

Statement of the Raymond W. Kelly, Commissioner  
U.S. Customs ServiceTestimony Before the Subcommittee on Trade  
of the House Committee on Ways and Means

Hearing on Trade Agency Budget Authorizations and Other Customs Issues

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Good morning, Mr. Chairman and Members of the Subcommittee. It is a privilege to appear before the Subcommittee today to present to you our recent accomplishments, future plans, and the Fiscal Year 2000 budget request. Before I begin though, I would like to personally thank you for the strong support you have continued to provide to Customs. It has been a challenging year for us and I am proud to play a part in the effort we share to protect the Nation's borders and ensure the Nation's prosperity.

Customs is an agency with a long and rich history, many proud traditions, and an extraordinary record of achievement. We recognize that our mission is not an easy one - standing as the front line of defense at the Nation's borders - but we continue to find ways to rise to the challenges that we face every day.

ACCOMPLISHMENTSOperation Casablanca

In May 1998, Customs concluded Operation Casablanca, the largest, most comprehensive drug money laundering case in the history of U.S. law enforcement. This 3-year investigation conducted by our Los Angeles office exposed a relationship between a large number of Mexican banks and the Cali and Juarez drug cartels. This relationship allowed the drug cartels to launder their U.S. drug proceeds through accounts opened by corrupt bankers.

The case was made possible because of the extraordinary undercover work performed by Customs special agents. They posed as money couriers and Cali Cartel operatives. They were so convincing that members of the Juarez and Cali Cartels introduced them to corrupt Mexican and Venezuelan bankers, who, in turn, introduced the undercover agents to other corrupt bankers. Members of the Juarez Cartel were so confident in the undercover special agents that they introduced the agents to high level members of the Juarez Cartel.

When it was over, 26 Mexican banking officials from 12 commercial Mexican banks were indicted on charges of money laundering. Three Mexican banks, Confia, Banca Serfin, and Bancomer, and five associates of Venezuelan banks, were also indicted on money laundering charges. Through the course of the investigation, Customs special agents arrested 168 people and seized over \$100 million. In addition, Customs special agents seized over four tons of marijuana and two tons of cocaine from both cartels.

Operation Cheshire Cat

Operation Cheshire Cat, a Customs-initiated worldwide investigation into the diabolical world of international child pornography and child sexual exploitation, exposed to the world the dark side of the Internet - a side that is invasive, insidious and incalculable. This one investigative action uncovered an international alliance of approximately 200 sexual predators in 47 countries including Australia, Great Britain and the United States.

Before Operation Cheshire Cat, many people in the U.S. had a tendency to think of child pornography and child sexual exploitation as random acts involving nameless victims in some places far away from where they live. Operation Cheshire Cat proved those thoughts to be false. Forty-one search warrants were executed in big cities and small towns throughout the U.S. To date, 16 suspects have been arrested and more are anticipated. Four suspects committed suicide prior to arrest. One of the most gratifying results of this operation was that 18 children who had been sexually molested by strangers, neighbors and even their own relatives, were located and referred to social services for counseling. The ring of sexual predators identified during Operation Cheshire Cat is indicative of the level of computer expertise possessed by criminals encountered by Customs in cyberspace. This particular ring utilized advanced communication methods and even an encryption technology, developed by the KGB for use during the Cold War, to distribute its morally abhorrent smut. Such expertise and technology have greatly complicated law enforcement's activity in this area.

Operation Brass Ring

Operation Brass Ring was a 180-day enforcement effort intended to dramatically increase drug seizures and the outbound illicit proceeds generated from the narcotics business at high-risk ports of entry. Enforcement action focused on the use of innovative, unpredictable and random enforcement operations at air, sea and land border ports of entry. It was a multi-faceted partnership effort that included inspectors, special agents, and union representatives. Unique in Customs enforcement history, Operation Brass Ring was field-based and field-driven, with emphasis on local solutions to local problems and sharing of best practices nationwide. Although 42 high-risk ports were initially required to participate in Operation Brass Ring, ultimately 129 ports of entry submitted and carried out action plans as part of this historic operation.

As a result of Operation Brass Ring, total amounts of cocaine, marijuana and heroin seized from February 1 to July 31, 1998, increased by 45 percent over the same time period as the last year. The amount of marijuana seized increased by 47 percent, the amount of cocaine increased by 32 percent and the amount of heroin increased by 13 percent. Controlled deliveries skyrocketed by an incredible 100 percent during the same time period. The controlled deliveries resulted in an 82 percent increase in arrests. Outbound currency seizures experienced a 59 percent increase in the amount of currency seized compared to the same time period in FY 1997.

Operation Brass Ring seizures totaled 548,262 pounds of marijuana, 72,535 pounds of cocaine, and 1,280 pounds of heroin. Customs also seized \$40.6 million in outbound undeclared currency and conducted 220 controlled deliveries, resulting in 414 arrests. Customs will continue to build upon the success of this operation by capitalizing on the creativity and innovation that Operation Brass Ring engendered.

Building upon the success of Operation Brass Ring, Customs established the Joint Narcotics Interdiction Plan (JNIP). The goal of JNIP is to maintain the momentum of Operation Brass Ring and to continue the increase of narcotics and currency seized and controlled deliveries conducted. The long term goal of this initiative is to achieve a 20 percent increase in these areas over the next 4 years. This approach supports the Office of National Drug Control Policy drug interdiction plan.

The JNIP requires each Special-Agent-in-Charge (SAIC) and Customs Management Center (CMC) to submit a comprehensive narcotics interdiction plan and will include a plan for each Resident-Agent-in-Charge and Port Director in their area of responsibility. The JNIP will be agreed to and signed by each SAIC and CMC Director and will have included the National Treasury Employees Union (NTEU) in the formulation of all plans within their respective areas. Field visits and quarterly reports will be used to review the progress of the JNIP.

### Financial Management

The General Accounting Office (GAO) removed Customs from its list of high-risk federal government programs this year because of the significant improvements made in our financial management. Customs, in fact, was the only agency to be removed from the list this year.

Customs demonstrated that it had addressed the weaknesses that originally contributed to its designation as a high-risk organization. These weaknesses involved revenue and trade compliance issues; asset management and control issues; core financial system issues; and computer security, access, and development issues.

The corrective actions which influenced the decision to remove the high-risk designation include: 1) receiving unqualified opinions on financial statements for the past two fiscal years; 2) statistically sampling commercial importations at ports of entry to better focus our enforcement efforts by projecting the level of the trade community's compliance with trade laws and associated loss of revenue; 3) improving the ability to detect and prevent duplicate or excessive drawback claims by enhancing the Automated Commercial System to identify those drawback claims exceeding the total amount of duty and tax paid on related import entries; and 4) aggressively pursuing collection of delinquent receivables, resulting in collections of over \$37 million. Customs currently has several ongoing initiatives which will continue to improve Customs financial management.

### Performance Goals Met or Exceeded

Customs had an outstanding year in narcotics enforcement results and in currency and monetary instrument seizures. It also continued to make progress in some key trade areas. This is even more significant since the results achieved were made while processing 19.7 million entries, worth an estimated \$955 billion. This is more than 1.8 million entries above last fiscal year. Customs also processed almost 460 million passengers and pedestrians, 13.1 million more than last fiscal year, and 135 million conveyances, 4.4 million more than last fiscal year.

Seizures of heroin, cocaine, and marijuana were above expectations. We seized approximately 1.12 million pounds of these three narcotics which exceeded our goal by 167,000 pounds. These impressive results were, in part, the result of Operation Brass Ring. Overall, Customs accounted for a record number of seizures -- more than 1.3 million pounds of all narcotics or controlled substances. As in past years, Customs continues to seize more illegal drugs than any other federal, state, or local law enforcement agency.

Customs also exceeded its goal for seizures of currency, bank accounts, and other monetary instruments involving financial investigations. It ended the year with seizures totaling \$362.9 million or 166 percent above projections. The culmination of Operation Casablanca contributed to this significant total with the seizure of over \$100 million from Mexican and U.S. bank accounts. Overall, Customs seized or participated in the seizure of \$426 million in currency and other monetary instruments. Of that amount, \$68.4 million was outbound undeclared currency seized at ports as it was being smuggled out of the U.S. in passenger baggage, vehicles, and cargo.

In the area of Trade Compliance, Customs successfully maintained a high compliance rate, and refined the analysis by which noncompliance is detected and addressed. Recognizing that all discrepancies are not equal, Customs convened two task forces, one internal and one in cooperation with the trade community. These groups determined the types of discrepancies to be considered materially significant, as opposed to "letter-of-the-law" discrepancies. The overall import compliance rate was maintained at 81 percent, while the compliance rate for imports in primary focus industries increased from 83 percent to 84 percent. Considering only the materially significant discrepancies, the compliance rate was 89 percent overall, and 90 percent for imports in the primary focus industries.

Customs has also undertaken a new initiative called "Focus On Non-Compliance" (FONC). This initiative analyzes resource expenditures as compared to discrepancies found, and has allowed Customs to see which efforts are paying off and which are not. This improved focus and other improvements have resulted in Customs detecting more noncompliance. Becoming more effective at finding noncompliance has the effect of lowering measured compliance levels, but results in improved compliance in the long term. These refinements make year-to-year comparisons of performance difficult at this time, but the targeted improvements in compliance achieved by Customs are significant and well-sourced.

Finally, the air passengers' compliance rate increased slightly over last year to 97.7 percent. The rate of participation in the Advance Passenger Information System by the airlines improved to 75 percent, which is 10 percent above projected results.

Customs attained these accomplishments with a remarkably high level of support from the trade community and the public. Operation Brass Ring had the support of the trade community, even though they knew that it would mean more intensive examinations of imported goods. In addition, customer surveys from the trade and the public reflect satisfaction with Customs performance.

### AMBITIOUS AGENDA

Despite all the areas in which Customs is achieving unprecedented success, we recognize there are areas of our organization which need to be strengthened. The following are some of the areas of responsibility we will be changing in order to produce a more disciplined and effective Customs Service.

#### Integrity

The Office of Internal Affairs (IA) currently has changes underway to protect and enhance the integrity of Customs through various initiatives, programs, and processes. Most recently, Customs as a whole, with IA as pivotal participants, commenced a "strategy for action" to reshape our capability to swiftly and effectively address integrity violations and other allegations of misconduct. Specifically, the process for reporting allegations of misconduct has been standardized and streamlined. In addition, the manner in which IA intakes, evaluates, and processes cases has been centralized at Headquarters. Specialized training for investigators and fact-finders has been developed and is currently being conducted. Further, we have established a servicewide Discipline Review Board to ensure fair and consistent imposition of discipline in misconduct cases. Finally, we are raising to an appropriate level in the Customs organization, the authority to propose, decide, and settle disciplinary actions; thus, increasing decision-making consistency and accountability.

IA is also working to enhance an automated case management system and integration with the Disciplinary and Adverse Action Tracking System (DAATS). Systems improvements will enhance Customs efficiency in reporting and monitoring investigations and administrative inquiries. Moreover, systems enhancements will permit useful analysis of trends and timeliness and improve identification of corrective actions. The Office of Human Resources Management is making comparable changes in its DAATS, in tandem with IA. When completed, these changes will allow Customs to track all identified allegations against Customs employees, from initial allegation through investigation, resolution, and the appeals process, if invoked. These changes are a measured step to insure that aspects of timeliness and equity of treatment are components of both the public and employee view of the Customs discipline process. Design work is commencing on a replacement for the IA and Human Resources systems.

Finally, we have recently announced the selection of a new Assistant Commissioner for IA who has proven expertise as a career prosecutor and strong credentials working in the Department of Justice's Public Integrity Sector. This new AC will give Customs the leadership and credibility necessary to ensure the most effective function of our IA operations.

### Self Inspection

One of our highest priorities is to build management accountability and strengthen management oversight throughout Customs. We are redesigning our Management Inspection Program to establish a self-inspection framework for our managers and to increase the frequency of on-site inspections by our Management Inspections Division.

Customs has redirected the efforts of our current Management Inspection Program from conducting comprehensive inspections primarily of our ports and Special Agents-in-Charge offices every 5 to 6 years to the development of a self inspection program. We want managers at all levels to evaluate their success in managing, assessing, reporting, and certifying the state of their operations every six months. Our Management Inspections Division will conduct inspections every 18-24 months to verify and validate the self-inspection results of every unit. The redesign is well underway. The first full self inspection by all units began in late March; inspections by our Management Inspections Division will begin in July.

### Management Accountability Model

To ensure that the service Customs provides to the trade and the traveling public is delivered in a consistent and uniform manner, we have implemented a Management Accountability Model which strengthens the Headquarters and field organizations by establishing greater management accountability and oversight within the organization. As such, we have created clear and specific service standards for which we intend to hold our employees and managers accountable.

Our initial goal in implementing this model was to clarify managers' roles and responsibilities, improve effectiveness, achieve operational uniformity and enhance levels of service. We have accomplished this by clearly defining roles and responsibilities for Headquarters, Customs Management Centers (CMC) and Port managers; strengthening the Headquarters and CMC organizations in order to clarify lines of authority and provide greater operational oversight; holding managers accountable for their actions and operations; establishing a national Management Inspection Program; and establishing uniformity in policy dissemination, implementation, execution and oversight.

### Realigning organizational authorities

Because Customs aviation and marine programs have such complementary missions, it is critical that the activities of these two interdiction components be coordinated. This is essential to ensure the employment of a cohesive interdiction strategy necessary to fulfill the Customs mission in support of the National Drug Control Strategy. In recognition of this, Customs is consolidating its Aviation and Marine Programs. The intent of this consolidation is to provide a better integrated, more efficient, and robust interdiction capability. Beginning in calendar year 1999, the Aviation and Marine Program began implementing an ambitious strategy to improve its efforts to combat marine smuggling through the creation of a unified Air and Marine Interdiction Division. Currently comprised of 114 operational aircraft and 87 vessels, the mandate of Customs Air and Marine Interdiction Program is to disrupt the flow of drugs and other contraband into the United States by vessel and/or aircraft.

This mission will be accomplished through implementation of a three-pronged, intelligence, interdiction and investigative approach. This approach is already in use for aviation interdiction and will now encompass the marine threat as well, which is complemented by our ongoing coordination with the U.S. Coast Guard.

Customs aviation assets and personnel will continue to support the President's International Drug Control Strategy, Ambassadors and Country Teams by providing detection and monitoring, interceptor support and training for employment in Mexico, Central and South America, and the Caribbean.

In order to enhance the effectiveness and efficiency of the Office of Investigations (OI),

three new SES Headquarters positions (Executive Directors, East, Central and West) were recently created. Responsibilities include overseeing and directing the investigative activities of all domestic field offices (Special Agent in Charge Offices). Another recent change included the creation of another SES Headquarters position: Executive Director for Investigative Programs whose responsibilities will include overseeing all Headquarters functions (Fraud, Strategic, Cybersmuggling, Financial, Smuggling and Investigative Programs). OI realigned organizational authority by having these four positions, along with the Executive Director, Foreign Operations Division, report directly to the Deputy Assistant Commissioner, OI. This change in itself has strengthened oversight of and coordination between foreign and domestic offices.

Recent changes within the Office of Intelligence and Communications include creating a new Communications Branch to administer and manage the Customs Wireless Communications Program from the Headquarters level; adding line authority over the Area Intelligence Units (AIUs), which currently report to SAIC Offices, and adding functional authority over the Intelligence Collection and Analysis Teams (ICATS).

### Training/professionalism

Professionalism means knowing your job, performing it well, and with courtesy. Customs regularly reviews its operations and training programs to ensure that our officers maintain a high level of professionalism. We have developed Passenger Interview and Vehicle Inspection Technique training for our land border inspectors. This program reviews the skills necessary to identify high-risk vehicles and passengers, and officer safety issues. It also provides training on how to prevent search inquiries from becoming confrontational.

Passenger Enforcement Rover Training is conducted for inspectors from all over the country at Miami and JFK Airports to improve observational analysis and interview skills. The training has been developed and is delivered by our most successful enforcement inspectors. This training has generated a number of significant seizures by the inspectors within days of returning to their home ports.

National Outbound Airport Currency Interdiction Training is being conducted to improve outbound inspectors' exam and interview skills. The training was developed and is delivered by the outbound inspectors at JFK. Inspectors attending the training have subsequently been involved in significant seizures upon return to their home ports. One example is the seizure of more than \$1.6 million in outbound currency at Chicago O'Hare Airport. In addition, land border inspectors from Ports of Entry across the country travel to the Port of Nogales, AZ, to receive training that will improve their targeting, examination, and interview skills.

To draw upon outside expertise, Customs has contracted with the International Association of Chiefs of Police (IACP) to provide two major programs to our workforce. The IACP is presenting cultural awareness training to inspectors at the top 15 airports, where 84% of our passengers are processed. IACP has also begun training in decision-making for inspectors along the Southwest Border. This training enhances their ability to respond appropriately to violent, potentially life-threatening situations.

In addition, Customs is establishing an Assistant Commissioner for Training and Development to provide leadership and direction to all Customs training programs and personnel engaged in training activities. All training and development activities, including technical training and support, specialty training, and supervisory and managerial development, will report to the Assistant Commissioner. The office will continue to rely on operating functions to ensure that mission-related training is provided, and on expertise outside of Customs to adapt the best practices for Customs use.

### Focus on the Recruitment of the Best

Quality Recruitment provides an effective process for hiring the best qualified candidates. It includes utilizing multiple screening stages which rely upon objective, quantifiable data; using an electronic rather than paper process, and targeting an applicant pool with reasoning skills needed for the new millennium. The process, which is currently being used for entry level inspector, canine enforcement officer and pilot positions, will be implemented for agents in the near future.

Quality Recruitment will result in the availability of a diverse applicant pool of highly qualified candidates for entry level inspector, canine enforcement positions, agent and pilot positions. As a result, the quality of the Customs workforce will increase, thereby better enabling Customs to accomplish its mission.

### Customer Service

Customs has begun a number of activities to improve the public's understanding of our processes and authorities. We are developing improved informational outlets and working with airport authorities to put up signs that will better explain our authorities and travelers' rights. We will post instructions for registering complaints at the time of the incident or by mail or phone, and we have made comment cards available in the inspection area. These improvements will also be incorporated at our land border facilities.

As part of the Border Coordination Initiative (BCI) to address our southern land border, Customs and the Immigration and Naturalization Service are working to establish queue time standards that give inspectors sufficient time to accomplish their respective enforcement missions while providing predictable service to the traveling public. We are establishing partnerships with the communities to foster a better appreciation of our enforcement responsibilities and agreement on how the wait times are measured.

At international airports we continue to meet the goal of releasing 95% of compliant travelers within 5 minutes of baggage claim. We continue to enhance the Passenger Service Representative program to ensure that traveler complaints can be handled on-the-spot.

A Customer Satisfaction Unit has been established at Customs Headquarters to monitor all complaint and complimentary correspondence and phone calls. We will track and analyze complaints and ensure that corrective actions are taken if there is a recurring problem or a disproportionate number from a given location. We are also in the process of implementing a 1-800 number for people to call with any questions about Customs matters. The personnel assigned to this unit will have broad knowledge of our processes and will ensure the appropriate routing of a call that they cannot personally answer.

Customs has conducted 356 formal workshops around the country for exporters and shippers (over 11,000 participants) to make them aware of export laws, rules, regulations, and port procedures. Individual contacts are also made with freight forwarders and consolidators, exporters, carriers, etc., to discuss specific and general export issues.

Our responsiveness to information requests from the public will be reflected by the "Contact Us" feature of the Customs Web site, which will permit Web visitors to comment, ask questions, or request information by means of electronic mail. This service will be established in the next few months. Also, the Customs Electronic Bulletin Board (CEBB), long utilized by the trade as an information resource, has been linked to the Customs Web site to make access even easier by more persons.

On the local level, a test program is underway in five ports (Champlain, NY; Charleston, SC; Nogales, AZ; Orlando, FL; and San Francisco, CA) in which Internet electronic mailboxes have been established for port directors at these locations, and these e-mail addresses published on the Customs Web site. The public and the trade are being encouraged to communicate with these port directors on issues of local concern and for requests for locally specific information. If successful, this program will be expanded to all service ports.

### PARTNERSHIPS

Customs has established important partnerships with groups both in the private and public sectors. We continue to work in partnership with the National Treasury Employees Union (NTEU) on a number of issues facing Customs. While there are always issues on which union and management disagree, we have found the partnership to be a productive effort. We have gained invaluable employee input into our decision making process, allowing us to tap into the wealth of firsthand experience our people on the front line have. This input has resulted in better decisions on our part, and improved operations.

One of the most successful examples of partnership was Operation Brass Ring which focused on aggressive, unpredictable, multi functional action plans proposed, designed, and implemented at the field level in cooperation with the NTEU. These plans were developed by Port Partnership Councils in conjunction with field offices of the Office of Investigations. Partnerships, such as Operation Brass Ring and the ones discussed below, are critical to the success of Customs mission in securing our borders without impeding the flow of legitimate trade.

### Border Coordination Initiative

The Border Coordination Initiative (BCI) is a tactical plan developed by the Immigration and Naturalization Service (INS) and Customs in partnership to increase cooperation on the Southwest Border and to enhance the interdiction of drugs, illegal aliens, and other contraband. The purpose of the BCI is to create a seamless process at and between land border ports of entry by building a comprehensive, integrated border management system that effectively achieves the mission of each agency.

During the past year, INS and Customs have built a strong platform of cooperation based on eight core initiatives: Port Management, Investigations, Intelligence, Technology, Communications and Aviation/Marine, Integrity and Performance/Budget. BCI will give direction to those efforts over the next five years.

The drug and illegal immigration threat on the Southwest Border is the initial focus. However, as the BCI builds momentum and generates the anticipated results, we will expand it to other locations. A joint Office of Border Coordination has been established with both INS and Customs. Two Border Coordinators are responsible for overseeing border operations and ensuring the implementation of the BCI Action Plans. The unions at both agencies have also been involved, in partnership, in these activities.

### Industry

In addition, Customs continued to expand its "Industry Partnership" programs with the development of the Americas Counter Smuggling Initiative (ACSI). Building upon the successes of the Carrier Initiative Program (CIP) and the Business Anti-Smuggling Coalition (BASC), ACSI will strengthen and expand Customs anti-narcotic security programs throughout Central and South America. These programs allow Customs to work with the trade community, both domestic and foreign, to reduce the ability of drug smugglers to compromise legitimate commercial shipments and conveyances. During FY 1998, information from these programs resulted in 136 domestic and foreign seizures and interceptions totaling 63,882 pounds of narcotics.

### LONG-TERM COMMITMENT TO THE AUTOMATED COMMERCIAL ENVIRONMENT

Investments in trade modernization remain a priority for Customs. Continued reliance on the sixteen year old Automated Commercial System (ACS) will subject both Customs and the trade to risks of degraded service. ACS relies on old technology that is costly to maintain and is not conducive to supporting the requirements of the re-engineered trade compliance process. In the period from mid-September 1998 through early-March 1999, ACS experienced significant processing slow downs that adversely affected the trade's ability to process entries quickly and cost-effectively. Recent investments at the Customs data center will alleviate the problems in the short term. However, we can anticipate reoccurrences of these problems without additional and substantial investments at our data center; in a modernized data network technology; and in personal computers and desktop software to support our field personnel.

Customs remains committed to the development of the Automated Commercial Environment (ACE) as the commercial system for the 21st century. ACE is necessary to: cope with 10 percent annual growth in international trade; meet legislative requirements for informed compliance and for improved financial controls over the nearly \$20 billion in duties collected annually; and meet the requirements articulated by the trade and Customs field personnel as part of the trade process re-engineering effort.

Given the size of the investment that ACE represents, it has received substantial scrutiny. As a result, a number of issues have been raised about Customs ability to justify such a large project and to manage it successfully.

Customs takes these concerns seriously and has taken or commits to take a series of actions to strengthen its ability to manage ACE and all other information technology projects and to improve the justification for the large investment that is required.

To improve project management, Customs:

- Hired a Chief Information Officer (CIO) with extensive experience in enterprise architecture and major systems acquisition.
- Reorganized the Office of Information Technology to provide for improved accountability and program control. An important element of the reorganization was the establishment of staff offices for Technology and Architecture, Strategic Planning, Program Monitoring, and Resource Management that are responsible to the CIO for: improved investment management; further progress on the enterprise architecture; enhanced controls over software development; and the development and implementation of software process improvement plans.
- Entered into negotiations with a Federally Funded Research and Development Center (FFRDC) to acquire critical support in the areas of strategic management, acquisition support, program management, technical management, and evaluation and audit. Customs expects to be able to have the FFRDC on-board in May.
- Plans to acquire the services of a prime contractor to help plan, implement, and manage its information technology modernization efforts. The contractor will be responsible for implementing mature software development processes which Customs will adopt, and will assume the risks associated with delivering functional components of ACE and other software projects. Modeled after the experience of the Internal Revenue Service in addressing concerns about its tax modernization efforts, Customs will utilize the experience of the FFRDC from initial acquisition strategy development through solicitation development and source selection, award and contract management, to include support to Customs in overseeing prime contractor performance. Customs intends to give this the highest priority with the goal of having a contract in place within 12 months from the time of initiation. However, before the contract process begins, Customs needs a commitment on a reliable source of funding.

To improve the justification for the investment in ACE, Customs:

- Engaged a contractor to update and improve the Automated Commercial Environment (ACE) cost-benefit analysis (CBA) which will be available for external review in the coming weeks. This CBA will incorporate analytical approaches responsive to direction previously provided by General Accounting Office staff, including reflecting use of the International Trade Data System as the trade interface for ACE. However, Customs recognizes that still more work is required beyond the current effort and commits to follow-on work that will a) analyze the costs and benefits of ACE functional increments; and b) rigorously analyze alternative approaches to building ACE.
- Engaged Klynveld Peat Marwick Goerdeler Limited Liability Partnership (KPMG) to provide an independent review of Customs methodology and assumptions for software development and infrastructure costs. KPMG's preliminary review found our approaches for cost estimation to be sound and appropriate. KPMG is now reviewing the completed CBA referenced above and advising on the follow-on work.
- Will complete the enterprise architecture work regarding its trade compliance process in May 1999. As part of its investment management process, Customs has initiated a documented review process that ensures that all proposed investments comply with its architecture standards and are not redundant of other information technology projects.

Before leaving the issue of justifying the investment in ACE, an important point should be made. The continuing controversy surrounding ACE is masking the issue of making the necessary investments in infrastructure modernization that are required to meet Customs mission responsibilities. Approximately 54 percent of estimated costs associated with ACE are for software development and maintenance over an eight year period. The rest of the investment is required to replace an outdated and problem plagued data network, to acquire additional computing capacity at the Customs data center, and to provide for regular updating of desktop computing capabilities necessary to stay abreast of rapidly changing technology. Almost all of these infrastructure investments are necessary even if Customs is forced to continue to rely on the outdated ACS.

Customs inability to invest in infrastructure modernization is also adversely affecting its ability to implement targeting systems to better combat narcotics smuggling, better screen international travelers, and provide automated mission support to achieve improved management controls and operational efficiencies.

The actions listed above are in progress and demonstrate Customs commitment to improve its management of information technology. These actions reflect Customs recognition of the concerns and we are working vigorously to correct them.

#### NARCOTICS ENFORCEMENT

The demand for illegal drugs in the U.S. remains strong. In response, drug smuggling organizations continue to introduce their contraband into our country using every conceivable route and method. Drugs entering the country through the Southwest Border, South Florida, and Puerto Rico are transported to distribution and control centers in major cities like New York, Chicago, Miami, and Los Angeles. Unchecked and allowed to flourish, drug trafficking organizations bring with them violent crime, public corruption, money laundering, and the socially crippling effects of drug abuse.

Drug smuggling organizations are as resilient as they are insidious. Successful dismantling of such criminal enterprises requires a balanced and comprehensive strategy, one that interfaces the functions of all Customs enforcement disciplines: investigations, intelligence, air and marine operations, and interdiction. Our strategy exploits the interrelationship of drug transportation and distribution by building an "Investigative Bridge" between border smuggling activity and criminal organizations located inland. We build this bridge each time the seizure of illegal drugs at the border leads to the identification of the controlling criminal

organization hundreds of miles inland. We build it again when investigation of a trafficking group in an inland city leads to a drug seizure on the border. Controlled deliveries, undercover operations, and Title III investigations are our primary inroads into drug smuggling organizations. These tools complement and solidify the Investigative Bridge.

It sounds simple and it really is. Customs recognizes that neither interdiction nor investigations individually add up to effective drug enforcement. Only by integrating the two processes can we put forth our best efforts in stemming the flow of drugs across our borders.

Between our regular appropriations and the emergency supplemental, Customs received substantial additional funding in FY 1999 to enhance our counterdrug operations. In the investigative area, this money will enable us to fill 27 new agent positions and to purchase radios, firearms, protective vests and vehicles for these new positions. The funding we received for our Marine Program will allow us to repair and outfit two Bluewater Vessels in inventory in South Florida, outfit one 47' Bluewater Vessel in New Orleans that was acquired from the Coast Guard and develop and construct a NightCat 40' Interceptor Vessel. The \$80 million received for Non-Intrusive Inspection Technology enabled Customs to accelerate its Five Year Technology Acquisition Plan for the Southern Tier. In addition, the \$10 million provided for Port Integrity will be used to not only stop the flow of drugs, but combat internal cargo conspiracies and cargo theft.

The 1999 emergency supplemental provided \$186 million for Air Program enhancements; \$153 million of which is to fund the procurement of 6 additional P-3 aircraft. The current schedule calls for an October and December 2000 delivery of the two P-3 AEW aircraft. Delivery of the 4 new P-3 "Slicks" is scheduled to begin in early- to mid-FY 2001 at a rate of one every four months.

#### CHILD LABOR

Addressing the illegal importation of merchandise manufactured or produced with forced or bonded child labor is one of the most difficult tasks faced by Customs. Customs is pursuing a thorough, impartial and aggressive policy towards imports suspected of being produced with forced child labor.

In recent months, special agents have visited Indonesia, Nepal, India, and Pakistan to meet with foreign government officials, non-government organizations and industry representatives on this very sensitive issue. Foreign law enforcement and other government agencies have stated their desire to work with Customs.

Our public outreach program thus far has included mass mailings to U.S. importers of merchandise, often associated with forced child labor, advertisements in trade publications, participation in trade shows, presentations on the Customs Webpage and various press releases in print and television in the U.S. and several other countries. Additionally, our forced child labor special agents are meeting regularly with various non-government agencies that monitor child labor and other human rights violations in an effort to address issues as they arise.

Our actions are beginning to bear fruit. Customs has identified some manufacturers of hand-knotted carpets who are believed to have produced carpets with forced child labor. Detention orders are in place to stop imports from those manufacturers at our borders. Should an importation from one of these manufacturers be attempted, Customs will require a certificate from the manufacturer stating that the goods were not produced with forced child labor. Customs will investigate the validity of the certificate submitted by the manufacturer. If the investigation substantiates the certificate, the goods will be allowed into the U.S. If the certificate proves to be false, we will not allow the goods to enter the U.S and will continue our investigation for any potential criminal or civil violations.

Increased staffing will soon be in place in several of our foreign offices. Special agents have been added to our Bangkok, Hong Kong and Montevideo offices. These additional special agents will be dedicated to investigating allegations, and training and working jointly with foreign law enforcement agencies to address the child labor issue.

#### MONEY LAUNDERING

Customs has a broad grant of authority to conduct international financial crime and money laundering investigations. Jurisdiction is triggered by the illegal movement of criminal funds, services, or merchandise across our national borders and is applied pursuant to the authority under the Bank Secrecy Act, the Money Laundering Control Act and other Customs laws. Combined with our border search authority, Customs formidable enforcement efforts focus on the most significant international criminal organizations, whose corrupt influence often impacts global trade, economic and financial systems. Customs enforcement efforts are not limited to drug related money laundering; they extend to the proceeds of all crime.

Customs has implemented an aggressive strategy to combat money laundering. Our approach involves interdiction efforts by Customs inspectors, criminal investigations by Customs special agents, and in partnership with Treasury, FinCEN, and others, the design and implementation of innovative regulatory interventions, unique to Treasury, that dismantle and disrupt systems, organizations and industries that launder ill gotten gains. Applying these techniques, New York's El Dorado Task Force, led by Customs, had tremendous success in removing and preventing the wire remitter industry from being exploited by drug kingpins to launder money.

Customs also continues to pursue an aggressive program of undercover investigations directed at money launderers. The two largest single seizures of cash in the history of Federal law enforcement were made as a result of Operation Casacam in Miami and Operation Omega in Los Angeles. Together, these two seizures totaled over \$41 million in cash. Moreover, it was Customs undercover operations that first exposed the criminal laundering activities of both Bank of Credit and Commerce International and American Express Bank International. And last May, Customs concluded Operation Casablanca, the largest, most significant drug money laundering investigation in the history of U.S. law enforcement.

Customs operates the Money Laundering Coordination Center (MLCC) which has gone on-line this year. Physically located at FinCEN, and staffed by special agents and intelligence analysts, the MLCC is designed to coordinate intelligence between all U.S. Customs undercover money laundering investigations. It will be opened up to other agencies in the future. The MLCC will also be instrumental in developing a strategy to combat the black market peso exchange which has been described as the single most efficient and extensive money laundering system in the Western hemisphere.

With funding approved by the Treasury Executive Office of Asset Forfeiture, Customs has trained and equipped 19 highly specialized Asset Identification and Removal groups consisting of special agents, auditors and data analysts. These groups, established throughout the United States, are designed to identify, track, and seize the assets of criminals and their organizations. They are responsible for the seizure of over \$172 million in the past three years and have been integral to high profile investigations such as the Ruiz Masseur case and Operation Casablanca.

As we look toward the future, Customs plans on continuing to work in concert with other Treasury and federal agencies to dismantle and disrupt the systems used by international criminal organizations.

#### ANTI-TERRORISM

Equally challenging is our responsibility to protect the American public from the threat of international terrorism. Easier access to sophisticated technologies, including weapons of mass destruction, means that the destructive power available to terrorists is greater than ever. Customs is the first line of defense at our

Nation's borders to prevent the introduction of weapons of mass destruction and other instruments of terror into the U.S. from abroad, and to prevent international terrorists from obtaining weapons of mass destruction technologies and materials, funds, and other support from sources in the U.S.

Customs is active on a number of fronts to combat this threat. We are developing and deploying examination technologies, such as radiation detection equipment, to our ports for use in detecting and interdicting nuclear, chemical and biological materials in international shipments. We work in partnership with the Federal Aviation Administration and the airline industry to enhance security on international flights originating in the United States. We aggressively enforce U.S. export laws to prevent the illegal export of arms, military equipment and dual use technologies to proliferous countries and terrorist groups, and enforce U.S. economic sanctions to deny funds and other support to international terrorists. We actively participate in Department of Justice-sponsored Joint Terrorism Task Forces.

Among the results of our strategic investigations this year, were the convictions of two weapons traffickers who not only had negotiated the sale of Russian-produced, shoulder fired surface to air missiles to undercover Customs special agents, but who had indicated they could also supply tactical nuclear weapons stolen from the Former Soviet Union. Also, indictments were handed down against seven individuals for weapons smuggling charges after members of the group were intercepted en route to South America in an attempt to assassinate Cuban president Fidel Castro.

Customs also has a leadership role in working in partnership with our counterparts in foreign customs and law enforcement agencies in strengthening export control and law enforcement programs to deny weapons of mass destruction and other support to international terrorists. We provide training and technical assistance to the countries of the Former Soviet Union and South East Europe under the U.S. Customs/Department of Defense Counter Proliferation Program. And we co-chair joint U.S./Russian working groups coordinating customs and law enforcement matters related to non-proliferation and export control.

The threat of international terrorism is perhaps one of the most serious national security threats emerging as we enter the 21st century. Customs is at the forefront of our Nation's efforts to address this threat. We are committed to providing the tools and the training necessary to our Customs inspectors and special agents to enable them to meet these challenges.

### CYBERCRIME/CHILD PORNOGRAPHY

As we are all aware, technology, particularly in the realm of electronic information and communication technology, continues to advance at an astonishing rate. We see the results of such advancements in everything we do. We can talk to virtually anyone anywhere via e-mail; we can research any topic via the Internet from the warmth and comfort of our living rooms; and we can even order groceries from the neighborhood food market without ever leaving our homes. The same technology that provides us with the seeming sense of security that we get from being able to do so much over our home-based personal computers is the very same technology that allows the criminal element to penetrate even the most secure of our homes. Cyberspace recognizes no borders, no sovereignty, and no walls or doors. Neither does cybercrime.

Without exception, violations of all of the over 400 laws enforced by Customs can, in some way, be abetted through the use of cyberspace. Indeed, three violations investigated by Customs, money laundering, Intellectual Property Rights violations, and child pornography/child sexual exploitation, can actually be committed via the Internet. Although money laundering and Intellectual Property Rights violations impact greatly the economic fabric of our Nation, it is child pornography and child sexual exploitation that tear at the moral fabric of our Nation and our future.

For this reason, Customs has established the Customs CyberSmuggling Center in Fairfax, Virginia. The Customs CyberSmuggling Center is tasked with conducting all cyberspace-based investigations on behalf of Customs. In addition, the CyberSmuggling Center is providing training to thousands of Federal, state, local, and foreign law enforcement officers annually. In FY 1998 alone, the CyberSmuggling Center trained over 3,000 law enforcement officers from four continents.

Cybercrime is the newest challenge for law enforcement. Hardest hit by cybercrime are the holders of trademarks and copyrights. The actual losses attributed to counterfeiting and piracy can severely impact our economic stability if the problem is not adequately addressed. Customs and FBI co-chair the National Security Counsel (NSC), Special Coordinating Subgroup on Intellectual Property Rights and Trade Related Crime. As a result of the work being conducted by the subgroup, the NSC has requested a proposal for a single agency to be responsible for the coordination of all U.S. government activities in this area.

Customs has proposed, through the NSC, to take the lead and responsibility for coordinating these efforts. We are proposing a multiagency effort to address law enforcement, training, intelligence and policy for the U.S., both domestically and internationally. This coordination effort will also include representatives from industry and trade groups as appropriate.

### TECHNOLOGY FOR BETTER ENFORCEMENT AND TARGETING

In implementing our Five-Year Technology Acquisition Plan for the Southern Tier, we have sought to steadily increase the risk of detection across the Southern Tier from San Diego to San Juan. Without this across-the-frontier approach, our enforcement efforts in one area will be mitigated by the smugglers' ability to rapidly shift operations to an area where the threat of detection is lower. What remains however, is to begin installing this technology at high-risk ports elsewhere in the country, ports like Charleston, SC, where last fiscal year we had a seizure of almost 3,100 pounds of cocaine; and Newark, NJ, where we have historically seen commercial quantities of both marijuana and cocaine. We have started to look beyond the Southern Tier, to install automated targeting systems and other technology.

With the increased funding we received in FY 1999, Customs is aggressively pursuing a mix of technologies designed to complement one another and present a layered defense to smuggling attempts. Some of the technologies we are currently testing and evaluating include a mobile truck x-ray which has the same or better capabilities as our fixed-site truck x-rays and has the added benefit of over-the-road mobility allowing us to use it at several ports. This introduces more unpredictability into our operations since the smuggler can never be sure where the x-ray will show up next. In addition, a gamma-ray inspection system has been developed for trucks, other vehicles and railcars.

Customs has been a good steward of the funding provided by the Congress. We are nearing completion of the truck x-ray system installation program. Seven of the nine systems are installed and have proven to be an effective law enforcement tool for the interdiction of smuggled drugs. In fact, the top five seizures made using these truck x-ray systems amount to almost 13,000 pounds of drugs. Customs is also seeing a decrease in the number of inspections per seizure giving us a preliminary indication that the x-rays are becoming the force multiplier we envisioned them to be. We have also fielded two mobile truck x-rays with two more prototypes in development.

### Land Border Automation

We are working with our counterparts in the Immigration and Naturalization Service to install license plate readers (LPRs) and automated permit ports (APPs) and replace the terminals used by the inspectors to query the Interagency Border Inspection System (IBIS) database. Southwest Border ports and the major crossings on the Northern Border will also receive this LPR equipment. LPRs have the capability to count the number of vehicles, identify stolen vehicles, and identify vehicles which are positive IBIS hits. LPRs will allow Customs to gather intelligence from the data, plus data mining will enhance inbound and outbound targeting.

One type of APP being tested at several locations along the Northern Border is the Remote Video Inspection System. This combination of card reader, video and audio technology allows travelers to cross at small, remote locations when there is no inspector on duty. Canada is installing a similar system at the adjacent ports to our test sites.

Inspectors have at their disposal a wide range of technology and tools including the large truck x-rays, pallet x-rays, optical fiberscopes, laser rangefinders, and portable contraband detectors (a.k.a. busters) to name a few. What must be remembered is that without the consistent funding to operate and maintain these technologies in Customs base, the benefits will be short-lived.

#### Compliance Measurement Examination data collection process (COMPEX)

Customs uses the Compliance Measurement Examination data collection process (COMPEX), a random selection program in operation at major airports and nearly all land border ports to determine the overall compliance rate of arriving passengers and the threat at each location. We continue to work with the ports to reduce the burden of collecting the information and improve the data quality. We will be working to develop COMPEX for passengers arriving at small airports and by vessel, train, or bus, as well as COMPEX for outbound airport passengers.

#### Anti-proliferation/Anti-terrorism

Using the Nunn-Lugar anti-proliferation funding, and working jointly with the Department of Defense, Customs is evaluating technology to provide our inspectors with a device that not only quantifies the presence of radiation, but can classify the source of the radiation against a database to tell the inspector if the source is medical, industrial, or weapon-related material.

We have also fielded approximately 1,500 personnel radiation detectors (a.k.a. radiation pagers) with the eventual goal of deploying 3,800 around the country. We are installing radiation detector equipment in all Customs x-ray systems thereby providing a simultaneous screening for contraband and drugs as well as undeclared radioactive material.

Better technology will allow Customs to maximize the efforts of the limited number of outbound inspectors. Better technology will allow inspectors to "target smarter" and with less wait-time for the traveling public and trade. Technology can be utilized to target undeclared outbound currency, stolen vehicles, munitions, and items which may pose a risk to aviation safety and security.

To support antiterrorism and aviation safety and security efforts at 17 of the largest international airports, Customs has spent approximately \$18 million of the \$35.2 million authorized under the 1996 Omnibus Appropriation to purchase and so far deploy the following equipment: 24 mobile x-ray vans equipped with explosive and radiation technology; 18 mobile support system airport tool trucks that provide inspectors the necessary tools to inspect cargo; 11 portable x-ray systems and 12 particle detectors capable of detecting trace amounts of explosives for mail/courier facilities; and 675 radiation pagers to address the threat of nuclear smuggling. Customs is currently working toward identifying additional non-intrusive inspection systems that can be purchased with the approximately \$17 million remaining in "no year" funds to support aviation safety and security.

#### Automated Targeting Systems

The Automated Targeting System for Anti-Terrorism (ATS-AT) is a rule-based expert system designed to facilitate the targeting of high-risk outbound cargo. This could include terrorist devices, weapons, undeclared hazardous material and other contraband. The system was prototyped at John F. Kennedy International Airport and will be deployed to 14 additional airports in FY 1999. ATS-AT allows inspectors to review more outbound documentation for potentially high-risk shipments, in less time.

ATS is also being used in the air passenger environment. Customs is in the process of migrating a data base which will enhance the capability of the Passenger Analysis Units and line inspectors in the targeting of suspect travelers. The enhanced capability will ultimately result in more effective interdiction measures and passenger processing and will increase the opportunity of locating and positively identifying high-risk travelers involved in drug smuggling, terrorism and other transnational criminal activity. However, failure to provide funding to this project, which is funded out of base resources, will result in decreased connectivity to the first line inspectors in the field.

#### FY 2000 BUDGET REQUEST

Customs proposed funding level for FY 2000 totals \$1,929,735,000 and 17,389 Full Time Equivalents (FTE), of which \$1,617,335,000 will be directly appropriated, and \$312,400,000 will be derived from a proposed increase to the passenger processing fee. Also, \$35,000,000 is requested from the Treasury Forfeiture Fund Super Surplus Fund.

#### Integrity

\$6 million, 0 FTE

Corruption and unethical behavior results in serious repercussions to law enforcement, including an erosion or destruction of public confidence, which is difficult to restore. While there is no systemic problem of corruption in the Customs Service, this initiative is required to increase the likelihood that new hires to Customs will possess honesty and ethical principles, ensure that Customs complies with statutory provisions concerning periodic reinvestigations, and reinforce the awareness of all agency employees to possible integrity threats, e.g., bribery attempts and unethical behavior. Specifically, the funding is required to conduct polygraph examinations, upon Office of Personnel Management approval, for candidates applying for positions which are most susceptible to corruption (criminal investigators, Customs inspectors, canine enforcement officers, and contractors). This request will also fund the contracting out of the required periodic investigations, as well as fund the corruption prevention awareness efforts of the agency.

#### Training

\$5 million, 8 FTE

In order to attain the highest level of training, integrity and professionalism, Customs is requesting additional resources to establish a new office at the Assistant Commissioner level. This office will manage and direct the establishment of a comprehensive education, training, and workforce development program which covers the entire career of Customs personnel with an emphasis on law enforcement positions. In-service training and development will be provided on a regular and recurring basis, and programs will be implemented to maintain and improve on-the-job effectiveness. Special attention will be given to continuous training for law enforcement personnel on the day-to-day application of the unique border search authorities granted to Customs officers (including, but not limited to: 19 U.S.C. 482, 1461, 1467, 1496, 1581, 1582, and 1646b, 22 U.S.C. 401, and 31 U.S.C. 5316).

#### Non-intrusive Mobile Personal Inspection Technology

\$9 million, 0 FTE

International commercial air travel is increasing each year and the numbers of narcotics couriers who ingest or conceal narcotics on or within their body are increasing dramatically. Detection of internal carriers can only be accomplished through the use of x-ray. Current procedures require that the suspected courier be



transported from the international arrivals area of the airport, accompanied by two Customs officers, to a medical facility where the x-ray is administered. This procedure is time consuming and an inefficient use of staffing due to the time required and the safety precautions which must be observed (i.e., handcuffing the suspect for transport), and the procedure is exceedingly unpleasant for those suspects whose x-rays are negative.

Therefore, as the fight to deter drugs and other contraband from coming into the United States continues, so does the development of new non-intrusive detection technology. Customs has developed a way to examine a suspected courier, with less embarrassment (in the likelihood of a pat-down and/or strip search), by using a facility staffed with an x-ray technician and equipped to digitally transmit the x-ray to a radiologist at a medical facility who will determine whether the x-ray indicates the presence of a foreign substance in the body. The facility will either be a fixed building in, or immediately adjacent to, the international arrivals area of the airport or a bus which is designed to fit into a custom docking facility built as an extension to Federal Inspection Services (FIS). Thus, the suspected courier could be transferred without handcuff restraints and through U.S. Customs Service corridors to avoid loss of control of the subject as well as public exposure. Customs is seeking a contractor who will provide a "turn key" operation.

#### Land Border Blitzes

\$1.4 million, 0 FTE

The additional funding requested would allow Customs to conduct "blitz" type operations at land border ports. This initiative implements some of the lessons learned from last year's successful Operation Brass Ring. Blitz operations are characterized by the rapid, unpublicized deployment of a team of Customs Inspectors, Canine Enforcement Officers, and Special Agents into a targeted port or base port for varied durations (a day to several weeks) to conduct intensive inspectional and investigative operations. The size of the port being blitzed, the duration of the operation, and the objectives of the operation would determine the actual makeup of each team. The teams would perform the blitzes at unscheduled times moving from border crossing to border crossing, from one port to another, and within a port among passenger primary, secondary inspection, cargo inspection, and outbound areas. This flexibility will maximize the unpredictability of the operations to Drug Smuggling Organizations (DSOs). Unpredictability is a corruption deterrent as well. Use of non-intrusive technology would also be maximized. Mobile or transportable systems would be utilized at ports which do not have fixed NII technology. In other instances, suspect conveyances would be convoyed to other ports which have fixed NII technology.

Customs Air Operations Support is vital to the rapid, fluid deployment of the teams. The use of air assets will allow the teams to maintain the element of surprise and maximize their time in the port instead of in lengthy transits between geographically dispersed border crossings. During Operation Brass Ring, the use of aircraft was shown to disrupt the normal activities of Drug Smuggling Organizations (DSOs) at the ports of entry. In addition, air assets provide enhanced security measures for ground personnel in the event of any escalated incidents.

#### Forced Child Labor

\$2 million, 3 FTE

The Customs Service is continuing its efforts to address the issue of forced child labor. Customs intention is to establish regional offices in Asia and increase staffing in foreign countries where there is significant potential for goods to be produced by forced child labor. This funding would provide for the hiring of special agents/representatives and a staff assistant.

The need for foreign-based agents rather than domestic agents is crucial to the success of this initiative. Regular interaction with foreign governments and non-government organizations (NGOs) ensure that Customs can maintain an enforcement presence and exert pressure because ultimately verification of the use of child labor will require inspection of the suspect foreign facility and its records.

#### Money Laundering (Outbound) Technology

\$2 million, 0 FTE

The majority of undeclared currency going out of the U.S. involves proceeds from narcotic trafficking activities. The ever-increasing volume of cross-border traffic means that Customs should conduct more examinations more effectively, in order to keep up with the activities of the drug cartels. Outbound enforcement examinations are currently conducted on a very limited basis. In FY 1998, although outbound exams were conducted only intermittently and with minimal resources, Customs seized more than \$68.4 million in outbound currency. In order to maximize Customs enforcement efforts, non-intrusive technology and equipment (and infrastructure) are necessary to efficiently interdict undeclared currency.

Technology will strengthen outbound enforcement efforts, while facilitating the public and legitimate trade. Due to the vast amount of cargo being exported out of the United States, Customs can only examine a percentage of these shipments. The procurement of mobile x-ray vans, tool trucks, and contraband detection kits will assist Customs in the examination of more cargo and conveyances at seaports, courier hubs, and on the Southern land border.

#### USER FEES

The FY 2000 budget request includes two new user fee proposals. They are:

##### Passenger Processing Fee

The Administration proposes to increase an existing fee paid by travelers arriving by commercial aircraft and commercial vessel from a place outside of the United States, and to remove certain exemptions from this fee. Proceeds of the fee increase would partially offset Customs costs associated with air and sea passenger processing. Subsequent to the budget, authorization legislation will be transmitted to allow the Secretary to increase the fee paid by air and sea passengers and to remove existing exemptions from this fee. In order for Customs to be able to collect \$312.4 million for FY 2000, collections would have to begin on July 1, 1999.

##### Automation Modernization Fee

The Administration proposes to establish a fee for the use of Customs automated systems. The fee will be charged to users of Customs automated systems. Proceeds of the fee will offset the costs of modernizing Customs automated commercial operations and an international trade data system, and will be available for obligation after FY 2000. Subsequent to the budget, authorization legislation will be transmitted to allow the Secretary to establish a fee for the use of Customs automated systems.

This concludes my statement for the record. I appreciate the opportunity to appear before you today. I particularly want to express my appreciation to this Subcommittee for its tremendous support in providing Customs with increased funding in FY 1999. This funding will provide Customs with the much needed tools to accomplish our mission, and I assure you that we will use these resources in the manner in which Congress intended them to be utilized, in the furtherance of international counterdrug efforts and our critical mission to protect the Nation's borders and to reduce the flow of drugs into the United States.