



Performance and Accountability Report

Fiscal Year 2013



U.S. Customs and
Border Protection

This page intentionally left blank.

About This Report

America's Frontline

We guard the boundaries of freedom and stand between the good citizens of our Nation and those who want to do us harm.

About This Report

U.S. Customs and Border Protection (CBP) Fiscal Year (FY) 2013 Performance and Accountability Report (PAR) presents a comprehensive report that combines CBP's Annual Performance Report with its audited financial statements, assurances on internal control, accountability reporting and agency assessments. CBP's PAR provides program, financial, and performance information that enables Congress and the public to assess the performance of the agency as it relates to the CBP mission.

The CBP PAR discusses the agency's strategic goals and objectives and provides a comparison of agency performance targets to actual performance results. The CBP PAR satisfies the reporting requirements of the Reports Consolidation Act of 2000 (Pub. L. No. 106-531), Government Performance and Results Modernization Act (GPRMA) of 2010, Chief Financial Officers Act of 1990 (Public Law No. 101-576), Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements, dated October 21, 2013, and other financial management statutes and reports.

The CBP PAR provides a summary of the agency's major mission programs, including strategies. Additional information related to the specific programs, initiatives, tools, and resources used to achieve agency objectives can be found in the body of the Department of Homeland Security (DHS) Congressional Budget Justification for the President's Budget, which details information by DHS component.

For FY 2013, CBP will produce its Performance and Accountability Report and the Summary of Performance and Financial Information.

When published, both reports will be located on our public website: www.cbp.gov

For more information, contact:

U.S. Customs and Border Protection
Office of Administration
1331 Pennsylvania Avenue, NW, Suite 950
Washington, DC 20229-1103

This page intentionally left blank.

Table of Contents

Acting Commissioner’s Message	3
Management’s Discussion and Analysis	5
Mission	6
Core Values	6
Fiscal Year 2013 Statistical Highlights	6
Major Mission Programs and Strategies	7
Enhancing Security	7
Enhancing Prosperity	28
Administrative Efficiency.....	38
Looking Ahead	52
CBP Organization.....	53
Headquarters	54
Component Organizations and Field Structure.....	56
Performance Goals and Results	62
Performance Management	63
Fiscal Year 2013 Performance by Mission Set.....	63
Management Assurance	69
Overview	69
Federal Manager’s Financial Integrity Act	69
DHS Financial Accountability Act	70
Federal Financial Management Improvement Act.....	70
Federal Information Security Management Act	70
Systems and Control	71
Overview	71
Management Inspections Program	71
Self-Inspection Program	72
Audit Management and Liaison	72
Financial Management	73
Overview	73
Overview of the Financial Statements.....	73
Limitations of the Financial Statements	75
Performance Section	77
Performance Summary	78
Individual Performance Measure Results.....	79
Financial Section	87
Message from the Chief Financial Officer	88
Financial Statements	89
Introduction	89
Notes to Financial Statements	98
Required Supplementary Information	129
Auditors’ Report	135
Management’s Response to the Independent Auditors’ Report	152
Other Information	155
Summary of Financial Statement Audit and Management Assuarances	164
Office of Inspector General (OIG) Report on Major Management Challenges	169
Acronyms	170

This page intentionally left blank.

Acting Commissioner's Message



I am pleased to present the Fiscal Year (FY) 2013 Performance Accountability Report (PAR) for U. S. Customs and Border Protection (CBP). This assessment details how CBP adds value to the Nation's security and prosperity.

As the Agency responsible for all Federal border administration activities, CBP manages and secures our Nation's borders while facilitating the legitimate international travel and trade that is vital to our Nation's economy. We ensure international cross-border traffic flows within the bounds of U.S. laws, rules, regulations, and treaties, an essential element of our Nation's prosperity and security.

During FY 2013, CBP's dedicated employees played a leading role in making America a more secure and prosperous Nation. CBP continued to respond to illegal cross-border traffic through targeted operations, enhanced partnerships, and an effective deployment of personnel, technology and infrastructure along the border, while facilitating legitimate trade and travel. This year, CBP officers inspected 362 million travelers, processed 30.4 million trade entries, and apprehended 420,789 illegal aliens attempting to cross the border.

CBP received an Unmodified Audit Opinion on the FY 2013 audit of its full set of financial statements for the eighth consecutive year. This outstanding accomplishment attests to the fiscal discipline and accountability of CBP, which collected more than \$40.9 billion in revenue during FY 2013.

The attached PAR identifies the success CBP has had in accounting for and reporting on financial activity, but also identifies areas upon which the Agency can improve. We continue to take action to address these areas.

I would like to congratulate the entire CBP workforce for all of its achievements over the past year and the duties performed every day to protect our Nation. Our success would not have been possible without the tireless efforts and unyielding work ethic of the men and women of CBP. Our goal remains to provide timely, reliable, and useful financial information to Congress and the American public, and to enable managers across CBP to make sound business decisions, and illustrate the significance of CBP's contributions to U.S. prosperity and security.

A handwritten signature in black ink, appearing to read "Tom Winkowski". The signature is written in a cursive, slightly stylized font.

Thomas S. Winkowski
Acting Commissioner

This page intentionally left blank.



Management's Discussion and Analysis

This section explains CBP's mission, organization structure, strategic direction, and summarizes program and financial performance.

Overview of CBP

Mission

We are the guardians of our Nation's borders. We are America's frontline. We safeguard the American homeland at and between our borders. We protect the American public against terrorists and the instruments of terror. We steadfastly enforce the laws of the United States while fostering our Nation's economic security through lawful international trade and travel. We serve the American public with vigilance, integrity, and professionalism.

CBP's approximately 60,000 employees manage, control, and protect the Nation's borders at and between the official ports of entry. CBP is responsible for protecting more than 5,000 miles of border with Canada, 1,900 miles of border with Mexico, and 95,000 miles of shoreline.

Core Values

Vigilance is how we ensure the safety of all Americans. We are continuously watchful and alert to deter, detect, and prevent threats to our Nation. We demonstrate courage and valor in the protection of our Nation.

Service to Country is embodied in the work we do. We are dedicated to defending and upholding the Constitution and the laws of the United States. The American people have entrusted us to protect the homeland and defend liberty.

Integrity is our cornerstone. We are guided by the highest ethical and moral principles. Our actions bring honor to ourselves and our Agency.

Fiscal Year 2013 Statistical Highlights

- Ports of entry: 328
- Pre-clearance locations: 15
- Border Patrol sectors: 20
- Air units: 43
- Marine units: 71
- Trade entries processed: 30.4 million
- Total revenue: \$40.9 billion (includes custodial and entity revenue)
- Illegal narcotics seized: 2.8 million pounds (represents narcotics held by CBP until disposal or destruction)
- Illegal alien apprehensions between the ports of entry: 420,789
- Inadmissible aliens interdicted at the ports of entry: 204,905
- Pedestrians and passengers processed: 362 million
- Conveyances processed: over 110 million

- Aircraft passengers processed: over 102 million
- Prohibited plant and animal materials seized at the ports of entry: 1,603,944
- Agricultural plant and pest intercepted at the ports of entry: 161,050

Major Mission Programs and Strategies

Securing the Nation's borders from illegal entry of aliens and contraband, including terrorist and weapons of mass destruction, while welcoming all legitimate travelers and trade continues to be a major challenge.

As America's frontline border security agency, CBP has established programs and strategies designed to enhance border security and other mission critical functions. CBP strives to maximize partnerships on the home front and abroad by promoting an effective management infrastructure that fosters the highest standards of integrity. CBP has built a layered strategy using risk-based approaches and performance management techniques that maximize CBP's strengths. The following information provides explanation of the major mission programs and strategies that demonstrate CBP's commitment to adding value to the Nation's security and prosperity along with administrative efficiencies that facilitate mission performance.

Enhancing Security

Securing America's borders is CBP's top priority. As the nation's unified border security agency, CBP deploys the government's largest law enforcement work force to protect at and between ports of entry, supported by air and marine assets. CBP's vigilant operations ensure secure border access for legitimate trade and travel, allowing U.S. trade and travel to thrive.

Security Between Ports of Entry: U.S. Border Patrol

CBP's security mission between official ports of entry is the responsibility of the U.S. Border Patrol. The Border Patrol prevents the entry of terrorists, weapons, illegal immigrants and contraband along 6,900 miles of land borders with Mexico and Canada, along with 2,000 miles of coast around Florida and Puerto Rico. The Border Patrol employs more than 21,000 law enforcement agents and 1,700 mission support personnel.

The 2012-2016 Border Patrol Strategic Plan leverages information, integration and rapid response to meet all border security threats. The Border Patrol gathers information, coordinates operations with partners and stakeholders, and delivers a rapid response to threats based on risk. Operating in a dynamic operational environment, CBP and the Border Patrol team with law enforcement partners to address changing risks and threats.

Overview of CBP

Integrated Strategies

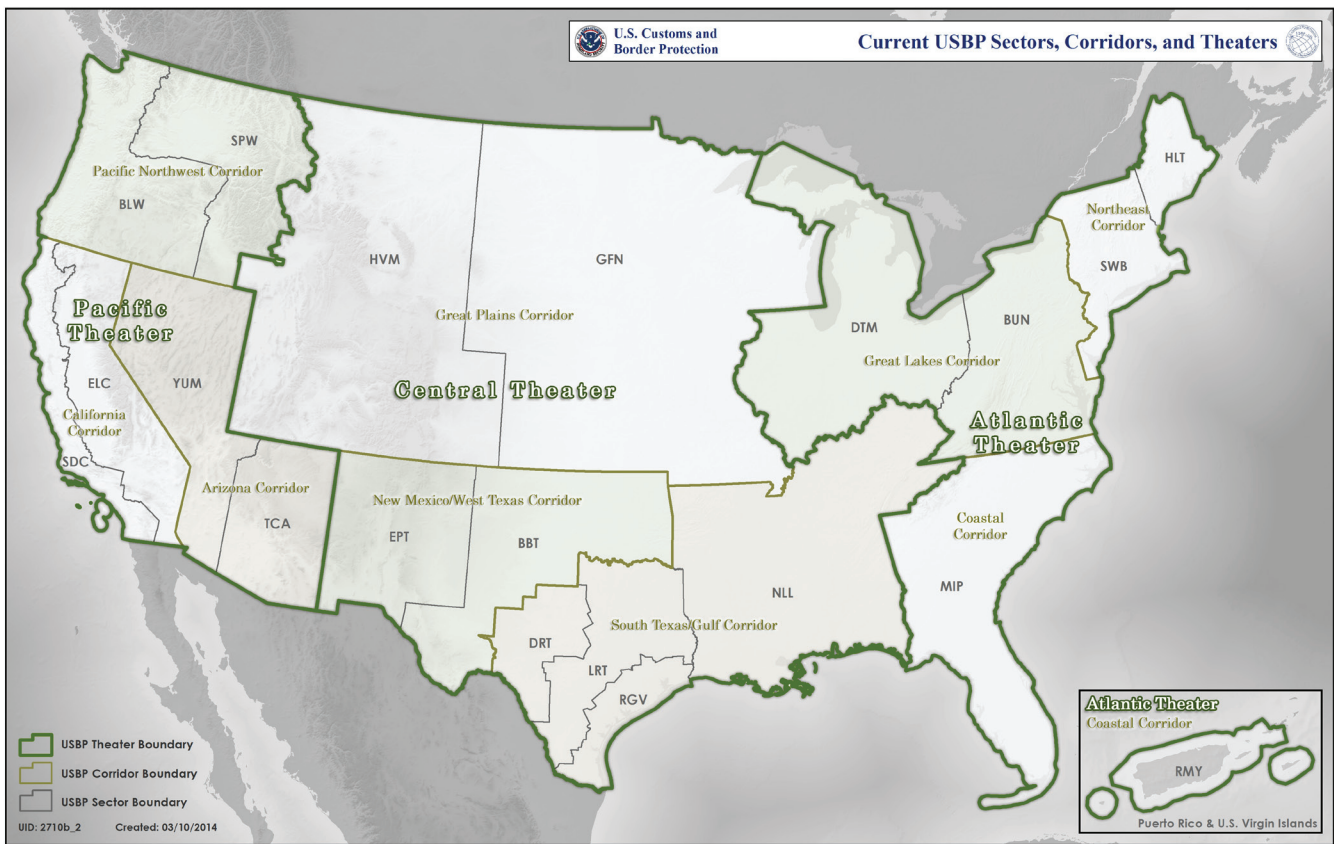
CBP mission success improves when operational strategies integrate with external partners, including federal, state, local, tribal, and foreign law enforcement organizations, businesses, and community organizations. Through strategic engagement with all partners, CBP becomes more effective.

The following summarizes FY 2013 efforts to integrate strategies and how these efforts will continue in FY 2014:

Campaign Planning

In FY 2012, the Border Patrol introduced sector-level Operational Implementation Plans (OIPs) to identify threats and risk, quantify and qualify Border Patrol capabilities, develop measureable objectives, and reduce risk. The Border Patrol still uses OIPs to implement its 2012-2016 strategic plan.

To facilitate corridor-level campaign planning, in FY 2013 the Border Patrol broadened the sector focus to group its sectors into corridors. Sectors that were not in a corridor were arranged into planning partnerships with fellow sectors. The map below outlines the corridors:



South Texas Campaign

The South Texas Campaign (STC) signifies a paradigm shift in information sharing and collaboration in border law enforcement practice. STC breaks down traditional barriers that prevent synergy in targeting transnational criminal organizations (TCOs) within the South Texas Corridor. The STC has successfully disrupted TCOs in five ways:

1. Integrating intelligence, analysis, and targeting throughout the South Texas Corridor;
2. Engaging communities of interest to degrade TCOs operating in the corridor;
3. Working with the government of Mexico to degrade TCOs in the South Texas Corridor and adjoining Mexican states;
4. Incorporating a flexible STC workforce to address emerging threats; and
5. Disrupting established air, land, and sea smuggling routes.

The many STC accomplishments in FY 2013 include:

- Opening the South Texas Border Intelligence Center, an information clearinghouse for intelligence collection, analysis, and dissemination. By integrating CBP components and partners in the intelligence cycle, the STC more effectively targets TCO members and associates that pose the greatest threat to border security.
- Implementing standardized targeting to ensure corridor-wide proficiency in targeting criminals. These intelligence and targeting capabilities resulted in the arrest of TCO members in South Texas, which dropped Laredo, Texas, from first place in the number of stolen cars per capita in the U.S. in 2009 to 74th, in just three years.
- The development of an Enforcement and Removal workgroup that worked with U.S. Citizenship and Immigration Services (USCIS) to speed the record creation process. The pilot program used CBP's e3 portal in the Enforcement Integrated Database to automatically deliver subject information to USCIS for record creation in the Central Index System. The pilot program expanded nationwide to potentially save millions of dollars in staff hours and resources annually.

New Mexico/ West Texas Alliance to Combat Transnational Threats Unified Command

Formed in 2007, the New Mexico/West Texas Alliance to Combat Transnational Threats Unified Command followed the success of a similar collaboration in Arizona, a structural response to TCO threats within that corridor. The New Mexico/West Texas unified command includes state and federal agencies that address and respond to the risks in the corridor. The command directs DHS components and other law enforcement entities in intelligence-driven operations against TCO networks.

- FY 2013 Successes
 - ◇ Supported the Joint Task Force-North deployment of Defense Department ground and air detection/monitoring gear in Big Bend and El Paso Sectors.
 - ◇ Became the first corridor to officially agree on the Bi-national Threat Assessment between U.S. federal agencies and Mexico.

Overview of CBP

- ◇ Improved communication and information sharing with Mexico, which has led to productive border operations including Operations Lifeguard and Iron Horse.
- ◇ The Unified Command Intelligence Center identified five common threats: Mexican Drug Trafficking Organizations, Human Trafficking/Alien Smuggling, Public Corruption, Crimes Against Children, and Counter Intelligence.
- FY 2014 Goals
 - ◇ Promote the Unified Command common lexicon and establish an intelligence fusion mechanism.
 - ◇ Implement a Corridor Campaign Plan for the alliance that demonstrates a sound whole-of-government approach.
 - ◇ Establish a common threat mitigation strategy and execute multi-agency operations/investigations against identified multi-agency threats.

Arizona Alliance to Combat Transnational Threats

Operation Alliance to Combat Transnational Threats (ACTT) leverages resources among all law enforcement agencies operating in Arizona and the government of Mexico. ACTT targets individuals and criminal organizations posing a transnational threat. The ACTT strategy deters, denies, degrades, disrupts and applies consequences to illegal activity and dismantles criminal operations. The ACTT Unified Command directs operational activities and releases resources for participating law enforcement and public safety agencies. In coordination with Mexico, the ACTT is:

- Focusing border enforcement operations at and between ports of entry;
- Defending in depth, including checkpoints and other enforcement efforts along routes of egress;
- Focusing investigative efforts in Tucson and Phoenix;
- Dispatching Mobile Response Teams;
- Deploying detection and surveillance technology; and
- Deploying additional assets to bolster enforcement as needed.
- FY 2013 Successes
 - ◇ Maintained significant enforcement gains in Tucson Sector while reducing the number of externally detailed resources.
- FY 2014 Goals
 - ◇ Creating a hostile operating environment for TCOs that denies freedom of action throughout the Arizona Corridor utilizing the following objectives:
 - Disrupting TCOs throughout the corridor;
 - Enhancing response to and resolution of threats;
 - Enhancing integration among ACTT partners, including interagency participation, transparency, and information sharing;
 - Increasing unity of effort among all ACTT law enforcement partners, including Mexico;

- Developing a common intelligence picture to enhance understanding of the operating environment;
- Focusing partner agency intelligence efforts to give operational elements sufficient information to analyze, plan, and execute the mission; and
- Jointly targeting TCO counterintelligence activities.

Joint Field Command - Arizona

In January 2011, CBP established the Joint Field Command in Arizona, an organizational realignment of assets that tied together field components under a single operational command structure. The Joint Field Command has integrated CBP's border security, commercial enforcement, and trade facilitation missions to effectively meet Arizona's unique border challenges.

The command's priorities are border management, expedited lawful trade and travel, risk management, and mission integration. The ACTT coordinates with all law enforcement partners to minimize risks and maximize capabilities.

Bi-national Joint Operations

Southern Border Bi-national Operations:

Bi-national operations focus on expanding enforcement against the trafficking of narcotics, weapons, ammunition, humans, and currency. Improved information gathering and analysis among international partners increases efficiency so terrorist and transnational criminal threats can be interdicted outside of U.S. borders. During the past several years, bi-national border security operations have improved operational and situational awareness. These successes are a testament to the maturing partnership between the U.S. and the Government of Mexico.

In July 2013, the Border Patrol began the Cross Border Coordination Initiative to conduct simultaneous operations with the Mexico Federal Police in mutually agreed-upon zones. The initiative degrades TCO activity on both sides of the border through:

- The exchange of information and assessments, mapping and geo-referencing of criminal activity zones;
- Physical officer presence on both sides of the border and coordinated response during peak periods of criminal activity; and
- Increased officer training in both countries.

International Liaison Units

CBP established International Liaison Units (ILU) to foster partnerships, open communication, and coordinate law enforcement between CBP and its Mexican counterparts. The Border Patrol advises sector leadership on matters related to CBP-Mexico relationships. ILU agents facilitate coordinated measures to restrict smuggling and trafficking of narcotics, weapons, ammunition, humans and cur-

Overview of CBP

rency. They serve as points of contact for local, state, federal, and foreign law enforcement agencies when preparing for and/or responding to border violence.

Northern Border Bi-national Operations

The Canadian border is a diverse environment unified by a common feature: the close cooperation between the U.S. and Canada. This partnership continues to expand as outlined in “Beyond the Border,” a 2011 agreement.

The Beyond the Border Action Plan specifies joint initiatives to improve border management in:

1. Addressing threats early;
2. Facilitating trade, economic growth and jobs;
3. Enforcing laws across the border; and
4. Safeguarding critical infrastructure and cyber-security.

The U.S. and Canada continue to implement the Beyond the Border Action Plan, laying the foundation for security and economic prosperity.

Cross Border Crime Forum

The Cross-Border Crime Forum, established in 1997, facilitates cooperative U.S.-Canada investigations of cross-border crime. Led by the U.S. attorney general, the secretary of Homeland Security, the minister of Public Safety Canada, and the minister and attorney general of the Department of Justice Canada, the forum focuses on cross-border issues, including narcotics trafficking.

Integrated Border Enforcement Teams

Canada and the U.S. have cooperated since 1997 through 15 Integrated Border Enforcement Team (IBET) regions. Intelligence-driven enforcement teams comprised of U.S. and Canadian federal, state/provincial, tribal and local law enforcement personnel cooperate along the Northern border. IBETs operate in an integrated environment and support the Beyond the Border Action Plan. The ShipRider program is the IBET maritime operational arm.

Operation Stonegarden Grant Program

Grants from Operation Stonegarden improve law enforcement synergies to secure U.S. borders. Stonegarden funds increase operational capabilities for multijurisdictional law enforcement entities, promoting a layered, coordinated approach to law enforcement.

The Border Patrol and Federal Emergency Management Agency (FEMA) work together to determine allocations and analyze border security risk. Analysis of three factors—threat, vulnerability, and



A Palm Beach County marine unit assists Coast Guard and Border Patrol with a search of an overturned vessel in June 2013 with suspected migrants in the water.

consequence—involves determining probability, as well as the ability and intent, of a TCO to commit an act. Vulnerability is determined as a function of various factors, including environment, personnel, technology for detection capability and tactical infrastructure and access. Eligible Stonegarden grant applicants include local government units and federally recognized tribal governments in border states.

Participating agencies have provided law enforcement coverage in Border Patrol areas of responsibility. Sectors have the ability to move resources to areas quickly and to respond to emerging or immediate threats. Stonegarden participants also provide deterrence in lower-risk areas resulting in increased seizures and illegal alien apprehensions. DHS, FEMA, and CBP work together in managing Operation Stonegarden.

Border Patrol sectors have been integrating intelligence, analysis and targeting with Stonegarden partners to disrupt, degrade and dismantle TCOs.

In January 2013, a Bisbee, Arizona, police department and Border Patrol joint Stonegarden operation resulted in a seizure of marijuana and a small arsenal of weapons.

Border Community Liaison

The Border Community Liaison Program enhances CBP interaction with communities and promotes agency understanding of community views, concerns, and issues.

The liaison program designates a community point of contact at CBP offices and encourages communication between CBP and border communities. CBP's local engagement provides opportunities for community feedback that is shared with DHS and other partners. The outreach strengthens relationships in the communities where we live and work.

The State of the Border

One of the key 2012–2016 Border Patrol Strategic Plan initiatives in FY 2014 will integrate CBP components to expand risk-based operations. This network approach will enable rapid, effective response to prioritized threats. CBP strategic objectives will guide 1) targeted; focused enforcement; 2) operational discipline; and 3) unified and joint commands. CBP intends to maximize information and intelligence to prioritize threats, analyze risk, and anticipate emerging trends as TCOs adjust to CBP operations.



Pima County, Arizona, Sheriff's Border Crimes Unit



February 2013, Nueces County Deputies stopped a 2009 Ford Expedition near Agua Dulce, Texas, which resulted in the seizure of marijuana.

Overview of CBP

Evaluation of the following help gauge the extent to which our border is secure and at a condition of “low risk”:

- Intelligence estimates regarding the intent and capability of terrorists and transnational criminal organizations and associated networks to exploit the border;
- Assessment of the geography and topography of particular border areas and the likelihood of exploitation (Geospatial Intelligence);
- Analysis of data to include unique subjects, recidivism, average apprehension per recidivist and drug weight-to-frequency rate;
- Effectiveness ratios in corridors characterized by significant cross border entries; and
- Traditional “third party indicators” (such as crime levels in border communities) that will assist as a “check and balance” against our own internal metrics.

Situational Awareness

To fully implement risk—informed, intelligence—driven operations that focus CBP’s capabilities against prioritized threats, CBP must consistently enhance and maintain situational awareness through a comprehensive understanding of the threat environment. Situational awareness provides an in-depth picture of current operating conditions within a specific region of the border and facilitates predictive analysis.

Situational awareness requirements vary according to different areas of the border. Along the Southwest border, areas are categorized as either “Deployment Density” or “Geospatial Intelligence (GEOINT) areas.”

Deployment Density areas are those where traditionally higher threats/higher activity require an enhanced enforcement posture and concentration of resources to mitigate risk. Categorization of areas as Deployment Density allows the Border Patrol to effectively “shrink” the areas of primary concern on the border, so that our principal concentration in terms of enforcement capability is on the highest risk areas, enabling us to better achieve our outcomes in these areas. In Density Deployment areas, leadership must continually assess the environment through situational awareness to ensure that deployment postures and tactics, techniques, and procedures are sufficiently employed to maintain superior capability over the adversary, including a capability to respond to and interdict illicit cross-border activity.

GEOINT areas are those with historically lower threat/lower activity conditions. GEOINT areas thus require fewer resources, but still require an ability to continuously validate the lower assessed risk and detect any change that would require a response. This intelligence analyzes imagery and other geospatial information to detect changes on the border. GEOINT capabilities typically come from high altitude aerial platforms equipped with Intelligence, Surveillance, and Reconnaissance technology (ISR), such as the Office of Air and Marine’s (OAM) Unmanned Aircraft System (UAS). The use of these assets requires significant collaborative efforts with OAM and the Office of Intelligence and Investigative Liaison (OIIL). To prioritize the use of GEOINT in low activity areas, CBP has developed three FY 2014 milestones:

- Establish requirements for GEOINT;
- Develop interface with OIIL to transfer requirements and receive products; and
- Develop uniform Standard Operating Procedures for field response to OIIL products.

GEOINT products from OAM and OIIL are a key requirement for gaining and maintaining situational awareness along the U.S. border; they are also finite. CBP must be prepared to rely upon traditional tactics, techniques, and procedures to facilitate situational awareness in remote, low risk areas. These techniques include (but are not limited to) periodic reconnaissance patrols, sign-cutting operations, and the deployment of mobile detection, monitoring, and surveillance resources.

Interdiction Effectiveness Rate

The Border Patrol introduced a new performance measure in FY 2013: the Interdiction Effectiveness Rate (IER). IER is measured by:

$$(Apprehensions + Turnbacks / Apprehensions + Turnbacks + Gotaways)$$

The IER is being used along the Southwest border, with a goal to attain at least 90 percent IER by FY 2019.

Post-Apprehension Measures

After a Border Patrol apprehension, the operational focus shifts to applying effective consequences. Border security is enhanced by applying consistent, effective consequences to disrupt the smuggling cycle and dissuade illegal re-entry attempts. The Consequence Delivery System tracks the progress of each Border Patrol sector through several metrics, including: recidivism, average number of apprehensions per recidivist during a specified period, and displacement.

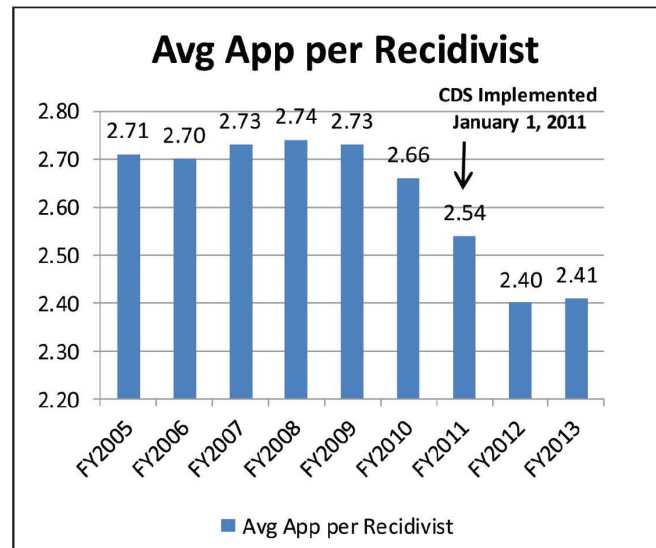
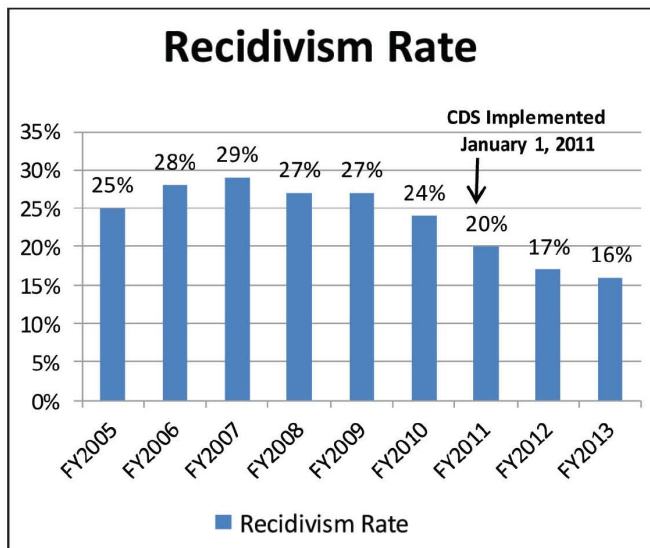
The rate of recidivism is indicative of the agency's ability to utilize more effective and efficient consequences, in an effort to influence a person's desire and ability to attempt future illegal entries. By lowering recidivism, CBP reduces the number of people that may attempt multiple illegal entries, and decreases the level of risk posed to its resources and Border Security. Recidivism has continued to decrease for the third year in a row since the implementation of the Consequence Delivery System, throughout CBP operations, beginning in January FY 2011. Additionally, the consistent and systematic application of consequences to aliens that enter the United States illegally, over time, has contributed to the reduction of recidivism to 16 percent in FY 2013, significantly lower than 24 percent in FY 2010, the year before implementation.

The Average Number of Apprehensions per Recidivist provides CBP with a measure of the workload associated with each recidivist and the agency's ability to reduce the number of illegal re-entry attempts through the application of effective and efficient consequences over time. Additionally, by measuring the specific activity of the recidivist population when combined with other indicators, CBP validates the achievement of reducing illegal cross border activity. The Average Number of Apprehensions per Recidivist has continued to decrease for the third year in a row since the imple-

Overview of CBP

mentation of the Consequence Delivery System, throughout CBP operations, beginning in January of FY 2011. Additionally, the consistent and systematic application of consequences to aliens that enter the United States illegally, multiple times, has contributed to the reduction to an average of 2.41 apprehensions per recidivist in FY 2013, significantly lower than 2.66 in FY 2010, the year before implementation.

The following graphs show the changes from FY 2005 to FY 2013 in recidivism and average apprehensions per recidivist.



Other Indicators:

Drug Weight to Frequency Ratio: the average weight per seizure, or average seizure size, of marijuana on the Southwest border.

- Increases or decreases in the average size of illegal drug loads can indicate an important behavioral change by smugglers, and can occur independently of increases or decreases in the overall levels of illegal activity at the border.
- Increases in the average size of seized illegal drug loads may indicate:
 1. A temporary spike caused by external pressure, such as increased military or law enforcement activity by the government of Mexico; or
 2. An emerging trend.
 - ◇ Barring external influence, when TCOs are comfortable sending larger loads of illegal drugs across the border or through checkpoints, they do so because they perceive that CBP enforcement efforts have a lower likelihood of interdicting these loads or that the loss of these loads will be more than offset by profits on other loads.
 - ◇ When TCOs perceive that CBP has a greater likelihood of interdicting illegal drug loads or that the costs of losing large loads will be too great, the load size may be decreased to evade detection and reduce losses. Smaller shipments dilute profits by increasing risk, time, guides, "mules," stash locations, drivers and vehicles needed to move more shipments.

Border Security Readiness

One goal of the 2012–2016 Border Patrol Strategic Plan is operationally focused—Secure America’s Borders—and the other is mission support focused, Strengthen the Border Patrol. The two goals are interdependent—mission support activities enable and sustain Border Patrol law enforcement. In implementing its strategic plan, the Border Patrol plans to measure how its many resources and programs affect Border Patrol mission readiness.

Land Border Integration: Office of Field Operations

CBP is expanding innovative technologies and processes to further security and facilitation at land borders. The key to land border integration is the Triangle Strategy, which authenticates travelers entering and leaving the U.S. and those inspected at checkpoints away from the land ports of entry. This focuses CBP investments in outbound enforcement operations, inbound processing (vehicle and pedestrian), and Border Patrol checkpoint processing. Strategies include automated/advanced information, active lane management, mobile technologies, traveler communication, and traffic flow optimizations.

Automated/Advance Information

Inbound Radio Frequency Identification (RFID) Saturation. Nearly 22.8 million enabled RFID travel documents have been issued since January 2008. RFID travel documents, when used in CBP Ready Lanes created only for RFID document holders, reduce processing time compared to general vehicle lanes. In addition, Ready Lanes leverage travelers’ investments in RFID-enabled documents by ensuring, through CBP’s Active Lane Management (ALM), that Ready Lane wait times are significantly reduced compared to general lanes. During FY 2013, the average vehicle processing time was 50.9 seconds.

Pedestrian Reengineering. Along the Southwest border, CBP has deployed kiosks that query pedestrian travel documents and a transit-style gate system that queries their documents and verifies biometrics prior to inspection. In FY 2013, CBP completed the deployment to El Paso, Texas (Paso Del Norte Bridge) with nine kiosks and to Otay Mesa, California, with three kiosks. In addition, CBP deployed pedestrian kiosks at Brownsville, Texas (Gateway Bridge), Nogales, Arizona (DeConcini), Calexico West, California, and Laredo, Texas (Convent Street Bridge), and San Ysidro, California. At these locations, CBP has launched pedestrian Ready Lanes for travelers with RFID-enabled travel documents. Through active lane management, CBP ensures that Ready Lane wait times are less than half the wait times of general pedestrian lanes.

Automation at Outbound and Checkpoints. CBP is infusing technologies for outbound vehicle and Border Patrol checkpoint processing on the Southwest border. During FY 2013, CBP upgraded outbound locations on the Southwest border to include fixed license plate readers and the Outbound Primary Client, an application similar to the Inbound Vehicle Primary Client and mobile handheld devices. CBP also deployed similar technology at Border Patrol checkpoints. In FY 2013, the new outbound technologies on the Southwest border facilitated the seizure of more than \$22.3 in currency, 81 firearms, 35,692 rounds of ammunition, and the arrest of nearly 2,447 wanted fugitives or violators of export laws.

Overview of CBP

Active Lane Management. CBP's traffic management policy established maximum wait time targets for inbound vehicle processing at all land border ports. Dedicated commuter lanes will always have the shortest wait time, followed by Ready Lanes, and lastly, the general lanes. When the dedicated commuter lane wait times are longer than 15 minutes, general lanes will be re-designated. If Ready Lane wait times are more than half as long as general lanes, additional lanes will be re-designated as Ready Lanes. CBP actively tracks violations of these targets. Active lane management's existing initiatives, such as automated wait time measurement, Ready Lanes, Trusted Traveler Programs, and variable message signage, help port directors optimize resources to reduce wait times and encourage travelers to participate in dedicated commuter lanes and Ready Lanes.

Mobile Technology Solutions. Handheld Devices augment operations by automatically capturing and querying license plate images, enabling document machine-readable zone swipes, and providing the results to officers or agents. CBP plans to expand this capability for inbound processing. CBP's Enforcement Link Mobile Operations (ELMO) provides real-time tactical targeting data to field personnel via a smartphone or tablet device. The ELMO tool, for use by all CBP frontline personnel, has helped interdict undocumented aliens, narcotics, unreported currency, and weapons in the air, land, and sea environments.

Variable Message Signage. CBP deployed variable message signs to nine ports of entry during FY 2013, raising the total to 33 ports nationwide. Variable message signage enables CBP to better manage traffic flow and provide information to travelers. The signs use Light-Emitting Diode (LED) technology and are positioned above each vehicle lane to inform travelers of processing mode (dedicated commuter lane, Ready Lane or general), lane status (open or closed), and processing procedures and policies.

Border Security Deployment Program (BSDP). CBP continues to expand the BSDP integrated surveillance and intrusion detection system of more than 7,000 cameras and microphones, providing security, motion detection, and remote monitoring capabilities across every U.S. land port of entry. During FY 2013, CBP installed BSDP in the CBP commissioner's situation room and the National Targeting Center, enabling CBP leadership to view, in real-time, events occurring at any U.S. land port of entry. Also in FY 2013, BSDP helped create an automated kiosk to manage pedestrian border crossings in Boquillas, Texas.

Outbound. CBP ensures that travelers and commerce departing the U.S. comply with U.S. export laws and regulations. CBP's outbound mission is to interdict the illegal export of unreported currency (including the proceeds from narcotics trafficking), firearms, ammunition, and stolen property; prevent international terrorist groups and rogue nations from obtaining sensitive and controlled commodities; arrest fugitives; and increase export compliance.

CBP uses a risk-based strategy to inspect people, cargo, and conveyances departing the U.S. through all airports, seaports, land border crossings, and international mail/courier facilities. CBP conducts outbound enforcement actions while remaining unpredictable to smuggling organizations and facilitating the flow of legitimate trade and travel.

CBP's outbound layered enforcement strategy uses experienced CBP officers, currency/firearms

canine teams; human and network intelligence, cooperation with foreign, U.S. federal, state, local and tribal law enforcement agencies, and various inspection tools. Enhancements to CBP license plate readers and outbound Automated Targeting Systems on the Southwest border will increase CBP's capabilities to identify and interdict fugitives, persons of interests or contraband (such as illicit currency, firearms smuggling, or stolen vehicles) before they depart the U.S. In FY 2012, CBP deployed handheld wireless technology to detect and identify high-risk travelers at all Southwest border ports of entry. In FY 2014, CBP will deploy temporary outbound infrastructure at designated Southwest border crossings, including canopies for operations under inclement weather, improved lighting for night operations, traffic control devices for officer safety, and connectivity to CBP automated databases.

Canine Enforcement Teams

CBP has the largest and most diverse law enforcement canine program in the U.S. CBP canine officers and Border Patrol agents use specially trained canines to combat terrorist threats and interdict concealed persons, currency, firearms, agriculture products, narcotics, and other contraband at ports of entry, traffic checkpoints, at international mail facilities, commercial carrier hubs, and along the border between the ports of entry. Some CBP canines are trained to perform search and rescue missions. The Border Patrol Tactical Unit (BORTAC) Canine program has teams for use in tactical high-stress situations. The Border Patrol has a canine horse patrol unit that allows the canine to work alongside the handler riding on horseback. CBP has more than 1,500 canine teams deployed nationwide. In FY 2013, these CBP Canine Teams were responsible for apprehending 55,604 illegal aliens, and seizing 403,478 pounds of narcotics.



CBP canines are trained to detect illegal immigrants and contraband.

CBP has two canine training facilities, located in Front Royal, Virginia, and El Paso, Texas. In FY 2013, 378 students graduated from these academies as Canine Handlers or Canine Instructors; of those, 52 students were trained for the Government of Mexico and State/Local Law Enforcement Agencies.

Non-Intrusive Inspection

The Non-Intrusive Inspection (NII) and Radiation Detection Technology program allows CBP to scan a larger portion of inbound traffic for the presence of contraband in less time while facilitating legitimate trade and travel. At the end of FY 2013, CBP had 315 large-scale NII imaging systems deployed to air, land, and sea ports of entry and to Border Patrol checkpoints. These systems include large-scale X-ray and gamma-ray imaging systems, as well as small-scale, portable, and hand-held technologies. Through the end of FY 2013, CBP had deployed 1,397 radiation portal monitors, 2,812 radiation isotope identification devices, and 29,373 personal radiation detectors nationwide.

Overview of CBP

CBP officers employ risk analysis, targeting information, and/or officer discretion to use NII to scan conveyances for contraband. When an anomaly is discovered, a more intensive inspection is conducted. Without NII systems, suspect cargo would require a more time-consuming manual examination that could negatively impact the flow of commerce. NII technology can make an image of a conveyance's contents in minutes, while a manual inspection can take several hours. This equipment identifies a variety of illegal activity and contraband, including human smuggling, narcotics, weapons, and explosives.

CBP scans cargo containers for radioactive materials as the containers pass through vehicle-processing lanes at land border ports as well as when they are off-loaded from ships at seaports, at select airports, and all express consignment/mail courier facilities. Officers also use equipment to ensure personal safety and scan for identifying signs of radioactive materials as they inspect smaller vehicles, private aircraft, and shipments. Special tools, such as density meters and fiber-optic scopes, allow officers to peer inside suspicious containers. Finally, if necessary, containers are unloaded and opened for a more intensive manual inspection.

Container Security Initiative

Almost half of incoming U.S. trade (by value) arrives by containers onboard ships. In FY 2013, more than 11 million cargo containers arrived on ships and were off-loaded at U.S. seaports.

Through the Container Security Initiative (CSI), CBP identifies and examines sea cargo that poses a risk for terrorism at foreign ports before they are shipped to the U.S. CSI operates at 58 foreign seaports, and the majority of the containerized maritime cargo destined for the U.S. originates in or transits through a CSI port. CBP receives the bill of lading and manifest data on sea cargo 24 hours before the containers are loaded on U.S.-bound vessels. Through partnerships with foreign governments, CSI deploys teams of CBP officials to work with their host nation counterparts to examine cargo that poses a terrorism risk. CSI extends the U.S. zone of security outward so that America's borders are the last line of defense, not the first.

In FY 2013, CBP officers reviewed 11,228,203 bills of lading and conducted 103,999 examinations of high-risk cargo in cooperation with host country counterparts.

During the year, CSI continued to transition CSI temporary duty assignment personnel to permanent status and place resources at National Targeting Center-Cargo to reduce the number of CBP officers deployed. CSI will continue to evaluate and adjust personnel levels at CSI ports to achieve desired staffing levels.

CBP's intent for the CSI program in the next two fiscal years includes:

- Becoming a hybrid of different operational models based upon individual ports and host governments;
- Evaluating deployments and foreign footprint and aligning staff based upon the different operational models;
- Continuing to work with host country counterparts that are willing to expand the scope of targeting to all threats to include narcotics, trade violations and transnational criminal activity;
- Continuing to offer host counterparts both dual-use commodity training and targeting training.

Advance Passenger Information System

The Advance Passenger Information System (APIS) is the single most critical element in CBP's ability to identify dangerous individuals entering or departing the U.S. Through this system, CBP receives biographical and travel document information on passengers and crew arriving in and departing from the U.S. by air, sea and, in some cases, land (from commercial bus and rail operators).

APIS data is received in advance of a traveler: boarding commercial and private aircraft that are arriving into or departing from the U.S., and departing onboard a commercial vessel and in advance of arrival on a commercial vessel entering the U.S. APIS allows CBP to screen all travelers against government watch lists and send a screening response to commercial air carriers and private aircraft operators. CBP receives advance information on passengers and crew that is used for automated law enforcement queries that seek matches to multi-agency law enforcement alerts, immigrant visas, and historical databases. The APIS process has been modified to incorporate Electronic System for Travel Authorization (ESTA) screening, to allow carriers to use the existing APIS processes to meet ESTA requirements.

The CBP APIS document validation program verifies that travelers possess a valid document before they board an aircraft. CBP is currently piloting this program with carriers to verify all individuals who need a visa have a valid visa prior to traveling to the U.S. This initiative will facilitate arrival and departure for legitimate travelers, while preventing travelers with fraudulent or invalid documents from boarding aircraft at the foreign airport, extending border security beyond U.S. ports of entry.

Electronic System for Travel Authorization

The ESTA allows CBP to screen the information provided by Visa Waiver Program (VWP) travelers effectively to determine whether an alien presents a security risk and is eligible to travel to the U.S. under the VWP.

CBP screens travelers against appropriate databases to identify potential threats to U.S. security. Inadmissible travelers are denied a travel authorization via ESTA and are unable to travel to the U.S. under VWP. Those denied via ESTA are given the opportunity to apply for a visa to the U.S. at the nearest U.S. Embassy or Consulate.

Determining eligibility for VWP travel in advance of travel reduces the times that an VWP ineligible traveler arrives in the U.S. and is denied admission. In such cases, the traveler's immediate return to the country of origin incurs additional expense for the carrier.

Currently, the ESTA website appears in English and 23 other languages and has the full capacity to process the total volume of VWP travelers arriving to the U.S. ESTA became mandatory for all VWP travelers in January 2009. In January 2010, CBP began enforcing compliance by requiring airlines to verify ESTA status before boarding passengers.

CBP is redesigning the ESTA website to make the application process easier and to facilitate payments on multiple applications at the same time. CBP is additionally, exploring new payment types.

Overview of CBP

Admissibility Review Office

CBP's Admissibility Review Office (ARO) provides a consistent decision-making approach to admissibility and exercises discretion for inadmissible aliens under the Immigration and Nationality Act. The ARO works extensively with the Department of State and other agencies to determine whether inadmissible aliens can legally travel as non-immigrants with waivers. The office balances each alien's reason(s) for travel with the seriousness of his or her ineligibility, weighed against any benefit or potential risk of harm to society if CBP were to admit the alien.

ARO currently processes and adjudicates all waivers of inadmissibility that the State Department consular officers recommend worldwide. The ARO decides all high profile "seat of government" non-immigrant waivers. It also processes and adjudicates all waiver applications submitted directly to CBP by eligible individual international travelers.

Fraudulent Document Analysis Unit

The Fraudulent Document Analysis Unit (FDAU) collects and analyzes fraudulent travel documents seized by CBP officers nationwide. The unit's mission is to remove fraudulent travel documents from circulation and prevent the use of these documents by mala fide travelers attempting to enter the U.S. Since its inception, the FDAU has received more than 12,692 fraudulent documents.

The FDAU manages the CBP Fraud Prevention Program, which increases the detection of fraudulent documents. The program gives CBP officers standardized training, high quality document examination equipment, and current information on fraudulent document use. The FDAU collaborates with the Department of State, the Transportation Security Administration and other federal, state and local law enforcement agencies to conduct document examination training.

The FDAU also manages the Carrier Liaison Program, which increases commercial carriers' effectiveness in identifying improperly documented passengers destined for the U.S. Since its inception, the program has standardized training materials for the carrier industry and has developed carrier and vessel inspection guides.

DHS partners with the Netherlands, Canada, Australia, United Arab Emirates and INTERPOL (International Criminal Police Organization), for Edison TD, a global database to verify travel and identity documents. The FDAU is responsible for the input of travel and identity documents into the Edison TD database.

Immigration Advisory Program / Joint Security Program

The Immigration Advisory Program (IAP) is part of CBP's pre-departure strategy to prevent terrorists, high-risk, and improperly documented travelers from boarding U.S.-bound commercial flights. The Joint Security Program (JSP) is a component of the IAP that partners CBP officers with host country law enforcement to disrupt terrorist travel and interdict the smuggling of narcotics, bulk currency, illegal migrants and fugitives. IAP focuses on screening U.S.-bound passengers. JSP engages targeted travelers arriving into and departing from the host country (both U.S.-bound and foreign-to-foreign).

IAP and JSP officers serve as on-site experts in U.S. entry requirements, provide document training to carriers, conduct onsite passenger assessment and are supported by advance targeting to identify potentially high-risk passengers without delaying, canceling or diverting flights.

In FY 2013, IAP and JSP officers issued 3,501 “No board” recommendations to carriers and host governments regarding passengers bound for the U.S. IAP and JSP efforts to prevent terrorists, criminals, and inadmissible aliens from boarding aircraft have resulted in an estimated \$8.75 million cost savings for CBP.

National Agriculture Release Program

The National Agriculture Release Program (NARP) is a national agricultural cargo release program developed by the U.S. Department of Agriculture Animal and Plant Health Inspection Service (APHIS), Plant Protection and Quarantine (PPQ) division, in cooperation with CBP. The NARP identifies high volume imports of regulated agricultural commodities that represent a low risk for exotic plant pest or pathogen introduction. APHIS-PPQ has determined that these high-volume, low-risk commodities can be inspected at reduced rates and would not compromise U.S. agricultural resources.

Entry/Exit Transformation

The Entry/Exit Transformation program (EXT) enhances immigration system integrity by assuring the identity of foreign nationals arriving and departing the U.S. EXT leverages innovative business process re-engineering and identifies capabilities to improve the entry/exit process. This enables CBP to process more travelers in less time with a higher degree of confidence in security and immigration integrity. Enhanced entry-exit matching will improve immigration enforcement operations for both CBP and Immigration and Customs Enforcement (ICE) and enable DHS to better manage the Visa Waiver Program. EXT will analyze the costs and benefits of new technology and business processes at selected ports of entry. It will enhance cost-effective biometric and biographic technologies at airports to inspect travelers entering the U.S.

In 2013, working with the U.S. Office of Biometric Identity Management and Canadian governmental partners, EXT established electronic biographic traveler data sharing between the U.S. and Canada, allowing each to track the exit of foreign nationals. EXT and DHS Science and Technology established the Air Entry Exit Reengineering (AEER) project, which will identify and test cost-effective ways to use biometrics in the air entry/exit process. EXT began incorporating Mexican APIS biographic exit data into the Arrival and Departure Information System (ADIS). Other initiatives include an accuracy audit of the Air Passenger Information System exit manifest data and developing a Southwest border strategy for tracking the entry and exit of foreign travelers.

National Targeting Center

CBP created the National Targeting Center (NTC) to be the single point of reference for CBP anti-terrorism efforts. The NTC encompasses two facilities—the National Targeting Center-Passenger (NTC-P) and the National Targeting Center-Cargo (NTC-C).

Overview of CBP

National Targeting Center – Passenger

NTC-P plays a vital role in identifying people who pose a national security concern overseas, at ports of entry and at Border Patrol checkpoints. While the vast majority of travelers are legitimate, NTC-P identifies and examines those who may be involved in terrorism or its attendant concerns (such as money laundering). NTC-P is staffed with permanent and temporary duty analysts, as well as inter-agency liaisons, to provide 24x7 tactical targeting and analytical research for CBP anti-terrorism efforts. NTC-P uses numerous automated enforcement data processing systems that detect and prevent terrorist access to the U.S., including the Automated Targeting System-Passenger (ATS-P) and the Targeting Framework. These systems allow NTC-P to screen passenger manifests and related information prior to U.S. arrival.

The pre-departure targeting mission is to maximize the effectiveness of advanced technology, intelligence information, domestic and international partnerships, and well-trained human resources to effectively screen, review, identify, and prioritize passengers across all international modes of transportation, inbound and outbound. This includes:

- Targeting ATS-P pre-departures;
- Targeting outbound inspections;
- Adjudicating of all Department of Defense biometric matches to derogatory information;
- Supporting Immigration Advisory Program and Joint Security Program teams through targeting;
- Enhancing ATS-P entity resolution and infrastructure and improving quality of commercial carrier-provided passenger name recognition data;
- Improving the accuracy and integrity of the Terrorist Watch List in collaboration with the DHS National Counterterrorism Center;
- Coordinating with Department of State and ICE to automate vetting of U.S. non-immigrant visa application information prior to the applicant's interview or visa issuance;
- Vetting of valid U.S. nonimmigrant and immigrant visas to identify changes in a traveler's visa status in near real-time;
- Screening and vetting of ESTA applications;
- Implementing the National Targeting Strategy:
 - ◇ Create a unified NTC; establish a joint NTC facility;
 - ◇ Expand all-modes pre-departure targeting;
 - ◇ National oversight of Passenger Analytical Unit policy.

NTC-P collaborates with the Centers for Disease Control, Central Intelligence Agency, ICE, Federal Bureau of Investigations (FBI), Transportation Security Administration's (TSA) Office of Intelligence, TSA Secure Flight, Federal Air Marshals, State Department Consular Affairs, Diplomatic Security Service, US Coast Guard, INTERPOL, and U.S. Citizenship and Immigration Services' Fraud Detection and National Security unit. CBP and TSA have established a joint targeting workgroup to leverage CBP targeting capabilities with TSA authorities to screen high-risk passengers prior to boarding

a U.S.-bound conveyance. NTC-P has also instituted an International Targeting Center, with onsite representatives from the United Kingdom, Australia and Canada, to stop the smuggling of people, weapons, and contraband.

National Targeting Center – Cargo

NTC-C supports CBP's anti-terrorism activities relating to cargo in all modes of transportation by targeting and coordinating examinations of high-risk shipments. NTC-C conducts continual strategic and operational analysis to identify and counter threats, such as narcotics smuggling, agricultural pests and diseases, trade-based money laundering, intellectual property rights violations, trafficking in illicit weapons, and other threats to U.S. physical and economic security.

NTC-C operates 24x7, staffed by a cadre of highly experienced targeting analysts. NTC-C supports CBP's ports of entry and field offices in the U.S. and at nearly 58 foreign locations. The NTC-C's partnerships and liaisons with numerous federal agencies gains information to identify and examine cargo shipments that may threaten the U.S. The NTC-C also helps other countries to develop anti-terrorism security systems by hosting foreign customs officials under the International Fellowship Program.

The NTC-C includes distinct operational units and activities to address specific threats and provide tailored support to CBP ports of entry, partner government agencies, and international partners. These include:

- Air Cargo Advance Screening – A collaborative effort between CBP, TSA and the commercial aviation and air cargo carriers to prescreen inbound air cargo.
- Container Security Initiative Targeting Support – An initiative that provides cargo targeting support for all 58 overseas CSI locations.
- International Cargo Targeting Fellowship Program – A collaboration with international partners to identify, prevent, deter, disrupt and manage risks in the cargo environment through dynamic information and knowledge sharing, by hosting foreign customs officials at the NTC-C.
- Field Support Unit (FSU) – The primary point of contact for ports of entry providing intake services to handle special research requests, high-risk commodity targeting, and screening of business and individual shippers who may have connections to terrorism or smuggling.
- Outbound Program – The targeting of exports to support counter proliferation efforts.
- Narcotics Unit – Conducting post-seizure analyses of all large-scale narcotics interdictions in the cargo environment and targets entities and addresses to identify potential air and sea narcotics shipments.
- Tactical Trade Targeting Unit (T3U) – Coordination of CBP's tactical trade assets and close collaboration with ICE/Homeland Security Investigations to support investigations and increase interdictions domestically and abroad.
- Agricultural / Biological Terrorism Countermeasures – Targeting agricultural and biological shipments that have a nexus to terrorism or national security.

Overview of CBP

- Rail Targeting Unit (RTU) – Collaboration between CBP and representatives of the rail freight industry to target and analyze rail shipments.

Office of Air and Marine

The Office of Air and Marine is the largest aviation and maritime law enforcement organization, and is a critical component of CBP's layered enforcement strategy for border security. OAM uses its sophisticated fleets to detect, sort, intercept, track, and apprehend criminals in diverse environments at and beyond U.S. borders.

Currently, 10 unmanned aircraft systems operate from three sites: Ft. Huachuca, Arizona; Corpus Christi, Texas.; and Grand Forks, North Dakota. Jacksonville, Florida, is slated to begin federated (non-launch and recovery) operations with other National Air Security Centers in FY 2014. As OAM's unmanned aircraft capabilities have grown over time, it has achieved increasing annual UAS flight hours, culminating in 5,117.5 UAS flight hours in FY 2013.



Unmanned Aircraft System

OAM Transit Zone Initiatives

OAM P-3 aircrafts have been an integral part of the successful counter-narcotic missions operating in Source and transit zones. Drug smugglers bound for Mexico and the U.S. with contraband from the source zone countries of South America pass through a 42 million-square mile cocaine transit zone. This includes independent nations, the Pacific Ocean, Caribbean Sea, Gulf of Mexico, and the seaboard approaches to the United States.

In FY 2011, 88 percent of OAM-funded P-3 flight time was in direct support of the Joint Interagency Task Force–South, whose mission is to remove 40 percent of all documented cocaine movement through the transit zone by 2015.

Air and Marine Operations Center

The Air and Marine Operations Center (AMOC) is the nation's only federal law enforcement center that coordinates interdiction operations in the Western Hemisphere. The AMOC was established in 1988 to counter the airborne drug smuggling threat. OAM has expanded the AMOC's role in air and marine interdiction. Today, AMOC provides detection, monitoring, sorting, tracking, and coordination of law enforcement response to suspect airborne and maritime activity at, beyond, and inside our nation's borders. The center has conducted unmanned aircraft and airspace security operations; responded to natural disasters, covert and overt electronic target tracking; and determined general aviation aircraft threat. AMOC has acted as the clearinghouse for information and mission tasking during special events, such as the Super Bowl, and national disasters, such as Hurricane Katrina.

The AMOC's staff employs sophisticated systems and technology to identify existing and emerging homeland security threats. Detection specialists use live radar presentations overlaid on detailed topographical maps and aviation charts, extensive law enforcement databases, and tracking and communications networks to detect, identify, track, and coordinate interdiction of suspect targets. The Domain Awareness System combines Federal Aviation Administration (FAA) and Department of Defense radars, OAM airborne systems, and other sensors into a single facility, capable of the real-time tracking of more than 50,000 individual targets. Currently, AMOC accesses approximately 50 percent of FAA radars, and is awaiting FAA permission and authorization to share data from another recently upgraded FAA radar data distribution network. Out of approximately 10,000 air tracks active at any given moment, AMOC investigates more than 25,000 domestic and foreign flights per month to separate legal air traffic from potential violators and terrorists. Staff is then able to precisely direct law enforcement personnel to suspect targets. In late 2011, the AMOC incorporated Canadian radar feeds into its surveillance network, allowing for situational awareness well beyond the U.S. land border and enhancing cooperation between the U.S. and Canadian governments.

OAM Partnerships

Overcoming transnational threats requires teamwork with a range of partners. When constructing integrated layers of security, each layer may be the responsibility of a different entity, including governments as well as various commercial, regulatory, intelligence, diplomatic, military, and law enforcement entities. Integrating these disparate security layers involves unity of effort, shared responsibility, partnership, and mutual support. OAM uses its unique capabilities to support the efforts of its international partners, the larger DHS community, and other federal agencies, joint interagency task forces and local law enforcement.

OAM's National Air Security Operations, in coordination with the Joint Interagency Task Force – South, deploy P-3 aircrews in the source and transit zone to support the National Drug Control Strategy. As delineated in the National Interdiction Command and Control Plan, the task force is tasked with supporting the detection, monitoring, and interdiction of illicit trafficking within the prescribed joint operating area.

OAM also supports interior operations with U.S. Immigration and Customs Enforcement's Homeland Security Investigations. This support enables OAM to provide investigative and surveillance support throughout the U.S. In FY 2012, OAM established the Chicago Air Unit, which supports investigations conducted in the Chicago metropolitan area.

OAM's partnerships extend to the AMOC, which hosts OAM personnel as well as operations personnel and staff officers from the U.S. Coast Guard, Department of Defense, FAA, and the Mexican government. OAM also supports other federal agencies, such as the FBI.

Enhancing Prosperity

A secure U.S. border enhances American prosperity and adds value to our nation. When CBP expedites lawful trade, while preventing the transit of contraband, and facilitates legal travel, while impeding the illegal movement of people, we enable our economy to thrive. By managing risk, we can focus our law enforcement resources where they are most needed—on the goods and people who pose threats to our safety and prosperity—and thus strengthen security while facilitating legitimate commerce and travel.

Trusted Traveler Program

CBP operates four trusted traveler programs, Northern Exchange with United States (NEXUS), Secure Electronic Network for Travelers Rapid Inspection (SENTRI), Fast and Secure Trade (FAST), and Global Entry. These programs provide dedicated inspection processes to expedite CBP processing for pre-approved, “low-risk” trusted travelers. The programs allow CBP to focus on unknown, potentially higher risk travelers. Applicants can apply online through CBP’s Global Online Enrollment System (GOES). All applicants are subject to background checks, collection of biometrics, and interview with a CBP officer. Participation in these fee-based programs is voluntary, and upon approval, membership is valid for five years. Once applicants are enrolled in the program, certain law enforcement checks are run every 24 hours. All trusted traveler members are issued Radio Frequency Identification (RFID) enabled cards for use at the land borders.

NEXUS is a bi-national cooperative effort, partnering Canada Border Services Agency (CBSA) and CBP. The NEXUS program was implemented as a result of the Smart Border Declaration signed by Canada and the U.S. in December 2001. U.S. citizens and lawful permanent residents, as well as Canadian citizens and permanent residents, are eligible for NEXUS. Like all trusted traveler applicants, NEXUS applicants undergo a thorough background check. However, NEXUS members are interviewed by both CBP and CBSA officers. NEXUS offers expedited entry into both the U.S. and Canada in the land, air, and sea environments. Applicants who wish to take advantage of NEXUS Air must have their iris scan collected by CBSA.

SENTRI is a land border management process that provides expedited CBP processing into the U.S. from Mexico through the use of dedicated commuter lanes. SENTRI is open to anyone who wants to apply; there is no citizenship requirement. SENTRI offers both a vehicle and pedestrian benefit. Members use their RFID-enabled card for identification and status validation upon arrival at the U.S. port of entry.

The FAST program is a commercial clearance program for known low-risk shipments entering the U.S. from Canada and Mexico. This trusted traveler/trusted shipper program allows expedited processing for commercial carriers who have completed background checks and fulfill certain eligibility requirements. FAST vehicle lanes process cargo at land border ports of entry that serve commercial cargo. Participation in FAST requires that every link in the supply chain, from manufacturer to carrier to driver to importer, certified under the Customs-Trade Partnership Against Terrorism program. Among the key benefits of FAST enrollment are: access to dedicated lanes for greater speed and efficiency in processing transborder shipments; reduction in the number of

inspections, resulting in reduced delays at the border; and priority, front-of-the-line processing for CBP inspections.

Global Entry is a program operated by CBP to allow for the expedited clearance of pre-approved low-risk air travelers into the U.S. This program, while maintaining border security, allows members to use automated kiosks at designated airports to bypass the regular Passport Control queues, and enter the U.S. without routine CBP questioning (unless chosen for a selective or random secondary referral). U.S. citizens, U.S. lawful permanent residents, Mexican nationals, citizens of the Netherlands, and citizens of South Korea may apply for Global Entry. Fully reciprocal arrangements are in place with the Netherlands and South Korea. CBP is operating pilot programs with Germany, Qatar, and the United Kingdom, allowing limited numbers of their citizens to participate in Global Entry. CBP has signed joint statements with Australia, Israel, New Zealand, Panama and Saudi Arabia to develop programs with these countries. All NEXUS program members may use the Global Entry kiosks. U.S. citizens and U.S. lawful permanent residents enrolled in SENTRI may also use the Global Entry kiosks. The automated kiosks are located in the Federal Inspection Services area of each program airport. Through fingerprint biometrics and passport or lawful permanent resident card data, the Global Entry kiosk validates membership eligibility, performs real-time law enforcement database queries, and allows the traveler to complete CBP declaration questions via touchscreen. Global Entry operates at 44 U.S. ports, as well as all 10 Canadian preclearance sites, and both preclearance sites in Ireland.

Trusted Trader Program

The Customs-Trade Partnership Against Terrorism (C-TPAT) program is a vital component in CBP's layered cargo enforcement strategy that safeguards global trade by strengthening supply chain security. C-TPAT members commit to ensuring that their supply chains meet or exceed C-TPAT's minimum-security criteria and to verifying that their supply chain business partners also comply with the same security guidelines. In exchange, C-TPAT partners receive various types of incentives.

Once a company becomes a certified partner in the program, C-TPAT's security specialists validate the company's supply-chain security procedures. Validation is required under the Security and Accountability For Every (SAFE) Port Act of 2006 and is essential to verify the company's commitment to supply chain security. In FY 2013, C-TPAT completed the validation/revalidation of 2,325 companies.

C-TPAT continually looks for ways to expand the program. Some C-TPAT's accomplishments in FY 2013 include:

- Improved efficiency and reduced redundancy with other government agencies through information sharing and foreign validation activities;
- ◇ C-TPAT implemented the initial strategy for TSA and CBP to create a joint trusted shipper program for inbound international air cargo;
 - CBP and TSA completed six joint validations during 2013. The teams conducted side-by-side evaluations of the programs and developed solutions when gaps were evident.

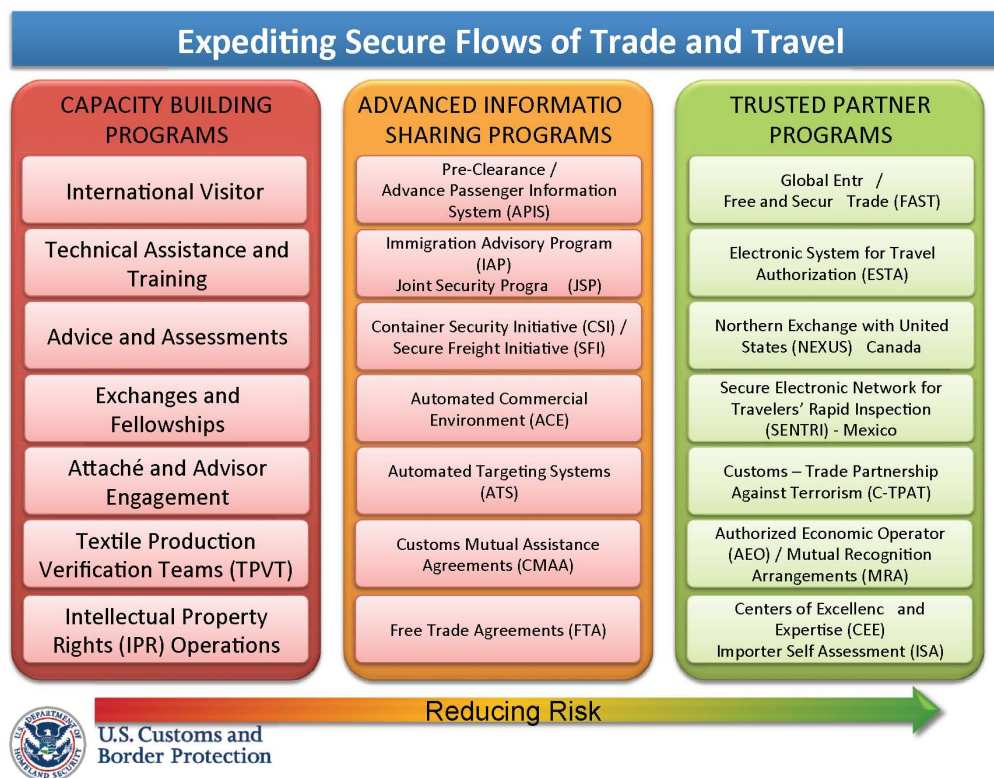
Overview of CBP

- TSA and CBP plan to complete a memorandum of agreement in FY 2014 whereby TSA will complete all C-TPAT air carrier foreign validation site visits, resulting in a more efficient process.
- Increased the number of C-TPAT participants over the next 5-7 years without compromising security standards;
 - ◇ As of Sept. 30, 2013, C-TPAT had 10,662 program participants.
 - ◇ Program expansion efforts:
 - Developing the eligibility requirements and security criteria for exporters.
 - Exploring the addition of new entities such as: Foreign Trade Zones, domestic transportation hubs, bonded warehouses, and bonded highway carriers.
- Strengthened scrutiny of future and current members. During the validation process, C-TPAT tested company security procedures and gathered evidence of implementation; and
- Linked various international industry partnership programs through mutual recognition and technical assistance training.
 - ◇ C-TPAT completed Phases 1 and 2 of the mutual recognition process with Israel's authorized economic operator program. Phase 3, the signing of a mutual recognition arrangement, is tentatively scheduled for early FY 2014.
 - ◇ C-TPAT completed Phase 1 of the mutual recognition process with Mexico in May 2013, and is working towards completion of Phase 2 of the joint work plan.
 - ◇ C-TPAT completed Phase 1 of the mutual recognition process with China in August 2013. C-TPAT and China began joint validations in September 2013.
 - ◇ C-TPAT has begun the mutual recognition process with India by comparing each program's security criteria.
 - ◇ C-TPAT is assisting in the establishment of Brazil's authorized economic operator program with a goal of mutual recognition.

Office of International Affairs

CBP’s Office of International Affairs (INA) helps CBP to fulfill its international mission of securing the global supply chain and the global travel network. This requires CBP coordination with the private sector, foreign governments, and other federal agencies. Establishing relationships and building capacity at the international level allows CBP to identify, intercept, and neutralize threats to the U.S. before they reach the country’s borders. CBP implements these international programs through INA.

The following flow chart illustrates how CBP’s international programs create and foster these relationships.



International Partnership Programs

INA administers several international partnership programs including, but not limited to, the Asia-Pacific Economic Cooperation, the International Law Enforcement Academies, the Colombia-Andean Initiative, the Export Control and Border Security Program, Reconstruction and Stabilization Assistance, and the World Customs Organization. The key CBP objectives for these international partnership programs are to:

- Develop, promote, and implement CBP’s international strategy;
- Negotiate international agreements and other instruments, such as bilateral agreements and letters of intent for CBP;

Overview of CBP

- Advance CBP's international policy initiatives in international forums; and
- Develop and maintain strategic international relationships.

INA strives to extend U.S. borders by implementing programs and initiatives that promote anti-terrorism efforts, global border security, non-proliferation, export controls, legal immigration, capacity building, and facilitating legitimate trade. INA focuses on international cooperation and strengthening multi- and bi-lateral relationships to achieve international agreements and other joint efforts.

Capacity Building

Capacity building is a holistic process of training, mentoring, and providing resources to a partner administration that results in sustainable changes. It is a long-term, comprehensive, and repetitive process to improve the abilities of a CBP partner administration through the development or acquisition of skills, tools, processes and resources.

These efforts improve international relationships and enhance border security by supporting best practices and infrastructure development that will allow foreign partners to keep pace with global changes and secure the safe flow of people and goods.

Capacity building and technical assistance programs have equipped international customs administrations with the tools to control their own borders more effectively, especially in the Western Hemisphere (Mexico and Panama). Enlisting the support and participation of the trade industry has helped address trade violations, ushering in an era of expedited commerce and trusted shipper and traveler programs. CBP recognizes that wherever our engagement is strongest overseas, our programs are also markedly more effective and successful. The Customs Mutual Assistance Agreement (CMAA) is one of the key foundational milestones that further initiatives can be built upon, such as CBP trusted partner programs.

CBP's international capacity building efforts are focused on the following areas: international narcotics and crime control, non-proliferation, export control and related border security, commercial enforcement operations, and private sector partnership programs. Each program begins with a border security assessment designed to determine the type of training and/or equipment needed to improve operations within the host foreign country. Additionally, the assessments provide the host government with a better understanding of its border control vulnerabilities.

During FY 2013, CBP provided 140 capacity building sessions for foreign partners including 28 courses at the International Law Enforcement Academy, and provided capacity building support in more than 57 countries.

Trade Transformation

CBP is moving forward with Trade Transformation initiatives to enhance the Nation's economic competitiveness by creating efficiencies that drive down costs for business and Government while also enhancing the efficacy of CBP's enforcement protocols. Central to CBP's work on Trade Transformation is the strength of partnerships with the private sector. The ability to co-create mutually benefi-

cial strategies with the trade community has proven to be a successful approach for CBP to develop key trade initiatives. Examples of Trade Transformation initiatives include Centers of Excellence and Expertise and Simplified Processes.

The establishment of the Centers of Excellence and Expertise is a transformative effort to focus on maintaining a strong and competitive U.S. economy through innovative trade management techniques. Centers align CBP trade resources by industry and manage importers by account, rather than by individual transaction. By virtually linking trade personnel across the country into multidisciplinary teams that are industry based, CBP can more effectively facilitate trade and develop a deeper understanding of industry practices, risk areas, and enforcement issues. Ten Centers are now open and conducting entry summary activities for participating importers:

- Agriculture & Prepared Products (Miami)
- Apparel, Footwear & Textiles (San Francisco)
- Automotive & Aerospace (Detroit)
- Base Metals (Chicago)
- Consumer Products & Mass Merchandising (Atlanta)
- Electronics (Los Angeles)
- Industrial & Manufacturing Materials (Buffalo)
- Machinery (Laredo)
- Petroleum, Natural Gas & Minerals (Houston)
- Pharmaceuticals, Health & Chemicals (New York)

The Simplified Process Joint Industry-CBP Workgroup was established in April 2011 with the goal of formulating viable solutions to diminish the administrative burden related to importing into the United States by reducing duplicative data elements required to obtain the release of products for cargo. The ultimate objective is to streamline the release of goods and enhance cargo security by segregating the filing of transportation information from the filing of entry information. The Automated Commercial Environment (ACE) Cargo Release (formerly also known as Simplified Entry) test pilot program for the air mode of transportation is operational at 16 airports for 20 filers. More than 159,000 ACE Cargo Release entries have been filed for more than 1,100 importers, as of September 2013.

CBP established the Broker Workgroup in January 2011, in partnership with the National Customs Brokers and Forwarders Association of America, to address the challenges of 21st century commerce.

Importer Self-Assessment

The Importer Self-Assessment program (ISA) allows qualified importers to assume the responsibility for self-monitoring their compliance in exchange for less intrusion by CBP. The program goal is for the importer to maintain a system of internal control that will mitigate risk while achieving a high level of trade compliance. CBP is exploring new initiatives to broaden the scope of the self-assessment program and provide additional benefits to its members. Some of these initiatives are:

Overview of CBP

- The ISA-Product Safety test pilot, announced in October 2008, is a partnership of CBP, the Consumer Product Safety Commission (CPSC), and importers to maintain a high level of product safety compliance. Any importer who participates in the ISA program may apply for the pilot.
- Under the Beyond the Border initiative, introduced in February 2012, the U.S. and Canada use a common framework for trusted trader programs. ISA and Canada Self-Assessment (CSA) have completed a side-by-side comparison of trusted trader programs. The study indicated similarities in vetting and evaluation, through differences in member benefits. ISA and CSA met jointly with stakeholders to identify more ways to expedite border processes.
- On April 17, 2013, CBP announced in the Federal Register, a Broker ISA Pre-Certification pilot to certify and provide guidance for qualified brokers to conduct ISA evaluations and reports. The certified brokers perform a comprehensive review of an ISA applicant's package and evaluate the importer's system of internal controls before presenting the ISA candidate to CBP.
- CBP published a Federal Register notice announcing ISA program changes. The program now allows importers, who have successfully completed a Focused Assessment audit and have been found to pose an acceptable risk to CBP, eligible to transition into the ISA program without further review, provided they agree to fulfill the program requirements.

Enforcement of Anti-dumping and Countervailing Duty Laws

CBP's Re-Engineering Dumping (RED) team, which is composed of offices throughout CBP, actively develops ways to strengthen CBP's Anti-dumping and Countervailing Duties (AD/CVD) enforcement. The group focuses on transshipment, under-collections, the role of shell companies, and other gaps, vulnerabilities, and challenges. The RED Team seeks to strengthen AD/CVD enforcement, reduce the AD/CVD administrative burden to free up resources for enforcement, and increase communication with the Department of Commerce, ICE Homeland Security Investigations (HSI), and the trade community. The accomplishments of the RED team include:

- Creation of policy guidelines and factual scenarios for the CBP field to increase the use of Single Transaction Bonds (STB) to stop AD/CVD evasion and reduce the uncollectible amount of AD/CVD;
- Development of and implementation of procedures to proactively enforce AD/CVD cases, and to prepare CBP to enforce new AD/CVD orders;
- Establishment of trade intelligence groups with the steel and seafood industry to enhance CBP's AD/CVD enforcement;
- Conducted of the first joint CBP and Commerce training webinar to CBP field staff on an AD/CVD order, and planned other joint webinars; and
- Updated an automated scripting program to complete no-change AD/CVD liquidations.

Protection of Intellectual Property Rights

Intellectual Property Rights (IPR) are a top enforcement priority. CBP launched the first ever joint IPR enforcement operation with China Customs, and also conducted operations with French Customs and with Asia-Pacific Economic Cooperation members. In addition, CBP handled forfeitures for web-

sites closed by ICE for trafficking in counterfeit goods. IPR seizures led to arrests, indictments, and prosecutions.

Internet sales of IPR infringing merchandise have dramatically increased imports of small packages via mail and express carriers. IPR enforcement for these small packages requires substantial CBP resources because the same due process applies to these small seizures as to seizures of container loads of counterfeit goods.

To enhance IPR enforcement capability at ports of entry, CBP conducted integrated IPR field training on legal authorities, targeting, and policy at high-risk ports. CBP also deployed new authentication tools to streamline IPR infringement determinations and facilitate the quick release of legitimate shipments. CBP launched IPR strike units, multi-discipline CBP and ICE IPR enforcement teams to deter IPR infringements through penalties and prosecutions. CBP is a partner in the National IPR Coordination Center and is the primary source of referrals of IPR violations to the IPR Center for criminal investigation by ICE.

Advancing Import Safety

CBP reinforces its commitment to import safety by working with other government agencies to prevent unsafe products from entering the U.S. CBP plays an essential role in interagency import safety by promoting risk management strategies and developing uniform enforcement strategies, such as detention, seizure, and destruction policies.

Fostering interagency coordination, CBP chairs the Border Interagency Executive Council, which is the agencies' foundation for enhancing import safety and trade enforcement. Participating agencies analyze operations, policy, and regulatory powers to identify efficiencies and synergies.

CBP also works with other agencies to expand the Import Safety Commercial Targeting and Analysis Center (CTAC). Currently the center hosts eight partner agencies, including the Consumer Product Safety Commission, ICE, Food Safety Inspection Service (FSIS), Animal and Plant Health Inspection Service, Environmental Protection Agency (EPA), Pipeline and Hazardous Materials Safety Administration, and the National Highway Traffic Safety Administration (NHTSA), and CBP. All the agencies together target imports that should be examined for safety violations.

CTAC has launched two national targeting programs to address import safety. The First-Time Manufacturer Program addresses the elevated risk associated with new foreign manufacturers. The Supply Chain Program addresses known risk with foreign manufacturers who have previously violated



CBP agriculture officers inspect flowers for dangerous exotic pests and diseases.

Overview of CBP

import safety laws. Dozens of illicit and unsafe vehicles, including illegally imported vehicles, have been kept off American roads as a result of joint CTAC targeting.

CTAC also met with international customs representatives to improve customs practices. Attachés from Canada, Germany and Turkey continue working to establish a unified approach to protect the health and safety of their citizens through coordinated customs enforcement.

Trade Agreements Enforcement

CBP is enforcing trade agreements that provide duty-free or reduced-duty access to the U.S. market. The U.S. currently has free trade agreement in force with 20 countries and several preferential trade programs. CBP has strengthened field expertise through focused training for import specialists, auditors, and employees of the Centers of Excellence and Expertise. The small investment in training resulted in 1,497 invalidated trade preference claims with a revenue recovery of \$5.6 million during FY 2013. In FY 2013, CBP finalized its interim regulations in the Code of Federal Regulations (title 19) on the U.S. – Peru Free Trade Agreement as well as the U.S. – Korea Free Trade Agreement.

Enforce Trade Law and Collect Revenue

CBP collects duties, taxes, and fees tied to U.S. cargo imports. CBP deposits, reconciles and manages collections for more than a dozen government agencies, collecting \$40.9 billion in 2013. CBP processes associated trade payments that relate to refunds of duty, drawback, and distribution of funds collected related to specific trade programs, such as payments to wool manufacturers and the Continued Dumping and Subsidy Offset Act of 2000. CBP also manages surety bond documents, helping to secure trade revenue.

Mitigating Revenue Risk

To stop the circumvention of U.S. trade laws, CBP identifies high-risk areas and acts to enforce U.S. trade laws and collect revenue. CBP uses automated systems to evaluate entry reviews, perform post audits and examine cargos. CBP's divisions on Antidumping and Countervailing Duties and Revenue provide referrals to CBP's Regulatory Audit Division for investigation of noncompliance. If criminal activities are suspected, cases are referred to Homeland Security Investigations.

CBP coordinates internally and with other government agencies to apply enforcement actions consistently. Events are uniformly recorded, results are integrated, and trade information is shared among partners. CBP provides field personnel with the knowledge, tools, and training to identify and address violations related to priority trade issues, including AD/CVD, Import Safety, Intellectual Property Rights, Textiles and Wearing Apparel, and Trade Agreements. CBP's fines, penalties, and forfeitures officers and seized property specialists take enforcement actions to punish non-compliant importers and deter future non-compliance.

Implementation of the National Annual Audit Plan

The Office of International Trade's Regulatory Audit (RA) conducts post-entry compliance audits of large multinational companies and audits of various entities active in importing merchandise into the United States. RA examines the records, accounts and internal controls of entities to ascertain the accuracy and potential liability for duties, fees and/or taxes due to the U.S. government. Each year RA develops a National Annual Audit Plan (NAAP) to respond to DHS and CBP priorities and to provide critical information to stakeholders. In FY 2013, the NAAP was developed to provide audit support for trade fraud, facilitation, enforcement initiatives, import safety, and trade partnerships. The NAAP incorporated Priority Trade issues including Antidumping/Countervailing Duties, Intellectual Property Rights, Import Safety, Trade Agreements and Textiles/Wearing Apparel. The NAAP also supported user fee collections and Partner Government Agencies.

In FY 2013:

- The NAAP was comprised of 679 assignments. There were 424 assignments completed and 266 assignments were in progress.
- Recommended revenue recoveries totaled \$132.8 million.
- Action officials accepted revenue recoveries totaled \$185.9 million (included penalties and interest).
- Collections totaled \$89.4 million (included duties, fees, interest, and penalties, paid to the Federal government for current and prior audits.)

Regulations and Rulings

The Office of International Trade's Regulations and Rulings (RR) provides legal guidance for CBP's trade operations and much of CBP's border operations. Through its administrative decisions and rulings role, RR provides binding uniform guidance for the application of customs and trade laws. By issuing final administrative decisions and advice on major penalty and other civil enforcement matters, RR ensures impartial law enforcement while facilitating trade. Providing and enforcing uniform guidance adds value to national security by placing all stakeholders on a level playing field and punishing violators of the law. In its regulatory development role, RR provides the legal and administrative framework for CBP's trade and border security operations and programs. These legal tools streamline trade and CBP's ability to protect the homeland.

Definition of Form I-94 to include electronic format

On March 27, 2013, CBP published an interim final rule titled “Definition of Form I-94 to Include Electronic Format.” CBP issues the Form I-94 to certain aliens and uses the Form I-94 for various purposes such as documenting status in the United States, approved length of stay, and departure. CBP generally issues the Form I-94 to aliens at the time they lawfully enter the United States. The rule amended the DHS regulations (at title 8 of the Code of Federal Regulations) to add a new definition of the term “Form I-94,” which includes the collection of arrival/departure and admission or parole information by DHS, whether in paper or electronic format. The definition also clarified various terms that are associated with the use of the Form I-94 to accommodate an electronic version of the Form I-94. The rule also added a valid, unexpired nonimmigrant DHS admission or parole stamp in a foreign passport to the list of documents designated as evidence of alien registration. These revisions to the regulations will enable CBP to transition to an automated process whereby CBP will create a Form I-94 in an electronic format based on passenger, passport and visa information CBP currently obtains electronically from air and sea carriers and the Department of State as well as through the inspection process. Due in part to the substantial costs savings that will result when this rule is implemented, this interim final rule was a very high priority for CBP.

Administrative Efficiency

CBP meets the challenge of maximizing the agency’s resources, managing thousands of employees in hundreds of worldwide locations. The agency applies advanced technology and innovative processes to reduce costs and expand border security. These efficiencies add bottom-line value to U.S. prosperity and security.

The Office of Administration

The Office of Administration (OA) is responsible for all aspects of financial management including accounting, budget, financial systems, procurement, facilities and engineering, asset management, investment management, and oversight of all CBP financial operations.

As the leader of stewardship for the agency’s resources, OA plays a critical role to ensure CBP is planning strategically and responsibly for the resources required to successfully execute the agency’s mission. This is especially imperative as the federal government continues to face relative austerity, requiring CBP to become more efficient and limit lower priority activities.

OA partners with CBP mission support offices, the Department, and external public and private sector stakeholders to deliver sound, mission-enabling business solutions that ready CBP personnel to succeed at protecting the Homeland and fostering economic security. OA also administers processes, delivers services, and manages programs for:

- CBP employee payroll payments, vendor payments, travel, and employee relocations;
- Preparation and execution of the CBP budget, managerial cost accounting reports, and financial information and metrics;
- Procurement of supplies, equipment, and services that enable CBP mission and oversight of all contractual agreements;
- CBP's core financial accounting and annual financial reporting programs;
- CBP real property portfolio, vehicles, uniforms, and personal property assets;
- Transportation services within the National Capital Region, a nationwide transportation incentive program, and parking;
- National mail management, forms, and printing and graphics design;
- CBP efficiency and business improvement initiatives;
- Strategic alignment and performance of CBP mission operations and support programs and investments; and
- Collection of \$40.9 billion in revenue for the agency, Treasury, and other government agencies.

Below are some examples of OA's FY 2013 efforts to enhance mission performance:

Achieved Financial Management Process Efficiencies

- Designated a federal government shared service provider to DHS components for financial management services demonstrating CBP's qualification as a center of excellence.
- Improved the monitoring and management of a national overtime and premium pay by providing staff coverage at the ports to avoid increases in wait times.
- Drove modernization of revenue systems and processes in support of Trade to enhance revenue collection internal controls.
- Established a purchase request review process providing CBP with a strategic view and decision criteria for evaluating planned procurements resulting in cost savings.
- Engaged in shifting to the use of contract types that are more advantageous to the government and posting summaries for key CBP procurements on CBP.gov.
- Facilitated vendor outreach events to focus on small business opportunities, connecting industry with the government, and agile information technology.

Strengthened Agency Planning, Performance, Risk and Accountability Practices

- Integrated disparate resources plans to provide a deliberate and transparent linkage between payroll, spend, and budget plans, enabling CBP leaders to manage and report against a single, comprehensive view of their resource landscape, proactively target spending reductions and efficiencies, monitor payroll projections to avoid shortfalls to meet staffing mandates, and ensure strategic investment of resources to critical, high priority areas.
- Developed a cost and performance model to evaluate frontline personnel hiring processes in a manner to inform resourcing decisions and investment prioritization.

Overview of CBP

- Developed a dashboard that allows for a comprehensive view of CBP's financial statement audit findings and remediation performance to inform future corrective action planning and other risk management-related activities.
- Received an 'Achieves Excellence' with special acknowledgement for contributions to the Chief Acquisition Officer Affordable Readiness iTeam, designed to allow DHS to do more with fewer taxpayer dollars through collaboration, integration, best practice adoption, innovation and leveraging successes.
- Automated conference processing, approval and reporting processes for all of CBP through enhanced internal controls and policy development.

Enhance Timeliness and Adaptability of Real and Personal Property Solutions

- Achieved a space reduction in the CBP National Capital Region portfolio by implementing mobile work space, technology and policy that lowered energy and environmental resource usage, while reducing CBP operating costs.
- Implemented innovative Land Port of Entry (LPOE) prototype designs allowing CBP to modernize more LPOEs than originally planned.
- Redesigned the CBP Uniform Program, to increase quality, service and stewardship by strengthening internal controls, defining processes to perform data modeling and forecasting of uniform needs and establishing an inventory tracking system, uniform testing improvements, and a complete revision and streamlining of specifications.
- Initiated the Personal Property Management Oversight Board (PPMOB) to adjudicate specific cases of high-risk asset losses to include root cause and trends analysis, and recommendation of corrective actions.

The Office of Human Resources Management

The Office of Human Resources Management (HRM) provides centralized human resources support to approximately 60,000 CBP employees nationwide and overseas. HRM services support leadership, the operational requirements of program offices, and the needs of CBP employees.

HRM's operational scope is broad and addresses challenges including: operating in a tight fiscal environment, competing for talent while maintaining congressionally mandated staffing levels, and delivering quality services with higher workloads.

HRM delivers customer-centric support, services, and solutions responsive to changing mission requirements. HRM also delivers service by:

- Recruiting, assessing, and hiring candidates to maintain a highly skilled, diverse, and mission-ready workforce;
- Leveraging technology to improve human resources business processes and service delivery;
- Providing medical, benefit, retirement, and work life advisory services;
- Promoting a safe and healthy work environment;

- Facilitating organizational effectiveness, including integration and reorganization efforts;
- Administering and guiding implementation of human capital policies; and
- Managing CBP's labor and employee relations programs.

Below are some examples of HRM's FY 2013 efforts to enhance mission performance:

- Modified the application and written test registration steps for frontline entry-level job announcements by introducing a pretest as part of the application process. Individuals gained a better understanding of the test content and difficulty before completing their application; CBP avoided testing costs for the large number of applicants who began but did not complete their application.
- Partnered with the Offices of Internal Affairs and Chief Counsel to revise suitability questions in frontline entry-level job announcements. This allowed CBP to screen out unsuitable applicants early in the pre-employment process, reducing costs and focusing limited resources on the best applicants.
- Implemented electronic collection and storage of applicant data, eliminating the need for paper systems.
- Fully implemented USA Staffing Onboarding Manager at both hiring centers to benefit from OPM's e-Gov initiative to reduce costs and improve services.
- Expanded the use of popular technologies and social media, e.g., podcasts, webinars, LinkedIn, Facebook, Twitter and YouTube, to communicate information about CBP's mission, career opportunities, and job openings.
- Restructured the Workers Compensation Program to establish an overall strategic case management process to reduce chargeback costs and return CBP employees to work who are injured on duty. This included the adoption of Nurse Case Management services for cases beginning in FY 2014.

HRM is improving customer service processes using Information Technology (IT) and Business Process Management, a flexible approach to design and implement process workflows. The Human Resources Business Engine (HRBE), a web-based workflow engine, supports HRM's pre-employment processes in the Indianapolis and Minneapolis Hiring Centers. In FY 2013, HRM improved program efficiencies by implementing:

- HRBE-Performance Management to automate the non-executive annual performance process;
- HRBE-Voluntary Early Retirement Authority to project and track voluntary retirement eligibility;
- HRBE-Internal Affairs Bi-Directional Feed to replace a mainframe system and gain efficiencies in the background investigation process;
- HRBE-Employee Contact and Accountability Process for personnel notifications in case of disaster; and
- HRBE-Personnel Action Request Tracking System, which replaces another mainframe system and will be deployed fully in FY 2014.

Overview of CBP

These enhancements offer cost savings and fully support CBP's business transformation efforts for greater efficiency.

Workforce Development

The Office of Training and Development (OTD) is responsible for formal training and education programs for employees world-wide and for use of force, canine, and leadership development programs. With a training enterprise comprised of two training academies and three training centers, OTD delivers instructor-led classroom training as well as online training courses through CBP's Virtual Learning Center. OTD ensures that all training efforts support the CBP mission and strategic goals and meets the needs of a diverse and dispersed workforce. OTD establishes standards and policies for designing, developing, delivering, and evaluating training. The Office directly executes career development programs, basic and advanced training to all occupations (e.g., anti-terrorism training to CBP Officers, Border Patrol Agents, and other occupations), and management and executive development programs. OTD develops and implements the annual training plan for the agency. OTD defines and implements evaluation measures, data collection processes, and inspection methods for ongoing assessment of all CBP training programs. OTD is responsible for the continuous improvement and expansion of CBP learning capabilities.

Resource Optimization Strategy

CBP's integrated Resource Optimization Strategy for the Office of Field Operations has three main components (1) optimize current business processes, (2) accurately identify staffing requirements, and (3) explore alternative funding strategies to increase revenue sources supporting staffing.

To ensure business process efficiency, the first component of the strategy contains a series of business transformation initiatives. These involve reassessing core processes, incorporating technology and business process enhancements, assessing law enforcement staffing, and developing automation.

CBP's Workload Staffing Model (WSM) is the tool at the core of the second component—accurately informing staffing decisions at air, land and seaports. The WSM uses a data-driven methodology to identify staffing requirements. The WSM accounts for all business processes required of CBP officers and the time required to complete those processes. The WSM identifies the personnel necessary to accomplish the CBP mission and estimates future staffing requirements for new or enhanced facilities, technology deployments, and growth in trade and travel.

The final component of the strategy is exploring alternative funding to increase revenue to support staffing. DHS is pursuing several legislative proposals as alternative funding options for future staffing needs. These proposals include (1) increasing traveler fees, (2) maintaining authority to be reimbursed by stakeholders for new or expanded services and (3) investing in modernization initiatives such as mobile technology and kiosks for travelers at airports and land border ports of entry.

Information and Technology

CBP's network infrastructure and data center capabilities are the information and technology backbone of CBP systems, which ensure delivery of critical information. The IT systems provide effective information sharing among trade and law enforcement agencies. CBP's IT infrastructure serves a wide variety of government agencies focused on protecting the American people.

The IT systems assist CBP frontline officers and agents in identifying potential threats, including terrorists, weapons of mass destruction and bioterrorism. IT also supports trade law enforcement and tax and tariff collection. The CBP IT infrastructure enables the agency to continually improve the movement of low-risk cargo, vehicles and people over the border.

CBP's IT systems process millions of international visitors to the U.S. every day. The processing of cargo and passengers, as well as the collection of fees, duties, and tariffs, results in high message and database traffic with partner agencies, passenger carriers, cargo brokers, trade representatives, and airlines. CBP's rate of online database queries is among the highest in the world. Sustaining these capabilities requires a robust IT infrastructure and operations and maintenance strategy that responds to daily challenges.

In addition, the Office of Information and Technology (OIT) is focusing on the future. Technology such as social media and cloud computing are rapidly changing the IT landscape. In response to the scope of threats and budget constraints, CBP is improving business processes and updating service delivery.

To address the required technology changes, OIT has been reviewing technology capabilities and updating processes. OIT has started to simplify production applications and shift applications to DHS data centers. These efforts will continue through FY 2014, provided funding is made available from the DHS Chief Information Officer's budget.

Tactical Communications Modernization

The Tactical Communications (TACCOM) is a modernization effort. TACCOM focuses on upgrading aging infrastructure from analog to digital, expanding coverage and capacity, and providing Advanced Encryption Standard protection to law enforcement sensitive communication in three areas: Houlton, Maine; Rio Grande Valley, along the Gulf Coast of Texas and El Paso, western Texas (both of which became operational in FY 2013), and New Mexico.

TACCOM is conducting a Digital-in-Place as a capstone project. Its goal is to set the baseline configuration and to replace/upgrade existing land mobile radio analog equipment with Project 25/Advanced Encryption Standard digital equipment.

Next Generation TACCOM, known as TacNet, will analyze the potential for mission-grade broadband wireless service; leverage commercial or public safety networks; and provide broadband voice, video, and data at reduced per-user cost. The TACCOM Acquisition Program received Acquisition Decision Event 1 approval from DHS on March 31, 2011 to pursue this program.

Overview of CBP

Laboratories and Scientific Services

Laboratories and Scientific Services (LSS), the scientific arm of the Office of Information and Technology, provides technical support on trade, weapons of mass destruction, and forensic issues. LSS field personnel support trade enforcement by analyzing samples of imported commodities for classification and admissibility, offering Intellectual Property Rights (IPR) evaluation and support, and providing scientific advice on anti-dumping and countervailing duties.

Samples are analyzed both in the laboratory and at the ports of entry in mobile laboratories. The labs are equipped with high tech analytical scientific instrumentation. As a result of LSS trade enforcement analysis, CBP collects millions of dollars in additional duties and penalties. LSS IPR support gives the agency the legal basis to interdict and seize counterfeit merchandise, including counterfeit pharmaceuticals and electronics.



CBP agriculture officer inspects pest.

CBP forensics services support multiple law enforcement agencies with fingerprint identification, digital forensics, audio/video enhancement and duplication, crime scene processing, and controlled substances analysis. The forensics program supports prosecution of border violators, such as human traffickers. Through fingerprint analysis, new suspects may be linked to criminal events. The DNA program helps prosecutions related to the smuggling of endangered animal species and protected plant life.

LSS operates a Tele-forensic Center that provides field personnel with scientific resources to resolve threats related to chemical, biological, radiological or nuclear materials. The center's resources facilitate the smooth flow of container traffic over the border. Field scientists have also been trained to use sophisticated scientific instruments to detect weapons of mass destruction materials. These mobile laboratory instruments support the ports of entry.

The general engineers, physical scientists, and project managers in the Interdiction Technology Branch ensure that field personnel have the best enforcement equipment and expertise available. As DHS and other organizations conduct multiple research and development projects for next generation equipment, this branch assesses the readiness of equipment proposed for field validation and deployment. It also tests factory acceptance, certifies installation of new enforcement equipment and tests tunnel detection equipment along the southern U.S. border.

TECS Modernization

TECS is a key border enforcement system supporting the inspection of travelers entering the U.S. and vetting inquiries of other federal agencies. The TECS modernization program primarily focuses on updating server infrastructure, databases, and user interfaces that sustain and improve current screening capabilities.

The general TECS modernization objective is to establish a foundation that readily accepts new technology in response to new threats and mission requirements. This will transition TECS from mainframe technology to the CBP enterprise architecture. The modernization will improve search capability using linguistic searches and create a service-oriented architecture. Results include improved interoperability through user interfacing applications, standardized query processing, and transition system-to-system interfaces with external data sources. The user interfaces will be Web based, user friendly and more intuitive, prepopulating data where possible to minimize reentry of information.

Automated Commercial Environment

CBP's Automated Commercial Environment (ACE) program has shifted to an Agile development methodology and is planning to complete core ACE processing capabilities by FY 2016. The core features will include full Cargo Release, Export, e-Manifest: Air, and Entry Summary, and will implement remaining system improvements. CBP tested Agile software development methodology during a pilot in FY 2013.

In June 2013, DHS approved a revised program baseline for the completion of ACE by the end of calendar year 2016.

International Trade Data System

CBP's International Trade Data System (ITDS) will provide all parties involved in trade and transport with a single entry point to fulfill all import, export, and transit-related regulatory requirements. ACE provides the single window to facilitate the exchange of information to improve business operations and trade. ITDS requirements are incorporated with ACE requirements.

A cross-functional CBP team works with ITDS to integrate partner government agencies with ACE. The team will first address those ITDS agencies that impact the import/export process at the border. CBP is working with partner agencies to identify the technical solutions that best support their mission objectives.

CBP is pursuing three projects as key deliverables in the Beyond the Border Action Plan Single Window Initiative:

- Measure 1: In FY 2013 CBP developed the infrastructure to capture and store the partner government agencies' specific trade data in conjunction with ACE Entry Summary or ACE Simplified Entry (SE).
- Measure 2: The trade community can submit electronic image files of documents related to ACE Entry Summaries through the Digital Imaging System, including export manifests. The Environmental Protection Agency is piloting a program to test this capability.
- Measure 3: CBP developed technical standards to allow other agencies to receive trade data automatically and implemented the new interface with CPSC and the FSIS.

Overview of CBP

CBP Achievements with ACE and ITDS Include:

ACE e-Manifest: Rail and Sea

- Decommissioned the old Automated Manifest System for rail and sea, making ACE the only CBP-approved electronic data interchange for transmitting rail and sea manifests and related Automated Broker Interface in-bonds.

Cargo Release

- Cargo Release pilot program streamlines the data required to release cargo, eliminating the current document (CBP Form 3461) for those transactions.
- In October 2012, the Cargo Release/SE pilot was expanded to new trade participants. Phase 1, for the air mode of transportation is operational at 16 major airports. As of June 2013, more than 159,000 Simplified Entries were filed for more than 1,100 importers.
- CBP has completed the first stage for Cargo Release Entry Corrections/Cancellations, which automated the receipt, review and processing of entry correction/cancellation requests. This feature will expand the Cargo Release/SE pilot.
- Agile developments will expand the capabilities of the Cargo Release/SE pilot by 1) connecting the partner government agency message set to SE to enhance automated data sharing and 2) implementing entry corrections/cancellations for Simplified Entries, which will allow CBP to electronically process corrections/cancellations transmitted by trade users.

Exports

CBP is developing a single processing platform for all export manifest and commodity transactions through ACE. This effort keeps with the President's National Export Initiative and the Export Control Reform Initiative. Plans call for the development of an automated export manifest system for all transportation modes to be coordinated with the Census Bureau and other government agencies involved in export licensing and commodity transactions.

CBP is using agile development methods to move the legacy Automated Export System from the mainframe and create a single automated export processing platform for export manifest, commodity and export control, and licensing transactions.

Also underway is an interim export manifest pilot using the Digital Imaging System:

- The pilot allows for emailed submission and automated processing of Export Manifests in the previously paper-based ocean mode of transportation;
- CBP is receiving a near 100 percent success rate for export manifests submitted as part of this pilot, which is open to all seaports and ocean carriers.

ITDS Initiatives

These three key ITDS initiatives automate and enhance interaction between international trade partners, CBP and partner government agencies by facilitating electronic collection, processing, sharing, and review of required import and export trade data and documents. The initiatives will increase efficiency and reduce costs.

- Partner Government Agency Message Set

This capability introduces a harmonized set of data for electronic collection from international traders. It will replace the paper forms currently submitted by the trade community during cargo importation.

The Message Set will be piloted with two agencies. The first phase of the pilot will include:

- Meat, poultry, and egg product entry data for FSIS; and
- Notice of arrival for ozone-depleting substances, vehicles and engines for EPA

In May 2013, CBP integrated the message set with the Entry Summary. The next phase will integrate the message set with the ACE Entry Summary and EPA and FSIS requirements.

- Interfaces/ Interoperability Web Services (IWS)

IWS automates CBP's sharing of information, documents, and events of interest with partner government agencies. It allows CBP's and others' systems to communicate, giving greater access to needed data and increasing interagency collaboration.

- FSIS, Consumer Product Safety Commission, Agricultural Marketing Service, and the Coast Guard are receiving automated production manifest, entry, and/or entry summary data directly from CBP.

In the third quarter of FY 2013, CBP transitioned 11 additional agencies into the interoperability environment.

Document Image System

Document Image System (DIS) allows trade members to electronically supply documentation needed during the cargo release and entry summary processes to CBP and other federal agencies.

Entry Summary

Nearly 99 percent of all entry summaries (formal, informal, and antidumping/countervailing duty) are eligible to be filed in ACE. In FY 2013, the number of eligible entry summaries filed in ACE continued to grow, from 18 to 26 percent.

In May 2013, CBP developed the ability to check the quality of incoming entry summary data as part of the Agile pilot. Increment 1 work began with Harbor Maintenance Fee validations. CBP has developed a business rules engine that enables development teams to more easily capture, update, and maintain the business rules for validations. Developing the remaining system edits or checks that validate the accuracy of the data being submitted is critical.

Overview of CBP

As development progresses and CBP gains more experience with Agile development, increasingly complex validations will be added. The second development increment will focus on coding validations related to classification.

Strategic Air and Marine Plan

As the Strategic Air and Marine Plan enters its final two years, the progress to date remains remarkable. CBP has successfully merged the two independent legacy air and marine organizations into a single, highly-effective national service; redeployed its assets and resources to meet the challenges of its homeland security missions; replaced or recapitalized many of its aging aircraft and marine vessels; introduced high-end UAS that provide unparalleled air surveillance capabilities; and obtained new sensors that provide capabilities not imagined just four years ago.

To date, CBP has purchased 20 EC-120 helicopters, which are used primarily in the Southwest border region to track ground signs, and AS-350 A-Stars, which are equipped with day/night infrared cameras. CBP has acquired seven DHC-8 medium-range patrol aircraft, and all are in operation. They are equipped with SeaVue maritime radars, day/night infrared cameras, and the capability to support eight-hour missions. Because this type of aircraft is no longer manufactured, CBP shifted to the Multi-role Enforcement Aircraft (MEA). The first four twin-engine MEAs, which were replacements for 26 aging C-12, PA-42, and B-200 type aircraft, have been delivered.

From FY 2008 and into FY 2012, Congress provided funding for 11 new marine units, 197 new marine agents, and 101 new marine vessels, including 63 new interceptors of all types. In late FY 2008, CBP acquired an Advanced Concept Technology Demonstration vessel, which enabled OAM to define its requirements for a highly capable replacement for the slower, aging Midnight Express Coastal Interceptor Vessels (CIVs), which are undergoing service life extension (see next section in Administrative Efficiency).

OAM also acquired 172 new and used vessels (this number reflects the merging of Border Patrol and OAM assets), including 32 coastal and SAFE Boat interceptors, 12 coastal enforcement vessels, 12 airboats, and 114 riverine vessels of various types, mainly through the transfer of used SAFE Boat and other riverine craft from the Coast Guard. Over the same period, OAM retired 87 aged and unserviceable vessels, mainly through the General Services Administration sales/exchange program that enabled the funds obtained to be reinvested in new boats and equipment, thus reducing the need for appropriated funds. As of this update, CBP has gained the equivalent of more than \$22.7 million in acquisition cost avoidance through these efforts, and has returned 76 used vessels to service.

Only two marine vessel procurements remain to be completed for the marine program to achieve its original objectives. The new CIV contract was awarded in early FY 2012, and is currently funded to provide 17 new vessels, the first production prototypes were delivered in September 2012. The contract for the new Riverine Shallow Draft Vessel (RSDV) was awarded in late FY 2011, and is funded to provide up to 31 vessels.

Service Life Extension Plan for Midnight Express Coastal Interceptor Vessels

CBP is also pursuing a service life extension for its current fleet of Midnight Express CIVs to cover operational needs until the new class of CIVs is delivered. The upgrades include the replacement of the vessel transom and molded fuel tank, extending the life of each vessel by five to seven years. The work is conducted at the CBP National Marine Center in St. Augustine, Florida, and is funded through the General Services Administration sales/exchange program. As of September 30, 2013, work on 10 vessels has been completed and more vessels could be upgraded until the new interceptors are received and deployed.

Black Hawk A to L Conversion Program

Started in 2008, the Black Hawk A to L conversion program is also a service life extension effort to extend the lives of 16 helicopters another 15 to 18 years and to reduce annual maintenance costs by as much as 37 percent (U.S. Army projections). The overhaul of a Black Hawk involves completely breaking down the aircraft and rebuilding it as new. On average, rebuilds take nearly two years and cost between \$16 million and \$18 million per aircraft, depending on the condition of the helicopter and flight history.

Two UH-60A model helicopters have been converted to “L” models. Two more UH-60A helicopters are currently undergoing “L” conversion at the Corpus Christi Army Depot. At current rates, all of the 16 UH-60A helicopters should be upgraded to “L” models by FY 2025.

P-3 Re-winging

Despite the success of OAM P-3s in the Source and Transit Zones, every P-3 airframe in the fleet is more than 40 years old and experiencing fatigue. OAM initiated an innovative two-step Service Life Extension Program (SLEP), with the following objectives:

- Extend P-3 airframe life by 15,000 hours (18 to 20 years of additional service)
- Upgrade aircraft material condition
- Improve aircraft safety, reliability, maintainability, and operational availability

The P-3 SLEP is a 10-year, \$420 million effort entering its eighth year of execution. Designed to be completed in two phases, it is on-cost and ahead of schedule. The first phase involved special structural inspections and repairs designed to keep some of the 16 aircraft flying while all new wing and tail assemblies were purchased to enable safe operations for another 18 to 20 years.

This effort is expected to see 14 of the 16 aircraft returned to flight for an average cost of \$28 million per aircraft, which is highly cost effective because a new aircraft with the same capabilities as the P-3 cannot now be purchased for under \$279 million per copy. To date, approximately \$369 million has been invested in SLEP. Eight aircraft have been completed, with the 14th aircraft due for return to operations by the middle of FY 2016.

Overview of CBP

Radar and Sensor Upgrades

OAM is working to install day/night infrared cameras and large screen monitors on C-206 single-engine patrol aircraft to expand their capability, to support ground interdiction missions at night. OAM is also considering a demonstration of new, compact electronic sensors that can provide broad area search capabilities to small single- and twin-engine aircraft, greatly increasing the area that can be covered by aircraft currently available on the borders.

Coincident with the SLEP, OAM pursued two key sensor upgrades. The first upgrade involved installing SeaVue broad area maritime search radars on the long-range trackers, while the second upgrade installed electro-optical/infrared sensors on some of the P-3 aircraft. The combined result of the installations freed the two types of P-3 aircraft to operate independently, increasing the ocean area that can be covered by the combined P-3 wing. In addition, OAM is installing the OSI target sorting and collection software on the P-3 that already deployed on the Guardian UAS and DHC-8 aircraft. This will enable faster target classification and sorting, as well as the hand-off of targeting information between aircraft arriving and leaving a patrol zone. OAM is also testing a Ku-Band satellite downlink capability as part of a long-term effort to link high-patrol assets.

The most important enhancement to the UAS Program has been the introduction of the Vehicle and Dismounted Exploitation Radar (VADER). VADER is a strategic intelligence sensor that also provides comprehensive situational awareness for an expanded target area. Since VADER was made operational in February 2012, OAM has used the Predator B UAS as the persistent surveillance platform for VADER operations. VADER operations have focused on the West Desert area of the Arizona (AZ) Joint Field Command (JFC) Area of Responsibility (AOR). VADER provides detection, identification, classification and tracking capability to the JFC-AZ AOR to increase the likelihood of interdiction. The culmination of both a Wide Area Aerial Surveillance and operational capability enables CBP to better coordinate tactical operations, operational planning, and to identify and mitigate potential gaps in border security.

OAM and the Office of Information and Technology have developed BigPipe, a cross-domain network, infrastructure, and system that distributes operational mission data to federal, state, and local law enforcement customers. This system allows stakeholders to view real-time mission data and to make critical decisions during the detection, tracking, and interdiction phases of operations. BigPipe offers situational awareness and fidelity in combating threats, capabilities previously unrealized from the command and control arena. The data BigPipe makes available consist of wide-area or narrow-focused electro-optical/infrared imaging of maritime and ground targets, along with mapping information of the target area. BigPipe allows registered users in any approved location with access to the Internet to display a mission or video file that they have been authorized to view.

Safety and Standardization

OAM has developed and instituted a Crew Resource Management (CRM) policy, which began in the third quarter of FY 2011, requiring all OAM pilots and aircrew members to attend eight hours of CRM training. CRM is the a dynamic decision-making process that continually optimizes all available resources—people, equipment, capabilities, and procedures—to safely, efficiently, and effectively

complete OAM operations. It encourages input from all crewmembers to establish a logical conclusion to a particular event or circumstance. Follow-on training for the CRM program will be conducted on an annual basis via the Virtual Learning Center with practical application being evaluated. The CRM curriculum has been incorporated for all new OAM employees.

Spanish Language Training Program

Since its inception in 2005, OAM had been without a Spanish language training course that incorporated the specific vocabulary and scenarios to complement its mission set. The estimated cost to develop a Spanish course was \$1.8 million. Due to lack of funding, the contract was not awarded. The Air and Marine Basic Spanish Training Program (AMBSTP) used the existing foundation and formalized syllabus that had undergone the scrutiny of accreditation. AMBSTP took an OFO four-week Spanish training shell and combined it with the current OFO six-week course, exchanging OFO scenarios with applicable OAM scenarios and vocabulary. OAM ran its first AMBSTP pilot in March 2012. After revisions to the curriculum, the second pilot was held in January 2013. After the successful completion of the second pilot, OTD certified AMBSTP in March 2013. The inaugural class completed the first certified Spanish program in July 2013.

Tactical/Technical Command (TTC) Program

The TTC program gives first-line OAM supervisors tools to better perform their job functions. The curriculum includes an in-depth look at situational leadership, supervisory duties, risk assessment, supervisory operational reporting requirements, and other agency specific supervisory tasks. OAM's TTC course received high marks in participant course critiques. The first certified course was completed in December 2012, with an additional class completed in March 2013. With certification, the course is now funded under the National Training Plan. Future scheduling will allow OAM supervisors to complete supervisor leadership training and begin the TTC course the following week, saving travel costs.

Improved Basic Training

In cooperation with CBP's Field Operations Academy, OAM streamlined delivery of all basic training requirements. Previous deficiencies and/or gaps in basic training required several additional post-academy courses. This created a large backlog of students for these mandatory courses. Additional scheduled trainings led to increased travel costs of approximately \$58,000 per academy class, as well as generating breaks in a student's operational deployment, as basic training was stopped and started over periods as long as four years.

The streamlined delivery includes these additional courses in the basic class. All training was moved to the East Coast, using ground transportation to decrease travel costs. Academy graduates now return to their duty stations with all mandatory basic training satisfied, allowing local management to focus on advanced operational training without interruption.

Overview of CBP

Improved Accident Investigation Techniques

In August 2012, the OAM Training, Safety, and Standards directorate provided Human Factors Analysis and Classification System (HFACS) training for all safety officers and accident investigators. The directorate continues to work with these field staff as accident and incident investigative procedures are fine tuned.

Using the new model in FY 2013, OAM's Safety Program is now reaching deeper into each human-factor-related incident, moving from the operator up through the entire system/organization. HFACS provides a more systematic and objective approach to cataloging human-factor mishaps. The HFACS matrix goes beyond pilot/operator error to look at the entire system (to include technical, environmental, management, and organizational issues) to identify a more complete array of contributing factors that lead to the mishap by identifying latent conditions, before they lead to actual failures.

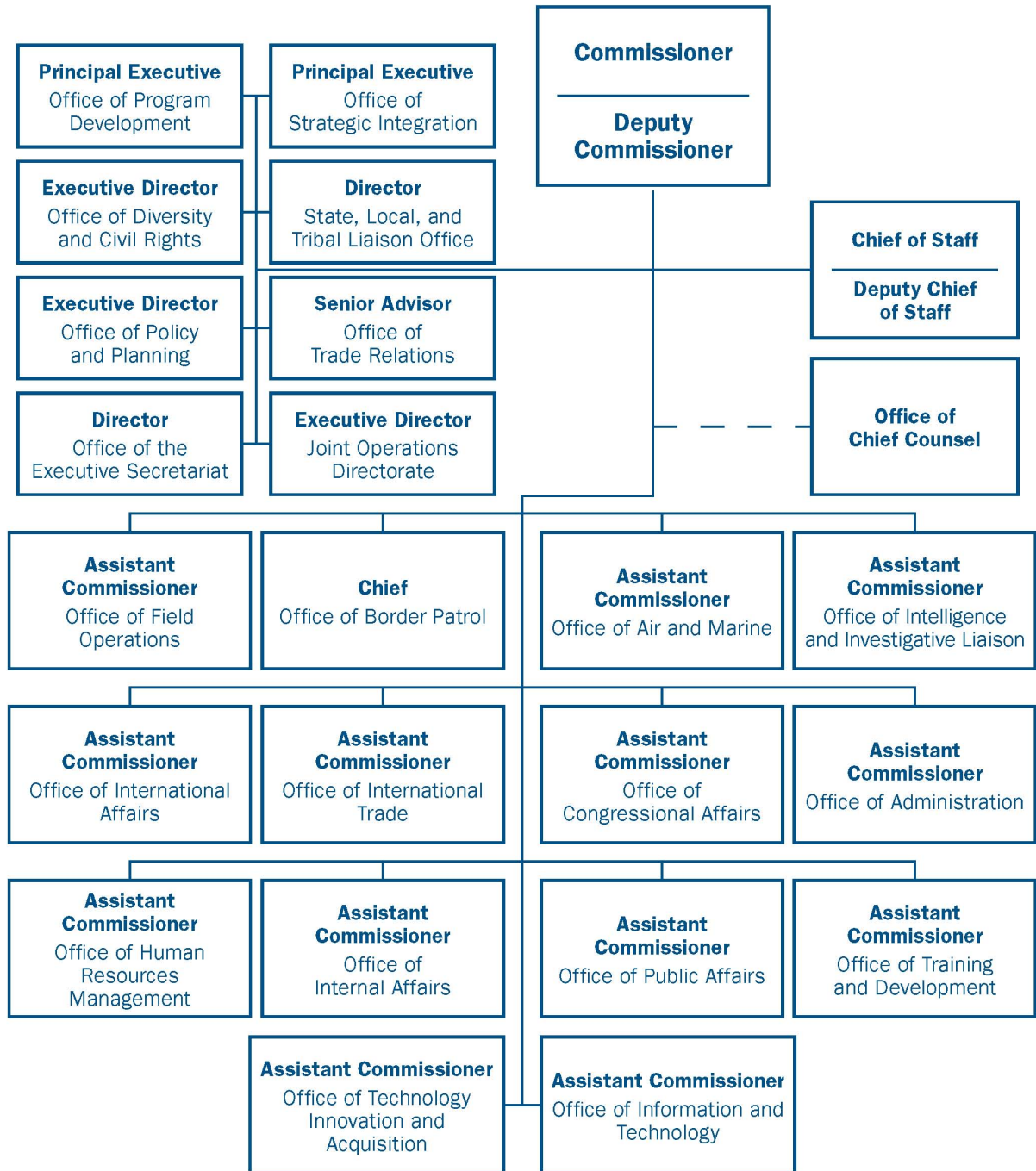
Through incorporating the HFACS methodology and tracking its results, OAM is better equipped to transition from a reactive safety program to a proactive program. This approach to mishap investigations is part of a comprehensive safety program to identify potential hazards and countermeasures to prevent the recurrence of mishaps.

Looking Ahead

CBP continues to expand and enhance mission effectiveness by its forward-looking approach to secure America's borders and the vitality of the United States economy.

CBP will continue to integrate state-of-the-art technologies and traditional security infrastructures at United States POEs and along the Nation's borders and to work in collaboration and partnership with the trade community and foreign governments to secure the United States against terrorists and terrorist weapons while facilitating world commerce.

CBP Organization



Headquarters

Office of the Commissioner: The Commissioner is responsible for securing, managing, and controlling the Nation's borders by advancing CBP's priority mission of preventing terrorists and terrorist weapons from entering the United States while facilitating legitimate trade and travel.

Deputy Commissioner: The Deputy Commissioner is responsible for providing leadership and executive-level direction to CBP's day-to-day operations, including oversight of agency initiatives that facilitate the international movement of legitimate, low-risk goods and travelers, while promoting effective border security.

Chief of Staff (COS): Serves as the direct liaison to DHS for all agency issues. The COS assists the Office of the Commissioner in formulating and implementing policies through coordination with other CBP office components, DHS, and Other Government Agencies (OGA). The COS provides advice and counsel to the Commissioner in defining priorities to accomplish CBP mission and goals.

Office of Chief Counsel (OCC): Serves as the chief legal officer of CBP and reports to the General Counsel of DHS. The Chief Counsel serves as the Ethics Officer for the Agency and is the principal legal advisor to the Commissioner of CBP. OCC provides legal advice to and legal representation of CBP officers in matters relating to the activities and functions of CBP.

Office of Program Development (OPD): Is responsible for transitioning CBP from a budget-centric process to a planning and programming process that is driven by goals and objectives. OPD was established in FY 2011 and is responsible for integrating and executing the Planning, Programming, Budgeting, and Accountability (PPBA) process within CBP. This includes: establishing repeatable processes and structures; establishing priorities and capabilities required to achieve a strategy; making informed; cross-cutting operational and resource decisions consistent with DHS and Commissioner priorities and goals; increasing transparency through more detailed; focused budget; and performing and monitoring the achievement of goals and the spending of plans.

Office of Strategic Integration (OSI): Is responsible for facilitating the development of a mature strategic integration culture across CBP and all its stakeholders, both internal and external. OSI was established in FY 2011 and is responsible for managing the integration of the CBP portfolio of strategies, ensuring the maximization of value, balance in approach, alignment to business strategy, and balance in resource requirements.

Privacy and Diversity Office (PDO): Is responsible for developing and administering all CBP programs and activities necessary to ensure compliance with the Federal anti-discrimination laws, regulations and policies, and civil rights and civil liberties requirements necessary to facilitate lawful individual travel and trade across the United States borders, while ensuring national security and economic prosperity. PDO implements initiatives that sustain, retain, and advance a highly qualified ethical workforce that attracts the most qualified candidates that America has to offer. In addition, PDO ensures that CBP is a progressive champion of diversity and inclusion by providing activities and programs that celebrate and honor all individuals.

Office of State, Local, and Tribal Liaison (SLT): Advises the Commissioner, Deputy Commissioner, and program offices regarding the impact of CBP policies and initiatives on state and local stakeholders. SLT also acts as the primary conduit for information to, and guidance from, the DHS Office of Intergovernmental Affairs. SLT informs state and local stakeholders of current and proposed CBP programs, assists these stakeholders in addressing concerns with CBP programs, and assist in building and maintaining partnerships between CBP and state and local governments.

Office of Policy and Planning (OPP): Directly supports the Commissioner and his principal staff officers through deliberate and rapid planning processes to fully inform and influence CBP policies, strategies, integrated planning, and decision support. OPP works closely with the Commissioner, CBP leadership, homeland security partners and stakeholders in defining and advancing the Agency priorities through the development, review, and implementation of key policy and planning initiatives. The OPP staff is responsible for facilitating and coordinating strategic, operational, and institutional planning functions of the Agency and for integrating processes in support of the CBP governance framework. OPP promotes analytic rigor, strategic foresight, and integrated risk management to empower CBP leadership to make the best informed decisions for safety, security, and prosperity.

Office of Trade Relations (OTR): Is responsible for managing CBP's outreach and communications with the international trade community. OTR ensures that the trade community and the public understand that trade is an integral part of CBP's mission to make America safer, stronger, more prosperous, and economically competitive. OTR's mission is to continually improve relations between CBP and the trade community, by enhancing collaboration, and cooperation and by informing decision-making at all levels including operational, legislative, and political. OTR is also responsible for organizing and presenting formal CBP outreach efforts to the trade community, including CBP's annual Trade Symposiums, monthly trade day meetings, trade roundtable meetings, and webinars. OTR manages the Advisory Committee on Commercial Operations of U.S. Customs and Border Protection (COAC), a congressionally mandated trade advisory group. OTR is the designated regulatory fairness representative for the agency with responsibility for promoting compliance with the Small Business Regulatory Enforcement Fairness Act (SBREFA).

Office of Executive Secretariat (OES): Is responsible for ensuring appropriate and expeditious action on all requests for information, executive correspondence, and official memoranda addressed to the Commissioner and other CBP and DHS senior officials. OES provides direct support to the Commissioner and Deputy Commissioner, as well as related support to leadership and management across the agency.

Component Organizations and Field Structure

CBP is organized into 14 separate offices, each of which report directly to the Commissioner. The mission of each office is described briefly below:

Office of Field Operations (OFO): Enforces customs, immigration, and agriculture laws and regulations at U.S. borders and has the primary responsibility for preventing terrorists and their weapons from entering the United States at the Ports of Entry (POE). OFO maintains programs at 20 field operation offices; 328 POEs; 15 pre-clearance stations in Canada, the Caribbean, and Ireland; and 58 CSI ports worldwide. A Director of Field Operations heads each field office, and Port Directors oversee POEs in their operational areas, where virtually all conveyances, passengers, and goods legally enter and exit the United States. OFO oversees the enforcement of laws and regulations while ensuring the safe and efficient flow of goods and people through the POEs.

Office of Border Patrol (OBP): Serves as the CBP law enforcement organization with the primary responsibility of preventing terrorists, weapons of terrorism, illegal aliens, drugs, and those who smuggle them, from entering the United States between the POEs. The Border Patrol is organized into 20 sectors along the southwestern, northern, and coastal areas of the United States.

Office of Air and Marine (OAM): Protects the American people and critical infrastructure through the coordinated use of integrated air and marine forces. These forces detect, interdict, and prevent acts of terrorism and the unlawful movement of people, illegal drugs, and other contraband toward or across the borders of the United States. OAM's core competencies include air and marine interdiction, air and marine law enforcement, and national border domain security. OAM further supports DHS missions such as the response and recovery to natural disasters and terrorism.

Office of Intelligence and Investigative Liaison (OIIL): Develops, coordinates, and implements intelligence capabilities to support the execution of CBP's mission to secure America's borders while facilitating legitimate trade and travel. OIIL serves as a coordinating facilitator that integrates CBP's diverse intelligence capabilities into a single cohesive intelligence enterprise. OIIL supports CBP's mission through a multi-layered approach, which includes collection and analysis of advance traveler and cargo information, use of enhanced law enforcement technical collection capabilities, delivery of timely analysis of intelligence and information, and establishment of intelligence-sharing relationships with Federal, state, local, and tribal agencies and intelligence agencies.

Office of International Affairs (INA): Coordinates and supports CBP's foreign initiatives, programs, and activities. To support CBP's mission, INA establishes essential partnerships with US government agencies, foreign administrations, and international organizations. Through its 22 Attaché and 5 Advisory office locations, INA coordinates CBP's international engagement efforts by implementing programs and initiatives that promote border enforcement best practices and capacity building globally.

Office of International Trade (OT): Provides unified strategic direction for trade policy and program development. OT directs national enforcement responses and takes punitive actions against companies participating in predatory trade practices, including textile transshipment and intellectual property rights infringement. OT directs CBP risk-based investigation detection and prevention

programs designed to identify the importation of contaminated agricultural products and goods that present health or safety risk, and products requiring protection from unfair trade practices. OT streamlines the flow of legitimate shipments and fosters corporate self-governance to achieve compliance with trade laws, regulations, and international trade agreements. Finally, OT provides the legal tools to promote facilitation and compliance with customs, trade, and border security requirements by issuing CBP regulations, binding rulings and decisions, compliance publications, and by offering training and outreach on trade laws and regulations.

Office of Congressional Affairs (OCA): Coordinates all CBP congressional and legislative activities to ensure that the full range of policy, operational, technical, and programmatic aspects are appropriately considered. These functions and activities include work performed in the congressional arena, relationships with Members of Congress and their staffs, and requests for information, briefings, meetings, hearings, tours, or other forms of assistance received from Congress.

Office of Administration (OA) and Chief Financial Officer (CFO): Oversees all financial operations, procurement, asset management, and budget activities within CBP. OA is responsible for administering \$12.9 billion, that is budgeted annually for law enforcement and trade operations, and processing collections of \$40.9 billion in custodial and entity revenue annually. OA is responsible for administering the broad range of financial management activities delineated under the CFO Act of 1990, including accounting, budgeting, procurement, asset management, financial systems, and financial management.

Office of Human Resources Management (HRM): Manages a centralized human resources program for all CBP employees nationwide and overseas. HRM supervises all matters involving human resources, including organizational structure, staffing, compensation administration, benefits, workplace safety, personnel actions, labor relations, and employee relations. HRM also assists employees by providing recruitment services, retention support, benefits information, and employee health and wellness programs.

Office of Information and Technology (OIT) and Chief Information Officer (CIO): Provides CBP with information, services, and technology solutions to secure the border; prevents the entry of terrorists or terrorist weapons; and facilitates legitimate trade and travel. In addition, OIT operates a worldwide, round-the-clock secure, stable, and high-performance IT infrastructure, while supporting tactical communications, scientific solutions, and forensic services. OIT implements and supports CBP's IT, automation, and technology strategies. OIT personnel manage all computers and related resources, including all operational aspects of the IT Security (cyber security) Program. OIT establishes the technical requirements for system interfaces between CBP and various trade groups and Government agencies and manages matters related to automated import processing and systems development.

Office of Internal Affairs (IA): Serves as the designated Office of Security for CBP and manages a wide range of investigative and security functions and programs, including applicant and employee background investigations and clearances; employee integrity and misconduct investigations; credibility assessments including polygraph examination; operational field testing; integrity awareness and corruption detection; deterrence and prevention of internal corruption; physical, informational,

Overview of CBP

operational, industrial and internal security; management inspections; audit liaison; and cyber security counter intelligence policies, instructions, procedures, control systems, networks and methods. IA's mission promotes the integrity and security of the CBP workforce.

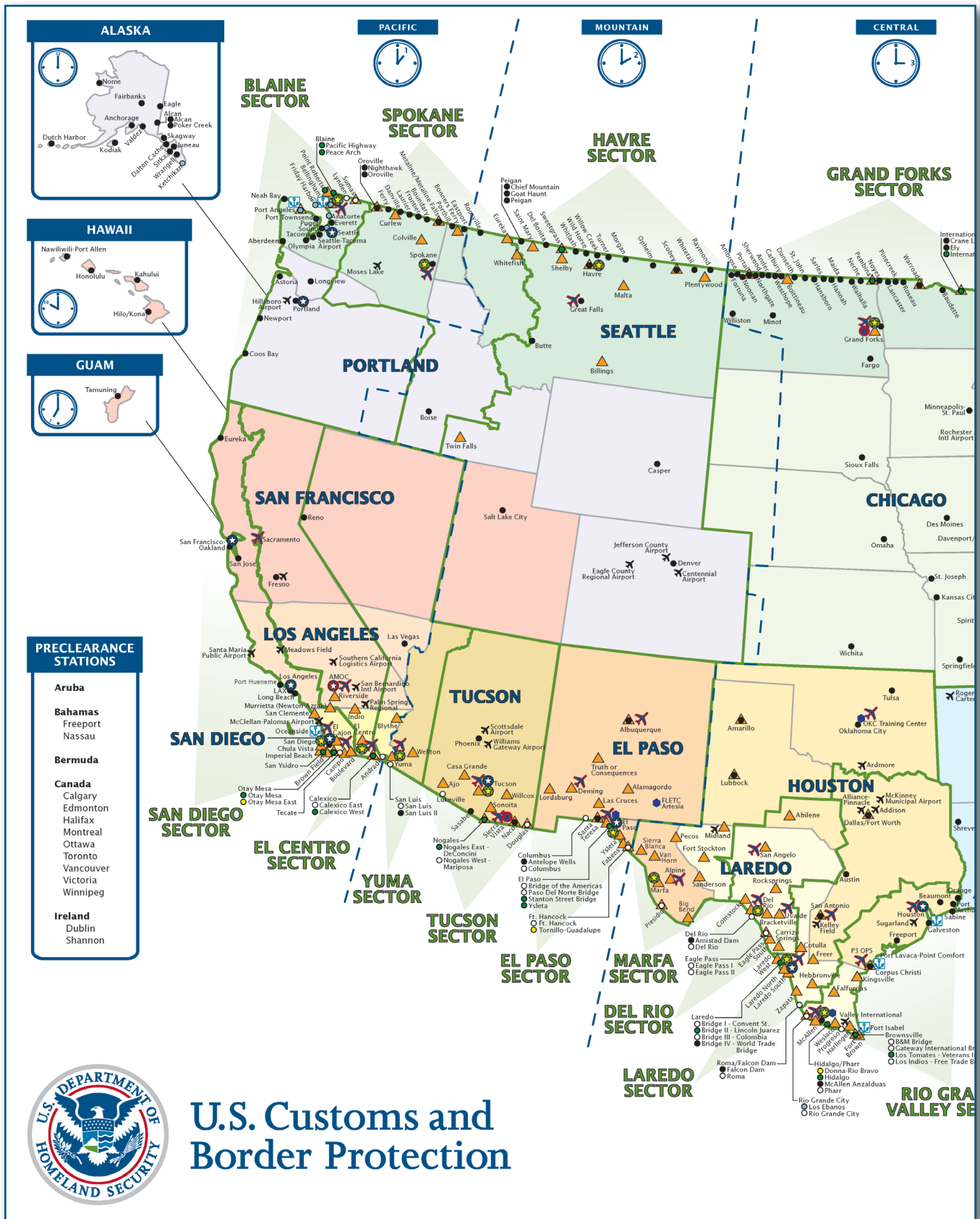
Office of Public Affairs (OPA): Communicates CBP's mission and operations to the agency's chief stakeholders, which includes the American public, foreign nationals who conduct business in the United States, international trade entities, and travelers who cross U.S. borders. Tools used in the national and international public communication process include media outreach and public information campaigns conducted via media events, video, photography, and informational brochures. CBP maintains a public website at (www.cbp.gov) and a national customer service call center, CBP INFO Center, to address public questions and complaints. OPA also keeps the CBP workforce informed through the CBPnet Intranet site, the weekly e-mailed news compilation, "Frontline News," and mass e-mails. A bimonthly newsletter, "CBP Today," is distributed to CBP personnel and other stakeholders nationwide.

Office of Technology Innovation and Acquisition (OTIA): Ensures that all of CBP's applied technology efforts are properly focused on the mission and are well integrated across the agency. In addition, OTIA is charged with strengthening CBP's expertise and effectiveness in acquisition and program management of contractor-delivered products and services. This office is headed by an Assistant Commissioner, who also serves as CBP's Component Acquisition Executive (CAE), providing oversight to all CBP acquisition programs to ensure they are managed in compliance with DHS and CBP regulations and policies.

Office of Training and Development (OTD): Provides centralized leadership and direction to all CBP training programs for the entire workforce. OTD ensures that all training supports the CBP mission and strategic goals and that the workforce is prepared to meet the challenges faced in the performance of mission critical operations by establishing CBP training standards and policies; leading the development, delivery and evaluation of training; and procuring the necessary tools.

This page intentionally left blank.

Overview of CBP



U.S. Customs and Border Protection





Performance Goals and Results

In FY 2011, the Commissioner issued CBP's Missions, Goals, and Priorities, FY 2011–2013, a document that articulates the missions, goals, objectives, and priority initiatives for the Agency. The document was designed to shape planning and policy development for CBP's offices, to guide resource allocation, and to direct the focus and efforts of senior executives.

CBP's Performance Management Framework (PMF) provides CBP with performance management and oversight capabilities that improve the efficiency and effectiveness of CBP programs, initiatives, and operations through improved measurement, analysis, and reporting. The PMF meets reporting and budgeting requirements established by the Office of Management and Budget, the Government Performance and Results Act (GPRA) of 1993, and the GPRA Modernization Act of 2010. The PMF also supports management decision-making processes associated with agency-wide strategic planning, requirements determination, and resource allocation using performance information in the execution of the annual budget.

The associated CBP Performance Measurement Hierarchy contains five levels of performance measures: long-term, strategic, management, operational, and investment measures. The hierarchy sets the foundation for performance measure presentation and reporting.

Long-term level measures are those that cross multiple fiscal years and are not tied to an annual budget. Strategic level measures are used to manage and report accomplishments of DHS strategic goals and objectives, thus demonstrating the value that CBP programs provide to the American people. Management level measures inform internal CBP decision-making processes to determine program priorities, allocate resources, and monitor progress and performance. Operational level measures inform management of the effectiveness and efficiency of individual program operations. Investment level measures are associated with CBP's major capital investments and map to the Federal Enterprise Architecture Performance Reference Model.



Performance Management

Two key pieces of legislation provide the framework for government-wide performance improvement and guide CBP's performance management efforts. The GPRA of 1993 established a foundation for results-oriented planning, measurement, and reporting in the Federal Government. The GPRA Modernization Act of 2010 promoted the consistent use of performance measurement and reporting outcomes to drive management decision-making and resource use.

CBP uses performance measures to assess outputs and outcomes in comparison with desired results, thereby indicating the agency's accomplishments. CBP is dedicated to continuously refining and improving its performance measures. The goal is to ensure that the data it reports internally and externally is useful to senior executives who make programming and funding decisions.

FY 2013 Performance by Mission Set

This section highlights FY 2013 performance objectives and related key performance measures for each of CBP's Mission Sets. Additional performance measures and results are located in the "Performance Section" under "Performance Summary," beginning on page 78.

Mission Set 1: Securing America's Borders

As a frontline border security agency, CBP has a multifaceted and complex mission of protecting the Nation against cross-border violations of various types. All CBP efforts to secure the border, including the mission of enforcing the immigration, customs, trade, agriculture, and other laws of the United States contribute to the mission of thwarting terrorism.

Performance Objective—Secure the U.S. border in areas deemed as high priority for terrorist threat potential or other national security objectives.

CBP will continue its efforts to improve security at and between the POEs by using information and intelligence to focus resources in a more effective, risk-based manner. Providing security along our northern, southern, and coastal borders requires collaboration with CBP international, Federal, state, local, and tribal partners in order to leverage and focus joint resources.

Performance Goals and Results

Measure: Percent of people apprehended multiple times along the Southwest border

Description of Measure: This measure examines the percent of deportable individuals who have been apprehended multiple times by the U.S. Border Patrol. This measure calculates the number of people apprehended multiple times divided by the total number of apprehensions of people during a fiscal year. Effective and efficient application of consequences for illegal border crossers will, over time, reduce overall recidivism.

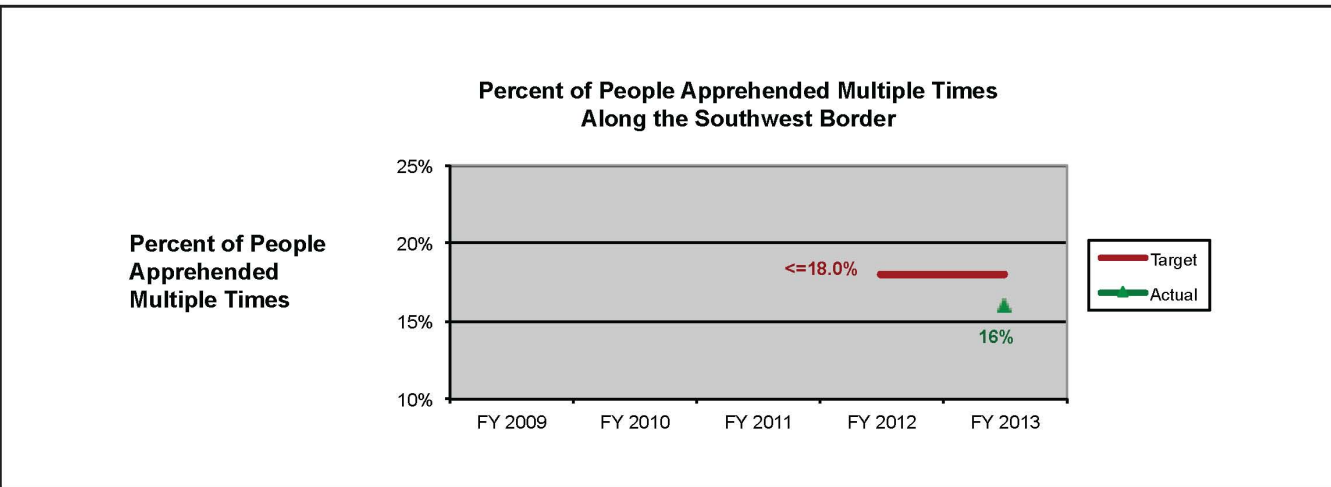
Fiscal Year:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Target:	N/A	N/A	N/A	N/A	≤18.00%
Actual:	N/A	N/A	N/A	N/A	16.00%

Explanation of FY 2013 Results

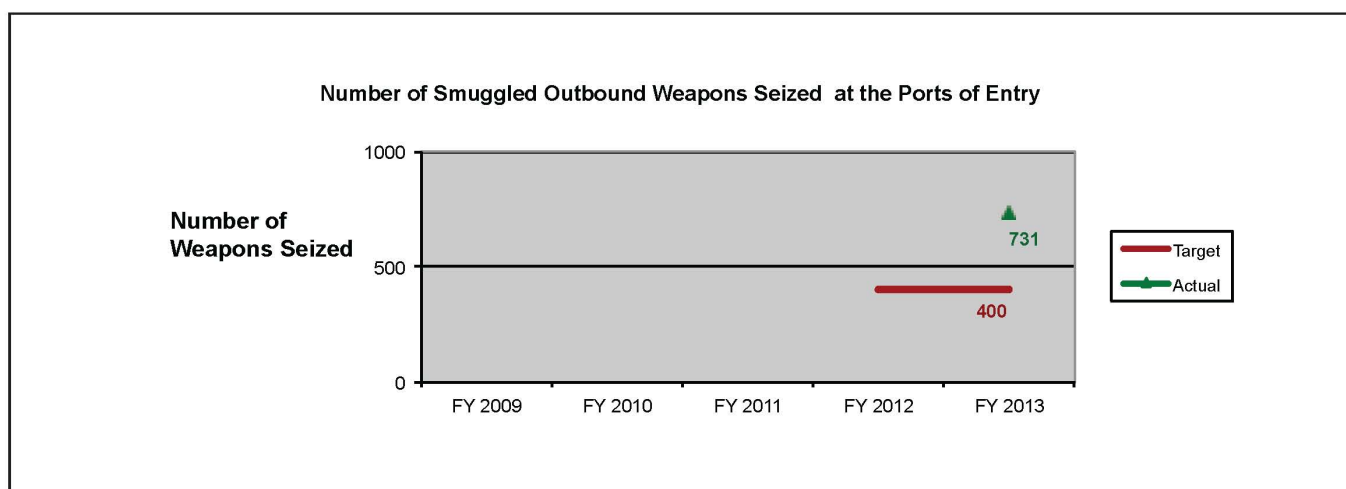
Target Met—Recidivism has decreased since implementation of the Consequence Delivery System, which guides the consistent and systematic application of consequences to aliens that enter the United States illegally. Recidivism fell to 15.80%, exceeding the target of less than or equal to 18%.

Contributing factors to the reduction included 1) reducing the percent of apprehensions resulting in a Voluntary Return—the least effective and efficient consequence—from 59 percent in FY 2010 to 12 percent in FY 2013 2) applying more effective and efficient consequences to illegal aliens with a higher probability of making subsequent illegally entries and 3) an increase in the number of Other than Mexicans attempting to cross the border illegally. This increase in a population that historically has a lower opportunity and capability to attempt multiple illegal entries resulted in lower overall recidivism rate.

Recommended Action N/A



Measure: Number of smuggled outbound weapons seized at the ports of entry					
Description of Measure: This measure provides the total number of illegal weapons seized during outbound inspection of exiting passengers and vehicles, both privately-owned and commercial. Weapons are defined as pistols, rifle-shotgun combinations, rifles, revolvers, shotguns, disguised weapons, machine guns, submachine guns, or machine pistols. This includes assembled weapons as well as major pieces of weapons. Seizing weapons being smuggled for criminal purposes strengthens our border security by preventing the movement of assault weapons and ammunition.					
Fiscal Year:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Target:	N/A	N/A	N/A	N/A	400
Actual:	N/A	N/A	N/A	N/A	731
Explanation of FY 2013 Results		Target Met —This is a cumulative national-level measure with the target specified as the number of weapons to be seized by the end of the year. CBP conducts risk-based outbound enforcement activities on an ongoing basis.			
Recommended Action		N/A			



Mission Set 2: Securing and Expediting the Movement of People and the Flow of Goods

In order to meet the dual goals of security and facilitation, CBP develops and implements programs that expedite the processing of people and goods at land border ports, airports, and seaports, while at the same time securing the global trade environment and strengthening supply chain security. CBP focuses its resources on identifying and responding to high-risk travelers and conveyances. CBP employs a risk-based, layered enforcement approach using accurate advance information; the most advanced inspection, screening, and scanning technology available; modernized systems for

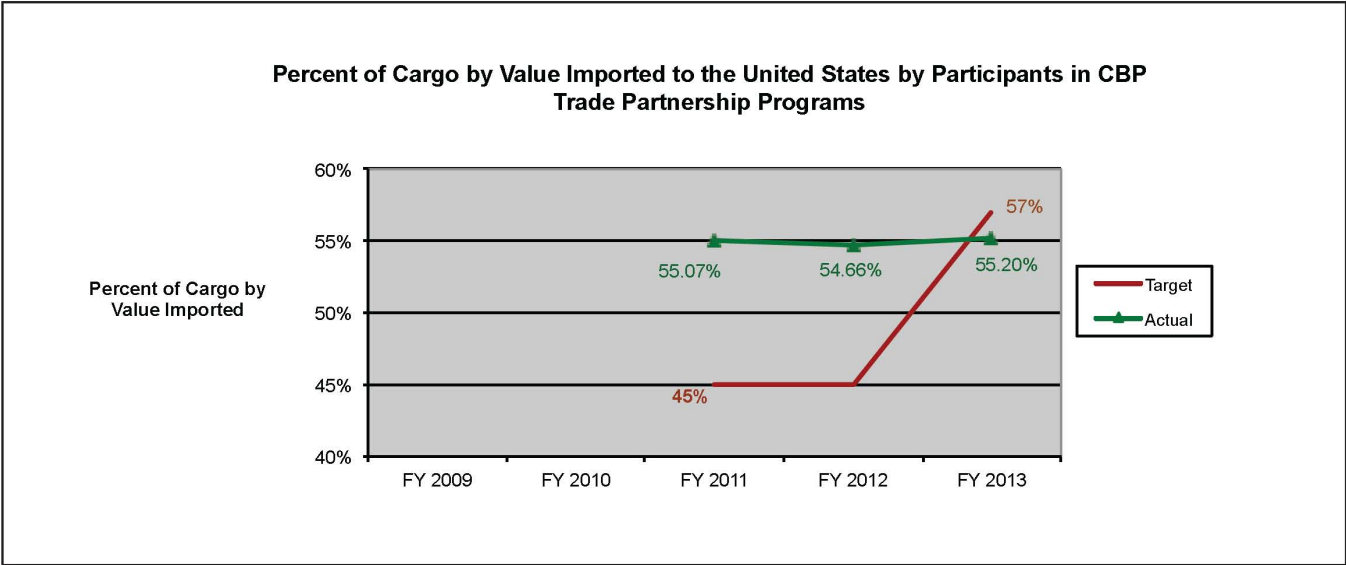
Performance Summary

cargo processing; and international and trade compliance partnership programs. Modern trade practices make it essential for CBP to provide risk-based, predictable, transparent, and efficient procedures for the clearance of goods, while simultaneously addressing increasingly complex trade compliance requirements and evolving security challenges.

Performance Objective—Improve the targeting, screening, and apprehension or seizure of high-risk international travelers and cargo away from the physical border in order to prevent terrorist attacks and criminal activity while expediting the processing of legitimate travelers and cargo.

CBP’s ability to process people, products, and conveyances expeditiously is dependent on its ability to identify high-risk travelers and goods for inspection. High-risk targeting allows law-abiding travelers and commerce to move without unnecessary delay. CBP applies its targeting methods against data to identify which passengers or shipments need to be segregated for closer inspections. CBP uses the Automated Targeting System and associated databases to provide CBP officers (including those stationed overseas) with advance notice of travelers and goods arriving at U.S. POEs, allowing the officers to crosscheck the passenger and cargo manifests against databases such as TECS and the National Crime Information Center.

Measure: Percent of cargo by value imported to the U.S. by participants in CBP trade partnership programs					
Description of Measure: This measure describes the percent of all cargo that is imported from CBP trade partnership programs based on the value compared to total value of all imports. Partnership programs include both Customs–Trade Partnership Against Terrorism and Importer Self-Assessment. CBP works with the trade community through these voluntary public private partnership programs, wherein some members of the trade community adopt tighter security measures throughout their international supply chain and in return are afforded benefits. A variety of trade actors are included in these partnership programs, such as importers, carriers, brokers, consolidators/third-party logistic providers, Marine Port Authority and Terminal Operators, and foreign manufacturers.					
Fiscal Year:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Target:	N/A	N/A	45.00%	45.00%	57.00%
Actual:	N/A	N/A	55.07%	54.66%	55.20%
Explanation of FY 2013 Results	Target Not Met —Although outreach efforts have surpassed expectations, FY 2013 total import value and total entry count are down 0.85 percent and 0.43 percent, respectively from FY 2012, offsetting gains in the number of actual trade partners.				
Recommended Action	CBP will continue to engage with trade partners to increase participation in approved shipper programs.				



Measure: Percent of inbound cargo identified by CBP as potentially high-risk that is assessed or scanned prior to departure or at arrival at a U.S. port of entry					
Description of Measure: This measure gauges the percent of international cargo coming to the United States via air, land, and sea identified as potentially high-risk using the Automated Targeting System that is assessed or scanned prior to lading or at arrival at a U.S. port of entry. Assessing, resolving, and, when necessary, scanning potentially high-risk cargo prior to lading or at arrival at the ports of entry ensures the safety of the U.S. public and minimizes the impact to the trade, through the effective use of risk-focused targeting.					
Fiscal Year:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Target:	N/A	N/A	FOUO	FOUO	FOUO
Actual:	N/A	N/A	FOUO	FOUO	FOUO
Explanation of FY 2013 Results	Target Not Met —This measure gauges the overall percent of inbound cargo in the air and sea environments identified as potentially high risk by the Automated Targeting System that is reviewed, scanned, or otherwise examined prior to lading or at arrival at a U.S. ports of entry. A small percentage of cargo is not reviewed due to status changes en route, information processing and data entry errors, or logistical and scheduling anomalies. The results are For Official Use Only (FOUO).				
Recommended Action	The Office of Field Operations will continue to work with the Targeting & Analysis System Program Office, shippers, and carriers to resolve identified issues and implement permanent process improvements.				

Mission Set 3: Sustaining Investment in People and Capabilities

In order for CBP to remain a successful law enforcement organization, it will invest in its people. This investment includes providing training for CBP agents, officers, and mission support personnel to ensure they are proficient in their job-related skills and are prepared for future leadership opportunities. This investment also includes addressing any integrity issues that may arise.

Performance Objective—Improve mission effectiveness and efficiency by integrating, unifying, and leveraging resources to support CBP’s operational offices.

While the activities that fall under this mission set are important to CBP’s success, CBP does not have GPRA or Strategic measures that align to this mission set due to the mission support nature of its activities. Operational measures exist within this Mission Set and are used in internal decision-making processes.

Management Assurances

Overview

CBP management is responsible for establishing, maintaining, and assessing internal control to provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act, Sections 2 and 4, and the Federal Financial Management Improvement Act are met. CBP also supports DHS compliance with the DHS Financial Accountability Act. Both require an annual assurance statement regarding CBP's management and financial system controls, internal controls over financial reporting, and performance data and its impact on DHS operations. Any reportable conditions, deficiencies, or instances of non-conformance are reported in the statements. Information for this statement is derived from Government Accountability Office (GAO) and DHS Office Inspector General (OIG) audits, independent reviews, and self-assessments conducted by CBP management.

Federal Managers' Financial Integrity Act (FMFIA)

In accordance with FMFIA and Office of Management and Budget Circular A-123, CBP evaluated its management controls and financial management systems for the fiscal year ending September 30, 2013. As a result of this evaluation, CBP is reporting 1 material weakness and 3 instances of non-conformance.

Drawback Controls

CBP's Automated Commercial System (ACS) has inherent limitations in detecting and preventing excessive drawback claims. The strengthening of drawback controls is dependent upon legislation to simplify the drawback process and to revise documentation retention requirements for the trade, and enhancing systems to implement the legislative changes. Until the legislative changes and system improvements are realized, CBP expects Drawback Controls to remain a material weakness.

Financial Systems Security

The DHS OIG continues to identify IT general and application control weaknesses at CBP. A number of issues were resolved during FY 2013 and remediation will continue into FY 2014.

Core Financial Systems

An Accounts Receivable module and data associated with inventory items held for use are not integrated with the CBP general ledger at the transaction level.

Information Technology Infrastructure

A technical assessment to identify issues and analyze associated mission risks of CBP's data center and network technology infrastructure was performed in FY 2012. Remediation efforts initiated in FY 2012 continued during FY 2013.

DHS Financial Accountability Act

The DHS Financial Accountability Act requires an assertion of internal controls over financial reporting. CBP's assessment of internal control over financial reporting included performing tests of operational effectiveness throughout FY 2013 and verification and validation of corrective action effectiveness as of September 30, 2013.

Federal Financial Management Improvement Act (FFMIA)

FFMIA instructs agencies to maintain an integrated financial management system that complies with Federal system requirements, Federal Accounting Standards Advisory Board standards (FAS-AB), and the U.S. Standard General Ledger at the transaction level. Although CBP has made significant improvements toward compliance we cannot claim full compliance because of the deficiencies previously discussed.

Federal Information Security Management Act (FISMA)

FISMA requires agencies to conduct an annual self-assessment review of their IT security programs and to develop and implement corrective actions for identified security weaknesses and vulnerabilities. CBP has completed a comprehensive self-assessment for FY 2013 and can state with reasonable assurance that the IT security controls are compliant with FISMA, with the exception of the items previously discussed.

Systems and Controls

Overview

Data Integrity: CBP is dedicated to providing clear, concise, relevant, and reliable data for managerial decision-making and program management. CBP strives to ensure that the data are both quantifiable and verifiable and provided in a timely manner. In place are internal management controls, including ongoing data reviews, annual self-inspections, audit trails, restricted access to sensitive data, and separation of duties, which are designed to safeguard the integrity and quality of CBP's data resources.

Data Systems and Controls: Performance data for the planned performance measures are generated by automated management information and workload measurement systems and reports as a byproduct of day-to-day operations. All levels of management routinely monitor the data systems and controls. CBP management has reviewed the performance measurement data for FY 2013 and has determined, with reasonable assurance, that the data is complete, accurate, and reliable.

Audit of the FY 2013 CBP Consolidated Financial Statements: To assist the Department in complying with the DHS Financial Accountability Act of 2002, the DHS OIG engaged independent auditors, KPMG LLP, to audit CBP's consolidated financial statements (Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, Combined Statements of Budgetary Resources, and Consolidated Statements of Custodial Activity), hereinafter referred to as the "financial statements." The objective of the audit was to determine whether CBP's financial statements are fairly presented in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. The Independent Auditors' Report can be found on page 135.

Management Inspections Program

As part of its oversight role to promote the integrity, effectiveness, and efficiency of CBP programs and operations, the Office of Internal Affairs, Management Inspections Division (MID), performs management inspections that complement operational monitoring activities performed by CBP component offices; assists leadership in strengthening operations and management; and provides timely, objective, and reliable information and analysis concerning the effectiveness, integrity, and performance of CBP programs, operations, and offices. As part of an integrated inspections program, MID performs office inspections, program evaluations in the areas of core management responsibilities and control activities susceptible to financial, technological, and/or physical vulnerabilities and other analytical assessments of operational or management issues.

MID's work reflects a proactive approach to identifying areas of potential vulnerability or conditions that could hinder the successful accomplishment of CBP operational goals and objectives. During FY 2013, MID issued a total of 58 reports, presenting CBP executive managers with 722 recommendations to address operational, financial or administrative deficiencies identified during inspection activity.

Self-Inspection Program

The Self-Inspection Program (SIP), administered by the Office of Internal Affairs, MID, is one of the mechanisms through which CBP monitors agency performance, the adherence to established operational requirements, and the accomplishment of strategic goals and program objectives. The SIP promotes management accountability and strengthens the oversight of programs and operations. SIP also helps CBP meet Federal internal controls requirements established by the Federal Managers' Financial Integrity Act, OMB Circular A-123, and the Department of Homeland Security Financial Accountability Act.

Under SIP, CBP managers and supervisors annually conduct self-assessment activities, requiring them to verify that agency programs and operations have been implemented properly and effectively. In conducting the self-assessments, CBP managers' report on the implementation of policies and procedures applicable to the operational, financial, and administrative functions reviewed through SIP.

During the SIP cycle, CBP managers complete, certify, and approve the self-inspection worksheets related to the functions and activities under their control. Responses indicating compliance and non-compliance with the requirements, along with information supporting the responses, are recorded in the web-based Self-Inspection Reporting System. Managers reporting non-compliance with, or inconsistent implementation of, policies and procedures are required to implement corrective action to resolve each deficient condition in a timely manner.

On a national level, the analysis of self-inspection results allows executive managers and national program managers to gauge the level of compliance with critical program management controls; identify programmatic issues that require national attention; and provide appropriate guidance to CBP offices and managers. For the current reporting cycle, nearly 1,800 managers in approximately 700 CBP Headquarters and Field Offices performed self-assessment activities researching, certifying, and /or approving the results of office self-inspections. CBP managers completed 13,791 self-inspection worksheets by answering a total of 86,379 questions.

Audit Management and Liaison

The MID Audit Management and Liaison team serves as the agency liaison to the GAO and the DHS OIG providing oversight concerning audits and reviews of CBP programs and operations. The Audit Management and Liaison team facilitates meetings between external auditors and CBP personnel, ensures timely responses to auditor requests for documents and interviews, coordinates CBP responses to audit findings and reports, tracks the status of required corrective actions, provides agency-wide audit training, and keeps senior leadership informed of high-profile audits and reviews.

In FY 2013, CBP had 197 ongoing GAO and OIG audits. Of these audits, GAO initiated 41 new audits (73 audits were carried over from previous years) and issued 36 reports containing 30 recommendations. DHS OIG initiated 33 new audits (50 audits were carried over from previous years) and issued 21 reports containing 23 recommendations. As of the end of FY 2013, CBP has 131 open recommendations.

Financial Management

Overview

CBP strives to be a leader in financial management by providing high-quality, cost-efficient services through customer involvement and modern, integrated financial systems. CBP is positioning to become a shared accounting service provider to other DHS components. CBP's goal is to continuously develop and implement more effective and efficient methods to obtain, manage, and deliver the financial resources, capital assets, and financial services required to meet or exceed the needs of customers and stakeholders. Because CBP is also a revenue-collection agency, it is imperative that it accurately identify amounts owed to CBP and efficiently and effectively collect, report, and account for revenue.

Providing top-quality financial management services includes translating workloads and requirements into budget requests for needed resources, allocating and distributing funds after resources are made available, acquiring and distributing goods and services used to accomplish the CBP mission, managing and paying for those goods and services, and reporting on the costs and use of personnel, goods, and services.

For FY 2013, CBP continues to use SAP as its financial software. SAP is an Enterprise Resource Planning (ERP) solution that integrates budget formulation, budget execution, acquisition through the disposal of assets, requisition through payment, billing to collection of receivables, and business intelligence. SAP integrates business processes and reporting within one system, thereby eliminating unnecessary data entry, ensuring data accuracy, and enabling single system reporting and analytical reporting. SAP ensures that CBP complies with Federal Government standards and regulations for financial management systems. This single integrated solution supports program types eliminating data redundancy and inefficiencies.

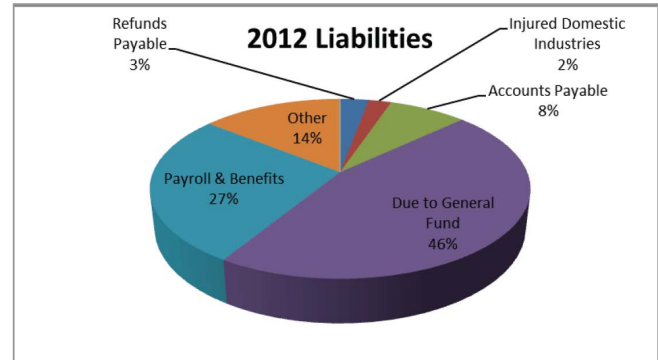
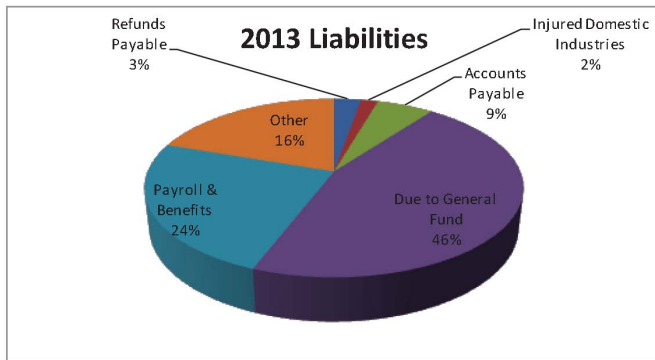
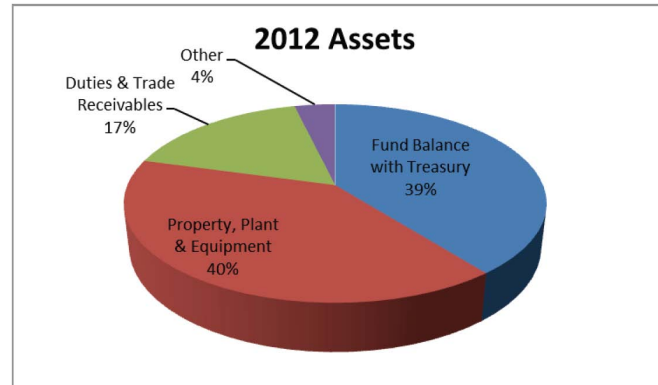
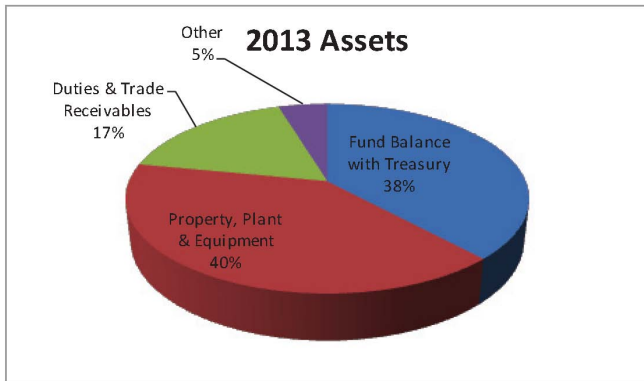
Overview of the Financial Statements

The financial statements and footnotes appear in the "Financial Section" of this report on pages 89 through 128. The financial statements have been audited by the independent auditor engaged by the DHS OIG, KPMG LLP, who determined that the financial statements are fairly presented in accordance with GAAP.

Consolidated Balance Sheet

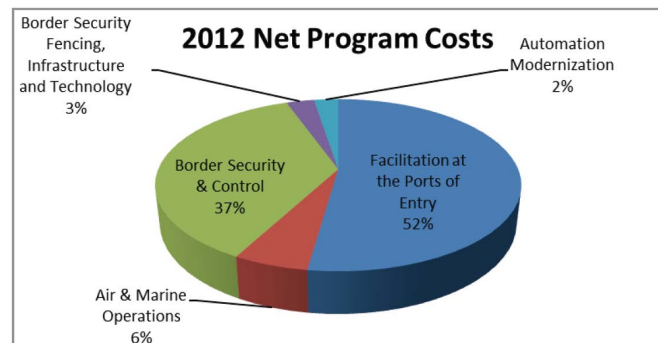
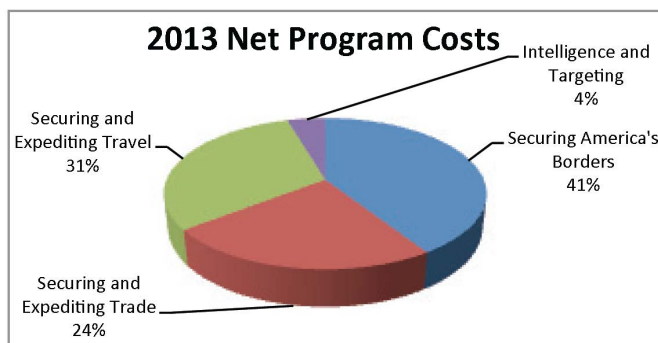
The Consolidated Balance Sheet presents the property owned by CBP (assets), amounts owed by CBP (liabilities), and the amounts of the difference (net position). As of September 30, 2013, total assets were \$15.5 billion, a 2 percent decrease from FY 2012. As of September 30, 2013, total liabilities were 6 billion, a decrease of 1 percent over FY 2012. The assets and liabilities charts present a comparison of the major categories as a percentage of the totals for FY 2013 and FY 2012.

Financial Management



Consolidated Statement of Net Cost

The Consolidated Statement of Net Cost presents the net cost of the major CBP programs as they relate to the goals of the 2009–2014 Strategic Plan. The gross cost less any offsetting revenue for each program equals net cost of operations. Net cost of operations was \$12.6 billion. In FY 2013, CBP changed the program structure for reporting costs and revenue associated with accomplishing CBP’s mission goals. The FY 2012 presentation was not restated in the FY 2013 format because the FY 2013 programs are not applicable for FY 2012 reporting; therefore, the FY 2012 chart below is presented following the FY 2012 programs. For further information, see the Notes to the Financial Statements.



Consolidated Statement of Changes in Net Position

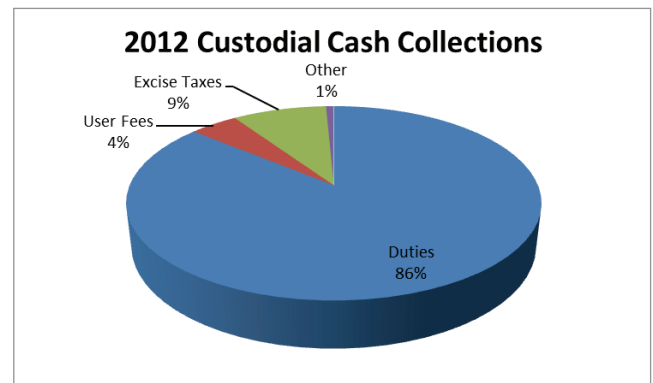
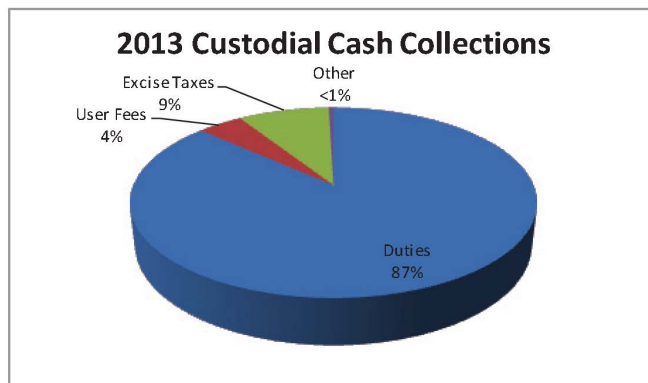
The Consolidated Statement of Changes in Net Position represents those accounting transactions that caused the net position of the balance sheet to change from the beginning to the end of the reporting period. CBP's net cost of operations serves to reduce the net position. Appropriations used totaled \$8.0 billion, representing 63 percent of CBP's total financing sources. CBP collected and retained \$3.8 billion of non-exchange revenue, amounting to 30 percent of total financing sources, which was used to fund CBP operations.

Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources illustrates how budgetary resources were made available, as well as their status at the end of FY 2013. CBP had \$16.2 billion in budgetary resources, of which \$1.3 billion were unobligated. CBP incurred obligations of \$14.9 billion and recorded \$15.1 billion in gross outlays by the end of the Fiscal Year.

Consolidated Statement of Custodial Activity

The Consolidated Statement of Custodial Activity presents non-entity (financial activity conducted by CBP on behalf of others) revenue and refunds using a modified cash basis. This method reports revenue from cash collections separately from receivable accruals, and cash disbursements are reported separately from payable accruals. The custodial revenue, using the modified cash basis, for FY 2013 was \$36.8 billion.



Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of the operations of CBP, pursuant to the requirements of 31 U.S.C. 3515(b). While the financial statements have been prepared from the books and records of CBP in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The financial statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity.

This page intentionally left blank.



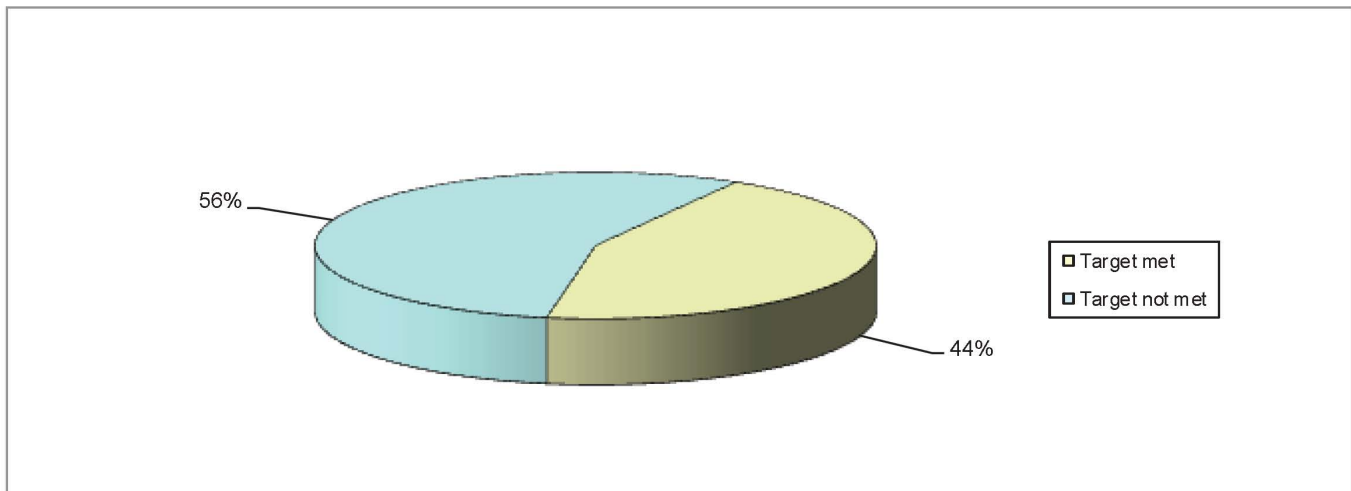
Performance Section

This section provides information on CBP's progress in achieving performance goals and objectives.

Performance Summary

The charts below highlight CBP's success in achieving FY 2013 performance goals. The performance measures are established as an integral part of CBP's Missions, Goals, and Priorities, FY 2011-2013 document, the Quadrennial Homeland Security Review, and the DHS Future Years Homeland Security Program (FYHSP). The measurement data is collected through various systems and methods and then entered into the FYHSP System for tracking and compiling for management decision-making and year-end reporting.

FY 2013 Performance Summary



Security, threat, and risk analyses often necessitate changes in the agency's focus. CBP performance measures continue to evolve to better reflect operational functions and alignment with critical missions.

For FY 2013, CBP has 9 GPRA performance measures that support CBP's Missions, Goals, and Priorities, FY 2011-2013 document. Of the 9 performance measures, 4 were met and 5 were not met. The performance data presented in this report is in accordance with the guidance provided by OMB. The data integrity discussion in the "Systems and Controls" section of the "Management's Discussion and Analysis" (page 71) describes CBP's commitment to providing quality and timely performance information to increase its value to CBP management and interested parties. CBP managers routinely use this data to improve the quality of program management and demonstrate accountability of program results.

Individual Performance Measure Results

This section describes CBP’s FY 2013 results for each GPRA performance measure by the CBP Mission Set and performance objective they support. Although some of the performance measures may relate to more than one performance objective, each performance measure was aligned under the single objective considered most relevant or meaningful. Discussions of the key performance measures can be found in the “Management’s Discussion and Analysis” section under “Performance Goals and Results,” beginning on page 62.

Mission Set 1: Securing America’s Borders

Performance Objective—Secure the U.S. border in areas deemed as high priority for terrorist threat potential or other national security objectives.

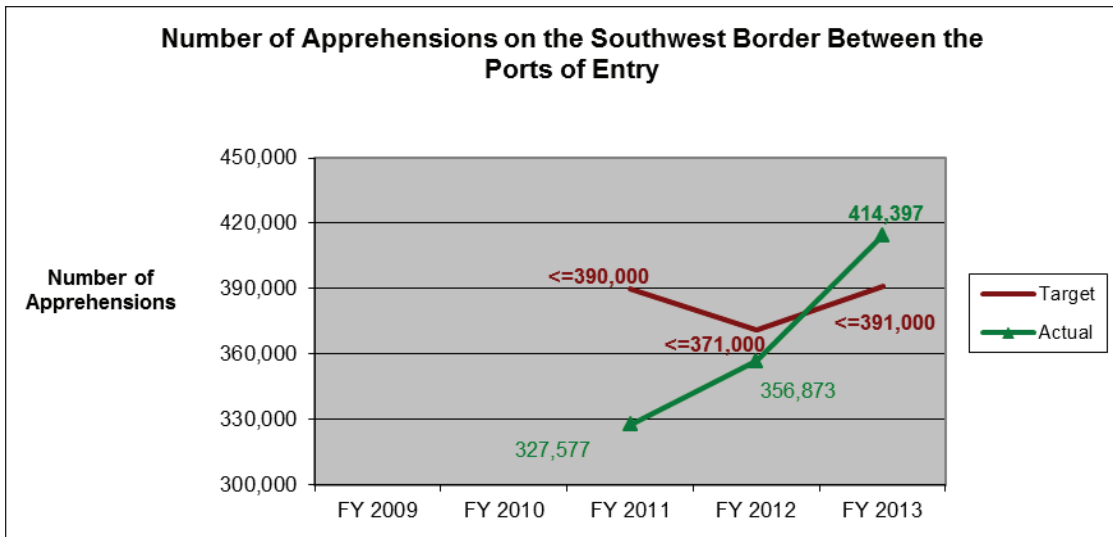
The measures aligned to this Mission Set show CBP’s effectiveness in securing the border and achieving the Mission Set’s performance objective. For example, there is a correlation between the “Number of apprehensions on the Southwest Border between the ports of entry” and the number of unlawful migrants attempting to cross the Southwest Border. By effectively utilizing a combination of additional personnel, technology, and infrastructure; delivering appropriate consequences to repeat offenders; and leveraging partnerships, CBP can decrease the “Number of apprehensions on the Southwest Border between the ports of entry” and ultimately decrease the number of unlawful migrants attempting to cross the Southwest Border as a result of deterrence. CBP is also screening southbound vehicle traffic for the illegal weapons and cash that are helping fuel the cartel violence in Mexico. The “Amount of currency seized on exit from the United States” and the “Number of weapons seized on exit from the United States” show the results of CBP’s efforts in this area.

Measure: Percent of people apprehended multiple times along the Southwest border	
Explanation of FY 2013 Results	Target Met —See page 64 for results and detailed discussion

Measure: Number of smuggled outbound weapons seized at the ports of entry.	
Explanation of FY 2013 Results	Target Met —See page 65 for results and detailed discussion

Performance Summary

Measure: Number of apprehensions on the Southwest Border between the ports of entry					
Description of Measure: Protection of our Southwest border against threats from illicit cross-border activity is a key element needed to secure our country. In recent years, the Border Patrol has worked to reduce the level of threat along the border by strategically positioning personnel, technology, and defensive infrastructure; developing strong partnerships with law enforcement partners on both sides of the border; and providing a deterrent by increasing consequences to repeat offenders. One noted change to the border environment, credited in part to improved border enforcement, is a reduction in apprehensions made by Border Patrol agents along the border. Our efforts for the coming years will focus on maintaining improvements made, while striving to gradually reduce apprehensions even more. Unforeseen changes in migration patterns to the United States—influenced by events such as dramatic economic impacts to a country or region or natural disasters—could alter our projections of apprehensions.					
Fiscal Year:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Target:	N/A	N/A	≤ 390,000	≤ 371,000	≤391,000
Actual:	N/A	N/A	327,577	356,873	414,397
Explanation of FY 2013 Results	Target Not Met —CBP’s U.S. Border Patrol made 414,397 apprehensions on the Southwest border between ports of entry in FY 2013. This remains low historically, but represents an increase of 16 percent over FY 2012. A combination of factors influenced the rise, including improvement in the U.S. economy, an increase in attempts by persons from countries other than Mexico due to U.S./foreign economic factors and emigration/immigration dynamics from sending/transit countries, and possible change in attempts due to perceptions surrounding immigration reform legislation.				
Recommended Action	This measure was originally introduced to gauge short-term impacts of enforcement improvements along the Southwest Border, where apprehensions have historically been high. Due to its short-term focus, this measure will be retired and replaced with an Interdiction Effectiveness Rate measure, which better evaluates U.S. Border Patrol’s ability to apprehend or turn back would-be illegal entrants.				



Measure: Percent of detected conventional aircraft incursions resolved along all borders of the United States

Description of Measure: The measure represents the percent of conventional aircraft, once detected visually or by radar, that are suspected of illegal cross border activity and are brought to a successful law enforcement resolution. In some cases, Office of Air and Marine assets are launched to interdict the aircraft. In most cases, resolution of the aircraft identity is made by the Air and Marine Operations Center working with interagency partners, such as the Federal Aviation Administration. If the incursion is deemed legal, OAM considers the incursion resolved. If AMOC could not identify that target in working with our partners, including OAM assets, the incursion is deemed unresolved and is thus considered illegal.

Fiscal Year:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Target:	N/A	N/A	100.00%	100.00%	100.00%
Actual:	N/A	N/A	95.30%	96.04%	99.30%

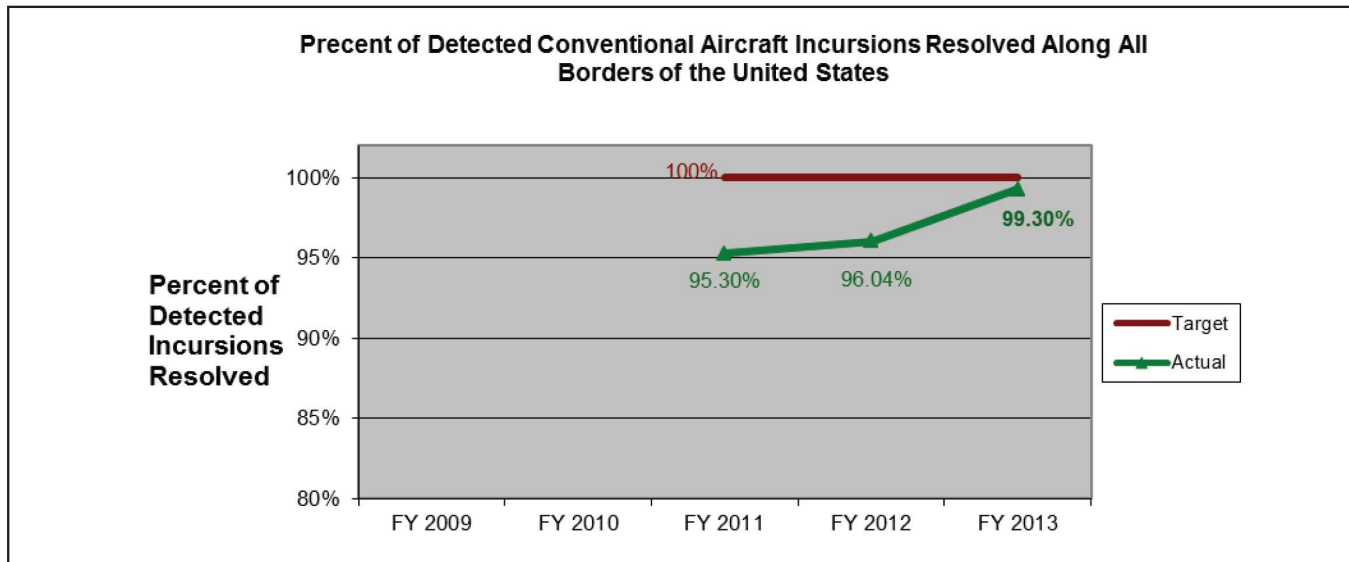
Explanation of FY 2013 Results

Target Not Met—FY 2013 totals were 286 of 288 border incursions resolved. The two unresolved aircraft (down from 12 in FY 2012) were visually spotted by Border Patrol/Office of Field Operations agents on the northern border and reported to Air Marine Operations Center who did not have radar data and could not identify the targets.

Recommended Action

The Air and Marine program will continue to evaluate and improve tactics, techniques, and procedures to track and resolve visually detected incursions in order to bring individuals that commit illegal incursions to a successful law enforcement resolution. With these limiting factors in consideration, AMOC continuously improves processes and partnerships and ingests new technologies that can mitigate our vulnerabilities and gaps thus reducing the number of “unresolved” aircraft incursions.

Performance Summary



Mission Set 2: Securing and Expediting the Movement of People and the Flow of Goods

Performance Objective—Improve the targeting, screening, and apprehension or seizure of high-risk international travelers and cargo away from the physical border in order to prevent terrorist attacks and criminal activity while expediting the processing of legitimate travelers and cargo.

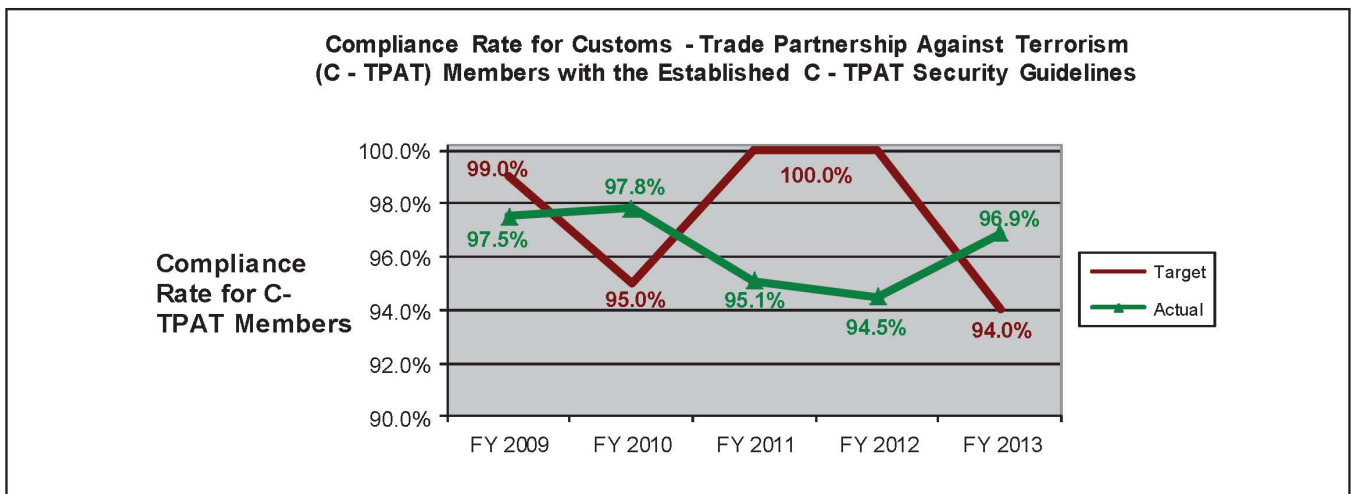
The measures aligned to this Mission Set are focused on showing CBP’s effectiveness in preventing terrorist attacks and criminal activity while expediting the flow of people and goods. In order to achieve the performance objective, CBP has established several programs and initiatives. In 2001, CBP established the Customs-Trade Partnership Against Terrorism (C-TPAT) program as a voluntary government-business initiative to build cooperative relationships that strengthen and improve over all international supply chain and U.S. border security. By C-TPAT members complying with established security standards, CBP can expedite members’ shipments and focus on screening high-risk cargo. The “Compliance rate for C-TPAT members with the established C-TPAT security guidelines” shows the percent of C-TPAT members that were in compliance with the established security standards during their periodic validation.

In addition, CBP has established revenue collection as a Priority Trade Issue (PTI). To avoid the full payment of lawfully owed duties and fees to the U.S. Government, importers are prone to use a variety of circumvention schemes. The “Percent of import revenue successfully collected” shows how effective CBP was in the past year in collecting the revenue that was due to the U.S.

Measure: Compliance rate for Customs - Trade Partnership Against Terrorism (C - TPAT) members with the established C - TPAT security guidelines

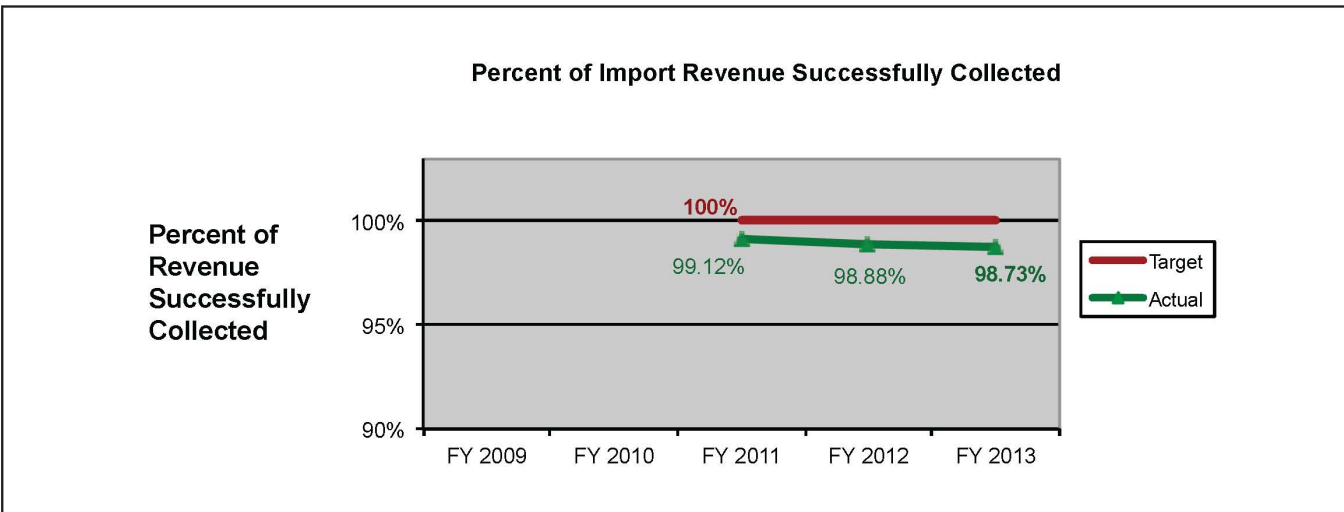
Description of Measure: This measure provides the overall compliance rate achieved for all validations performed during the Fiscal Year. After acceptance into the Customs - Trade Partnership Against Terrorism program, all C - TPAT members must undergo a periodic validation in which U.S. Customs and Border Protection examiners visit company locations and verify compliance with an industry - specific set of CBP security standards and required security practices. These validations are prepared using a weighted scoring system that is used to develop an overall compliance rate for each company. Compliance with security guidelines enhances the security of cargo shipped to the U.S.

Fiscal Year:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Target:	99.00%	95.00%	100.00%	100.00%	94.00%
Actual:	97.50%	97.80%	95.10%	94.50%	96.89%
Explanation of FY 2013 Results	Target Met —C-TPAT worked with partner companies to successfully explain the enhanced security criteria implemented over the past few years and ensure they understood the validation requirements applicable to their organization.				
Recommended Action	N/A				

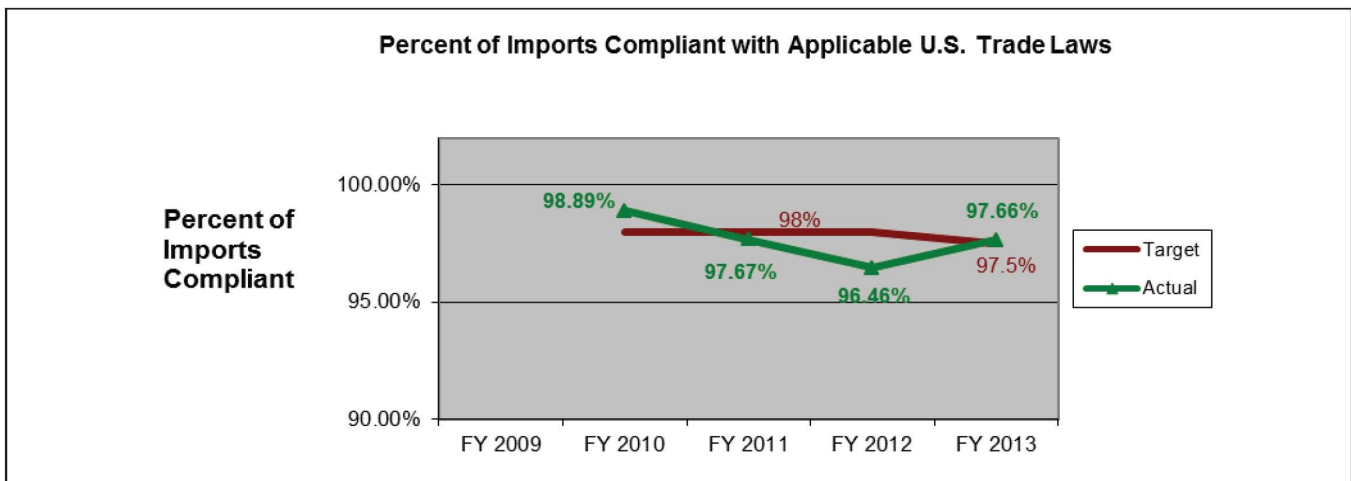


Performance Summary

Measure: Percent of Import Revenue Successfully Collected					
Description of Measure: This measure estimates the collected duties, taxes, and fees (called net under-collection of revenue) expressed as a percent of all collectable revenue due from commercial imports to the United States directed by trade laws, regulations, and agreements. The total collectable revenue is total collected revenue plus the estimated net under-collected revenue based on trade violations. The revenue gap is a calculation of uncollected duties (the difference between estimated under-collection and overpayment) based on statistical sampling.					
Fiscal Year:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Target:	N/A	N/A	100.00%	100.00%	100.00%
Actual:	N/A	N/A	99.12%	98.88%	98.73%
Explanation of FY 2013 Results		Target Not Met —The number of major transactional classification discrepancies identified during the random sampling process increased resulting in a decrease in revenue collected.			
Recommended Action		CBP will target importers to resolve classification errors and apply various enforcement techniques to collect the owed revenue.			



Measure: Percent of imports compliant with applicable U.S. trade laws					
Description of Measure: This measure reports the percent of imports that are compliant with U.S. trade laws including customs revenue laws. Ensuring that all imports are compliant and free of major discrepancies allows for lawful trade into the U.S.					
Fiscal Year:	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Target:	N/A	98.00%	98.00%	98.00%	97.50%
Actual:	N/A	98.89%	97.67%	96.46%	97.66%
Explanation of FY 2013 Results	Target Met —CBP through ISA/CTPAT programs and Centers for Excellence and Expertise instituted this FY 2013 - closely monitored importers to reduce the non-compliance rates.				
Recommended Action	N/A				



Measure: Percent of cargo by value imported to the U.S. by participants in CBP trade partnership programs	
Explanation of FY 2013 Results	Target Not Met —See page 66 for results and detailed discussion

Measure: Percent of inbound cargo identified by CBP as potentially high-risk that is assessed or scanned prior to departure or at arrival at a U.S. port of entry.	
Explanation of FY 2013 Results	Target Not Met —See page 67 for results and detailed discussion

Mission Set 3: Sustaining Investment in People and Capabilities

Performance Objective—Improve mission effectiveness and efficiency by integrating, unifying, and leveraging resources to support CBP’s operational offices.

While the activities that fall under this Mission Set are important to CBP’s success, CBP does not have GPRA or Strategic measures that align to this Mission Set, due to the mission support nature of its activities. Operational measures exist within this Mission Set and are used in internal decision-making processes.



Financial Section

This section presents CBP's audited comparative financial statements, related note disclosures, and Independent Auditors' Report.

Message from the Chief Financial Officer



Each and every day, U.S. Customs and Border Protection (CBP) works assiduously to secure our Nation's borders and facilitate lawful international trade and travel while enforcing U.S. laws and regulations. In challenging times, such as this past fiscal year, CBP continued to focus on the mission priorities while promoting efficiencies across the Agency and making optimal use of CBP's resources. CBP's ability to efficiently and effectively manage resources in support of this mission includes providing citizens with timely, reliable, and useful financial and performance information. It also includes the information and analytics that facilitates informed decision-making by Departmental leadership and key stakeholders.

The purpose of this report is to provide a comprehensive assessment of our Agency's financial performance and report on our stewardship of CBP's resources in support of our mission of securing the United States and facilitating our Nation's prosperity during Fiscal Year (FY) 2013.

CBP received an Unmodified Audit Opinion on its FY 2013 Financial Statements. This is CBP's eighth Unmodified Audit Opinion, a track record that the Agency is very proud of and dedicated to preserving. The FY 2013 Financial Statement audit results identified financial management improvements, such as enhanced controls over and improved management and accountability of property, plant, and equipment, and a reduction in the number of information technology control issues.

I can provide reasonable assurance that CBP achieved the objectives of Section 2 (Management Controls) and Section 4 (Financial Management Systems) of the Federal Managers' Financial Integrity Act with certain exceptions identified as part of CBP's Management Assurance. CBP is committed to addressing all of our financial management challenges by continuing to implement corrective measures designed to improve our oversight and accountability. CBP is implementing an enhanced risk management framework that prioritizes and addresses financial risks and business process weaknesses. The risk management framework will compel a more strategic view of business risk management and will result in improved coordination over distributed business processes, targeted corrective action planning, and more effective utilization of resources devoted to addressing internal controls.

CBP will continue to be challenged by the issues relating to custodial revenue and drawback. The control issues associated with drawback cannot be fully resolved without legislative changes and costly system enhancements; however, we continue to identify and implement management improvements in the custodial revenue areas where these limitations exist.

The diligent work of employees across CBP allows us to maintain our high standards of financial stewardship. Specifically, the Office of Administration is focused on mission first and stewardship always. A key component of these efforts is to provide timely, reliable, and useful financial management information to the U.S. Congress and the American public, and enable the managers across CBP to make smart business decisions.

Deborah J. Schilling
Deborah J. Schilling

Financial Statements

Introduction

The financial statements have been audited by the independent auditor engaged by the DHS OIG, KPMG LLP, who determined that the financial statements are fairly presented in accordance with GAAP.

- The **Consolidated Balance Sheets** present the property owned by CBP (assets), amounts owed by CBP (liabilities), and the amounts of the difference (net position).
- The **Consolidated Statements of Net Cost** present the net cost of the major CBP programs as they relate to the goals of the 2009–2014 Strategic Plan.
- The **Consolidated Statements of Changes in Net Position** represent those accounting transactions that caused the net position of the balance sheet to change from the beginning to the end of the reporting period. CBP's net cost of operations serves to reduce the net position.
- The **Combined Statements of Budgetary Resources** illustrate how and in what amounts budgetary resources were made available, as well as their status at the end of FY 2013.
- The **Consolidated Statements of Custodial Activity** present non-entity (financial activity conducted by CBP on behalf of others) revenue and refunds using a modified cash basis.

Financial Statements

Customs and Border Protection
Consolidated Balance Sheets
As of September 30, 2013 and 2012
(in Thousands)

	2013	2012
ASSETS (Note 2)		
Intra-governmental:		
Fund Balance with Treasury (Note 3)	\$ 5,922,817	\$ 6,248,505
Accounts Receivable	26,584	17,788
Advances and Prepayments (Note 11)	133,918	175,601
Total Intra-governmental	\$ 6,083,319	\$ 6,441,894
Cash and Other Monetary Assets (Note 4)	4,966	3,632
Accounts Receivable, Net (Note 5)	363,444	202,180
Taxes, Duties and Trade Receivables, Net (Note 6)	2,682,007	2,700,465
Inventory and Related Property, Net (Note 7)	198,365	190,712
General Property, Plant and Equipment, Net (Note 9)	6,198,917	6,337,045
Other Assets (Note 11)	429	233
TOTAL ASSETS	\$15,531,447	\$15,876,161
Stewardship Property, Plant and Equipment (Note 10)		
LIABILITIES (Note 12)		
Intra-governmental:		
Accounts Payable	\$ 201,859	\$ 238,091
Other		
Due to the Treasury General Fund	2,758,418	2,783,682
Accrued Federal Employees' Compensation Act Liability (Note 12)	165,071	153,378
Other Employment Liabilities (Note 12)	322	674
Employee Benefits and Taxes	131,955	119,128
Advances From Others	1,519	2,024
Total Intra-governmental	\$ 3,259,144	\$ 3,296,977
Accounts Payable	347,919	241,941
Environmental and Disposal Liabilities (Notes 12 and 14)	17,524	17,610
Other		
Accrued Payroll and Benefits (Note 13)	1,475,399	1,638,595
Refunds Payable (Note 15)	167,524	176,910
Deferred Revenue	45,124	--
Injured Domestic Industries (Note 15)	105,052	140,374
Liabilities for Deposit Accounts	250,328	203,369
Legal Contingent Liabilities (Note 17)	381,572	374,452
TOTAL LIABILITIES	\$ 6,049,586	\$ 6,090,228
Commitments and Contingencies (Note 17)		
NET POSITION:		
Unexpended Appropriations	3,340,275	3,809,738
Cumulative Results of Operations – Funds from Dedicated Collections (Note 18)	641,492	434,672
Cumulative Results of Operations – Other Funds	5,500,094	5,541,523
TOTAL NET POSITION	\$ 9,481,861	\$ 9,785,933
TOTAL LIABILITIES AND NET POSITION	\$15,531,447	\$15,876,161

The accompanying notes are an integral part of these financial statements.

Customs and Border Protection
Consolidated Statement of Net Cost
For the Year Ended September 30, 2013
(in Thousands)

	2013
Securing America's Borders	
Gross Cost	\$ 5,142,124
Less: Earned Revenue	9,251
Net Program Costs	\$ 5,132,873
 Securing and Expediting Trade	
Gross Cost	3,101,084
Less: Earned Revenue	137,613
Net Program Costs	\$ 2,963,471
 Securing and Expediting Travel	
Gross Cost	3,973,194
Less: Earned Revenue	90,662
Net Program Costs	\$ 3,882,532
 Intelligence and Targeting	
Gross Cost	574,881
Less: Earned Revenue	2,656
Net Program Costs	\$ 572,225
 Total Gross Cost	12,791,283
Less: Total Earned Revenue	240,182
Net Cost of Operations (Notes 19 and 20)	\$12,551,101

The accompanying notes are an integral part of these financial statements.

Financial Statements

Customs and Border Protection
Consolidated Statement of Net Cost
For the Year Ended September 30, 2012
(in Thousands)

	2012
Border Security Inspections and Trade Facilitation at Ports of Entry	
Gross Cost	\$ 6,609,914
Less: Earned Revenue	161,474
Net Program Costs	\$ 6,448,440
 Border Security and Control Between Ports of Entry	
Gross Cost	4,634,941
Less: Earned Revenue	110,197
Net Program Costs	\$ 4,524,744
 Border Security Fencing, Infrastructure and Technology	
Gross Cost	362,052
Less: Earned Revenue	167
Net Program Costs	\$ 361,885
 Automation Modernization	
Gross Cost	315,615
Less: Earned Revenue	(1)
Net Program Costs	\$ 315,616
 Air and Marine Operations	
Gross Cost	700,205
Less: Earned Revenue	6,296
Net Program Costs	\$ 693,909
 Total Gross Cost	12,622,727
Less: Total Earned Revenue	278,133
Net Cost of Operations (Notes 19 and 20)	\$12,344,594

The accompanying notes are an integral part of these financial statements.

Financial Statements

Customs and Border Protection
Consolidated Statement of Changes In Net Position
For the Year Ended September 30, 2013
(in Thousands)

	FY 2013		
	Funds from Dedicated Collections	All Other Funds	Consolidated Total
Cumulative Results of Operations:			
Beginning Balances	\$ 434,672	\$ 5,541,523	\$ 5,976,195
Budgetary Financing Sources:			
Appropriations Used	--	8,015,477	8,015,477
Non-exchange Revenue (Note 21)	605,005	7,754	612,759
Transfers In/Out Without Reimbursement (Note 21)	(2,284,561)	2,527,939	243,378
Other Financing Sources (Non-exchange):			
Transfers In/Out Without Reimbursement	--	36,425	36,425
Imputed Financing	--	598,159	598,159
Other (Note 21)	3,046,620	163,674	3,210,294
Total Financing Sources	\$ 1,367,064	\$ 11,349,428	\$ 12,716,492
Net Cost of Operations	(1,160,244)	(11,390,857)	(12,551,101)
Net Change	\$ 206,820	\$ (41,429)	\$ 165,391
Cumulative Results of Operations	\$ 641,492	\$ 5,500,094	\$ 6,141,586
Unexpended Appropriations:			
Beginning Balance	\$ --	\$ 3,809,738	\$ 3,809,738
Budgetary Financing Sources:			
Appropriations Received (Note 24)	--	8,200,559	8,200,559
Appropriations Transferred In/Out	--	28,767	28,767
Other Adjustments	--	(683,312)	(683,312)
Appropriations Used	--	(8,015,477)	(8,015,477)
Total Budgetary Financing Sources	\$ --	\$ (469,463)	\$ (469,463)
Total Unexpended Appropriations	\$ --	\$ 3,340,275	\$ 3,340,275
Net Position	\$ 641,492	\$ 8,840,369	\$ 9,481,861

The accompanying notes are an integral part of these financial statements.

Financial Statements

Customs and Border Protection
Consolidated Statement of Changes In Net Position
For the Year Ended September 30, 2012
(in Thousands)

	FY 2012		
	Funds from Dedicated Collections	All Other Funds	Consolidated Total
Cumulative Results of Operations:			
Beginning Balances	\$ 1,000,085	\$ 4,513,712	\$ 5,513,797
Adjustment:			
Change in Accounting Principle (Note 22)	(639,940)	639,940	--
Beginning Balances, as adjusted	360,145	5,153,652	5,513,797
Budgetary Financing Sources:			
Appropriations Used	--	8,390,572	8,390,572
Non-exchange Revenue (Note 21)	573,856	8,340	582,196
Transfers In/Out Without Reimbursement (Note 21)	(2,218,859)	2,459,986	241,127
Other Financing Sources (Non-exchange):			
Transfers In/Out Without Reimbursement	--	60,926	60,926
Imputed Financing	--	645,076	645,076
Other (Note 21)	2,851,583	35,512	2,887,095
Total Financing Sources	\$ 1,206,580	\$11,600,412	\$12,806,992
Net Cost of Operations	(1,132,053)	(11,212,541)	(12,344,594)
Net Change	\$ 74,527	\$ 387,871	\$ 462,398
Cumulative Results of Operations	\$ 434,672	\$ 5,541,523	\$ 5,976,195
Unexpended Appropriations:			
Beginning Balance	\$ --	\$ 4,253,612	\$ 4,253,612
Budgetary Financing Sources:			
Appropriations Received (Note 24)	--	8,051,909	8,051,909
Appropriations Transferred In/Out	--	5,770	5,770
Other Adjustments	--	(110,981)	(110,981)
Appropriations Used	--	(8,390,572)	(8,390,572)
Total Budgetary Financing Sources	\$ --	\$ (443,874)	\$ (443,874)
Total Unexpended Appropriations	\$ --	\$ 3,809,738	\$ 3,809,738
Net Position	\$ 434,672	\$ 9,351,261	\$ 9,785,933

The accompanying notes are an integral part of these financial statements.

Financial Statements

Customs and Border Protection
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2013 and 2012
(in Thousands)

	2013	2012
Budgetary Resources:		
Unobligated balance brought forward, October 1	\$ 1,310,864	\$ 2,268,372
Adjustment to unobligated balance brought forward, October 1 (Note 22)	--	(639,940)
Unobligated balance brought forward, October 1, as adjusted	\$ 1,310,864	\$ 1,628,432
Recoveries of prior year unpaid obligations	389,321	351,236
Other changes in unobligated balance	(95,947)	(93,385)
Unobligated balance from prior year budget authority, net	\$ 1,604,238	\$ 1,886,283
Appropriations (Note 24)	12,953,010	13,719,063
Spending authority from offsetting collections	1,597,568	1,618,346
Total Budgetary Resources	\$ 16,154,816	\$ 17,223,692
 Status of Budgetary Resources:		
Obligations incurred (Note 23)	\$ 14,862,504	\$ 15,912,828
Unobligated balance, end of year:		
Apportioned	717,874	638,510
Unapportioned	574,438	672,354
Total unobligated balance, end of year	\$ 1,292,312	\$ 1,310,864
Total Budgetary Resources	\$ 16,154,816	\$ 17,223,692
 Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1 (gross)	\$ 4,157,480	\$ 4,713,167
Obligations incurred (Note 23)	14,862,504	15,912,828
Outlays (gross)	(15,109,658)	(16,117,279)
Recoveries of prior year unpaid obligations	(389,321)	(351,236)
Unpaid obligations, end of year (gross)	3,521,005	4,157,480
Uncollected Payments:		
Uncollected customer payments from Federal sources, brought forward, October 1	(162,620)	(163,896)
Change in uncollected customer payments from Federal sources	10,861	1,276
Uncollected customer payments from Federal sources, end of year	(151,759)	(162,620)
Obligated Balance, Start of Year	\$ 3,994,860	\$ 4,549,271
Obligated Balance, End of Year	\$ 3,369,246	\$ 3,994,860
 Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 14,550,578	\$ 15,337,409
Actual offsetting collections	(1,608,429)	(1,619,622)
Change in uncollected customer payments from Federal sources	10,861	1,276
Budget Authority, Net	\$ 12,953,010	\$ 13,719,063

The accompanying notes are an integral part of these financial statements.

Financial Statements

Customs and Border Protection
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2013 and 2012
(in Thousands)

	<u>2013</u>	<u>2012</u>
Outlays, gross	\$15,109,658	\$16,117,279
Actual offsetting collections	(1,608,429)	(1,619,622)
Outlays, net	<u>\$13,501,229</u>	<u>\$14,497,657</u>
Distributed offsetting receipts	(3,776,910)	(3,499,993)
Agency Outlays, Net	<u><u>\$ 9,724,319</u></u>	<u><u>\$10,997,664</u></u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

Customs and Border Protection
Consolidated Statements of Custodial Activity
For the Years Ended September 30, 2013 and 2012
(in Thousands)

	2013	2012
Revenue Activity (Note 28):		
Sources of Cash Collections:		
Duties	\$31,709,053	\$30,532,909
User Fees	1,567,987	1,583,511
Excise Taxes	3,162,638	3,104,632
Fines and Penalties	61,265	61,597
Interest	(41,456)	58,422
Miscellaneous	144,392	137,582
Total Cash Collections	\$36,603,879	\$35,478,653
Accrual Adjustments (+/-)	221,931	149,686
Total Custodial Revenue	\$36,825,810	\$35,628,339
Disposition of Collections:		
Transferred to Others:		
Treasury General Fund Accounts	\$23,662,443	\$22,114,679
U.S. Department of Agriculture	9,694,052	9,344,681
U.S. Army Corps of Engineers	1,523,171	1,539,799
Other Federal Agencies	97,560	87,683
Government of Puerto Rico	6,094	14,615
Non-Federal Other	72,036	119,976
(Increase)/Decrease in Amounts Yet to be Transferred	271,543	156,437
Refunds and Drawbacks (Note 28)	1,498,911	2,250,469
Total Disposition of Collections	\$36,825,810	\$35,628,339
Net Custodial Activity	\$ --	\$ --

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

1. *Significant Accounting Policies*

Reporting Entity

U.S. Customs and Border Protection (CBP) was created on March 1, 2003, and is a component of the U.S. Department of Homeland Security (DHS). CBP is the unified border agency whose priority mission is the prevention of terrorists and terrorists' weapons from entering the U.S. In addition to its priority mission, CBP works to protect America and its citizens by carrying out its traditional missions more effectively using innovative approaches. These traditional missions include enforcing United States trade, immigration and other laws at the borders. Trade-related mission activities include protecting American businesses from theft of their intellectual property and unfair trade practices; regulating and facilitating international trade; collecting import duties; enforcing trade laws related to admissibility; regulating trade practices to collect the appropriate revenue; and maintaining export controls. Other traditional missions include controlling the borders by apprehending individuals attempting to enter the United States illegally; stemming the flow of illegal drugs and other contraband; protecting agriculture and economic interests from harmful pests and diseases; processing all people, vehicles and cargo entering the United States; and coordinating with the Department of Defense and others to protect the National Capital Region.

Substantially all duty, tax, and fee revenues collected by CBP are remitted to various general fund accounts maintained by the U.S. Department of the Treasury (Treasury), U.S. Department of Agriculture, and U.S. Army Corps of Engineers. Treasury further distributes these revenues to other Federal agencies in accordance with various laws and regulations. CBP transfers the remaining revenue (generally less than 1 percent of revenues collected) directly to other Federal agencies, the Government of Puerto Rico and the U.S. Virgin Islands. Refunds of revenues collected from import/export activity are recorded in separate accounts established for this purpose and are funded through a permanent indefinite appropriation. These activities reflect the non-entity or custodial responsibilities that CBP, as an agency of the Federal Government, has been authorized by law to enforce.

Basis of Accounting and Presentation

These financial statements have been prepared from CBP's accounting records in conformity with generally accepted accounting principles (GAAP). The Federal Accounting Standards Advisory Board (FASAB), which was designated the official accounting standard-setting body of the Federal Government by the American Institute of Certified Public Accountants, is responsible for identifying the GAAP hierarchy for Federal reporting entities. FASAB has identified the hierarchy to be used in Statement of Federal Financial Accounting Standards (SFFAS) 34, *"The Hierarchy of Generally Accepted Accounting Principles, including the Application of Standards Issued by the Financial Accounting Standards Board."*

The statements consist of the Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes In Net Position, Combined Statements of Budgetary Resources, and Consolidated Statements of Custodial Activity. All statements are prepared in accordance with Office of Management and Budget (OMB) Circular A-136. In FY 2013 the presentation of the Statement of Net Cost changed to better reflect how CBP does business. See Note 19, Intra-governmental Costs and Exchange Revenue, for additional information.

These financial statements should be read with the understanding that CBP is a component of a sovereign entity; for which budgetary resources cannot be liquidated without the enactment of an appropriation, and that payment of liabilities other than for contracts can be abrogated by the sovereign entity.

These financial statements, with respect to the Consolidated Balance Sheets, Consolidated Statements of Net Cost and Consolidated Statements of Changes In Net Position, are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. The Combined Statements of Budgetary Resources are reported using the budgetary basis of accounting. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. It generally differs from the accrual basis of accounting in that obligations are recognized when new orders are placed, contracts awarded and services received that will require payments during the same or future period. CBP non-entity revenue and refunds are reported on the Consolidated Statements

Customs and Border Protection Notes to Financial Statements

of Custodial Activity using a modified cash basis. With this method, revenue from cash collections is reported separately from receivable accruals and cash disbursements are reported separately from payable accruals.

In accordance with OMB Circular A-136, intra-CBP transactions and balances have been eliminated from the Consolidated Balance Sheets, Consolidated Statements of Net Cost, and the Consolidated Statements of Changes In Net Position. As provided for by OMB Circular A-136, the Combined Statements of Budgetary Resources is presented on a combined basis; therefore, intra-CBP transactions and balances have not been eliminated from this statement.

Funds from Dedicated Collections

SFFAS No. 27, *Identifying and Reporting Earmarked Funds* as amended by SFFAS No. 43, *Funds from Dedicated Collections*, requires CBP to identify and report separately funds from dedicated collections. See Note 18, Funds from Dedicated Collections, for specific required disclosures related to CBP's funds from dedicated collections.

CBP has program management responsibility for the following funds from dedicated collections:

Appropriation	Title
70X4363	Enhanced Inspectional Services
70X5087	CBP - Immigration User Fees
70X5089	Land Border Inspection Fees
70X5451	Enforcement Fines Account
70X5543	International Registered Traveler
70X5569	APEC Business Travel Card Fee
70X5595	Electronic Systems for Travel Authorization Fees
70X5694	Small Airports User Fees
70X5695	Customs User Fees Account
70X8870	Harbor Maintenance Fee Collections

Assets and Liabilities

Intra-governmental assets and liabilities result from activity with other Federal agencies. All other assets and liabilities result from activity with parties outside the Federal Government, such as domestic and foreign persons, organizations or governments.

Fund Balance with Treasury, Cash and Other Monetary Assets

Entity Fund Balance with Treasury represents funds remaining from which CBP is authorized to make expenditures and pay liabilities resulting from operational activity, except as restricted by law. Non-entity Fund Balance with Treasury represents funds available to pay refunds and drawbacks claims of duties, taxes, fees, and other non-entity amounts to be distributed to the Treasury General Fund and other Federal accounts in a future period.

Advances and Prepayments

Intra-governmental advances and prepayments consist of amounts paid to Federal agencies prior to CBP receipt of goods and services. Advances and prepayments to the public consist primarily of travel and salary advances and prepaid rent.

Accounts Receivable

Intra-governmental accounts receivable represent amounts due from Federal agencies. These receivables are expected to be fully collected. Accounts receivable from reimbursable services and user fees represent amounts due from non-Federal sources for services performed. By law, collections of these receivables can be credited to the

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

appropriation accounts from which the related costs were paid. These receivables are net of amounts deemed uncollectible which are determined by considering the debtor's current ability to pay, payment record, as well as the probable recovery of amounts from secondary sources, such as sureties, and an analysis of aged receivable activity. The user fee receivable is based on a calculated estimate using historical user fee collections.

Title 19 of the United States Code, chapter 1, section 58c, authorizes CBP, formerly known as the United States Customs Service, to collect user fees for services provided in connection with the processing of commercial air and commercial vessel passengers, loaded or partially loaded railroad cars carrying passengers or commercial flights arriving into the Customs territory as defined in general note 2 of the Harmonized Tariff Schedule of the United States (some exceptions apply).

Title 8 of the United States Code, chapter 12, subchapter II, part IX, section 1356, authorizes CBP to collect immigration user fees for inspection or pre-inspection of passengers arriving at a port of entry in the United States (as defined in Title 8, chapter 12, subchapter I, section 1101) aboard a commercial aircraft and commercial vessel (some exceptions apply). Receivables accrue for commercial airline and commercial vessel user fees on a quarterly basis. Payment is due any time within thirty-one days after the quarter in which the fees are collected, except the July and August fees collected from airline passengers shall be made ten days before the end of the fiscal year. Each quarterly payment shall include any collection made in the preceding quarter that was not remitted with the previous payment. Railroad car fees accrue on a monthly basis and the payments are due to CBP on or before the date that is 60 days after the applicable month.

Due to the Treasury General Fund

Due to the Treasury General Fund is the offsetting liability to non-entity collections and non-entity receivables.

Taxes, Duties and Trade Receivables

Taxes, Duties and Trade Receivables consist of duties, user fees, fines and penalties, refunds and drawbacks overpayments, and interest associated with import/export activity, which have been established as a specifically identifiable, legally enforceable claim which remain uncollected as of year-end. These receivables are net of amounts deemed uncollectible which were determined by considering the debtor's payment record and ability to pay, the probable recovery of amounts from secondary sources, such as sureties, and an analysis of aged receivable activity. CBP's non-entity receivables are described in more detail in Note 6, Taxes, Duties and Trade Receivables, Net.

Inventory and Related Property

Inventory and Related Property consists of aircraft parts, vessel parts, Office of Technology Innovation and Acquisition (OTIA) parts, and CBP uniforms classified as operating materials and supplies to be used in CBP's operations. Aircraft and OTIA parts and materials are recorded at average unit cost, and vessel parts and uniforms are recorded using the First-In-First-Out valuation method. Both methods approximate actual acquisition costs. CBP records an operating expense when inventory is ultimately used in operations.

Seized and Forfeited Property

Prohibited seized and forfeited property results primarily from CBP criminal investigations and passenger/cargo processing. Seized property is not considered an asset of CBP and is not reported as such in CBP's financial statements; however, CBP has a stewardship responsibility until disposition of the seized items is determined. Non-prohibited seized property, including monetary instruments, real property and tangible personal property of others in the actual or constructive possession of CBP will be transferred to the Treasury Forfeiture Fund and is not presented in the accompanying CBP Consolidated Balance Sheets or Note 8, Seized and Forfeited Property.

Forfeited property is property for which the title has passed to the U.S. Government. As noted above, non-prohibited forfeited property or currency become assets of the Treasury Forfeiture Fund. However, prohibited forfeited items, such as narcotics and firearms, are held by CBP until disposed or destroyed. In accordance with SFFAS No. 3,

Customs and Border Protection Notes to Financial Statements

Accounting for Inventory and Related Property, analysis of changes in seized and forfeited property of prohibited items are disclosed in Note 8, Seized and Forfeited Property.

General Property, Plant and Equipment

CBP capitalizes property, plant and equipment, excluding land, with an acquisition value of \$50 thousand or greater, and a useful life of two years or greater. CBP capitalizes all land.

Expenditures for normal repairs and maintenance are charged to expense as incurred. When expenditures greater than \$50 thousand extend an asset's useful life they are capitalized.

Depreciation and amortization are computed using the straight line method over the estimated useful lives of the assets ranging from 4 to 30 years for equipment and software, 2 to 30 years for leasehold improvements, and 5 to 40 years for buildings, structures and land improvements. Amortization of capitalized software begins on the date of acquisition if purchased or when the module or component has been successfully tested if contractor or internally developed.

Accounts Payable

A portion of the accounts payable balance related to commercial vendors and travel activities is estimated and recorded through an accrual. This estimate is created using a historical ratio of subsequent disbursements to undelivered orders. The ratio is then applied to the year-end undelivered order balance to arrive at estimated accounts payable.

Accrued Annual, Sick and Other Leave and Compensatory Time

Annual leave, compensatory time and other leave time are accrued when earned. The accrual is presented as a component of the payroll and benefits liability in the Consolidated Balance Sheets and is adjusted for changes in compensation rates and reduced for annual leave taken. Sick leave is expensed when used. For additional information see Note 13, Accrued Payroll and Benefits.

Pension Costs, Other Retirement Benefits and Other Post-Employment Benefits

Most CBP employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS). CBP contributes 7 percent of base pay for regular employees, and 7.5 percent for law enforcement agents. Employees hired after December 31, 1983 are automatically covered by the Federal Employees' Retirement System (FERS) and Social Security. A primary feature of FERS is that it offers a savings plan to which CBP automatically contributes 1 percent of base pay and matches any employee contributions up to an additional 4 percent of base pay. For most employees hired after December 31, 1983, CBP also contributes the employees' matching share for Social Security. For the FERS basic benefit for employees hired before January 1, 2013, CBP contributes 11.9 percent of base pay for regular employees and 26.3 percent for law enforcement agents. For the FERS basic benefit for employees hired after December 31, 2012, CBP contributes 9.6 percent of base pay for regular employees and 24 percent for law enforcement agents. The pay base for determining CBP contributions to CSRS and FERS for inspectors and canine officers includes regular pay and up to a maximum of \$17.5 thousand in certain overtime earnings for FY 2013 and 2012. CBP recognizes the full costs of its employees' pension benefits including the portion paid by the Office of Personnel Management (OPM) as required by law; however, the liability associated with these costs is recognized by OPM.

Similar to Federal retirement plans, OPM, rather than CBP, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program and the Federal Employees Group Life Insurance Program.

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

A liability for other post-employment benefits, which includes all types of benefits to former or inactive (but not retired) employees, their beneficiaries, and covered dependents, is also recognized. For additional information see Note 13, Accrued Payroll and Benefits.

Workers' Compensation

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from Federal agencies employing the claimants. Reimbursement to DOL on payments made usually occurs approximately two years subsequent to the actual disbursement. Budgetary resources for this intra-governmental liability are made available to CBP as part of its annual appropriation from Congress in the year in which the reimbursement takes place. The liability under which unemployment compensation is recorded is entitled Other Employment Liabilities; the liability under which unfunded FECA is recorded is entitled Accrued FECA Liability and actuarial FECA is recorded in Accrued Payroll and Benefits in the accompanying Consolidated Balance Sheets.

Additionally, the actuarial liability due to the public includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Based on information provided by DOL, DHS allocates the actuarial liability to its components and department offices based on the payment history for the components and department offices. The accrued liability is not covered by budgetary resources and will require future funding. For additional information see Note 13, Accrued Payroll and Benefits.

Unexpended Appropriations

Unexpended appropriations represent the amount of CBP unexpended appropriated spending authority as of fiscal year-end that is unliquidated or is unobligated and has not lapsed, been rescinded or withdrawn.

Cumulative Results of Operations

Cumulative Results of Operations primarily represent the excess of user fee revenues over related expenses. It also represents the net investment in Property, Plant and Equipment, Inventory and Related Property, and transfers in of equipment, materials, and supplies from other Federal agencies without reimbursement. Also, included as a reduction in Cumulative Results of Operations, are liabilities incurred, which will require funding from future appropriations, such as accumulated annual and other leave earned but not taken, accrued workers' compensation and contingent liabilities. The portion of Cumulative Results of Operations attributable to dedicated collections is shown separately on both the Consolidated Balance Sheets and the Consolidated Statements of Changes in Net Position. For additional information see Note 18, Funds from Dedicated Collections.

Revenue, Financing Sources and Expense Recognition

CBP entity activities are financed principally through appropriations, exchange revenue and non-exchange revenue. Appropriations used are recognized as a financing source when expenses are incurred or assets are purchased. Exchange revenues from reimbursable services and intra-governmental reimbursable activity are recognized as earned when the goods or services are provided and reflect the full cost of the goods or services provided. Non-exchange revenue from user fees is recognized as earned in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended. CBP may retain the user fee revenues and expend them as authorized by law for CBP inspector overtime and other activities directly related to the services to which the fees relate. CBP records deferred revenue for payments received from duties collected in Puerto Rico for which goods or services have not been fully provided to the Government of Puerto Rico. Deferred revenue is reported as a liability on the Consolidated Balance Sheets until earned in a future year. An imputed financing source is also recognized to offset costs incurred by CBP but funded by another Federal source, generally in the period in which the cost was incurred. Expenses are recognized when goods or services are received, when inventory is used, or assets are depreciated or amortized.

Customs and Border Protection Notes to Financial Statements

The FY 2013 and 2012 activities reported on the Consolidated Statement of Net Cost contain all resource costs assigned from CBP cost centers. An activity-based costing system derives an estimate of the agency's cost by activity performed. The key driver behind CBP's allocation of cost to activity is labor hours. Each pay period, all CBP personnel log their time to one or more of several hundred distinct activities. Time recorded by operational cost center is also used to assign mission support and overhead costs to field operational cost center activities. The time and attendance system used to record personnel labor hours is COSS (Customs Overtime Scheduling System).

Non-entity Revenue is recognized when the cash CBP is entitled to collect on behalf of the Federal Government is earned. Primarily, these revenue collections result from current fiscal year activities. The significant types of revenues collected and related disbursements are described below:

- **Duties:** amounts collected on imported goods.
- **User fees:** amounts collected for certain services as provided by law.
- **Excise taxes:** amounts collected on imported distilled spirits, wines and tobacco products, and other miscellaneous taxes collected.
- **Fines and penalties:** amounts collected for violations of laws and regulations.
- **Refunds:** payments made to importers/exporters are primarily identified when the import entries are liquidated, a process in which CBP makes final determination of duties, taxes, fees and interest owed on each entry and compares it to the estimated amount previously determined and paid by the importer/broker. Interest is included in the refund generally for the period of time between when the estimated amounts were received from the importer/broker and the time the entry is liquidated. When a refund is identified prior to liquidation, the refund from this remittance is funded from the duty, tax or fee collections rather than from the Refunds and Drawbacks Account.
- **Drawback:** a remittance, in whole or in part, of duties, taxes or fees. Drawback typically occurs when the imported goods on which duties, taxes or fees have been previously paid are subsequently exported from the United States or destroyed prior to entering the commerce of the United States. Depending on the type of claim, the claimant has up to six or eight years from the date of importation to file for drawback.

A financing source for refunds and drawbacks is recognized when payment is made. The financing source, representing the permanent, indefinite appropriation account used to fund the disbursement, is recorded as a decrease in the amount transferred to Treasury General Fund Accounts reported on the Statement of Custodial Activity.

A transfer to the Treasury General Fund is recognized when the non-entity revenue, collected on behalf of the Federal Government, is deposited into various Treasury receipt accounts designated for the particular type of revenue collected.

An accrual adjustment is included to adjust cash collections and refund disbursements with the net increase or decrease of accrued Non-entity Accounts Receivable, net of uncollectible amounts and refunds payable.

Use of Estimates

Management has made certain estimates and assumptions in the reporting of assets, liabilities and note disclosures in the Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, Combined Statements of Budgetary Resources, Consolidated Statements of Custodial Activity and accompanying notes. Actual results could differ from these estimates. Significant estimates include: year-end accruals of accounts payable, contingent legal and environmental liabilities, accrued workers' compensation, allowance for doubtful accounts receivable, allowance for doubtful taxes, duties and trade receivables, accruals for construction projects, retirement and post-retirement benefits assumptions, and certain non-entity receivables and payables related to custodial activities.

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

Taxes

CBP, as a Federal component, is not subject to Federal, state or local income taxes and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

2. Non-entity Assets

Non-entity assets as of September 30, 2013 and 2012, consist of the following (in thousands):

	<u>2013</u>	<u>2012</u>
Intra-governmental:		
Fund Balance with Treasury (Note 3)	\$ 595,684	\$ 593,749
Public		
Cash and Other Monetary Assets (Note 4)	4,580	3,272
Accounts Receivable, Net	588	493
Taxes, Duties and Trade Receivables, Net (Note 6)	2,682,007	2,700,465
Total Public	<u>\$ 2,687,175</u>	<u>\$ 2,704,230</u>
Total Non-entity Assets	<u>3,282,859</u>	<u>3,297,979</u>
Total Entity Assets	<u>12,248,588</u>	<u>12,578,182</u>
Total Assets	<u><u>\$15,531,447</u></u>	<u><u>\$15,876,161</u></u>

Non-entity Fund Balance with Treasury as of September 30, 2013 and 2012 includes approximately \$238.6 million and \$191.5 million (deposit funds) in duties collected by CBP for U.S. Virgin Islands, U.S. Department of Agriculture and antidumping/countervailing duties and \$181.4 million and \$220.0 million (special funds) for Injured Domestic Industries as of September 30, 2013 and 2012, respectively. These assets are directly offset with liabilities as of September 30, 2013 and 2012.

Non-entity Fund Balance with Treasury consists of special and deposit funds, permanent appropriations, and miscellaneous receipts that are available to pay non-entity liabilities. Taxes, Duties and Trade receivables from the public represent amounts due from importers for goods and merchandise imported to the United States and, upon collection, will be available to pay the accrued intra-governmental liability Due to the Treasury General Fund, which equaled \$2.8 billion as of September 30, 2013 and 2012.

3. Fund Balance with Treasury

Fund Balance with Treasury as of September 30, 2013 and 2012 consists of the following (in thousands):

<u>2013</u>	<u>Entity</u>	<u>Non-entity</u>	<u>Total</u>
Trust Funds	\$ 184	\$ --	\$ 184
Special Funds	475,305	181,398	656,703
General Funds	3,882,869	175,731	4,058,600
Other Funds	958,302	--	958,302
Deposit Funds	10,473	238,555	249,028
Total	<u>\$5,327,133</u>	<u>\$595,684</u>	<u>\$5,922,817</u>

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

<u>2012</u>	<u>Entity</u>	<u>Non-entity</u>	<u>Total</u>
Trust Funds	\$ 236	\$ --	\$ 236
Special Funds	295,915	220,029	515,944
General Funds	4,625,073	182,263	4,807,336
Other Funds	722,940	--	722,940
Deposit Funds	10,592	191,457	202,049
Total	\$5,654,756	\$593,749	\$6,248,505

Trust funds are both receipt accounts and expenditure accounts that are designated by law as trust funds. The entity trust fund balances result from CBP's authority to use the proceeds from general order items sold at auction to offset specific costs incurred by CBP relating to their sale, and to use available funds from the Harbor Maintenance Fee Trust Fund to offset administrative expenses related to the collection of the Harbor Maintenance Fee.

Special funds are receipt funds used for specific purposes. Entity amounts comprising the special fund balances result from CBP's authority to assess and collect passenger and conveyance-related user fees, CBP's authority to assess and collect fees associated with services performed at certain small airports or other facilities, and CBP's authority to retain amounts needed to offset costs associated with collecting duties, taxes, and fees for the Government of Puerto Rico. As of September 30, 2013 and 2012, Customs User Fees Account includes approximately \$110.9 million and \$67.3 million, respectively; Small Airports User Fees account contained approximately \$17.3 million and \$17.6 million, respectively; Refunds, Transfers and Expenses of Operation of Puerto Rico account contained approximately \$207.0 million and \$37.7 million, respectively; and Immigration User Fees contained \$8.6 million and \$84.5 million, respectively. Non-entity fund balance represents amounts collected in connection with antidumping and countervailing duties of \$180.6 million and \$220.0 million as of September 30, 2013 and 2012, respectively. Of this balance, \$105.1 million and \$140.4 million are eligible for payment to qualifying Injured Domestic Industries as of September 30, 2013 and 2012, respectively. The remaining amount is Due to the Treasury General Fund.

General funds consist of amounts appropriated annually by Congress to fund the operations of CBP. The non-entity general fund balance represents permanent, indefinite appropriations to pay refunds and drawbacks claims of duties, taxes, or fees. The balance is presented as a non-entity balance because the refund and drawback payments are associated with CBP custodial activity of collecting revenue on behalf of the Federal Government.

The entity deposit fund balance represents amounts received as advances that are not accompanied by orders. Once the order is received, the deposit fund balance is decreased.

Status of Fund Balance with Treasury as of September 30, 2013 and 2012 consists of the following (in thousands):

<u>2013</u>	<u>Entity</u>	<u>Non-entity</u>	<u>Total</u>
Unobligated Balance			
Available	\$ 717,720	\$ --	\$ 717,720
Unavailable	426,518	181,398	607,916
Obligated Balance not yet Disbursed	3,193,516	175,731	3,369,247
Non-budgetary FBWT	989,379	238,555	1,227,934
Total	\$5,327,133	\$595,684	\$5,922,817

<u>2012</u>	<u>Entity</u>	<u>Non-entity</u>	<u>Total</u>
Unobligated Balance			
Available	\$ 638,350	\$ --	\$ 638,350
Unavailable	452,325	220,029	672,354
Obligated Balance not yet Disbursed	3,812,597	182,263	3,994,860
Non-budgetary FBWT	751,484	191,457	942,941
Total	\$5,654,756	\$593,749	\$6,248,505

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

Portions of the Unobligated Balance Unavailable include amounts appropriated in prior fiscal years that are not available to fund new obligations. However, the amounts can be used for upward and downward adjustments for existing obligations in future years.

The Obligated Balance not yet Disbursed represents amounts designated for payment of goods or services ordered, but not received, or goods and services received but for which payment has not yet been made.

The Non-budgetary Fund Balance with Treasury includes \$639.9 million in user fees that are restricted by law for use until made available as provided in Appropriation Acts. See additional information in Adjustment to Unobligated Balance, Brought Forward, October 1, Note 22.

CBP returned to Treasury \$13.8 million and \$213.4 million for indefinite no-year authority and retained \$175.7 million and \$182.3 million in authority for obligations pursuant to public law during the years ending September 30, 2013 and 2012, respectively.

In accordance with Public Law 101-510, CBP is required to automatically cancel obligated and unobligated balances of appropriated funds five years after a fund expires. Obligations that have not been paid at the time an appropriation is canceled may be paid from an unexpired appropriation that is available for the same general purpose. As of September 30, 2013, CBP canceled \$102.8 million from FY 2008 annual appropriations. As of September 30, 2012, CBP canceled \$94.0 million from FY 2007 annual appropriations.

4. Cash and Other Monetary Assets

Cash and Other Monetary Assets as of September 30, 2013 and 2012, consist of the following (in thousands):

<u>2013</u>	<u>Entity</u>	<u>Non-entity</u>	<u>Total</u>
Imprest Funds	\$154	\$ --	\$ 154
Undeposited Collections	232	4,580	4,812
Total	\$386	\$4,580	\$4,966
<u>2012</u>	<u>Entity</u>	<u>Non-entity</u>	<u>Total</u>
Imprest Funds	\$160	\$ --	\$ 160
Undeposited Collections	200	3,272	3,472
Total	\$360	\$3,272	\$3,632

Undeposited collection balances represent timing differences between when cash relating to duties, taxes, fees, and other trade related collections are received and the deposit occurs in a future period. Cash can either be distributed to the General Fund, other Federal agencies, other governments, or returned to the importer/broker.

5. Accounts Receivable, Net

Receivables with the public as of September 30, 2013 and 2012 are as follows (in thousands):

<u>Receivable Category</u>	<u>2013</u>		<u>Total Net Receivables</u>
	<u>Gross Receivable</u>	<u>Amounts Uncollectible</u>	
Reimbursable Services	\$ 6,542	\$ (1,425)	\$ 5,117
Customs User Fees	294,069	(2,288)	291,781
Immigration User Fees	75,062	(8,516)	66,546
Total	\$375,673	\$(12,229)	\$363,444

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

Receivable Category	2012		
	Gross Receivable	Amounts Uncollectible	Total Net Receivables
Reimbursable Services	\$ 4,204	\$ --	\$ 4,204
Customs User Fees	139,032	(3,751)	135,281
Immigration User Fees	78,429	(15,734)	62,695
Total	\$221,665	\$(19,485)	\$202,180

In FY 2013 CBP began reporting Small Airports User Fees and Merchandise Processing Fees receivables as Accounts Receivable, Net. Historically these receivables were reported as Taxes Receivable, with an offsetting custodial liability. However, the collections for these fees are considered entity transactions, deposited into unavailable receipt accounts and ultimately transferred to CBP instead of being transferred to the Treasury General Fund. CBP determined it would be more appropriate to report these receivables as Accounts Receivable, Net.

6. Taxes, Duties and Trade Receivables, Net

Receivables as of September 30, 2013 and 2012 are as follows (in thousands):

Receivable Category	2013		
	Gross Receivable	Amounts Uncollectible	Total Net Receivables
Duties	\$2,474,559	\$ (130,583)	\$2,343,976
Excise Taxes	149,281	(8,761)	140,520
User Fees	68,224	(524)	67,700
Fines/Penalties	458,174	(408,786)	49,388
Interest	566,208	(537,546)	28,662
Antidumping/ Countervailing Duties	1,232,570	(1,181,555)	51,015
Refunds and Drawback	3,032	(2,286)	746
Total	\$4,952,048	\$(2,270,041)	\$2,682,007

Receivable Category	2012		
	Gross Receivable	Amounts Uncollectible	Total Net Receivables
Duties	\$2,284,738	\$ (131,347)	\$2,153,391
Excise Taxes	142,685	(8,021)	134,664
User Fees	197,613	(9,025)	188,588
Fines/Penalties	445,238	(394,396)	50,842
Interest	541,130	(478,438)	62,692
Antidumping/ Countervailing Duties	1,169,953	(1,060,247)	109,706
Refunds and Drawback	1,461	(879)	582
Total	\$4,782,818	\$(2,082,353)	\$2,700,465

CBP assesses duties, taxes and fees on goods and merchandise brought into the United States from foreign countries. At the time importers bring merchandise into the United States, they are required to file CBP entry documents. Generally, within 10 working days after CBP releases the merchandise into the U.S. commerce, the importer is to submit an entry document with payment of estimated duties, taxes and fees. CBP allows periodic monthly payment that requires payment of estimated duties, taxes and fees on the 15th work day of the month following release. A receivable of \$2.6 billion was recorded for 1,090,865 entries and \$2.4 billion for 1,061,495 entries for merchandise released into commerce on or before September 30, 2013 and 2012, respectively. It is

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

CBP's policy to track and demand payment of unpaid estimated duties, taxes and fees receivable amounts by establishing a liquidated damage case which generally results in a fine and penalty type receivable. As stated in Note 5, in FY 2013 CBP began reporting Small Airports User Fees and Merchandise Processing Fees receivables as Accounts Receivable, Net rather than as Taxes Receivable.

A fine or penalty is established when a violation of import/export law is discovered. CBP assesses a liquidated damage or penalty for these cases to the maximum extent of the law. After receiving the notice of assessment, the importer or surety has 60 days to either file a petition requesting a review of the assessment or make payment of the assessed amount. Until this process has been completed, CBP records an allowance on fines and penalties of approximately 89.5 percent of the total assessment based on historical experience of fines and penalties mitigation and collection. Duties and taxes receivable are non-entity assets for which there is an offsetting liability due to the Treasury General Fund.

7. Inventory and Related Property, Net

Operating Materials and Supplies

Operating materials and supplies consist of parts and materials to repair and maintain CBP aircraft, vessels, and OTIA projects used for enforcement activities. In addition, CBP holds a stock of uniforms to be issued for the CBP academies and as needed by officers and agents until a long-term uniform contract is awarded. OTIA operating materials and supplies as of September 30, 2013 and 2012 includes \$24.0 million and \$25.1 million, respectively, for steel used to repair Border Patrol tactical infrastructure and \$19.4 million and \$26.4 million, respectively, in spare parts used to repair systems maintained by OTIA. CBP defines operating materials and supplies categorized as "Held for Repair" as items that are useable by CBP after repair. CBP defines operating materials and supplies categorized as "Excess, Obsolete, and Unserviceable" to consist of items that are no longer useable by CBP. Beginning in FY 2013, CBP estimates the net realizable value of Excess, Obsolete, and Unserviceable operating materials and supplies to be zero. CBP recorded a loss of \$16.2 million in FY 2013 for revaluing that inventory to zero.

Operating Materials and Supplies as of September 30, 2013 and 2012 consist of the following (in thousands):

	<u>2013</u>	<u>2012</u>
Aircraft Parts		
Items Held for Use	\$107,394	\$105,732
Items Held for Repair	23,676	15,114
Excess, Obsolete and Unserviceable items	--	5,535
Total Aircraft Parts	<u>\$131,070</u>	<u>\$126,381</u>
Vessel Parts		
Items Held for Use	\$ 7,367	\$ 6,585
Items Held for Repair	103	129
Excess, Obsolete and Unserviceable items	--	35
Total Vessel Parts	<u>\$ 7,470</u>	<u>\$ 6,749</u>
OTIA Parts		
Items Held for Use	\$ 43,041	\$ 40,938
Items Held for Repair	317	10,516
Excess, Obsolete and Unserviceable items	--	8
Total OTIA Parts	<u>\$ 43,358</u>	<u>\$ 51,462</u>
Uniforms		
Items Held for Use	\$ 16,467	\$ 6,120
Total Uniforms	<u>\$ 16,467</u>	<u>\$ 6,120</u>
Total	<u><u>\$198,365</u></u>	<u><u>\$190,712</u></u>

Customs and Border Protection Notes to Financial Statements

8. Seized and Forfeited Property

This schedule is presented for material categories of prohibited (non-valued) seized and forfeited property only. These items are retained and ultimately destroyed by CBP and are not transferred to the Department of the Treasury Forfeiture Fund or other Federal agencies. The ending balance for firearms includes only those seized items that can actually be used as firearms. Illegal drugs are presented in kilograms and a portion of the weight includes packaging, which often cannot be reasonably separated from the weight of the drugs since the packaging must be maintained for evidentiary purposes. Firearms are presented in number of cases. Methamphetamine seizures have increased in recent years and are therefore included in the list of illegal drugs seized and forfeited in both FY 2013 and 2012.

Analysis of Changes in Prohibited (Non-valued) Seized Property, September 30, 2013

Category	Unit of Measurement	Balance October 1	New Seizures	Remissions	New Forfeitures	Adjustments ¹	Balance September 30
Illegal Drugs							
Cannabis (marijuana)	Kilograms	2,051	1,224,988	0	(1,231,308)	7,373	3,104
Cocaine	Kilograms	83	20,528	0	(20,373)	(27)	211
Heroin	Kilograms	4	2,396	0	(2,392)	1	9
Ecstasy	Kilograms	18	720	0	(724)	3	17
Methamphetamine	Kilograms	5	11,035	0	(11,054)	25	11
Steroids	Kilograms	147	734	0	(613)	(4)	264
Firearms	Number of Cases	3,112	4,600	(564)	(3,290)	(190)	3,668

(1) Adjustments are the result of changes due to inventory counts, changes in legal status or property type, and/or discontinuance of cases.

Analysis of Changes in Prohibited (Non-valued) Seized Property, September 30, 2012

Category	Unit of Measurement	Balance October 1	New Seizures	Remissions	New Forfeitures	Adjustments ¹	Balance September 30
Illegal Drugs							
Cannabis (marijuana)	Kilograms	2,086	1,242,474	0	(1,244,141)	1,632	2,051
Cocaine	Kilograms	74	19,186	0	(19,206)	29	83
Heroin	Kilograms	3	1,900	0	(1,897)	(2)	4
Ecstasy	Kilograms	1	152	0	(151)	16	18
Methamphetamine	Kilograms	11	6,579	0	(6,595)	10	5
Steroids	Kilograms	165	546	0	(605)	41	147
Firearms	Number of Cases	2,989	1,814	(427)	(1,124)	(140)	3,112

(1) Adjustments are the result of changes due to inventory counts, changes in legal status or property type, and/or discontinuance of cases.

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

Analysis of Changes in Prohibited (Non-Valued) Forfeited Property, September 30, 2013

<u>Category</u>	<u>Unit of Measurement</u>	<u>Balance October 1</u>	<u>New Forfeitures</u>	<u>Transfers</u>	<u>Destroyed</u>	<u>Adjustments¹</u>	<u>Balance September 30</u>
Illegal Drugs							
Cannabis (marijuana)	Kilograms	141,235	1,231,308	(152)	(395,939)	(833,133)	143,319
Cocaine	Kilograms	24,821	20,373	(193)	(22,924)	(2,227)	19,850
Heroin	Kilograms	2,768	2,392	(38)	(1,818)	(57)	3,247
Ecstasy	Kilograms	921	724	(40)	(496)	(32)	1,077
Methamphetamine	Kilograms	7,039	11,054	(77)	(6,210)	(326)	11,480
Steroids	Kilograms	340	613	(1)	(596)	(21)	335
Firearms	Number of Cases	1,025	3,290	(3,285)	(3)	133	1,160

(1) Adjustments are the result of changes due to inventory counts, changes in legal status or property type, and/or discontinuance of cases.

Analysis of Changes in Prohibited (Non-valued) Forfeited Property, September 30, 2012

<u>Category</u>	<u>Unit of Measurement</u>	<u>Balance October 1</u>	<u>New Forfeitures</u>	<u>Transfers</u>	<u>Destroyed</u>	<u>Adjustments¹</u>	<u>Balance September 30</u>
Illegal Drugs							
Cannabis (marijuana)	Kilograms	120,467	1,244,141	(912)	(428,978)	(793,483)	141,235
Cocaine	Kilograms	23,931	19,206	(386)	(19,899)	1,969	24,821
Heroin	Kilograms	2,368	1,897	(2)	(1,518)	23	2,768
Ecstasy	Kilograms	1,058	151	(1)	(308)	21	921
Methamphetamine	Kilograms	5,198	6,595	0	(4,474)	(280)	7,039
Steroids	Kilograms	293	605	0	(558)	0	340
Firearms	Number of Cases	1,011	1,124	(1,196)	(5)	91	1,025

(1) Adjustments are the result of changes due to inventory counts, changes in legal status or property type, and/or discontinuance of cases.

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

9. General Property, Plant and Equipment, Net

Property, Plant and Equipment as of September 30, 2013 and 2012 consists of the following (in thousands):

Categories	2013			
	Useful Life (in years)	Acquisition Cost	Accumulated Depreciation/Amortization	Net Book Value
Land and Land Rights	N/A	\$ 176,690	\$ --	\$ 176,690
Improvements to Land	5 - 40	2,186,940	(471,149)	1,715,791
Construction in Progress	N/A	710,029	--	710,029
Buildings, Other Structures and Facilities*	6 - 40	1,911,635	(318,340)	1,593,295
Equipment:				
ADP Equipment	5	452,727	(391,518)	61,209
Aircraft	12 - 20	1,499,276	(770,374)	728,902
Vessels	5 - 30	43,228	(20,325)	22,903
Vehicles	3 - 8	406,045	(339,625)	66,420
Other Equipment	5 - 15	1,848,904	(1,216,555)	632,349
Leasehold Improvements	2 - 30	426,269	(218,428)	207,841
Internal Use Software	5	1,103,744	(872,991)	230,753
Internal Use Software-in Development	N/A	52,735	--	52,735
Total		\$10,818,222	\$(4,619,305)	\$6,198,917

Categories	2012			
	Useful Life (in years)	Acquisition Cost	Accumulated Depreciation/Amortization	Net Book Value
Land and Land Rights	N/A	\$ 167,863	\$ --	\$ 167,863
Improvements to Land	5 - 40	2,056,320	(360,213)	1,696,107
Construction in Progress	N/A	1,173,411	--	1,173,411
Buildings, Other Structures and Facilities*	6 - 40	1,498,697	(262,844)	1,235,853
Equipment:				
ADP Equipment	5	468,506	(371,101)	97,405
Aircraft	12 - 20	1,329,544	(711,036)	618,508
Vessels	5 - 30	42,800	(18,875)	23,925
Vehicles	4 - 8	400,462	(311,633)	88,829
Other Equipment	5 - 15	1,772,657	(1,077,729)	694,928
Leasehold Improvements	2 - 30	381,040	(185,468)	195,572
Internal Use Software	5	1,021,115	(774,811)	246,304
Internal Use Software-in Development	N/A	98,340	--	98,340
Total		\$10,410,755	\$(4,073,710)	\$6,337,045

*Includes four multi-use heritage assets located in Puerto Rico with an acquisition value of \$534 thousand.

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

10. Stewardship PP&E

CBP's Stewardship PP&E is comprised of heritage assets located in the United States, including the Commonwealth of Puerto Rico. CBP aggregates its personal property heritage assets as collections of documents and artifacts and reflects its multi-use heritage assets as number of physical units. Information related to heritage assets at September 30, 2013 and 2012 consists of the following:

Categories	2013				
	Beginning Balance	Additions	Withdrawals	Adjustments	Total
Collection-type Assets					
Documents	1	--	--	--	1
Artifacts	1	--	--	--	1
Multi-use Heritage Assets	4	--	--	--	4
Total Stewardship PP&E	6	--	--	--	6

Categories	2012				
	Beginning Balance	Additions	Withdrawals	Adjustments	Total
Collection-type Assets					
Documents	1	--	--	--	1
Artifacts	1	--	--	--	1
Multi-use Heritage Assets	4	--	--	--	4
Total Stewardship PP&E	6	--	--	--	6

CBP possesses a wide range of documents and artifacts which are unique due to historical, cultural, artistic, or architectural significance. These assets are used to preserve and to provide education on CBP's history and tradition. Documents consist of dated tariff classifications, CBP regulations, ledgers of Collectors of Customs, and Customs pamphlets. Artifacts include antique scales, dated pictures of Customs Inspectors, aged tools used to sample imported commodities such as wood bales and bulk grain, and dated Customs uniforms, badges, and stamps.

As of September 30, 2013 and 2012, CBP maintained four Customs houses, designated as multi-use heritage assets, located in Puerto Rico and valued at \$534 thousand, which are fully depreciated. All multi-use heritage assets are reflected on the Consolidated Balance Sheets. Deferred maintenance and repairs and condition information for heritage assets are presented in the Required Supplementary Information.

11. Other Assets

Advances and Prepayments

Intra-governmental advances and prepayments as of September 30, 2013 and 2012, totaling \$133.9 million and \$175.6 million, respectively, consist primarily of advances to the Departments of Transportation and Defense for support of border security and to Department of Justice, UNICOR, for vehicle purchases.

Other

Other assets consists of capital assets no longer in service, pending disposal, employee travel and salary advances, and prepaid rent as of September 30, 2013 and 2012, totaling \$429 thousand and \$233 thousand, respectively.

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

12. Liabilities Not Covered by Budgetary Resources

Liabilities Not Covered by Budgetary Resources as of September 30, 2013 and 2012, consist of the following (in thousands):

	<u>2013</u>	<u>2012</u>
Intra-governmental:		
Accrued FECA Liability	\$ 165,071	\$ 153,378
Other Employment Liabilities	322	674
Due to the Treasury General Fund	<u>2,757,534</u>	<u>2,782,953</u>
Total Intra-governmental	<u>\$2,922,927</u>	<u>\$2,937,005</u>
Public:		
Accrued Payroll and Benefits:		
Accrued Unfunded Leave (Note 13)	405,063	\$ 395,363
Actuarial FECA Liability (Note 13)	1,005,111	882,292
Environmental and Disposal Liabilities (Note 14)	17,524	17,610
Legal Contingent Liabilities	<u>381,572</u>	<u>374,452</u>
Total Public	<u>\$1,809,270</u>	<u>\$1,669,717</u>
Total Liabilities Not Covered by Budgetary Resources	4,732,197	4,606,722
Total Liabilities Covered by Budgetary Resources	<u>1,317,389</u>	<u>1,483,506</u>
Total Liabilities	<u><u>\$6,049,586</u></u>	<u><u>\$6,090,228</u></u>

Liabilities not covered by new budget authority or other budgetary resources represent amounts owed in excess of available appropriated or other amounts. Available budgetary resources include new budget authority, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, spending authority from offsetting collections, and recoveries of unexpired budget authority through downward adjustments of prior year obligations.

13. Accrued Payroll and Benefits

The payroll and benefits liability as of September 30, 2013 and 2012 consists of the following (in thousands):

	<u>2013</u>	<u>2012</u>
Accrued Funded Payroll and Benefits	\$ 65,225	\$ 360,940
Accrued Unfunded Leave	405,063	395,363
Actuarial FECA Liability	<u>1,005,111</u>	<u>882,292</u>
Total	<u><u>\$1,475,399</u></u>	<u><u>\$1,638,595</u></u>

Actuarial workers compensation liability claims incurred for the benefit of CBP employees under FECA are administered by DOL and are ultimately paid by CBP. Future workers' compensation estimates are generated from an application of actuarial procedures developed by DOL.

14. Environmental and Disposal Liabilities

CBP is required to remediate contamination in accordance with Federal laws in order to protect human health and the environment. These laws include the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Oil Pollution Act, the Clean Water Act, the Toxic Substances Control Act, and the Clean Air Act.

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

Estimated environmental liabilities include expected future cleanup costs and those associated with site characterization, sampling, risk assessment, removal of contamination sources, treatment, containment, and monitoring. The estimated liabilities include both friable and non-friable asbestos-related costs. Costs are recognized and disclosed in accordance with SFFAS No. 5; SFFAS No. 6; Technical Releases No. 2, 10, and 11, and DHS policy directives and memoranda. CBP records the estimated cost of environmental liabilities that are probable and measurable to the current operating period. For those probable sites where future liability is unknown or no reasonable estimate of the cost to clean up a particular site could be made, the cost of studies necessary to evaluate response or remediation requirements is reported.

CBP's environmental cleanup liability as of September 30, 2013 and 2012 was \$17.5 million and \$17.6 million, respectively. There were no material changes in total estimated cleanup costs due to changes in law or technology. Notable changes in estimated liabilities include:

- Estimates of liability are presented in FY 2013 dollars and have been appropriately escalated to account for inflation.
- Inventory of liabilities modified due to Due Care Review process.

15. Other Liabilities

CBP considers \$94.1 million and \$87.3 million of the accrued FECA Liability, \$1.0 billion and \$882.3 million of the actuarial FECA Liability, and \$356.5 and \$353.0 million of the Legal Contingent Liabilities as non-current as of September 30, 2013 and 2012, respectively. CBP considers all remaining Other Liabilities as current.

Refunds Payable

Refunds Payable consists of amounts owed for refunds of duty and other trade related activity and drawback claims. These liabilities, all considered current year liabilities, are principally funded from the Refunds and Drawbacks Account.

CBP accrues a liability for refunds and drawbacks claims approved at year-end, but paid subsequent to year-end. Payments made to importers/exporters are primarily identified when the import entry is liquidated, a process in which CBP makes a final determination of duties, taxes and fees owed on the entry. Due to non-liquidation of the entries, the amount to be refunded is undetermined. Therefore, a historical calculated average was used to determine a ratio for estimating the payable to be recorded. Using this average, CBP has estimated \$64.7 million and \$46.6 million as of September 30, 2013 and 2012, respectively, as a payable.

The September 30, 2013 and 2012, accrued liability consists of the following (in thousands):

	<u>2013</u>	<u>2012</u>
Refunds	\$106,062	\$131,980
Drawback Claims	61,462	44,930
Total	<u>\$167,524</u>	<u>\$176,910</u>

Injured Domestic Industries

The *Continued Dumping and Subsidy Offset Act (CDSOA) of 2000 (P.L. 106-387, Title X)*, enacted in FY 2001, calls for CBP to collect and disburse monies received in connection with antidumping and countervailing duty orders and findings to qualifying Injured Domestic Industries (IDI). Antidumping duties are collected when it is determined that a class or kind of foreign merchandise is being released into the U.S. economy at less than its fair value to the detriment of a U.S. industry. Countervailing duties are collected when it is determined that a foreign government is providing a subsidy to its local industries to manufacture, produce, or export a class or kind of merchandise for import into the U.S. commerce to the detriment of a U.S. industry. Due to the repeal of the CDSOA in the Deficit Reduction

Customs and Border Protection Notes to Financial Statements

Omnibus Reconciliation Act of 2005, only duties on entries filed prior to October 1, 2007 will eventually be distributed to affected U.S. companies pursuant to rulings by the U.S. Department of Commerce. As of September 30, 2013 and 2012, CBP recorded a liability of \$105.1 million and \$140.4 million, respectively. CBP makes annual payments of antidumping/countervailing duties to qualifying Injured Domestic Industries.

16. Leases

Operating Leases

CBP leases various facilities and equipment under leases accounted for as operating leases. The leased items consist of offices, warehouses, vehicles and other equipment. Much of the office space occupied by CBP is either owned by the Federal Government or is leased by the General Services Administration (GSA) from commercial sources. CBP is not committed to continue to pay rent to GSA beyond the period occupied providing proper advance notice is given to GSA unless the rental agreement is non-cancelable. It is expected that CBP will continue to occupy and lease office space from GSA in future years.

The following schedule, by years, shows the future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year, as of September 30, 2013 (in thousands):

Fiscal Year	Facilities, Vehicles, and Equipment
2014	\$ 200,856
2015	198,571
2016	186,243
2017	175,025
2018	150,215
Beyond 2018	1,002,180
Total Future Lease Payments	<u>\$1,913,090</u>

17. Commitments and Contingencies

Legal Contingent Liabilities

CBP is party to various administrative proceedings, legal actions, and claims brought by or against it. Any financially unfavorable administrative or court decision will normally be funded from either: (1) CBP appropriation for refunds and drawbacks for trade litigation issues; (2) various claims and judgment funds maintained by Treasury; or (3) CBP salary and expense appropriation.

The range of estimated contingent liabilities for all probable and estimable litigation related claims as of September 30, 2013 and 2012 were \$381.6 million to \$1.0 billion and \$374.5 million to \$616.5 million, respectively. Asserted and pending legal claims for which loss is reasonably possible range from an estimated \$389.7 million to \$526.4 million and \$473.5 million to \$575.6 million as of September 30, 2013 and 2012, respectively. As of September 30, 2013, CBP had four cases considered reasonably possible for which no estimate could be made.

As disclosed in the Other Liabilities note, \$356.5 million and \$353.0 million of the Legal Contingent Liabilities is considered non-current as of September 30, 2013 and 2012, respectively.

Duty and Trade Refunds

There are various other trade issues resolved by other Federal agencies, such as the Department of Commerce, which may result in refunds of duties, taxes and fees from the Refunds and Drawbacks Account. Until such time as

Customs and Border Protection Notes to Financial Statements

a decision is reached by the other Federal agencies, CBP does not have sufficient information to estimate a contingent liability amount. All known refunds as of September 30, 2013 and 2012 have been recorded.

Loaned Aircraft

CBP is liable to the Department of Defense for damage or loss to aircraft on loan. CBP had 16 aircraft loaned from the Department of Defense with an acquisition value of \$94.4 million, as of September 30, 2013 and 2012, respectively.

18. Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes and must be accounted for separately from the Federal Government's General Fund. Effective in FY 2013, SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27*, changed the term "Earmarked Funds" to "Funds from Dedicated Collections."

Consolidated Omnibus Budget Reconciliation Act (COBRA)

In April 1986, the President signed the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985, which authorized CBP to collect user fees for certain services. The law initially established processing fees for air and sea passengers, commercial trucks, rail cars, private vessels and aircraft, commercial vessels, dutiable mail packages, and CBP broker permits. An additional fee category, contained in tax reform legislation, for processing barges and bulk carriers for Canada and Mexico, was added later that year. The collection of the COBRA fees for CBP services began on July 7, 1986.

In addition to the collection of user fees, other changes in CBP procedures were enacted due to the COBRA statute. Most importantly, provisions were included for providing non-reimbursable inspectional overtime services and paying for excess pre-clearance costs from the COBRA user fee collections.

The Customs and Trade Act of 1990 amended the COBRA legislation to provide for the hiring of inspectional personnel, the purchasing of equipment, and the covering of related expenses with any surplus monies available after overtime and excess pre-clearance costs are satisfied. Expenditures from the surplus can only be used to enhance the service provided to those functions for which fees are collected. This legislation took effect on October 1, 1990.

19 USC Section 58c contains the Fees for certain Customs services. The authority to use these funds is contained in the annual Department of Homeland Security Appropriations Act.

Immigration User Fees (IUF)

Joint Resolution (H.J. Res. 738), making continuing appropriations for FY 1987 (the "1987 Act") (Public Laws 99-500 and 99-591), established the Immigration User Fee Account (IUFA) requiring the collection of a \$5 fee charged to each passenger arriving in the United States from foreign locations aboard commercial aircraft and commercial vessels except passengers whose journeys originated in the United States, Canada, Mexico, a territory or possession of the United States, or an adjacent island. The 1987 Act directed the Immigration and Naturalization Service (INS), beginning in FY 1987, to collect an immigration user fee for each passenger arriving in the United States by commercial air or sea conveyance (with limited exceptions). This law was codified in 8 U.S.C. 1103, 1356, section 286, the Immigration and Nationality Act (INA).

In 1993, Congress amended section 286 of the INA by raising the immigration user fee from the original \$5 to \$6 with the passage of Public Law 103-121. In 2002, in Public Law 107-77, Congress increased the immigration user fee from \$6 to \$7.

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

Also in Public Law 107-77, Congress amended section 286(e) of the INA to authorize the Attorney General to charge and collect a user fee from certain previously exempt commercial vessel passengers. Prior to the enactment of this law, commercial vessel passengers whose journeys originated in Canada, Mexico, a State, territory or possession of the United States, or an adjacent island, were statutorily exempt from paying the immigration user fee prescribed by section 286(d) of the INA. While these vessel passengers were exempt from paying the fee, the INS was still required to provide inspection services.

The IUFA was also established as a repository for fines imposed to prevent unauthorized landing and unlawful transport of aliens into the United States, penalties for document fraud, 31 Act overtime, and liquidated damages and expenses collected. All deposits into the IUFA are available until expended.

Beginning in FY 2003, with the formation of the DHS, CBP collects and shares the revenue from the immigration user fees with Immigration and Customs Enforcement (ICE). CBP maintains approximately 82.6 percent of the user fee, while the other 17.4 percent is turned over to ICE.

The following tables present condensed data relating to CBP funds from dedicated collections (disclosed in Note 1) as of and for the years ended September 30, 2013 and 2012 (in thousands).

	2013			
	COBRA	IUF	All Others	Total
Balance Sheet				
Assets				
Fund Balance with Treasury	\$ 110,919	\$ 44,815	\$ 149,150	\$ 304,884
Taxes, Duties & Trade Receivables, Net	--	--	--	--
Other Assets	292,012	66,546	2,552	361,110
Total Assets	\$ 402,931	\$ 111,361	\$ 151,702	\$ 665,994
Liabilities and Net Position				
Liabilities	\$ 22,811	\$ --	\$ 1,691	\$ 24,502
Cumulative Results of Operations	380,120	111,361	150,011	641,492
Total Liabilities and Net Position	\$ 402,931	\$ 111,361	\$ 151,702	\$ 665,994
Statement of Net Cost				
Gross Cost	\$ 406,464	\$ 632,041	\$ 124,515	\$ 1,163,020
Less: Earned Revenue	--	--	2,776	2,776
Net Cost of Operations	\$ 406,464	\$ 632,041	\$ 121,739	\$ 1,160,244
Statement of Changes In Net Position				
Net Position Beginning of Period	\$ 181,369	\$ 147,217	\$ 106,086	\$ 434,672
Net Costs of Operations	(406,464)	(632,040)	(121,740)	(1,160,244)
Non-exchange Revenue	448,683	--	156,322	605,005
Net Transfers In/Out	(2,167,719)	(116,842)	--	(2,284,561)
Other (Note 21)	2,324,251	713,026	9,343	3,046,620
Change in Net Position	\$ 198,751	\$(35,856)	\$ 43,925	\$ 206,820
Net Position End of Period	\$ 380,120	\$111,361	\$ 150,011	\$ 641,492

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

Balance Sheet	2012			
	COBRA	IUF	All Others	Total
Assets				
Fund Balance with Treasury	\$ 67,342	\$ 84,521	\$106,333	\$ 258,196
Taxes, Duties & Trade Receivables, Net	122,869	--	1	122,870
Other Assets	135,481	62,696	442	198,619
Total Assets	\$ 325,692	\$ 147,217	\$106,776	\$ 579,685
Liabilities and Net Position				
Liabilities	\$ 144,323	\$ --	\$ 690	\$ 145,013
Cumulative Results of Operations	181,369	147,217	106,086	434,672
Total Liabilities and Net Position	\$ 325,692	\$ 147,217	\$106,776	\$ 579,685
Statement of Net Cost				
Gross Cost	\$ 472,024	\$ 577,384	\$ 84,330	\$ 1,133,738
Less Earned Revenues	--	--	1,685	1,685
Net Cost of Operations	\$ 472,024	\$ 577,384	\$ 82,645	\$ 1,132,053
Statement of Changes In Net Position				
Net Position Beginning of Period	\$ 796,302	\$ 134,256	\$ 69,527	\$ 1,000,085
Adjustments	(639,940)	--	--	(639,940)
Net Position Beginning Balances, Adjusted	156,362	134,256	69,527	360,145
Net Costs of Operations	(472,024)	(577,384)	(82,645)	(1,132,053)
Non-exchange Revenue	463,107	--	110,749	573,856
Net Transfers In/Out	(2,099,772)	(119,087)	--	(2,218,859)
Other (Note 21)	2,133,696	709,432	8,455	2,851,583
Change in Net Position	\$ 25,007	\$ 12,961	\$ 36,559	\$ 74,527
Net Position End of Period	\$ 181,369	\$ 147,217	\$106,086	\$ 434,672

19. Intra-governmental Costs and Exchange Revenue

Intra-governmental costs represent exchange transactions made between two reporting entities within the Federal Government and are presented separately from costs with the public (exchange transactions made between the reporting entity and a non-Federal entity). Intra-governmental exchange revenue is disclosed separately from exchange revenue with the public. The criteria used for this classification requires that the intra-governmental expenses relate to the source of goods and services purchased by the reporting entity and not to the classification of related revenue. With intra-governmental costs, the buyer and seller are both Federal entities. If a Federal entity purchases goods or services from another Federal entity and sells them to the public, the exchange revenue would be classified as "with the public," but the related costs would be classified as intra-governmental. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intra-governmental revenue with costs that are incurred to produce public and intra-governmental revenue.

Customs and Border Protection Notes to Financial Statements

In FY 2013 CBP established a new structure for developing the budget, moving from an appropriations-centered process to a planning and programming process that is driven by CBP's goals and objectives. The programs presented in the FY 2013 Statement of Net Cost align with the new Future Years Homeland Security Program structure and reflect the transition from reporting costs and revenue by major appropriation to reporting costs and revenue associated with accomplishing CBP's missions and goals. The FY 2012 presentation was not restated in the FY 2013 format because the FY 2013 programs are not applicable for FY 2012 reporting. The table below presents how the FY 2012 program costs and revenues relate to the new FY 2013 programs structure. The costs and revenues associated with Intelligence and Targeting in FY 2013 were considered overhead in FY 2012 and were allocated in FY 2012 to Border Security Inspections and Trade Facilitation at Ports of Entry, Border Security and Control Between Ports of Entry, and Air and Marine Operations programs.

FY 2012 Programs	Reported Primarily in FY 2013 Programs
Border Security Inspections and Trade Facilitation at Ports of Entry	Securing and Expediting Trade and Securing and Expediting Travel
Border Security and Control Between Ports of Entry	Securing America's Borders
Border Security Fencing, Infrastructure and Technology	Securing America's Borders
Automation Modernization	Securing and Expediting Trade and Securing and Expediting Travel
Air and Marine Operations	Securing America's Borders

The Consolidated Statement of Net Cost reflects intra-governmental and public cost and exchange revenue as summarized below for the years ended September 30, 2013 and 2012 (in thousands):

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

For the year ended September 30, 2013:

	2013
Securing America's Borders	
Intra-governmental Costs	\$ 1,470,571
Public Costs	3,671,553
Total Securing America's Borders Costs	\$ 5,142,124
Less: Intra-governmental Earned Revenue	1,604
Less: Public Earned Revenue	7,647
Total Securing America's Borders Revenue	\$ 9,251
Securing and Expediting Trade	
Intra-governmental Costs	1,040,394
Public Costs	2,060,690
Total Securing and Expediting Trade Costs	\$ 3,101,084
Less: Intra-governmental Earned Revenue	65,666
Less: Public Earned Revenue	71,947
Total Securing and Expediting Trade Revenue	\$ 137,613
Securing and Expediting Travel	
Intra-governmental Costs	1,282,933
Public Costs	2,690,261
Total Securing and Expediting Travel Costs	\$ 3,973,194
Less: Intra-governmental Earned Revenue	35,007
Less: Public Earned Revenue	55,655
Total Securing and Expediting Travel Revenue	\$ 90,662
Intelligence and Targeting	
Intra-governmental Costs	136,107
Public Costs	438,774
Total Intelligence and Targeting Costs	\$ 574,881
Less: Intra-governmental Earned Revenue	24
Less: Public Earned Revenue	2,632
Total Intelligence and Targeting Revenue	\$ 2,656
Net Cost of Operations	\$12,551,101

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

For the year ended September 30, 2012:

	<u>2012</u>
Border Security Inspections and Trade Facilitation at Ports of Entry	
Intra-governmental Costs	\$ 2,138,553
Public Costs	4,471,361
Total Border Security Inspections and Trade Facilitation at Ports of Entry Costs	\$ 6,609,914
Less: Intra-governmental Earned Revenue	66,508
Less: Public Earned Revenue	94,966
Total Border Security Inspections and Trade Facilitation at Ports of Entry Revenue	\$ 161,474
Border Security and Control Between Ports of Entry	
Intra-governmental Costs	1,506,562
Public Costs	3,128,379
Total Border Security and Control Between Ports of Entry Costs	\$ 4,634,941
Less: Intra-governmental Earned Revenue	56,732
Less: Public Earned Revenue	53,465
Total Border Security and Control Between Ports of Entry Revenue	\$ 110,197
Border Security Fencing, Infrastructure and Technology	
Intra-governmental Costs	85,315
Public Costs	276,737
Total Border Security Fencing, Infrastructure and Technology Costs	\$ 362,052
Less: Intra-governmental Earned Revenue	167
Less: Public Earned Revenue	--
Total Border Security Fencing, Infrastructure and Technology Revenue	\$ 167
Automation Modernization	
Intra-governmental Costs	14,455
Public Costs	301,160
Total Automation Modernization Costs	\$ 315,615
Less: Intra-governmental Earned Revenue	--
Less: Public Earned Revenue	(1)
Total Automation Modernization Revenue	\$ (1)
Air and Marine Operations	
Intra-governmental Costs	191,259
Public Costs	508,946
Total Air and Marine Operations Costs	\$ 700,205
Less: Intra-governmental Earned Revenue	2,698
Less: Public Earned Revenue	3,598
Total Air and Marine Operations Revenue	\$ 6,296
Net Cost of Operations	\$12,344,594

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

20. Sub-organization Program Costs/Program Costs by Strategic Goal

CBP is the unified border agency whose priority mission is the prevention of terrorism and terrorist weapons from entering the U.S. CBP meets these responsibilities by: (1) enforcing the laws governing the flow of merchandise or commerce across the borders of the U.S.; (2) assessing and collecting duties, taxes and fees on imported and other goods and services; and (3) enforcing drug-related and other laws and regulations of the U.S. on behalf of Federal agencies and/or in conjunction with various states, local agencies and foreign countries.

Operating costs are summarized in the Consolidated Statement of Net Cost by mission or major line of activity, as applicable to the reporting period. The net cost of operations is the gross (i.e. total) cost incurred by CBP less any exchange (i.e. earned) revenue.

The strategic goals identified in the following tables align with the “DHS Strategic Plan for Fiscal Years (FY) 2012 – 2016.” The DHS Strategic Plan is the result of the DHS Quadrennial Homeland Security Review (QHSR), which established a unified, strategic framework for homeland security missions and goals. As stated in Note 19, in FY 2013 CBP changed the program structure for reporting costs and revenue associated with accomplishing CBP’s mission goals, which support the DHS Strategic Plan. The FY 2012 presentation was not restated in the FY 2013 format because the FY 2013 programs are not applicable for FY 2012 reporting.

For the year ended September 30, 2013 (in thousands):

Schedule of Net Cost by Program and Responsibility Segment	2013				
	Fostering a Safe & Secure Homeland	Enforcing & Administering Our Immigration Laws	Providing Essential Support to National, Economic and Homeland Security	Intra-Entity Eliminations	Consolidated Total
Securing America’s Borders					
Gross Costs	\$ 5,138,348	\$ 50,825	--	\$ 47,049	\$ 5,142,124
Less: Earned Revenue	62,630	-	--	53,379	9,251
Net Program Costs	\$ 5,075,718	\$ 50,825	--	\$ (6,330)	\$ 5,132,873
Securing and Expediting Trade					
Gross Costs	\$ 2,947,167	--	\$947,345	\$ 793,428	\$ 3,101,084
Less: Earned Revenue	471,742	--	148,699	482,828	137,613
Net Program Costs	\$ 2,475,425	--	\$798,646	\$ 310,600	\$ 2,963,471
Securing and Expediting Travel					
Gross Costs	\$ 2,545,840	\$1,912,060	\$ 221	\$ 484,927	\$ 3,973,194
Less: Earned Revenue	541,463	433,872	1	884,674	90,662
Net Program Costs	\$ 2,004,377	\$1,478,188	\$ 220	\$(399,747)	\$ 3,882,532
Intelligence and Targeting					
Gross Costs	\$ 682,215	--	--	\$ 107,334	\$ 574,881
Less: Earned Revenue	14,513	--	--	11,857	2,656
Net Program Costs	\$ 667,702	--	--	\$ 95,477	\$ 572,225
Net Cost of Operations	\$10,223,222	\$1,529,013	\$798,866	\$ --	\$12,551,101

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

For the year ended September 30, 2012 (in thousands):

2012

Schedule of Net Cost by Program and Responsibility Segment	Fostering a Safe & Secure Homeland	Enforcing & Administering Our Immigration Laws	Ensuring Resilience to Disasters	Providing Essential Support to National, Economic and Homeland Security	Intra-Entity Eliminations	Consolidated Total
Border Security Inspections And Trade Facilitation at Ports Of Entry						
Gross Costs:						
Passenger Processing	\$ 2,553,008	\$ 1,802,565	\$ --	\$ --	\$ 543,065	\$ 3,812,508
Trade Compliance	2,181,611	--	--	764,588	360,738	2,585,461
Outbound	242,459	--	--	--	30,514	211,945
Total Gross Costs	\$ 4,977,078	\$ 1,802,565	--	\$764,588	\$ 934,317	\$ 6,609,914
Less: Earned Revenue	1,004,037	408,924	--	139,287	1,390,774	161,474
Net Program Costs	\$ 3,973,041	\$ 1,393,641	\$ --	\$625,301	\$ (456,457)	\$ 6,448,440
Border Security and Control Between Ports of Entry						
Gross Costs	\$ 5,109,073	--	--	--	\$ 474,132	\$ 4,634,941
Less: Earned Revenue	147,833	--	--	--	37,636	110,197
Net Program Costs	\$ 4,961,240	--	--	--	\$ 436,496	\$ 4,524,744
Border Security Fencing, Infrastructure and Technology						
Gross Costs	\$ 315,932	\$ 32,919	\$ 2	\$ 13,199	--	\$ 362,052
Less: Earned Revenue	137	22	--	8	--	167
Net Program Costs	\$ 315,795	\$ 32,897	\$ 2	\$ 13,191	--	\$ 361,885
Automation Modernization						
Gross Costs	\$ 205,639	\$ 80,028	\$ 8	\$ 29,940	--	\$ 315,615
Less: Earned Revenue	(1)	--	--	--	--	(1)
Net Program Costs	\$ 205,640	\$ 80,028	\$ 8	\$ 29,940	--	\$ 315,616
Air and Marine Operations						
Gross Costs	\$ 722,285	--	\$229	--	\$ 22,309	\$ 700,205
Less: Earned Revenue	8,614	--	30	--	2,348	6,296
Net Program Costs	\$ 713,671	--	\$199	--	\$ 19,961	\$ 693,909
Net Cost of Operations	\$10,169,387	\$1,506,566	\$209	\$668,432	\$ --	\$12,344,594

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

21. *Non-exchange Revenues and Transfers In/Out Without Reimbursement*

Non-exchange Revenue represents amounts collected from user fees that CBP may retain and expend as authorized by law, and is identified in Non-exchange Revenue and Other. Transfers In/Out Without Reimbursement are amounts of funds collected and transferred from CBP receipt accounts to expenditure accounts within CBP and to other Federal agencies.

Non-exchange Revenue reported under Budgetary Financing Sources includes Land Border Inspection Fees, Immigration Enforcement Fees, International Registered Traveler Program Fees, Electronic Systems for Travel Authorization Fees, Customs User Fees, and amounts from Abandoned and Seized Goods. These amounts are identified as Budgetary Financing Sources because CBP recognizes budget authority related to the collections. Non-exchange Revenue reported under Other Financing Sources as Other, includes Immigration User Fees, Small Airports User Fees, and Merchandise Processing Fees, which represent revenue reported in receipt accounts for which CBP does not have available budgetary authority. Also reported under Other Financing Sources as Other, is the accounts receivable related portion of Customs User Fees.

22. *Adjustment to Unobligated Balance, Brought Forward, October 1*

The adjustment to unobligated balance, brought forward, October 1, 2011 consisted of \$639.9 million in COBRA User Fees that resulted from a temporary fee increase and elimination of the North American Free Trade Agreement (NAFTA) country exemptions from 1994 to 1997. The fees are restricted by law for use until made available as provided in Appropriation Acts. The FY 2012 reporting change resulted from new guidance received from OMB in August 2012, which included creating a new unavailable receipt account for CBP to report these additional fees and reducing budgetary resources rather than reporting as an unapportioned balance.

CBP will report the \$639.9 million in user fees as “Non-budgetary” Fund Balance with Treasury until the collections are either withdrawn by Treasury from CBP’s account or made available to CBP by law.

23. *Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations*

Apportionment categories are determined in accordance with the guidance provided in OMB Circular A-11, *Preparation, Submission and Execution of the Budget*. Category A represents resources apportioned for calendar quarters. Category B represents resources apportioned for other time periods, activities, projects, objectives or any combination thereof (in thousands). In FY 2013 CBP changed the reporting of current year reimbursable funds’ apportionment from category A to category B to better reflect management of these funds by project rather than by quarters.

2013	Apportionment Category A	Apportionment Category B	Exempt from Apportionment	Total
Obligations Incurred – Direct	\$ 9,648,928	\$2,338,559	\$1,300,623	\$13,288,110
Obligations Incurred - Reimbursable	(1,283)	1,575,677	--	1,574,394
Total Obligations Incurred	\$ 9,647,645	\$3,914,236	\$1,300,623	\$14,862,504
2012	Apportionment Category A	Apportionment Category B	Exempt from Apportionment	Total
Obligations Incurred – Direct	\$ 8,761,186	\$3,714,385	\$1,820,615	\$14,296,186
Obligations Incurred - Reimbursable	1,536,596	80,046	--	1,616,642
Total Obligations Incurred	\$10,297,782	\$3,794,431	\$1,820,615	\$15,912,828

Customs and Border Protection Notes to Financial Statements

24. Appropriations

As of September 30, 2013 and 2012, the Combined Statements of Budgetary Resources consist of appropriations totaling \$12.9 billion and \$13.7 billion, respectively. This differs from the Consolidated Statements of Changes in Net Position as of September 30, 2013 and 2012, which consist of appropriations received totaling \$8.2 billion and \$8.0 billion, respectively. This difference is due to CBP's non-entity activity, which as of September 30, 2013 and 2012 consists of \$1.3 billion and \$1.8 billion, respectively, for Refund and Drawback activity, \$3.7 billion and \$3.5 billion, respectively, for user/inspection fees and subsidy activity, which are not reported on the Consolidated Statements of Changes in Net Position, \$597.3 million and \$17.0 million, respectively, in rescissions, which are reported separately on the Consolidated Statements of Changes in Net Position, and \$382.9 million and \$362.1 million, respectively, in non-expenditure transfers, which are reported separately on the Consolidated Statements of Changes in Net Position.

Permanent indefinite appropriations refer to the appropriations that result from permanent public laws, which authorize CBP to retain certain receipts. The amount appropriated depends upon the amount of the receipts rather than on a specific amount. CBP has a permanent and indefinite appropriation, Refunds and Drawbacks, which is used to disburse tax and duty refunds and duty drawbacks. Although funded through an appropriation, refund and drawback activity is, in most instances, reported as a custodial activity. Refunds are custodial revenue-related activity in that refunds are a direct result of importer overpayments of duties, taxes and fees. Federal tax revenue received from taxpayers is not available for use in the operation of CBP and is not reported on the Consolidated Statements of Net Cost. Likewise, the refunds of overpayments are not available for use by CBP in its operations. This appropriation is not subject to budgetary ceilings established by Congress. Refunds and drawbacks payable at year-end are not subject to funding restrictions. Refund payment funding is recognized as appropriations are used.

25. Legal Arrangements Affecting the Use of Unobligated Balances

Unobligated balances, whose period of availability has expired, are not available to fund new obligations. Expired unobligated balances are available to pay for current period adjustments to obligations incurred prior to expiration. For a fixed appropriation account, the balance can be carried forward for five fiscal years after the period of availability ends. For a no-year account, the unobligated balance is carried forward indefinitely until (1) specifically rescinded by law; or (2) the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for two consecutive years.

Included in the cumulative results of operations for special funds is \$548.6 billion at September 30, 2013, that represents CBP's authority to assess and collect user fees relating to merchandise and passenger processing, to assess and collect fees associated with the services performed at certain small airports or other facilities, retain amounts needed to offset costs associated with collecting duties, and taxes and fees for the government of Puerto Rico. These special fund balances are restricted by law and in their use to offset specific costs incurred by CBP. The passenger fees in the COBRA User Fee Account, totaling approximately \$135.5 million, as of September 30, 2013 are restricted by law in its use to offset specific costs incurred by CBP.

The entity trust fund balances result from CBP's authority to use the proceeds from general order items sold at auction to offset specific costs incurred by CBP relating to their sale, to use available funds in the Salaries and Expense Fund to offset specific costs for expanding border and port enforcement activities, and to use available funds from the Harbor Maintenance Trust Fund to offset administrative expenses related to the collection of the Harbor Maintenance Fee.

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

26. Explanation of Differences Between the SBR and the Budget of the U.S. Government

The table below documents the material differences between the FY 2012 Combined Statement of Budgetary Resources and the actual amounts reported for FY 2012 in the Budget of the United States Government. Since the FY 2013 financial statements are reported prior to the Budget of the United States Government, CBP is reporting for FY 2012 only. Typically, the Budget of the United States Government with the FY 2013 actual data is published in February of the subsequent year. Once published, the FY 2013 actual data will be available at OMB website, www.whitehouse.gov/omb.

Differences between the SBR and the Budget of the US Government (in thousands):

2012	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$17,223,692	\$15,912,828	\$(3,499,993)	\$10,997,664
Differences:				
Expired Appropriation not Included in President's Budget	(376,421)	(91,398)	--	--
Refunds & Drawbacks not Included in President's Budget (70X0505)	(1,817,610)	(1,817,610)	--	(1,773,341)
Injured Domestic Industries not Included in President's Budget (20X5688)	(638,123)	(418,094)	--	(418,094)
Offsetting Receipts not Included in the Treasury Annual Report	--	--	(44,634)	3,499,993
Miscellaneous	(2,000)	--	(1,000)	1,000
Total Differences	(2,834,154)	(2,327,102)	(45,634)	1,309,558
Budget of the US Government	\$14,389,538	\$13,585,726	\$(3,545,627)	\$12,307,222

Expired authority represents funding for which CBP no longer has budget authority. Refund and Drawback and the Injured Domestic Industries activity is exempt from apportionment per OMB Circular A-11 and therefore is not included in the President's Budget.

27. Undelivered Orders at the End of Period

An undelivered order exists when a valid obligation has occurred and funds have been reserved, but the goods or services have not been delivered and have not been prepaid. Undelivered orders for the period ended September 30, 2013 and 2012 (in thousands):

	2013	2012
Unpaid	\$2,954,472	\$3,314,498
Upward/Downward Adjustment of Prior Period	(364,759)	(314,629)
Total Undelivered Orders at the End of Period	\$2,589,713	\$2,999,869

28. Custodial Revenues

Custodial Revenue consists of duties, user fees, excise taxes, fines and penalties, refunds and drawbacks overpayments and interest associated with import/export activity which have been established as a specifically identifiable, legally enforceable claim and remain uncollected as of year-end. These receivables are net of amounts deemed uncollectible which were determined by considering the debtor's payment record and willingness to pay, the probable recovery of amounts from secondary sources, such as sureties and an analysis of aged receivable activity. Interest collections on the Consolidated Statements of Custodial Activity reflect a negative balance in FY 2013 due to the current year amount including the entire change in the allowance for loss on interest receivable. The estimated

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

uncollectible amount increased in FY 2013 more than the increase in the interest collected and accrued. Primarily, revenue collections result from current fiscal year activity.

Refunds were increased in FY 2012 due to the October 21, 2011 enactment of the Trade Adjustment Assistance Extension Act of 2011 (HR2832) and the United States-Colombia Trade Promotion Agreement Implementation Act (HR 3078) which were retroactive to January 1, 2011. Refunds paid in FY 2013 are similar to amounts paid in years prior to FY 2012. Disbursements from the Refunds and Drawbacks Account for the fiscal years ended September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Refunds	\$ 625,790	\$1,511,468
Drawbacks	873,121	739,001
Total	<u>\$1,498,911</u>	<u>\$2,250,469</u>

Amounts refunded during FY 2013 and 2012 identified by entry year consist of the following (in thousands):

Entry Year	<u>2013</u>
2013	\$ 824,708
2012	288,515
2011	95,876
2010	33,975
Prior Years	255,837
Total	<u>\$1,498,911</u>

Entry Year	<u>2012</u>
2012	\$ 951,810
2011	707,087
2010	89,277
2009	37,503
Prior Years	464,792
Total	<u>\$2,250,469</u>

The total amount of antidumping and countervailing duties varies from year to year, depending on decisions from Department of Commerce. Antidumping and countervailing duty refunds (included in total refunds presented above) and associated interest refunded for the fiscal years ended September 30, 2013 and 2012, consisted of the following (in thousands):

	<u>2013</u>	<u>2012</u>
Antidumping and Countervailing Duty Refunds	\$92,976	\$133,994
Interest	4,551	7,036
Total	<u>\$97,527</u>	<u>\$141,030</u>

Notes to Financial Statements

Customs and Border Protection Notes to Financial Statements

29. Reconciliation of Net Cost of Operations to Budget

The following table presents CBP's reconciliation of net cost of operations to budgetary accounts for the years ended September 30, 2013 and 2012 (in thousands).

	<u>2013</u>	<u>2012</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$14,862,504	\$15,912,828
Less: Spending Authority from Offsetting Collections and Recoveries	1,986,889	1,969,582
Obligations Net of Offsetting Collections and Recoveries	<u>\$12,875,615</u>	<u>\$13,943,246</u>
Less: Offsetting Receipts	3,776,910	3,499,993
Net Obligations	<u>\$ 9,098,705</u>	<u>\$10,443,253</u>
Other Resources		
Transfers In/Out Without Reimbursement	36,425	60,926
Imputed Financing from Costs Absorbed by Others	598,159	645,076
Other (Note 21)	3,210,294	2,887,095
Net Other Resources Used to Finance Activities	<u>\$ 3,844,878</u>	<u>\$ 3,593,097</u>
Total Resources Used to Finance Activities	<u>\$12,943,583</u>	<u>\$14,036,350</u>
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered, but not yet Provided	\$ (429,869)	\$ (403,627)
Resources that Fund Expenses Recognized in Prior Periods	439	33,171
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	(515,626)	(570,282)
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	609,154	983,638
Tax Revenue Refunds and Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations	<u>1,431,626</u>	<u>2,204,916</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>\$ 1,095,724</u>	<u>\$ 2,247,816</u>
Total Resources Used to Finance the Net Cost of Operations	<u>\$11,847,859</u>	<u>\$11,788,534</u>
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability and Environmental Liability	\$ 9,700	\$ 1,138
Change in Actuarial FECA Liability, Legal Contingent Liabilities and Other	<u>141,633</u>	<u>66,718</u>
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	<u>\$ 151,333</u>	<u>\$ 67,856</u>
Components not Requiring or Generating Resources		
Depreciation and Amortization	\$ 676,571	\$ 629,967
Revaluation of Assets or Liabilities	(20,552)	(18,760)
Other Non-budgetary Resources	<u>(104,110)</u>	<u>(123,003)</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources	<u>\$ 551,909</u>	<u>\$ 488,204</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	<u>\$ 703,242</u>	<u>\$ 556,060</u>
Net Cost of Operations	<u><u>\$12,551,101</u></u>	<u><u>\$12,344,594</u></u>

Required Supplementary Information

Customs and Border Protection Required Supplementary Information (Unaudited)

Deferred Maintenance and Repairs

Deferred maintenance and repairs are maintenance and repairs that were not performed when they should have been or were scheduled to be performed, and were delayed until a future period. Maintenance and repairs include preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it will continue to provide acceptable service and achieve its useful life.

An assessment of "fair" means the facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency and to achieve normal life expectancy. An assessment of "good" means the facility/equipment condition is above minimum standards, but requires preventive maintenance or normal repairs to maintain the design intent of the building or equipment so that it continues to provide acceptable service and achieves the expected useful life. An assessment of "poor" means the facility/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and to provide a minimal level of operating function. In some cases, this includes condemned or failed facilities. Deferred maintenance on property, plant and equipment as measured by condition assessment survey, is comprised of (in thousands):

	2013	
	Condition Assessment	Deferred Maintenance and Repairs
Building and Structures	Poor to Good	\$181,484
Vehicles	Good	--
Equipment	Good	--
Multi-Use Heritage Assets	Poor to Good	987
Collections (documents and artifacts)	Poor to Good	--
Total		\$182,471

	2012	
	Condition Assessment	Deferred Maintenance and Repairs
Building and Structures	Poor to Good	\$97,802
Vehicles	Good	--
Equipment	Good	--
Multi-Use Heritage Assets	Good	--
Collections (documents and artifacts)	Poor to Good	--
Total		\$97,802

Required Supplementary Information

Customs and Border Protection Required Supplementary Information (Unaudited)

Statement of Budgetary Resources (SBR)

The total Budgetary Resources of \$16.1 billion for FY 2013 includes new budget authority, unobligated balances at the beginning of the year and transferred in/out, spending authority from offsetting collections, recoveries of prior year obligations and adjustments.

Schedule of Budgetary Resources by Major Budget Accounts:

As of September 30, 2013 (in thousands):	2013						
	Salaries & Expense	Air & Marine	BSFIT	Construction	Automation	Other	Total
Budgetary Resources							
Unobligated balance brought forward, October 1	\$ 268,273	\$ 69,777	\$407,160	\$ 41,502	\$ 99,244	\$ 424,908	\$ 1,310,864
Adjustment to unobligated balance brought forward, October 1	--	--	--	--	--	--	--
Unobligated balance brought forward, October 1, as adjusted	\$ 268,273	\$ 69,777	\$407,160	\$ 41,502	\$ 99,244	\$ 424,908	\$ 1,310,864
Recoveries of prior year unpaid obligations	137,200	68,493	90,289	60,366	27,051	5,922	389,321
Other changes in unobligated balance	(92,421)	(1,375)	(9,031)	--	6,880	--	(95,947)
Unobligated balance from prior year budget authority, net	313,052	136,895	488,418	101,868	133,175	430,830	1,604,238
Appropriations	8,234,379	758,262	234,256	209,527	722,847	2,793,739	12,953,010
Spending authority from offsetting collections	1,569,333	2,734	50	--	--	25,451	1,597,568
Total Budgetary Resources	\$10,116,764	\$897,891	\$722,724	\$311,395	\$856,022	\$3,250,020	\$16,154,816
Status of Budgetary Resources							
Obligations incurred (Note 23)	\$ 9,871,168	\$825,224	\$302,033	\$ 233,564	\$771,907	\$2,858,608	\$14,862,504
Unobligated balance, end of year:							
Apportioned	26,360	66,842	402,412	30,065	75,084	117,111	717,874
Unapportioned	219,236	5,825	18,279	47,766	9,031	274,301	574,438
Total unobligated balance, end of year	245,596	72,667	420,691	77,831	84,115	391,412	1,292,312
Total Budgetary Resources	\$10,116,764	\$897,891	\$722,724	\$311,395	\$856,022	\$3,250,020	\$16,154,816

Required Supplementary Information

Customs and Border Protection Required Supplementary Information (Unaudited)

2013

	Salaries & Expense	Air & Marine	BSFIT	Construction	Automation	Other	Total
Change in Obligated Balance:							
Unpaid Obligations:							
Unpaid obligations brought forward, October 1 (gross)	\$ 1,761,724	\$ 604,631	\$ 644,865	\$ 694,687	\$ 177,004	\$ 274,569	\$ 4,157,480
Obligations incurred (Note 23)	9,871,168	825,224	302,033	233,564	771,907	2,858,608	14,862,504
Outlay (gross)	(10,316,900)	(801,900)	(343,888)	(348,883)	(579,645)	(2,718,442)	(15,109,658)
Recoveries of prior year unpaid obligations	(137,200)	(68,493)	(90,289)	(60,366)	(27,051)	(5,922)	(389,321)
Unpaid obligations, end of year (gross)	<u>1,178,792</u>	<u>559,462</u>	<u>512,721</u>	<u>519,002</u>	<u>342,215</u>	<u>408,813</u>	<u>3,521,005</u>
Uncollected Payments:							
Uncollected customer payments from Federal sources brought forward from October 1	(161,057)	(363)	(167)	--	--	(1,033)	(162,620)
Change in uncollected customer payments from federal sources	10,974	(228)	167	--	--	(52)	10,861
Uncollected customer payments from federal sources, end of year	<u>(150,083)</u>	<u>(591)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,085)</u>	<u>(151,759)</u>
Obligated Balance, Start of Year	<u>\$ 1,600,667</u>	<u>\$ 604,268</u>	<u>\$ 644,698</u>	<u>\$ 694,687</u>	<u>\$ 177,004</u>	<u>\$ 273,536</u>	<u>\$ 3,994,860</u>
Obligated Balance, End of Year	<u>\$ 1,028,709</u>	<u>\$ 558,871</u>	<u>\$ 512,721</u>	<u>\$ 519,002</u>	<u>\$ 342,215</u>	<u>\$ 407,728</u>	<u>\$ 3,369,246</u>
Budget Authority and Outlays, Net:							
Budget authority, gross	\$ 9,803,712	\$ 760,996	\$ 234,306	\$ 209,527	\$ 722,847	\$ 2,819,190	\$ 14,550,578
Actual offsetting collections	(1,580,307)	(2,506)	(217)	--	--	(25,399)	(1,608,429)
Change in uncollected customer payment from Federal sources	10,974	(228)	167	--	--	(52)	10,861
Budget Authority, Net	<u>\$ 8,234,379</u>	<u>\$ 758,262</u>	<u>\$ 234,256</u>	<u>\$ 209,527</u>	<u>\$ 722,847</u>	<u>\$ 2,793,739</u>	<u>\$ 12,953,010</u>
Outlays, gross	\$10,316,900	\$ 801,900	\$343,888	\$ 348,883	\$ 579,645	\$ 2,718,442	\$ 15,109,658
Actual offsetting collections	(1,580,307)	(2,506)	(217)	--	--	(25,399)	(1,608,429)
Outlays, net	8,736,593	799,394	343,671	348,883	579,645	2,693,043	13,501,229
Distributed offsetting receipts	--	--	--	--	--	(3,776,910)	(3,776,910)
Agency Outlays, Net	<u>\$ 8,736,593</u>	<u>\$ 799,394</u>	<u>\$ 343,671</u>	<u>\$ 348,883</u>	<u>\$ 579,645</u>	<u>\$(1,083,867)</u>	<u>\$ 9,724,319</u>

Required Supplementary Information

Customs and Border Protection Required Supplementary Information (Unaudited)

Schedule of Budgetary Resources by Major Budget Accounts:

As of September 30, 2012 (in thousands):	2012						
	Salaries & Expense	Air & Marine	BSFIT	Construction	Automation	Other	Total
Budgetary Resources							
Unobligated balance brought forward, October 1	\$ 295,328	\$ 79,856	\$403,880	\$ 52,217	\$ 90,036	\$1,347,055	\$ 2,268,372
Adjustment to unobligated balance brought forward, October 1	--	--	--	--	--	(639,940)	(639,940)
Unobligated balance brought forward, October 1, as adjusted	\$ 295,328	\$ 79,856	\$403,880	\$ 52,217	\$ 90,036	\$ 707,115	\$ 1,628,432
Recoveries of prior year unpaid obligations	138,966	25,950	71,894	83,846	21,331	9,249	351,236
Other changes in unobligated balance	(90,371)	(1,613)	--	(1,401)	--	--	(93,385)
Unobligated balance from prior year budget authority, net	343,923	104,193	475,774	134,662	111,367	716,364	1,886,283
Appropriations	9,054,230	503,966	378,100	236,596	329,275	3,216,896	13,719,063
Spending authority from offsetting collections	1,583,428	4,905	372	--	--	29,641	1,618,346
Total Budgetary Resources	\$10,981,581	\$613,064	\$854,246	\$371,258	\$440,642	\$3,962,901	\$17,223,692
Status of Budgetary Resources							
Obligations incurred (Note 23)	\$10,713,308	\$543,287	\$447,086	\$329,756	\$341,398	\$3,537,993	\$15,912,828
Unobligated balance, end of year:							
Apportioned	26,551	68,239	404,624	91	99,173	39,832	638,510
Unapportioned	241,722	1,538	2,536	41,411	71	385,076	672,354
Total unobligated balance, end of year	268,273	69,777	407,160	41,502	99,244	424,908	1,310,864
Total Budgetary Resources	\$10,981,581	\$613,064	\$854,246	\$371,258	\$440,642	\$3,962,901	\$17,223,692

Required Supplementary Information

Customs and Border Protection Required Supplementary Information (Unaudited)

2012

	Salaries & Expense	Air & Marine	BSFIT	Construction	Automation	Other	Total
Change in Obligated Balances							
Unpaid Obligations:							
Unpaid obligations brought forward, October 1 (gross)	\$ 1,851,440	\$615,779	\$688,048	\$1,075,435	\$244,740	\$ 237,725	\$ 4,713,167
Obligations incurred (Note 23)	10,713,308	543,287	447,086	329,756	341,398	3,537,993	15,912,828
Outlay (gross)	(10,664,058)	(528,485)	(418,374)	(626,659)	(387,803)	(3,491,900)	(16,117,279)
Recoveries of prior year unpaid obligations	(138,966)	(25,950)	(71,894)	(83,846)	(21,331)	(9,249)	(351,236)
Unpaid obligations, end of year (gross)	1,761,724	604,631	644,866	694,686	177,004	274,569	4,157,480
Uncollected Payments:							
Uncollected customer payments from Federal sources brought forward from October 1	(162,650)	(301)	--	--	--	(945)	(163,896)
Change in uncollected customer payments from federal sources	1,593	(62)	(167)	--	--	(88)	1,276
Uncollected customer payments from federal sources, end of year	(161,057)	(363)	(167)	--	--	(1,033)	(162,620)
Obligated Balance, Start of Year	\$ 1,688,790	\$615,478	\$688,048	\$1,075,435	\$244,740	\$ 236,780	\$ 4,549,271
Obligated Balance, End of Year	\$ 1,600,667	\$604,268	\$644,699	\$ 694,686	\$177,004	\$ 273,536	\$ 3,994,860
Budget Authority and Outlays, Net:							
Budget authority, gross	\$10,637,658	\$508,871	\$378,472	\$ 236,596	\$329,275	\$3,246,537	\$15,337,409
Actual offsetting collections	(1,585,021)	(4,843)	(205)	--	--	(29,553)	(1,619,622)
Change in uncollected customer payment from Federal sources	1,593	(62)	(167)	--	--	(88)	1,276
Budget Authority, Net	\$ 9,054,230	\$503,966	\$378,100	\$ 236,596	\$329,275	\$3,216,896	\$13,719,063
Outlays, gross	\$10,664,058	\$528,485	\$418,374	\$ 626,659	\$387,803	\$3,491,900	\$16,117,279
Actual offsetting collections	(1,585,021)	(4,843)	(205)	--	--	(29,553)	(1,619,622)
Outlays, net	9,079,037	523,642	418,169	626,659	387,803	3,462,347	14,497,657
Distributed offsetting receipts	--	--	--	--	--	(3,499,993)	(3,499,993)
Agency Outlays, Net	\$ 9,079,037	\$523,642	\$418,169	\$ 626,659	\$387,803	\$ (37,646)	\$10,997,664

Required Supplementary Information

Customs and Border Protection Required Supplementary Information (Unaudited)

Custodial Activity

Substantially all duty, tax and fee revenues collected by CBP are remitted to various General Fund accounts maintained by Treasury and U.S Department of Agriculture. Treasury further distributes these revenues to other Federal agencies in accordance with various laws and regulations. CBP transfers the remaining revenue (less than one percent of revenues collected) directly to other Federal agencies, the Governments of Puerto Rico and the U.S. Virgin Islands. Refunds of revenues collected from import/export activities are recorded in separate accounts established for this purpose and are funded through permanent indefinite appropriations. These activities reflect the non-entity, or custodial, responsibilities that CBP, as an agency of the Federal government, has been authorized by law to enforce.

CBP reviews selected documents to ensure all duties, taxes and fees owed to the Federal government are paid and to ensure regulations are followed. If CBP determines that duties, taxes, fees, fines or penalties are due in addition to estimated amounts previously paid by the importer/violator, the importer/violator is notified of the additional amount due. CBP regulations allow the importer/violator to file a protest on the additional amount due for review by the Port Director. A protest allows the importer/violator the opportunity to submit additional documentation supporting their claim of a lower amount due or to cancel the additional amount due in its entirety. During the protest period, CBP does not have a legal right to importer/violator's assets, and consequently CBP recognizes accounts receivable only when the protest period has expired or an agreement is reached. For FY 2013 and 2012, CBP had the legal right to collect \$2.7 billion of receivables. In addition, there were \$2.3 billion and \$2.6 billion representing records still in the protest phase for FY 2013 and 2012, respectively. CBP recognized as write-offs \$288 million and \$78 million of assessments that the Department has statutory authority to collect at September 30, 2013 and 2012, respectively, but has no future collection potential. Most of this amount represents trade receivables.

Auditors' Report

Independent Auditors' Report

The independent audit of CBP's consolidated financial statements was conducted by KPMG LLP, and follows in its entirety.

This page intentionally left blank.

Department of Homeland Security
Office of Inspector General

**Independent Auditors' Report on U.S. Customs and
Border Protection's FY 2013 Financial Statement**



OIG-14-59

March 2014




OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

MAR 27 2014

MEMORANDUM FOR: Deborah J. Schilling
Chief Financial Officer
U.S. Customs and Border Protection

FROM: Anne L. Richard: 
Assistant Inspector General for Audits

SUBJECT: *Independent Auditors' Report on U.S. Customs and Border Protection's FY 2013 Financial Statements*

Attached for your action is our final report, *Independent Auditors' Report on U.S. Customs and Border Protection's FY 2013 Financial Statements*. We have incorporated the formal comments from U.S. Customs and Border Protection (CBP) in the final report.

The report presents the results of CBP's consolidated financial statement audits for fiscal years (FY) 2013 and 2012. We contracted with the independent public accounting firm KPMG LLP to perform the audits. KPMG LLP concluded that CBP's consolidated financial statements as of and for the years ended September 30, 2013, and September 30, 2012, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

The FY 2013 independent auditors' report also contains observations and 13 recommendations related to internal control weaknesses that were considered significant deficiencies and were required to be reported in the financial statement audit report. The four significant deficiencies in internal controls are presented below; the first significant deficiency is considered to be a material weakness. Your office concurred with the one material weakness and three other significant deficiencies presented below:

Significant Deficiencies in Internal Control

- A. Drawback of Duties, Taxes, and Fees
- B. Property, Plant, and Equipment
- C. Entry Process
 - 1. In Bond Program
 - 2. Bonded Warehouse and Foreign Trade Zones
 - 3. Entry Reports
- D. Information Technology



OFFICE OF INSPECTOR GENERAL Department of Homeland Security

KPMG LLP is responsible for the attached independent auditors' report dated January 30, 2014, and the conclusions expressed in the report. We do not express opinions on financial statements or internal control or conclusions on compliance with laws and regulations.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. In addition, we will post a copy of the report on our website for public dissemination.

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

Attachment



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General
U.S. Department of Homeland Security:

Commissioner
U.S. Customs and Border Protection:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Customs and Border Protection (CBP), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative (KPMG International), a Swiss entity.



Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CBP as of September 30, 2013 and 2012, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Notes 19 and 20 to the consolidated financial statements, CBP changed its presentation for reporting the consolidated statement of net cost in order to better align its costs with its strategic objectives. The consolidated statement of net cost for fiscal year 2012 has not been restated in the fiscal year 2013 format since the new programs are not applicable to fiscal year 2012 reporting. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Acting Commissioner's Message, Performance Section, Message from the Chief Financial Officer, Other Information, and Acronyms as reflected in CBP's *Fiscal Year 2013 Performance and Accountability Report* is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered CBP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of CBP's internal control. Accordingly, we do not express an opinion on the effectiveness of CBP's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Auditors' Report



Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying exhibits, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Exhibit I to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Exhibit II to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CBP's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

CBP's Responses to Findings

CBP's responses to the findings identified in our audit are described in Management's Response to the Independent Auditors' Report. CBP's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of CBP's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
January 30, 2014

Material Weakness**A. Drawback of Duties, Taxes, and Fees****Background:**

U.S. Customs and Border Protection (CBP) performs an important revenue collection function for the U.S. Department of the Treasury. In fiscal year (FY) 2013, CBP collected approximately \$36.6 billion in import duties, taxes, and fees on merchandise arriving in the U.S. from foreign countries. Receipts of import duties and related refunds are presented in the statement of custodial activity in CBP's consolidated financial statements.

Drawback is a remittance, in whole or in part, of duties, taxes, or fees previously paid by an importer. Drawback typically occurs when the imported goods, on which duties, taxes, or fees have been previously paid, are subsequently exported from the United States or destroyed prior to entering the commerce of the United States. Depending on the type of drawback claim, the claimant has up to eight years from the date of importation to file for drawback.

The conditions cited below have existed for several years; however, CBP's planned remediation for these conditions is dependent upon funding for IT systems modernization and new system implementation. In FY 2013, CBP continued its efforts to review and reassess the drawback process as a whole.

Conditions:

The following weaknesses in internal control over drawback of duties, taxes, and fees paid by the importer were identified:

- CBP is unable to prevent, or detect and correct excessive drawback claims against an entry summary due to the inherent limitations of CBP's current entry/collections system and lack of controls therein. An entry summary may comprise numerous line items; however, the system does not have the capability to compare, verify, and track essential information on drawback claims to the related underlying consumption entry sheets and their individual line items, or export documentation upon which the drawback claim is based.
- The drawback module within CBP's current entry/collections system provides information at the entry summary level to prevent the total amount of a drawback claim against a given import entry from exceeding 100 percent of the total amount of duties, taxes, and fees collected. By law, the amount paid for drawback claims against a given import entry are not to exceed 99 percent of the duties, taxes, and fees collected at the individual line item level and the entry summary level. In addition, export information is not linked to the drawback module and therefore, electronic comparisons of export data cannot be performed within the system to ensure that overpayments of drawback claims are not made.
- Drawback review policies do not require Drawback Specialists to review prior drawback claims against a selected import entry to determine whether an excessive amount has been claimed against the underlying consumption entry sheets. Due to system limitations, this review of prior drawback claims against a consumption entry sheet cannot be automated. CBP utilizes a validity control review process to select and trace the highest dollar invoice item on the highest dollar consumption entry sheet for claims over \$50,000; however, this approach is not statistical. In addition, drawback review policy and procedures allow Drawback Specialists, with supervisory approval, to judgmentally decrease the number of consumption entry sheets reviewed for certain claims. Further,

EXHIBIT I

CBP's sampling methodology for selecting underlying consumption entry sheets is not considered statistically valid for projecting errors.

- The statutory period for document retention of a drawback claim is three years from the date of payment; however, there are several situations that could extend the life of the drawback claim well beyond three years. Therefore, documentation retention periods are not adequate to ensure that support for drawback transactions is maintained for the full lifecycle of the claim.

Cause/Effect:

Due to system limitations, the drawback process is mostly manual. This places an additional burden on limited resources. CBP uses a compensating manual process to sample, verify, and match consumption entry and export documentation to drawback claims from importers. However, CBP's sampling methodology is not considered statistically valid for projecting errors over the population of drawback claims.

There is a high inherent risk of fraudulent claims or claims made in error, which increases the risk for erroneous payments. Since all, or a statistically valid sample, of drawback claims are not reviewed against the corresponding import entry, it is possible that drawback claims, in aggregate, could exceed the amount of duty and tax collected on the underlying consumption entry sheet at the individual line item level.

The length of the drawback claim lifecycle often extends beyond the statutorily mandated document retention period.

Criteria:

Presented in *Index of Financial Reporting and Internal Control Criteria* following Exhibit II.

Recommendations:

We recommend that CBP:

1. Continue to pursue alternative compensating controls that may ultimately identify the potential revenue loss exposure to CBP. These alternative internal controls over drawback claims may enhance CBP's ability to compare, verify, and track information on drawback claims to the corresponding underlying consumption entry sheet and export documentation, and identify duplicate or excessive drawback claims;
2. Develop and implement automated controls to prevent overpayment of a drawback claim; and
3. Continue to refine the drawback review process so that valid results and meaningful analysis of data can be provided and utilized by management.

EXHIBIT II

Other Significant Deficiencies

B. Property, Plant, and Equipment

Background:

U.S. Customs and Border Protection (CBP) acquired new equipment, facilities, and other assets through purchase and construction in FY 2013. The increase in assets is primarily due to construction of new facilities and the purchase of inspection equipment at ports of entry.

Condition:

CBP has invested resources to address weaknesses in its processes for tracking and reporting property, plant, and equipment (PP&E) balances. CBP made improvements in its internal control over PP&E in FY 2013; however, several weaknesses remained. Specifically, CBP:

- Did not timely and accurately record certain construction-in-progress (CIP) settlement transactions, resulting in misclassification of assets between CIP and “in-use”.
- Recorded certain asset additions prior to the completion of a construction project, without proper supporting documentation.
- Did not detect and correct for errors when certain assets recorded in the general ledger no longer existed.
- Did not timely record certain asset retirements. Additionally, some assets were retired without approval and/or sufficient supporting documentation.

Criteria:

Presented in *Index of Financial Reporting and Internal Control Criteria* following Exhibit II.

Cause/Effect:

CBP personnel did not consistently adhere to established policies and procedures for recording PP&E costs, and did not have sufficient oversight, including monitoring controls over ongoing CIP projects, to ensure that all PP&E transactions were recorded timely and accurately in the general ledger.

CBP's PP&E and related depreciation balances may be misstated at certain points during the fiscal year due to untimely or inaccurate PP&E entries.

Recommendations:

We recommend that CBP:

1. Reinforce existing policies and procedures for recording asset additions, retirements, and settlements; and
2. Continue to enhance supervisory review and monitoring controls to review PP&E transactions in a timely manner.

C. Entry Process

1. In-Bond Program

Background:

An in-bond entry allows for the movement of cargo through the United States without payment of duty or appraisal prior to entry into either domestic commerce or exportation to a foreign country. The cargo may enter U.S. commerce after it arrives at the destination port and an entry is filed, may be entered into a bonded warehouse for storage, or may be admitted into a Foreign Trade Zone.

To assist with in-bond oversight functions, CBP implemented the In-Bond Compliance Module in September 2012. CBP conducts audits and examinations to assist in protecting custodial revenues related to in-bond entries of goods. CBP performs audits by reviewing entry documents or documents that show proof of subsequent export to ensure proper accounting of all merchandise has occurred. Examinations are conducted by physical inspection of the merchandise to ensure the commodity matches the entry documentation. At the end of each audit or examination, the findings, conclusions, and corrective actions recommended or taken are documented. These results assist CBP in assessing the risk of bonded carriers.

Condition:

The following weaknesses in internal control over compliance exams and audits were identified:

- Guidance was insufficient for port personnel to implement the new in-bond compliance program. While CBP established a policy that required port personnel to perform examinations as they are assigned, CBP did not establish specific requirements for how often port personnel should query the compliance module for required examinations.
- CBP personnel lacked sufficient training and understanding of the functionality of the new in-bond compliance module.
- The in-bond compliance module reports did not track the number of overdue audits and examinations. The module did not have sufficient capability to generate reports that displayed in-bonds selected for audit and/or examination.

Criteria:

Presented in *Index of Financial Reporting and Internal Control Criteria* following Exhibit II.

Cause/Effect:

CBP did not establish and distribute clear guidance, policies, and procedures for the new in-bond compliance module. Also, personnel were not adequately trained on the new requirements and use of the system tools. Finally, the system lacked sufficient reporting capability to support the program.

The in-bond monitoring process supports CBP's efforts to protect custodial revenues. The inability to effectively monitor the in-bond process could result in missed opportunities for CBP to assess fines and penalties and collect the associated revenues.

EXHIBIT II

Recommendations:

We recommend that CBP:

1. Identify and implement a robust audit process for ensuring in-bond shipments reach the intended destination;
2. Continue to enhance the in-bond compliance module including the related systems tools; and
3. Provide additional training and guidance to personnel for the in-bond process

2. Bonded Warehouse and Foreign Trade Zones

Background:

Bonded Warehouses (BWs) are facilities under CBP's supervision used to store merchandise that has not made entry into U.S. commerce. The merchandise stored in such warehouses is secured by the bond on the warehouse. Merchandise is entered into the BW by the submission of the CBP Form 7501, *Entry Summary with Continuation Sheets*, and can be stored in the bonded facility for up to five years.

Foreign Trade Zones (FTZs) are secure areas under CBP supervision that are legally considered to be outside the commerce of the United States. Authority for establishing these facilities is granted by the Foreign Trade Zones Board under the Foreign Trade Zones Act of 1934, as amended (19 U.S.C. 81a through 81u). Foreign and domestic merchandise may be admitted into zones for operations not otherwise prohibited by law, including storage, exhibition, assembly, manufacturing, and processing. Merchandise is admitted into a FTZ using CBP Form 214, *Application for Foreign-Trade Zone Admission and/or Status Designation*.

The monitoring of BW and FTZ operations is based on the performance of risk assessments and compliance reviews by CBP officers in the field. CBP conducts a quarterly survey of ports that have BWs and FTZs, the results of which are submitted to CBP Headquarters for compilation and analysis. Headquarters uses the survey results to assist in CBP's determination on the effectiveness of the BW and FTZ programs. CBP developed national databases in order to maintain a centralized repository of profiles of bonded facilities including BW and FTZ sites.

Condition:

The following weaknesses in internal control over the BW and FTZ programs were identified:

- The national databases of bonded facilities are currently not designed to document (1) the assessed risk of each BW or FTZ, (2) scheduled compliance reviews, or (3) the results of compliance reviews.
- CBP has not established requirements to ensure that all compliance reviews are performed; and
- For several FTZs and BWs, CBP was unable to provide evidence that risk assessments were performed at the time of the FY 2013 compliance review of the facilities.

Criteria:

Presented in *Index of Financial Reporting and Internal Control Criteria* following Exhibit II.

Cause/Effect:

CBP personnel did not consistently adhere to BW and FTZ policies and procedures. CBP has not established updated, formal guidance related to monitoring of the BW and FTZ programs, including procedures to assess whether all necessary compliance reviews are scheduled and completed.

There is a risk that proper monitoring of BWs or FTZs will not occur if risk assessments and compliance reviews are not conducted within the guidelines.

Recommendations:

We recommend that CBP:

1. Continue to monitor the compliance review results and establish updated, formal guidance for monitoring and benchmarking performance;
2. Continue to enhance procedures to determine whether all BW and FTZ facilities are subject to review and monitoring processes; and
3. Develop additional training and information-sharing processes as needed.

3. Entry Reports

Background:

CBP personnel process and review certain entry edit/exception reports, including the following:

- The *B06, Weekly List of Rejected/Cancelled Entries Report*, lists entries that were either cancelled or placed in rejected status.
- The *B07, Weekly List of Unpaid/Rejected Entries*, lists entries in rejected status and entries for which duty, taxes, and fees have not been collected, or if collected, not properly posted to the entry.
- The *B08, Weekly Late Report: Entry Releases with No Follow-Up Summaries*, is a cumulative listing of entry releases with no processing errors or follow-up entry summary on file.
- The *B84, Weekly Budget Clearing Account (BCA) and Suspense Item Report*, is a cumulative listing of collections that are an intentional posting to a suspense account or collections in an error condition.
- The *S21, Cargo Selectivity Weekly Selectivity Delete Report*, lists all entries that have been deleted by port personnel during the previous week.
- The *Q07, Monthly Unreported Quota Report*, is a cumulative listing of quota entries that have not been processed through the quota module or remain in quota rejected status where processing was attempted.

Condition:

CBP personnel did not consistently complete and review reports in accordance with the requirements of CBP directives. Specifically, a lack of segregation of duties was identified over the review process for certain reports, some reports were untimely generated and reviewed, while other reports were not reviewed.

EXHIBIT II

Criteria:

Presented in *Index of Financial Reporting and Internal Control Criteria* following Exhibit II.

Cause/Effect:

CBP port personnel did not consistently follow the policies in place to ensure entry edit/exception reports were generated and reviewed in a timely manner. CBP does not have adequate controls in place to enforce the segregation of duties over the processing, review, and verification of entry edit/exception reports at the ports.

Non-performance or inadequate processing, review and verification of entry edit/exception reports may cause CBP to fail to collect all revenue to which it is entitled. Specifically, there is a risk that entries may be improperly cancelled, deleted, or that the related duties would go unpaid or remain in suspense accounts.

Recommendation:

We recommend that CBP update its policies and procedures to establish the timeframes in which reports must be generated and reviewed. Additionally, CBP should continue to monitor the entry edit/exception reports through the Self Inspection Process and enforce adherence to policy.

D. Information Technology

Background:

Controls over information technology (IT) and related financial systems are essential elements of financial reporting integrity. Effective IT controls in an IT financial systems environment can be defined in five key general control areas (security management, access control, configuration management, segregation of duties, and contingency planning) and four key application control areas (application level general controls, business process controls, interface controls, and data management system controls). In addition to reliable general and application controls, financial management system functionality is important to program monitoring, increasing accountability of financial and program managers, providing better information for decision-making, and increasing the efficiency and effectiveness of services provided by the Federal government.

Condition:

During FY 2013, CBP took corrective actions to address and close twenty-three prior year IT control deficiencies. For example, CBP made improvements to various security agreements for connections with external systems, patching software products in a timely manner, system accreditation documentation, and controlling remote access.

However, during FY 2013, new and continuing general IT control weaknesses were identified that could potentially impact CBP's financial data. The most significant weaknesses from a financial statement audit perspective related to controls over system functionality, access, segregation of duties, and configuration management. Collectively, the general IT control weaknesses limit CBP's ability to support assertions that critical financial and operational data confidentiality, integrity, and availability are maintained. CBP's current system of record for entries imported into the U.S. does not fully support CBP's custodial revenue and drawback processes.

Due to the sensitive nature of these issues, we will issue a separate, restricted distribution report that discusses the general IT control and functionality deficiencies in greater detail.

EXHIBIT II

Criteria:

Presented in *Index of Financial Reporting and Internal Control Criteria* behind Exhibit II.

Cause/Effect:

Funding for IT development and implementation, as well as for IT support staff has been reduced in recent years. This has prolonged implementation of systems that would replace or enhance current systems, and has had an impact on providing IT support resources. In addition, because of the presence of IT control and financial system functionality weaknesses, there is additional pressure on the manual, mitigating processes and controls.

Recommendation:

We recommend that CBP improve the general and application controls over its financial systems to ensure adequate security, protection, and functionality of the information systems.

Index

Index of Financial Reporting and Internal Control Criteria

(Listed Alphabetically by Criteria Source)

Criteria	Reference	Report Exhibit
2013 Code of Federal Regulations (CFR)	Title 19 CFR § 19.4 (a) and 19 CFR § 146.3 (a)	II-C-2
	Title 19 Section 18.2(d), Section 18.6 (b), and Section 18.8(b)	II-C-1
	Title 19, Volume 1, Section 111.23	I-A
	Title 19, Volume 1, Section 111.25	
	Title 19, Volume 2, Part 191.38	
	Title 19, Volume 2, Section 163.4 (a)-(b)	
	Title 19, Volume 2, Section 191.15	
The Federal Manager's Financial Integrity Act (FMFIA) of 1982	Section 2	I-A, II-B
Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 6, <i>Accounting for Property, Plant, and Equipment</i>	Chapter 2, Paragraph 34	II-B
	Chapter 2, Paragraphs 38-39	II-B
Office of Management and Budget (OMB) Circular No. A-123, <i>Management's Responsibility for Internal Control</i>	Section I	II-C-3
	Section I, paragraph 2; Section IV, paragraph 1	I-A
	Section II. Standards	I-A, II-B
GAO Standards for Internal Control in the Federal Government (Standards)	Segregation of Duties	II-C-3

Auditors' Report

1300 Pennsylvania Avenue NW
Washington, DC 20229

JAN 28 2014



**U.S. Customs and
Border Protection**

MEMORANDUM FOR: Mark Bell
Acting, Assistant Inspector General for Audits
U.S. Department of Homeland Security

FROM: Deborah J. Schilling
Chief Financial Officer
U.S. Customs and Border Protection

SUBJECT: Management Response – Draft Independent Auditor’s Report on
CBP’s FY 2013 Consolidated Financial Statements

On behalf of U.S. Customs and Border Protection (CBP), I am responding to the Independent Auditor’s Report on CBP’s Fiscal Year (FY) 2013 Consolidated Financial Statements, which will be included in our FY 2013 Performance and Accountability Report.

I accept the independent public accounting firm’s (KPMG LLP), *unmodified* opinion on CBP’s FY 2013 Consolidated Financial Statements, which concluded that CBP’s consolidated financial statements are fairly presented in all material respects in conformity with generally accepted accounting principles.

CBP has reviewed and concurs with the one material weakness and the three significant deficiencies identified in the report. CBP’s strategy to correct these conditions is being drafted and will be provided to the Office of the Chief Financial Officer, U.S. Department of Homeland Security. CBP will continue to address the auditor identified weaknesses.

CBP appreciates the opportunity to review this year’s audit report and looks forward to continuing our professional auditing relationship with your office. 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. Jaye M. Williams, Executive Director, Financial Operations, at (202) 344-2364.

A handwritten signature in cursive script that reads "Deborah J. Schilling".

Deborah J. Schilling



OFFICE OF INSPECTOR GENERAL Department of Homeland Security

Appendix A Report Distribution

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
Deputy Chief of Staff
General Counsel
Executive Secretary
Director, GAO/OIG Liaison Office
Assistant Secretary for Office of Policy
Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs
Chief Privacy Officer
Chief Financial Officer
Chief Information Officer

U.S. Customs and Border Protection

Commissioner
Chief Financial Officer
Chief Information Officer

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate

ADDITIONAL INFORMATION

To view this and any of our other reports, please visit our website at: www.oig.dhs.gov.

For further information or questions, please contact Office of Inspector General (OIG) Office of Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov, or follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).”

OIG HOTLINE

To expedite the reporting of alleged fraud, waste, abuse or mismanagement, or any other kinds of criminal or noncriminal misconduct relative to Department of Homeland Security (DHS) programs and operations, please visit our website at www.oig.dhs.gov and click on the red tab titled "Hotline" to report. You will be directed to complete and submit an automated DHS OIG Investigative Referral Submission Form. Submission through our website ensures that your complaint will be promptly received and reviewed by DHS OIG.

Should you be unable to access our website, you may submit your complaint in writing to:

Department of Homeland Security
Office of Inspector General, Mail Stop 0305
Attention: Office of Investigations Hotline
245 Murray Drive, SW
Washington, DC 20528-0305

You may also call 1(800) 323-8603 or fax the complaint directly to us at (202) 254-4297.

The OIG seeks to protect the identity of each writer and caller.



Other Information

This section includes CBP's Schedule of Spending and information on CBP's Revenue Gap, Revenue Collections, Improper Payments Information, and Summary of Financial Statement Audit Management Assurances. This section is unaudited.

Other Information

Customs and Border Protection Other Information (Unaudited)

Schedule of Spending
For the Year Ended September 30, 2013 (in thousands)

What Money is Available to Spend?	2013
Total Resources	\$16,154,816
Less: Amount Available but Not Agreed to be Spent	717,874
Less: Amount Not Available to be Spent	574,438
Total Amounts Agreed to be Spent	\$14,862,504
How was the Money Spent/Issued?	
<i>Salaries & Expenses</i>	
Personnel Compensation and Benefits	\$ 8,055,942
Contractual Services and Supplies	1,644,432
Acquisition of Assets	168,050
Refunds	2,276
Other	468
<i>Automation Modernization</i>	
Personnel Compensation and Benefits	167,843
Contractual Services and Supplies	379,291
Acquisition of Assets	224,773
<i>Construction</i>	
Personnel Compensation and Benefits	29,921
Contractual Services and Supplies	160,387
Acquisition of Assets	43,256
<i>BSFIT</i>	
Personnel Compensation and Benefits	1,330
Contractual Services and Supplies	243,467
Acquisition of Assets	57,236
<i>Air & Marine</i>	
Personnel Compensation and Benefits	269,675
Contractual Services and Supplies	479,498
Acquisition of Assets	76,051
<i>Other</i>	
Personnel Compensation and Benefits	1,136,220
Contractual Services and Supplies	266,297
Acquisition of Assets	22,242
Refunds	1,433,849
Total Amounts Agreed to be Spent	\$14,862,504

Customs and Border Protection Other Information (Unaudited)

Who did the Money go to?

Individuals	\$ 6,247,205
Government	4,935,832
For Profit	3,636,481
Higher Education	34,616
Other	8,370
Total Amounts Agreed to be Spent	\$14,862,504

Who did the Money go to?

Federal	\$ 4,947,085
Non-Federal	9,915,419
Total Amounts Agreed to be Spent	\$14,862,504

Much of what is reported on this schedule, primarily personnel expenses and payments to other federal agencies, is excluded from the USASpending.gov reporting. USASpending.gov reports primarily payments made on commercial contracts. CBP's financial reporting is within 5% of the spending reported on the USASpending.gov website.

Revenue Gap

The Entry Summary of Trade Compliance Measurement (TCM) program collects objective statistical data to estimate the compliance level of commercial imports with U.S. trade laws, regulations and agreements, and is used to produce a dollar amount for Estimated Net Under-collections, and a percent of Revenue Gap. The Revenue Gap is a calculated estimate that measures potential loss of revenue owing to noncompliance with trade laws, regulations, and trade agreements using a statistically valid sample of the revenue losses and overpayments detected during TCM entry summary reviews conducted throughout the year.

	FY 2013 (Preliminary)	FY 2012 (Final)
Estimated Revenue Gap	\$530.4 mil	\$635.6 mil
Estimated Revenue Gap of all collectable revenue for year (%)	1.27%	1.59%
Estimated Over-Collection	\$73.5 mil	\$70.5 mil
Estimated Under-Collection	\$603.9 mil	\$706.1 mil
Estimated Overall Trade Compliance Rate (%)	97.7%	95.9%

The preliminary overall compliance rate for FY 2013 is 97.7 percent. The final overall trade compliance rate and estimated revenue gap for FY 2013 will be issued in February 2014.

Other Information

Customs and Border Protection Other Information (Unaudited)

Petitioned and Protested Schedule

An analysis of the changes in petitioned and protested assessed amounts during FY 2013 and 2012 is as follows (in thousands):

	2013					
	Balance October 1	Additional Assessments	Protest in Favor of Debtor	Net Reduction Administrative Process	Additional Receivable	Balance September 30
Duties	\$ 319,525	\$ 253,822	\$ (7,092)	\$(174,037)	\$ --	\$ 392,218
Taxes	313	1,862	(8)	(800)	--	1,367
Fees	8,287	3,339	(71)	(10,189)	--	1,366
Fines/Penalties	1,926,647	454,961	(776,023)	(122)	(263,225)	1,342,238
Interest	172,404	51,436	(3,389)	(20,176)	--	200,275
Antidumping/ Countervailing Duty	204,116	173,784	(4,595)	(60,188)	--	313,117
Refunds & Drawbacks	4,626	10,692	(1,027)	(5,563)	--	8,728
Total	<u>\$2,635,918</u>	<u>\$949,896</u>	<u>\$(792,205)</u>	<u>\$(271,075)</u>	<u>\$(263,225)</u>	<u>\$2,259,309</u>
	2012					
	Balance October 1	Additional Assessments	Protest in Favor of Debtor	Net Reduction Administrative Process	Additional Receivable	Balance September 30
Duties	\$ 212,000	\$ 189,374	\$ (4,685)	\$ (77,164)	\$ --	\$ 319,525
Taxes	688	1,049	--	(1,424)	--	313
Fees	1,167	9,822	(67)	(2,635)	--	8,287
Fines/Penalties	1,583,741	901,794	(181,751)	(112)	(377,025)	1,926,647
Interest	185,336	3,883	(2,889)	(13,926)	--	172,404
Antidumping/ Countervailing Duty	293,242	(29,518)	(5,125)	(54,483)	--	204,116
Refunds & Drawbacks	6,810	3,565	(431)	(5,318)	--	4,626
Total	<u>\$2,282,984</u>	<u>\$1,079,969</u>	<u>\$(194,948)</u>	<u>\$(155,062)</u>	<u>\$(377,025)</u>	<u>\$2,635,918</u>

Customs and Border Protection Other Information (Unaudited)

CBP reviews selected entry documentation to determine whether importer payment estimates of duties, taxes and fees were accurate or whether additional supplemental amounts are owed and should be billed. CBP regulations allow the importer 180 days (or 90 days for entries before December 18, 2004) from the bill date to file a protest and application with the Port Director challenging the assessment of supplemental duties, taxes and fees and requesting further review of the protest by CBP Office of Regulations and Rulings. If the Port Director denies the protest and application for further review, the protestor has an additional 60 days from the denial date for a review of the application by the Commissioner of CBP. Consequently, CBP recognizes accounts receivables only when the protested period has elapsed or when a protest decision has been rendered in CBP's favor.

Additionally, importers and their sureties also have the option to petition for relief after receipt of CBP's notice that a fine or penalty has been assessed when a violation of law or regulation is discovered. The importer or surety has 60 days to file a petition for relief or make payment of the assessed amount. If a petition is received and CBP finds there are extenuating circumstances such as an incorrect assessment, which warrants mitigation, relief is granted as prescribed by CBP's mitigation guidelines and directives. Consequently, CBP recognizes accounts receivables only when the petition period has elapsed or when a petition decision has been rendered.

Accounts Receivable with Public, Net

An aging of Accounts Receivable with the Public as of September 30, 2013 and 2012 is as follows (in thousands):

2013	Aged Period					Total
	<=90 days	91 days–1 year	1-2 years	2-3 years	3+ years	
Reimbursable Services	\$ 2,639	\$1,716	\$ 775	\$ 399	\$ 1,013	\$ 6,542
User Fees	355,617	3,144	686	106	9,578	369,131
Gross Receivables	\$358,256	\$4,860	\$1,461	\$ 505	\$10,591	\$375,673
Less: Uncollectible Amounts	1,863	36	685	104	9,541	12,229
Net Receivables	\$356,393	\$4,824	\$ 776	\$ 401	\$ 1,050	\$363,444

2012	Aged Period					Total
	<=90 days	91 days–1 year	1-2 years	2-3 years	3+ years	
Reimbursable Services	\$ 532	\$1,595	\$914	\$ 110	\$ 1,053	\$ 4,204
User Fees	196,201	755	80	1,447	18,978	217,461
Gross Receivables	\$196,733	\$2,350	\$994	\$1,557	\$20,031	\$221,665
Less: Uncollectible Amounts	--	--	77	601	18,807	19,485
Net Receivables	\$196,733	\$2,350	\$917	\$ 956	\$ 1,224	\$202,180

Other Information

Customs and Border Protection Other Information (Unaudited)

Taxes, Duties and Trade Receivables, Net

An analysis of the changes in Taxes, Duties, and Trade Receivables during FY 2013 and 2012 is as follows (in thousands):

2013						
Receivable Category	Receivables					Balance September 30
	Balance October 1	Recorded During the Fiscal Year	Collections	Write-offs	Adjustments	
Duties	\$2,284,738	\$27,522,198	\$(16,823,348)	\$ (20,727)	\$(10,488,302)	\$2,474,559
Excise Taxes	142,685	2,505,738	(764,567)	--	(1,734,575)	149,281
Fees	197,613	2,978,414	(1,850,234)	--	(1,257,569)	68,224
Fines/Penalties	445,238	603,051	(57,740)	(93,643)	(438,732)	458,174
Interest	541,130	81,298	(10,987)	(71,917)	26,684	566,208
Antidumping/ Countervailing Duty	1,169,953	130,578	(30,989)	(101,531)	64,559	1,232,570
Refunds/Drawbacks	1,461	5,705	(868)	--	(3,266)	3,032
Total	\$4,782,818	\$33,826,982	\$(19,538,733)	\$(287,818)	\$(13,831,201)	\$4,952,048
Less: Uncollectible Amounts	2,082,353					2,270,041
Net Receivables	\$2,700,465					\$2,682,007
2012						
Receivable Category	Receivables					Balance September 30
	Balance October 1	Recorded During the Fiscal Year	Collections	Write-offs	Adjustments	
Duties	\$2,352,720	\$18,362,637	\$(16,723,972)	\$ (6,629)	\$(1,700,018)	\$2,284,738
Excise Taxes	164,325	869,796	(793,251)	--	(98,185)	142,685
Fees	148,479	2,066,555	(1,937,872)	--	(79,549)	197,613
Fines/Penalties	437,141	795,557	(57,804)	(52,184)	(677,472)	445,238
Interest	453,070	120,385	(17,499)	(6,139)	(8,687)	541,130
Antidumping/ Countervailing Duty	885,087	328,855	(59,160)	(7,806)	22,977	1,169,953
Refunds/Drawbacks	657	2,808	(1,960)	--	(44)	1,461
Total	\$4,441,479	\$22,546,593	\$(19,591,518)	\$(72,758)	\$(2,540,978)	\$4,782,818
Less: Uncollectible Amounts	1,709,714					2,082,353
Net Receivables	\$2,731,765					\$2,700,465

The beginning and ending balances for the "Antidumping/Countervailing Duty" Receivable Category represent only receivables resulting from Supplemental Duty Bills. The FY 2012 information has been reclassified in order to reflect only Supplemental Duty Bill activity in the "Antidumping/Countervailing Duty" Receivable Category.

Customs and Border Protection Other Information (Unaudited)

An aging of Taxes, Duties, and Trade Receivables as of September 30, 2013 and 2012 is as follows (in thousands):

2013	Aged Period					Total
	<=90 days	91 days–1 year	1-2 years	2-3 years	3+ years	
Duties	\$2,317,496	\$ 28,703	\$ 15,877	\$ 6,699	\$ 105,784	\$2,474,559
Excise Taxes	140,021	234	83	16	8,927	149,281
User Fees	67,626	17	7	54	520	68,224
Fines/Penalties	91,022	97,066	81,483	50,834	137,769	458,174
Interest	134	8,060	41,331	62,899	453,784	566,208
Antidumping/ Countervailing Duty	110	66,466	231,568	210,231	724,195	1,232,570
Refunds and Drawbacks	2,161	106	--	78	687	3,032
Gross Receivables	\$2,618,570	\$200,652	\$370,349	\$330,811	\$1,431,666	\$4,952,048
Less: Uncollectible Amounts	84,857	180,813	348,866	317,595	1,337,910	2,270,041
Net Receivables	\$2,533,713	\$ 19,839	\$ 21,483	\$ 13,216	\$ 93,756	\$2,682,007

2012	Aged Period					Total
	<=90 days	91 days–1 year	1-2 years	2-3 years	3+ years	
Duties	\$2,132,980	\$ 10,990	\$ 8,370	\$ 44,184	\$ 88,214	\$2,284,738
Excise Taxes	133,617	83	45	2,009	6,931	142,685
User Fees	187,877	8,743	129	255	609	197,613
Fines/Penalties	81,914	73,239	66,057	42,535	181,493	445,238
Interest	87	25,870	55,890	68,606	390,677	541,130
Antidumping/ Countervailing Duty	--	179,314	211,519	245,164	533,956	1,169,953
Refunds and Drawbacks	--	476	78	--	907	1,461
Gross Receivables	\$2,536,475	\$298,715	\$342,088	\$402,753	\$1,202,787	\$4,782,818
Less: Uncollectible Amounts	75,837	271,812	315,225	376,021	1,043,458	2,082,353
Net Receivables	\$2,460,638	\$ 26,903	\$ 26,863	\$ 26,732	\$ 159,329	\$2,700,465

Other Information

Customs and Border Protection Other Information (Unaudited)

CBP Collections by Category (in thousands)

	2009	2010	2011	2012	2013
Duties	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Consumption Entries	\$22,759,054	\$25,312,699	\$29,522,341	\$30,860,080	\$32,246,586
Warehouse Withdrawals	61,638	54,214	41,907	38,676	58,065
Mail Entries	3,132	3,354	3,159	2,028	2,721
Passenger Baggage Entries	3,217	3,616	3,652	4,085	4,738
Crew Baggage Entries	5	9	6	5	60
Military Baggage Entries	2	2	3	5	2
Informal Entries	47,596	56,200	63,689	65,543	138,076
Vessel Repair Entries	39,240	21,521	30,381	16,710	11,613
Other Duties	33,237	9,747	8,359	18,868	24,904
Total Duties	<u>\$22,947,121</u>	<u>\$25,461,362</u>	<u>\$29,673,497</u>	<u>\$31,006,000</u>	<u>\$32,486,765</u>
Miscellaneous					
Violations of CBP Law	59,709	60,380	61,532	52,451	51,846
Testing, Inspecting & Grading	39	58	64	4,157	3,394
Miscellaneous Taxes	19,413	20,382	21,845	21,745	21,752
USDA Collections	110,425	120,637	120,704	131,680	146,016
Harbor Maintenance Fee	1,125,008	1,221,712	1,469,109	1,539,799	1,523,171
Fees	8,397	7,817	5,904	7,392	8,730
User Fee Account	2,258,027	2,440,275	2,779,483	3,439,523	3,680,658
Unclaimed Funds	276	188	164	469	240
Recoveries	7	--	--	--	3
Interest	30,623	13,555	35,577	40,173	1,050
Other CBP Receipts	22,331	15,329	13,838	22,412	22,142
Total Miscellaneous	<u>\$ 3,634,255</u>	<u>\$ 3,900,333</u>	<u>\$ 4,508,220</u>	<u>\$ 5,259,801</u>	<u>\$ 5,459,002</u>
Internal Revenue Taxes	<u>2,468,617</u>	<u>2,782,240</u>	<u>2,796,788</u>	<u>2,995,140</u>	<u>3,039,640</u>
Total Collections	<u><u>\$29,049,993</u></u>	<u><u>\$32,143,935</u></u>	<u><u>\$36,978,505</u></u>	<u><u>\$39,260,941</u></u>	<u><u>\$40,985,407</u></u>

These schedules will not equal amounts reported on the Consolidated Statement of Custodial Activity due to timing adjustments and entity collections which are not reported on the Consolidated Statement of Custodial Activity but are included in this schedule.

**Customs and Border Protection
Other Information
(Unaudited)**

CBP Collections by Major Processing Port Locations

(in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Boston	\$ 399,974	\$ 352,710	\$ 345,490	\$ 363,497	\$ 364,986
Buffalo-Niagara Falls	242,514	342,659	294,659	317,012	322,727
Ogdensburg	119,537	132,890	132,567	147,013	143,957
Portland, Maine	55,795	54,993	60,124	62,517	55,223
Providence	75,706	82,532	112,008	126,627	146,914
St. Albans	43,030	46,778	46,145	50,206	51,063
Baltimore	544,222	615,025	629,569	654,950	701,463
Philadelphia	456,252	422,253	448,508	461,559	511,088
Newark	4,036,961	4,347,759	5,025,814	5,219,277	5,113,482
JFK Airport	863,404	961,149	1,017,668	981,040	1,056,601
Charleston	820,601	858,098	1,043,719	1,184,188	1,123,350
Miami	520,283	600,506	771,770	803,266	836,692
San Juan	106,167	101,368	117,235	125,899	279,092
St. Thomas	15,301	16,720	14,948	12,550	12,110
Savannah	1,408,693	1,643,027	1,985,424	2,047,913	2,073,771
Tampa	358,532	425,038	447,629	492,541	488,510
Wilmington	267,905	294,996	304,612	266,326	280,096
Norfolk	634,642	604,357	704,551	736,196	808,177
NFC Indianapolis/Washington	1,107,891	1,418,106	1,650,976	1,870,288	2,328,877
Mobile	157,615	168,661	180,997	185,049	204,101
New Orleans	942,917	1,011,820	1,232,590	1,303,706	1,351,597
Dallas/Ft Worth	409,354	428,898	527,570	574,583	625,293
El Paso	140,143	139,378	144,829	152,491	200,830
Houston	764,115	735,314	919,704	1,116,282	1,121,159
Laredo	371,492	424,299	583,472	656,435	674,221
Port Arthur	33,665	28,584	30,079	20,869	17,125
Nogales	73,703	84,353	96,259	94,566	110,129
Los Angeles	7,468,426	8,565,244	9,715,689	10,268,894	10,858,809
San Diego	218,071	216,275	221,490	252,688	268,872
Anchorage	106,594	124,792	134,253	118,389	94,208
Honolulu	32,732	32,816	36,089	37,192	36,037
Portland	318,839	303,922	312,337	365,043	338,674
San Francisco	1,035,916	1,115,329	1,301,094	1,405,650	1,449,926
Seattle	1,122,774	1,145,325	1,307,307	1,354,234	1,300,806
Chicago	1,407,416	1,602,089	1,916,811	2,009,737	2,013,849
Cleveland	1,293,102	1,490,599	1,710,571	1,810,848	1,938,792
Detroit	446,972	528,280	625,148	677,489	696,579
Milwaukee	24,687	24,786	23,183	31,130	23,548
Minneapolis	170,645	187,866	244,880	265,195	262,182
Pembina	23,254	23,483	25,078	31,373	36,254
St. Louis	273,758	304,941	364,369	426,942	486,737
Great Falls	136,393	135,917	171,290	179,291	177,500
Total Revenues Collected	<u>\$29,049,993</u>	<u>\$32,143,935</u>	<u>\$36,978,505</u>	<u>\$39,260,941</u>	<u>\$40,985,407</u>

These schedules will not equal amounts reported on the Consolidated Statements of Custodial Activity due to timing adjustments and entity collections which are not reported on the Consolidated Statements of Custodial Activity but are included in these schedules.

Summary of Financial Statement Audit and Management Assurances

Table 1 and Table 2 below provide a summary of the financial statement and management assurances for FY 2013.

Table I. FY 2013 Summary of the Financial Statement Audit

AUDIT OPINION	UNMODIFIED				
Restatement	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Drawback Controls	1	0	0	0	1
Total Material Weaknesses	1	0	0	0	1

In FY 2013, the Independent Auditors' consolidated financial statement report identified one material weakness, Drawback Controls, for CBP.

Table 2. FY 2013 Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Qualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Drawback Controls	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1

Effectiveness of Internal Controls over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Conformance With Financial Management System Requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform except for the below non-conformance(s)					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Systems Security	1	0	0	0	0	1
Core Financial Systems	1	0	0	0	0	1
Information Technology Infrastructure	1	0	0	0	0	1
Total Non-Conformances	3	0	0	0	0	3

Compliance with Federal Financial Management Improvement Act (FFMIA)	CBP
Overall Substantial Compliance	No
1. System Requirements	No
2. Accounting Standards	Yes
3. US Standard General Ledger at Transaction Level	No

Other Information

Customs and Border Protection Other Information (Unaudited)

Improper Payments Information Act of 2002 (IPIA)

The Improper Payments Information Act (IPIA) of 2002 was amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).

CBP identified and performed a risk assessment on all ten programs, one of which, Custodial Refund and Drawback, was identified as high risk. Border Security Fencing (BSF) was deemed low risk according to the FY 2012 risk assessment. However, the Office of Inspector General (OIG) mandated the disbursements be independently tested for FY 2012 to ensure compliance with adequate segregation of duties. Congress requires funds allocated to agencies under the American Recovery and Reinvestment Act (ARRA) be tested regardless of risk assessment outcome. Per OMB guidance, if an agency has documented a minimum of two consecutive years of improper payments that are less than 1.5 percent, the agency may request relief from the annual reporting requirements for this program or activity. CBP's total extrapolated error rate was less than 0.1 percent for the past two years. The DHS Chief Financial Officer (CFO) signed a memorandum dated April 11, 2013 approving cessation of segregated testing for ARRA FY 2012 disbursements due to the consistent low error rate.

The Custodial Refund and Drawback payment testing yielded an estimated improper payment amount of \$7 million of the \$1.9 billion, or 0.37 percent, disbursed during FY 2012. The BSF payment testing yielded an estimated improper payment amount of \$4 thousand of the \$173 million testing population, or <.01 percent, disbursed during FY 2012.

Overpayments Recaptured Outside of Payment Recapture Audits

Agency Source	Amount Identified CY	Amount Recovered CY	Amount Identified PY	Amount Recovered PY	Cumulative Amount Identified (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
IPIA Sampling	\$100,049	\$104,871 ⁽¹⁾	\$ 13,214	\$ 8,392	\$ 359,018	\$ 359,018
Self-Reporting	\$499,503	\$539,607 ⁽²⁾	\$205,854	\$165,750	\$ 879,802	\$ 879,802
Public Reporting	\$148,023	\$148,023	\$ 88,425	\$ 88,425	\$1,492,954	\$1,492,954

(1) \$ 4,822 recovered from PY Identified

(2) \$40,104 recovered from PY Identified

Disposition of Recaptured Funds

Program or Activity	Type of Payment (contract, grant, benefit, loan other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
CBP Mission	Contract	\$0	\$25,012	\$0	\$75,037	\$0	\$0

Payment Recapture Audit Targets

Program or Activity	Type of Payment (contract, grant, benefit, loan other)	CY Amount Identified	CY Amount Recovered	CY Recovery Rate (Amount Recovered / Amount Identified)	CY + 1 Recovery Rate Target	CY + 2 Recovery Rate Target	CY + 3 Recovery Rate Target
CBP Mission	Contract	\$100,049	\$100,049	100%	100%	100%	100%

Aging of Outstanding Overpayments

Program or Activity	Type of Payment (contract, grant, benefit, loan other)	CY Amount Outstanding (0 – 6 months)	CY Amount Outstanding (6 months to 1 year)	CY Amount Outstanding (over 1 year)
CBP Mission	Contract	\$0.00	\$0.00	\$0.00

**Customs and Border Protection
Other Information
(Unaudited)**

CBP also identified amounts for recovery during the Improper Payment Information Act (IPIA) review of FY 2012 disbursements. The IPIA results are as follows (dollars in thousands):

	Amounts Identified as Improper Payments	Amounts Identified for Recovery	Amounts Recovered
Custodial Refunds and Drawbacks	\$10	\$0	\$0
Border Security Fencing	\$ 2	\$2	\$2
Total	\$12	\$2	\$2

Recoveries for Custodial Refunds and Drawbacks Program payments are restricted by regulations governing collections of duty, taxes, and fees associated with trade-related activity. Amounts identified as recovery of improper payments for BSF were for Prompt Payment Interest that was paid but not earned in the amount of \$2,151. This amount was recovered October 2, 2012.

Improper Payment Reduction Outlook (\$ in millions)						
Source of Recovery	Amount Identified (CY) (\$000)	Amount Recovered (CY) (\$000)	Amount Identified (PY) (\$000)	Amount Recovered (PY) (\$000)	Cumulative Amount Identified (CY+PYs) (\$000)	Cumulative Amount Recovered (CY+PYs) (\$000)
High-Dollar Overpayments Reporting	\$0.6	\$0.6	\$0.3	\$0.3	\$2.4	\$2.4
IPIA High-Risk Program Testing	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Post Payment Reviews	\$0.1	\$0.1	\$>.1	\$>.1	\$0.3	\$0.3
CBP Totals	\$0.7	\$0.7	\$0.3	\$0.3	\$2.7	\$2.7

Other Information

Customs and Border Protection Other Information (Unaudited)

Payment Recapture Audit Reporting

CBP contracted the audit recovery work for disbursements made during FY 2012. The results of the recovery audit efforts continue to identify negligible recovery amounts. The recovery audit results are reported below:

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	% of Amount Recovered out of Amount Identified CY	Amount Outstanding CY	% of Amount Outstanding out of Amount Identified CY	Amount Determined Not to be Collectable CY
CBP Mission	Contract	\$1,549,336,346	\$1,549,336,346	\$100,049	\$104,871	100%	\$0	0%	\$0

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	% of Amount Determined Not to be Collectable out of Amount Identified CY	Amounts Identified for Recovery PY	Amounts Recovered PY	Cumulative Amounts Identified for Recovery (CY+PY)	Cumulative Amounts Recovered (CY+PY)	Cumulative Amounts Outstanding (CY+PY)	Cumulative Amounts Determined Not to be Collectable (CY+PY)
CBP Mission	Contract	0%	\$13,214	\$8,392	\$359,018	\$359,018	\$0	\$0

Improper Payment Reduction Outlook

(in millions)	2012	2012	2012	2013	2013	2013	2013	2013	2014	2014	2014	2015	2015	2015	2016	2016	2016
Program	PY Outlays	PY %	PY \$	CY Outlays	CY IP %	CY IP \$	CY Over-payment \$	CY Under-payment \$	CY + 1 est. Outlays	CY + 1 IP %	CY + 1 IP \$	CY + 2 est. Outlays	CY + 2 IP %	CY + 2 IP \$	CY + 3 est. Outlays	CY + 3 IP %	CY + 3 IP \$
Refunds & Drawbacks	\$1,937	.36	\$7	\$1,300	.02	\$2	\$0	\$0	\$1,300	.02	\$2	\$1,300	.02	\$2	\$1,300	.02	\$2
Border Security Fencing	\$173	<.01	\$0	\$159	<.01	\$0	\$0	\$0	\$157	<.01	\$0	Unavailable			Unavailable		

The forecast of activity related to Refunds and Drawbacks depends on indeterminable factors including the volume of trade activity and various trade related issues addressed and ruled on by the Department of Commerce.

Office of Inspector General (OIG) Report on Major Management Challenges

The DHS OIG's report on Major Management Challenges Facing the Department of Homeland Security, OIG-14-17, dated December 11, 2013, and the agency's progress addressing these challenges are addressed at the DHS consolidated level and are incorporated into the DHS Fiscal Year 2013 Agency Financial Report.

Acronyms

Acronyms

ACE	Automated Commercial Environment	COSS	Customs Overtime Scheduling System
ACS	Automated Commercial System	CPSC	Consumer Product Safety Commission
ACTT	Alliance to Combat Transnational Threats	CRM	Crew Resource Management
AD/CVD	Antidumping and Countervailing Duties	CSA	Canada Self-Assessment
ADIS	Arrival and Departure Information System	CSI	Container Security Initiative
AEER	Air Entry Exit Reengineering	CSRS	Civil Service Retirement System
ALM	Active Lane Management	CTAC	Commercial Targeting and Analysis Center
AMBSTP	Air and Marine Basic Training Program	C-TPAT	Customs Trade Partnership Against Terrorism
AMOC	Air Marine Operations Center	DHS	Department of Homeland Security
APHIS	Animal and Plant Health Inspection Service	DIS	Digital Imaging System
APIS	Advance Passenger Information System	DOC	Department of Commerce
ARO	Admissibility Review Office	DOD	Department of Defense
ATS	Automated Targeting System	DOL	Department of Labor
ATSP	Automated Targeting System-Passenger	ECC	Equipment Control Classes
AZ	Arizona	ELMO	Enforcement Link Mobile Operations
BORTAC	Border Patrol Tactical Unit	EPA	Environmental Protection Agency
BSDP	Border Security Deployment Program	ERP	Enterprise Resource Planning
BW	Bonded Warehouse	ESTA	Electronic System for Travel Authorization
CAE	Component Acquisition Executive	EXT	Entry/Exit Transformation Program
CBP	U.S. Customs and Border Protection	FAA	Federal Aviation Administration
CBSA	Canadian Border Services Agency	FASAB	Federal Accounting Standards Advisory Board
CDS	Consequence Delivery System	FAST	Free and Secure Trade
CDSOA	Continued Dumping and Subsidy Act	FBI	Federal Bureau of Investigation
CEE	Centers of Excellence and Expertise	FDAU	Fraudulent Document Analysis Unit
CFO	Chief Financial Officer	FEA	Federal Electronic Assets
CIO	Chief Information Officer	FECA	Federal Employees' Compensation Act
CIV	Coastal Interceptor Vessels	FEMA	Federal Emergency Management Agency
CMAA	Customs Mutual Assistance Agreement	FERS	Federal Employees' Retirement System
COAC	Commercial Operations Advisory Committee	FFMIA	Federal Financial Management Improvement Act
COBRA	Consolidated Omnibus Budget Reconciliation	FISMA	Federal Information Security Management Act of 2002
COS	Chief of Staff		

FMFIA	Federal Managers' Financial Integrity Act	IUF	Immigration User Fees
FOUO	For Official Use Only	IUFA	Immigration User Fees Accounts
FSIS	Food Safety Inspection Service	IWS	Interoperability Web Service
FSU	Field Support Unit	JFC	Joint Field Command
FTZ	Foreign Trade Zone	JOD	Office of Joint Operations Directorate
FY	Fiscal Year	JSP	Joint Security Program
FYHSP	Future Year Homeland Security Program	LED	Light-Emitting Diode
GAAP	Generally Accepted Accounting Principles	LPO	Local Property Officer
GAO	Government Accountability Office	LPOE	Land Port of Entry
GEOINT	Geospatial Intelligence	LSS	Laboratories and Scientific Services
GOES	Global Online Enrollment System	MEA	Multi-role Enforcement Aircraft
GPRA	Government Performance and Results Act	MID	Management Inspection Division
GPRMA	Government Performance and Results Modernization Act	NAAP	National Audit Plan
GSA	General Services Administration	NARP	National Agriculture Release Program
HFACS	Human Factors Analysis and Classification System	NEXUS	Northern Exchange with United States
HRBE	Human Resources Business Engine	NHTSA	National Highway Traffic Safety Administration
HRM	Human Resources Management	NII	Non-Intrusive Inspection
HR/S	High/Risk Sensitive	NTCC	National Targeting Center-Cargo
HSI	Homeland Security Investigations	NTCP	National Targeting Center-Passenger
IA	Internal Affairs	OA	Office of Administration
IAP	Immigration Advisory Program	OAM	Office of Air and Marine
IBET	Integrated Border Enforcement Teams	OBP	Office of Border Patrol
ICE	Immigration and Customs Enforcement	OCA	Office of Congressional Affairs
ICS	International Container Security	OCC	Office of Chief Counsel
IDI	Injured Domestic Industries	OES	Office of Executive Secretariat
IER	Interdiction Effectiveness Rate	OFO	Office of Field Operations
ILU	International Liaison Unit	OGA	Other Government Agencies
INA	Immigration and Nationality Act	OIG	Office of Inspector General
INTERPOL	International Criminal Police Organization	OIIL	Office of Intelligence and Investigative Liaison
IPR	Intellectual Property Rights	OIP	Operational Implementation Plan
ISA	Importer Self-Assessment	OIT	Office of Information and Technology
ISR	Intelligence, Surveillance, Reconnaissance	OMB	Office of Management and Budget
IT	Information Technology	OPA	Office of Public Affairs
ITDS	International Trade Data System	OPD	Office of Program Development
		OPM	Office of Personnel Management
		OPP	Office of Policy and Planning
		OSI	Office of Strategic Integration
		OT	Office of International Trade
		OTIA	Office of Technology Innovation and Acquisition

Acronyms

OTD	Office of Training and Development	SE	Simplified Entry
OTM	Other Than Mexican	SENTRI	Secure Electronic Network for Traveler Rapid Inspection
OTR	Office of Trade Relations		
PAR	Performance and Accountability Report	SFFAS	Statement of Federal Financial Accounting Standards
PC	Property Coordinator	SIP	Self-Inspection Program
PDO	Privacy and Diversity Office	SLEP	Service Life Extension Program
PMF	Performance Management Framework	SLT	Office of State, Local, and Tribal Liaison
POE	Port of Entry	SOP	Standard Operating Procedures
PPBA	Planning, Programming, Budgeting, and Accounting	StAMP	Strategic Air and Marine Plan
PPMOB	Personal Property Management Oversight Board	STB	Single Transaction Bond
PPQ	Plant Protection and Quarantine	STC	South Texas Campaign
PTI	Priority Trade Issues	T3U	Tactical Trade Targeting Unit
QHSR	Quadrennial Homeland Security Review	TACCOM	Tactical Communication Modernization Program
RA	Regulatory Audit	TCO	Transnational Criminal Organization
RED	Re-Engineering Team	TSA	Transportation Security Agency
RFID	Radio Frequency Identification	TTC	Tactical/Technical Command
RR	Regulations and Rulings	UAS	Unmanned Aircraft System
RSDV	Riverine Shallow Draft Vessel	US	United States
RTU	Rail Targeting Unit	USCIS	United States Citizenship and Immigration Services
SAFE	Security and Accountability For Every	VADER	Vehicle and Dismounted Exploitation Radar
SAP	Systems, Applications, and Products	VWP	Visa Waiver Program
SBREFA	Small Business Regulatory Enforcement Fairness Act	WSM	Workload Staffing Model

This page intentionally left blank.



U.S. Customs and Border Protection

Office of Administration
1331 Pennsylvania Avenue
Room 950, National Place
Washington, DC 20229

Please visit the U.S. Customs and Border Protection website at
www.cbp.gov

To report suspicious activity, call
1-800-BE ALERT