

DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General

Audit of Export Controls for Activities Related to China

Unclassified Summary



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Office of Audits

OIG-06-28

March 2006

Office of Inspector General

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the Inspector General Act of 1978. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibility to promote economy, efficiency, and effectiveness within the department.

This report represents a public summary of our limited official use report assessing the effectiveness of the U.S. government's export control policies and practices with respect to preventing the transfer of sensitive U.S. technologies and technical information to the Peoples' Republic of China. It is based on interviews with officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

This report discusses the status of recommendations from prior reports but does not make new recommendations. Therefore, no formal response to this report is necessary. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner
Inspector General

*Department of Homeland Security
Office of Inspector General*

Unclassified Summary

This report presents the results of our review of export control activities related to China¹. It is the sixth in the series of seven interagency audits required² by Congress on transfers of militarily sensitive technology and technical information to countries and entities of concern.

The objective of the interagency³ audit was to determine the effectiveness of the United States (U.S.) government's export control policies and practices with respect to preventing the transfer of sensitive technologies and technical information to China. Specifically, we attempted to answer these questions:

- For arrests made in connection with violations of export requirements to China, were the commodities properly screened prior to release?
- Has DHS taken actions or established documented plans to implement the recommendations of the prior audit reports?

We reviewed Immigration and Customs Enforcement (ICE) arrests for the illegal exportation of militarily sensitive commodities to China in FY 2004 and 2005; CBP export screening procedures in effect during October and November 2005; and recommendations from our prior audit reports open at September 2005. Additionally, we reviewed the policies and procedures applicable to the exportation of militarily sensitive commodities, and interviewed responsible agency officials. Further, we obtained documentation to support the implementation or correction of prior open DHS bureau audit recommendations. We visited Customs and Border Protection (CBP), ICE, and United States Citizenship and Immigration Service (USCIS) headquarters in Washington, D.C. Also, we visited CBP port offices in Boston, Massachusetts; Houston, Texas; Atlanta, and Savannah, Georgia, as well as the ICE Special Agent-In-Charge office in Boston, Massachusetts. This audit

¹ The use of the term "China" in this report refers to the Peoples' Republic of China and Hong Kong.

² The National Defense Authorization Act for Fiscal Year (FY) 2000, Public Law 106-65, section 1402, October 5, 1999, contains the requirement.

³ The OIGs for the Department of Commerce, Department of State, Department of Defense, Central Intelligence Agency, and the Department of Homeland Security are participating in the audit this year.

was conducted from September to November 2005 according to generally accepted government auditing standards.

The relationship between export related arrests and the export screening process is limited, and did not allow us to draw conclusions about the effectiveness of CBP's screening process. Because we did not have sufficient data to determine whether CBP properly screened commodities prior to release based on arrests made, we reviewed CBP export control procedures at four ports and the ICE arrest cases. This review did not disclose any conditions that had not been reported in prior audits.

Of our seven prior open audit recommendations, DHS bureaus took actions to close two recommendations and established documented plans to implement four more. The remaining prior audit recommendation addressed to ICE is unresolved.

Summary of Prior Audit Recommendations

OIG Report Number	Finding # - Recommendation #	DHS Bureau	Status
OIG-03-069	F2-R4	ICE	PCA Target Date – May 2006
OIG-03-069	F3-R3	ICE	Closed
OIG-04-023	F1-R1	ICE	Unresolved
OIG-04-023	F1-R2	USCIS	PCA Target Date – December 2006
OIG-04-023	F1-R3	USCIS	PCA Target Date – October 2006
OIG-05-021	F1-R1	CBP	PCA Target Date – September 2006
OIG-05-021	F2-R2	CBP	Closed

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