (CBP) Houston Seaport is the fifth largest port for arriving containers and the largest petrochemical complex in the Nation. CBP is responsible for identifying high-risk cargo shipments arriving at the port that pose a possible threat to national security.

We conducted this review to determine whether the Houston Seaport complied with CBP's *National Maritime Targeting Policy* (NMTP) and *Cargo Enforcement Reporting and Tracking System* (CERTS) *Port Guidance*.

What We Recommend

We made three recommendations to improve the documentation of waiver approvals and exceptions to mandatory examinations of high-risk cargo shipments.

For Further Information:

Contact our Office of Public Affairs at (202) 254-4100, or email us at DHS-IG.OfficePublicAffairs@oig.dhs.gov

What We Found

The Houston Seaport generally complied with the NMTP and *CERTS Port Guidance*. However, CBP could improve its documentation of waivers and exceptions to mandatory examinations of high-risk cargo. In addition, CBP could improve access controls for authorizing Port Director waivers within CERTS.

Proper documentation of Port Director waivers and exceptions to mandatory examinations of high-risk cargo shipments in CERTS may help facilitate management oversight, as well as accurate reporting of waiver and standard exception statistics.

Additionally, improved access controls over Port Director waiver approvals within CERTS would help prevent [REDACTED] waiving the mandatory examination of a high-risk shipment that may threaten national security.

CBP's Response

CBP concurred with all three recommendations.



OFFICE OF INSPECTOR GENERAL

Washington, DC 20528 / www.oig.dhs.gov

APR 14 2015

MEMORANDUM FOR: Todd C. Owen
Assistant Commissioner
Office of Field Operations
U.S. Customs and Border Protection

FROM: Mark Bell *Mark Bell*
Assistant Inspector General for Audits

SUBJECT: *CBP's Houston Seaport Generally Complied with Cargo Examination Requirements but Could Improve Its Documentation of Waivers and Exceptions*

For your action is our final report, *CBP's Houston Seaport Generally Complied with Cargo Examination Requirements but Could Improve Its Documentation of Waivers and Exceptions*. We incorporated the formal comments provided by your office.

The report contains three recommendations. Your office concurred with all of the recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 and 3 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Recommendation 2 is resolved and closed.

Please send your response or updates to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination. We will post a redacted version of the report on our website.

Please call me with any questions, or your staff may contact Paul Wood, Acting Deputy Assistant Inspector General for Audits, at (202) 254-4100.



Background

The Houston Seaport is the fifth largest port for arriving containers and the largest petrochemical complex in the Nation. U.S. Customs and Border Protection (CBP) is responsible for identifying high-risk cargo shipments arriving at the port that pose a possible threat to national security. CBP's *National Maritime Targeting Policy* (NMTP) requires CBP officers to conduct examinations of all high-risk shipments that do not qualify for a standard exception.¹ In addition, the Port Director or appointed designee may waive the examination of high-risk shipments if CBP officers determine there is no security risk and based on a specific, articulable reason.

According to data provided by CBP, the Houston Seaport processed 7,192 high-risk cargo shipments, excluding one of the standard exceptions, in fiscal year (FY) 2013. Houston Seaport did not examine nearly 60 percent of those shipments because it was either a standard exception or the Port Director waived the mandatory examination requirement.

We conducted this review to determine whether the Houston Seaport complied with CBP's NMTP and *Cargo Enforcement Reporting and Tracking System* (CERTS) *Port Guidance*. This report has been revised from our draft report submitted to CBP as it included sensitive security information (SSI), which must be protected from public disclosure. Therefore, this report omits sensitive information regarding the list of standard exceptions among other things.

Although the Houston Seaport generally complied with NMTP and *CERTS Port Guidance*, it could improve its documentation of Port Director waivers and exceptions to mandatory examinations.

The Automated Targeting System (ATS) is the primary mechanism for CBP officers to review, identify, and select cargo shipments that pose a possible threat to national security. ATS consolidates information on manifests, importer security filings, and entry data as well as information on supply chain parties such as importers and carriers. ATS assigns an overall risk score of low, medium, or high to the shipment based on this information and places automatic holds for examination on high-risk shipments. CBP uses, at a minimum, large-scale Non-Intrusive Inspection (NII) imaging technology and radiation detection technology to examine high-risk shipments. Appendix C displays a flowchart of the cargo targeting process.

CBP officers use the CERTS module within ATS to document all cargo examinations, Port Director waivers, and standard exceptions. CBP's *CERTS Port Guidance* includes the roles and responsibilities of CBP personnel using CERTS, as well as procedures for documenting waivers of examinations.

¹ Examples of standard exceptions are not included because CBP considers them to be sensitive security information.



Results of Inspection

Based on our review of a statistical sample of 382 medium- to high-risk shipments from FYs 2011 to 2013, the Houston Seaport generally complied with NMTP and *CERTS Port Guidance* in the following areas:

- CBP officers performed a mandatory review of medium- and high-risk shipments;
- ATS placed an automatic hold on all high-risk shipments;
- High-risk shipments were examined with large-scale Non-Intrusive Inspection imaging technology or radiation detection technology;
- Physical examinations of shipments were performed if an anomaly was identified during the Non-Intrusive Inspection; and
- Examination findings were entered into ATS.

CBP could improve its documentation of Port Director waivers and standard exceptions to mandatory examinations of high-risk cargo shipments. In fact, CERTS contains drop-down menus for Port Director waiver reasons and exceptions to mandatory examinations of high-risk cargo shipments. Of the 382 shipments in our sample, Houston Seaport was not required to perform a mandatory examination of 53 high-risk shipments that were waived and 88 that were a standard exception.

CERTS Port Guidance requires CBP officers to ensure all cargo examination data are accurately documented, including the name of the official accountable for Port Director waivers of mandatory examinations. CBP officers document waivers using CERTS drop-down menus. Of the 53 Port Director waivers in our sample, officers did not select an appropriate reason for 19 waivers or any reason for 2 waivers. CBP officers did not include the name of the Port Director or designee in 52 of the 53 waivers we reviewed.

The CERTS drop-down menus also include an option for each standard exception to mandatory examinations, except one of the standard exception options, which accounted for 44 of the 88 standard exceptions in our sample. Because CERTS does not contain one of the standard exception options, CBP officers selected other non-corresponding options. For the other 44 standard exceptions in our sample, CBP officers did not select appropriate reasons from the CERTS drop-down menus for 24 of those high-risk shipments.

Proper documentation of Port Director waivers and exceptions to mandatory examinations of high-risk cargo shipments in CERTS may help facilitate management oversight, as well as accurate reporting of waiver and standard exception statistics.



Additional Observation about Port Director Waivers

The National Maritime Targeting Policy authorizes Port Directors or appointed designees to waive the mandatory examination of high-risk shipments.

[REDACTED]

Improved access controls over Port Director waiver approvals within CERTS would help prevent [REDACTED] waiving the mandatory examination of a high-risk shipment that may threaten national security.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



Recommendations

Recommendation 1. We recommend that the Assistant Commissioner, Office of Field Operations, develop oversight procedures to ensure CBP officers select the appropriate CERTS drop-down menu option for Port Director waiver reasons and include the name of the individual accountable for Port Director waivers of mandatory examinations.

Recommendation 2. We recommend that the Assistant Commissioner, Office of Field Operations, include the missing standard exception as a drop-down menu option in CERTS.

Recommendation 3. We recommend that the Assistant Commissioner, Office of Field Operations, [REDACTED]

Inspection Follow-up

We discussed the results of our inspection with CBP during our audit. We held an exit conference on September 18, 2014, and provided a draft report on January 16, 2015. CBP provided comments designated as Sensitive Security Information on the draft of this report. CBP also provided technical comments and suggested revisions to our report in a separate document, including designating sections as Sensitive Security Information. We reviewed CBP's technical comments and made changes throughout our report where appropriate.

CBP indicated in its management comments that we concluded CBP's systems worked as intended and placed automatic holds on all high-risk shipments. However, we did not report or conclude that CBP's systems worked as intended and placed automatic holds on all high-risk shipments.

OIG Analysis of CBP Comments

Management Comments to Recommendation #1

Concur. CBP is developing a new supervisory exam waiver approval process in CERTS that will require the officers to select the Port Director/designee from the drop down menu list and require the Port Director/designee to approve the waiver. The new CERTS functionality will also enable CERTS to generate reports to identify high-risk shipments not in compliance with national policy. CBP is also revising the National Targeting Policy. The estimated completion date is June 30, 2015.



OIG Analysis

We consider CBP's ongoing action responsive to the recommendation; the recommendation is now resolved. The recommendation will remain open until 1) we receive documentation showing CBP has implemented the CERTS functionality and only the Port Director or designee can waive mandatory examinations in CERTS and 2) we receive and review the revised National Targeting Policy.

Management Comments to Recommendation # 2

Concur. According to CBP, the missing standard exception was added to the drop down menu option in CERTS on December 5, 2014.

OIG Analysis

We consider CBP's ongoing action responsive to the recommendation; the recommendation is resolved and closed. CBP provided a requirements certification showing CBP agreed to include the missing standard exception in CERTS, and additional support demonstrating it was added in CERTS.

This is a public version of a sensitive report that OIG issued. It does not include details that CBP deemed sensitive security information.

[REDACTED]

[REDACTED]

Office of Audits major contributors to this report are: Paul H. Wood, Director; Maryann Pereira, Audit Manager; David Porter, Auditor-in-Charge; Kevin King, Auditor; Kevin Dolloson, Communications Analyst; Islam Muhammad, Ph.D., Statistician; and J. Eric Barnett, Independent Referencer.



Appendix A

Scope and Methodology

We conducted this inspection between February 2014 and August 2014, under the authority of the *Inspector General Act of 1978*, as amended, and according to the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency in January 2012.

The scope of this inspection was limited to FYs 2011–13 operations at the Houston Seaport. We reviewed national and local policies and procedures for the targeting and examination of shipments destined for the Houston Seaport, including the *Cargo Enforcement Reporting and Tracking System (CERTS) Port Guidance*, Version 2.1, dated April 6, 2011, and CBP Directive 3290-007B, *National Maritime Targeting Policy*, dated December 28, 2007, and reviewed in December 2010. We conducted limited analysis on data obtained from CBP to determine its reliability.

We conducted interviews with officials from CBP’s Office of Field Operations at Headquarters, the Houston Field Office, and the Houston Seaport; and observed cargo targeting and examination operations at the seaport.

From a universe of 67,709 medium- to high-risk shipments in FYs 2011–13, we drew a statistically valid sample of 382 containers using a 95 percent confidence level, a 5 percent sampling error, and a 50 percent population proportion. We used the sample to determine whether:

- CBP officers performed a mandatory review of medium- and high-risk shipments;
- ATS placed an automatic hold on high-risk shipments;
- High-risk shipments were examined with large-scale Non-Intrusive Inspection imaging technology or radiation detection technology;
- Port Director waivers to mandatory examinations were properly documented;
- Use of standard exceptions to mandatory examinations were properly documented;
- A physical examination of a shipment was performed after an anomaly was identified during the Non-Intrusive Inspection; and
- Examination findings were accurately entered into ATS.



Appendix B Management Comments to the Draft Report

MAR 26 2015

1300 Pennsylvania Avenue NW
Washington, DC 20229



U.S. Customs and
Border Protection

MEMORANDUM FOR: Mark Bell
Assistant Inspector General for Audits
Office of Inspector General

FROM: Eugene H. Schied 
Assistant Commissioner
Office of Administration

SUBJECT: CBP Response to Draft Report – OIG Inspection of Houston
Seaport

Thank you for the opportunity to review and comment on the Department of Homeland Security (DHS), Office of the Inspector General (OIG) draft report entitled, "CBP's Houston Seaport Generally Complied with Cargo Examination Requirements but Could Improve Its Documentation of Waivers and Exceptions," (14-013-AUD-CBP). U.S. Customs and Border Protection (CBP) appreciates OIG's work in planning and conducting its review and issuing this report.

Through its inspection, OIG concluded the Houston Seaport generally complied with CBP's National Maritime Targeting Policy (NMTP) and Cargo Enforcement Reporting and Tracking System (CERTS) Port Guidance, to prevent high-risk shipments from entering the United States. Specifically, OIG acknowledged that CBP officers (CBPOs) performed a mandatory review of medium- and high-risk shipments. High-risk shipments were examined with large-scale Non-Intrusive Inspection imaging technology or radiation detection technology. CBPOs physically examined shipments if an anomaly was identified during the Non-Intrusive Inspection; and CBP's systems worked as intended and placed automatic holds on all high-risk shipments.

The draft report contained three recommendations to which CBP concurs. The Office of Field Operations (OFO), on behalf of CBP, is actively working to address the recommendations identified in the draft report. In particular, OFO has implemented Recommendation 2 and is requesting closure. OFO anticipates completely implementing Recommendations 1 and 3 by June 30, 2015.

Please see below for the specific OIG recommendations, as well as CBP's response and corrective action plans to implement each assigned recommendation.

Recommendation 1: We recommend that the Assistant Commissioner, OFO, develop oversight procedures to ensure CBPOs officers select the appropriate CERTS drop-down menu option for Port Director waiver reasons and include the name of the individual accountable for Port Director waivers of mandatory examinations.



CBP Response to Draft Report- OIG Inspection of Houston Seaport
Page 2

Response: Concur. CBP's OFO and Office of Information and Technology (OIT) are in the early stages of developing a new supervisory exam waiver approval process. This new CERTS functionality will require CBPOs to select the appropriate Port Director/designee through the CERTS officer drop down list. Once the exam waiver has been initiated and saved, the exam will go into "pending" status until the waiver is approved by the Port Director or designee. Once all actions have been completed, the "hold" will be removed and the shipment released. OFO, in conjunction with OIT, will develop system enhancements to CERTS to enable CERTS to generate reports to identify high risk shipments which are not in compliance with national policy. OFO is also currently revising the National Targeting Policy to reflect that the Port Director or his/her designee will be accountable for intermittently reviewing the CERTS reports to identify non-compliance and will be responsible for taking corrective actions.

Estimated Completion Date: June 30, 2015

Recommendation 2: We recommend that the Assistant Commissioner, OFO, include the missing standard exception as a drop-down menu option in CERTS.

Response: Concur. On December 5, 2014, the missing standard exception was included in the drop down menu option in CERTS.

Estimated Completion Date: CBP believes it has met the intent of the recommendation and requests closure. Supporting documentation will be provided for the OIG's consideration.

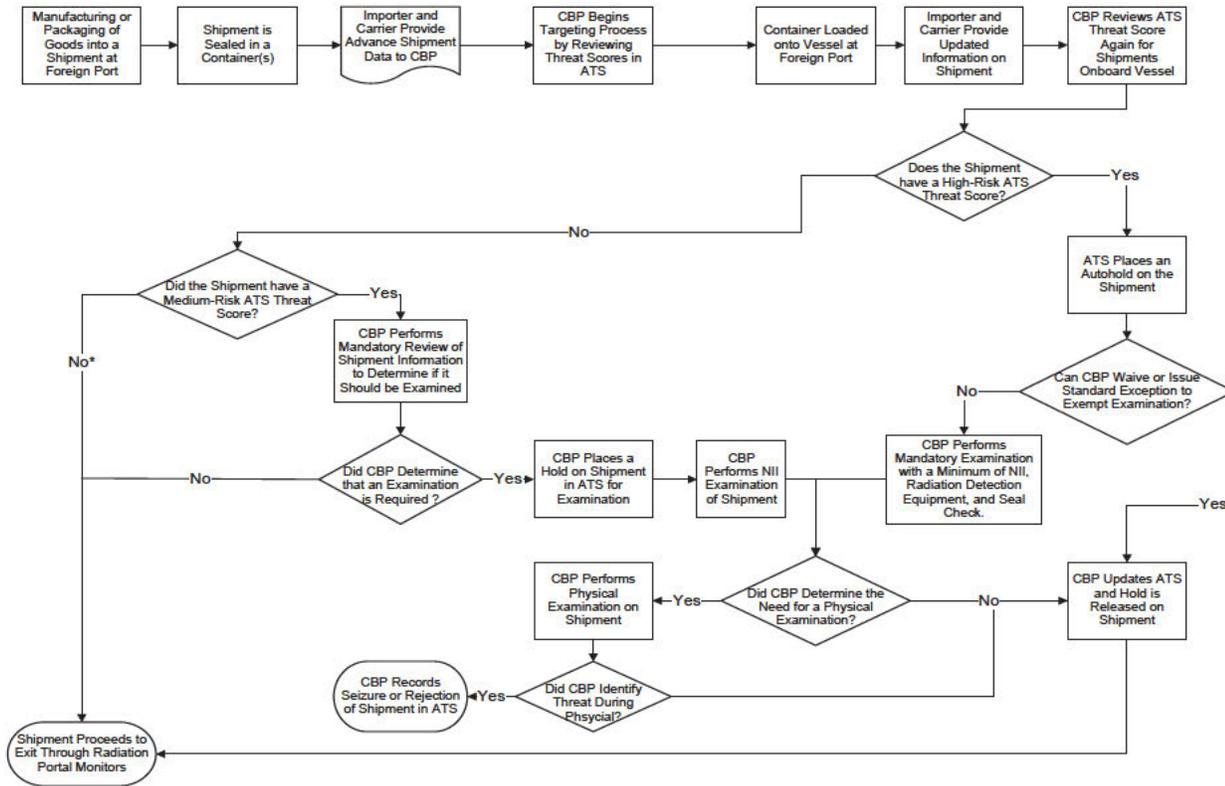
OIG also made a third recommendation to which CBP concurred. The details of OIG's Recommendation 3 and CBP's response are Sensitive Security Information and not included in the public version of the report.

CBP remains committed to improving its program effectiveness and looks forward to working with you on future homeland security matters. Technical comments have been provided under separate cover.

If you have any questions or would like additional information, please contact me at (202)344-2300, or a member of your staff may contact Ms. Kathy Dapkins, CBP Audit Liaison, Management Inspections Division, at (202) 325-7732.



Appendix C Flowchart of Key Controls in CBP's Targeting and Examination of Shipments



Source: DHS OIG analysis.

*CBP may, at its discretion, select shipments not identified as medium- or high-risk for review and examination.



Appendix D Report Distribution

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