



Performance and Accountability Report

Fiscal Year 2015



U.S. Customs and
Border Protection

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Performance and Accountability Report

Mission Statement:

To safeguard America's borders thereby protecting the public from dangerous people and materials while enhancing the Nation's global economic competitiveness by enabling legitimate trade and travel.



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

Core Values

Vigilance

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

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

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

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About This Report

The U.S. Customs and Border Protection (CBP) Fiscal Year (FY) 2015 Performance and Accountability Report (PAR) 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, the President, and the public to assess its performance as it relates to the CBP mission.

The CBP PAR discusses the Agency's strategic goals and objectives and compares its actual performance results to performance targets for the nine strategic performance measures which align with the Department of Homeland Security (DHS) major missions established by the DHS Strategic Plan 2014-2018 and that support DHS' GPRAMA Modernization Act of 2010 (GPRAMA) compliance requirements. The CBP PAR is prepared in accordance with the provisions of Office of Management and Budget (OMB) Circular No. A-136, with respect to the information presented in the Financial Section of this report. The Management's Discussion and Analysis, and Performance Section of the PAR are prepared in accordance with certain provisions of the Reports Consolidation Act of 2000 (Public Law 106-531), GPRAMA, Chief Financial Officer's (CFO) Act of 1990 (Public Law 101-576), and other financial management statutes and reports.

This report summarizes the Agency's major mission strategies (i.e., programs and initiatives) under its strategic goals and objectives, as outlined in CBP's revised Strategic Plan – CBP Vision and Strategy 2020. Additional information related to specific programs, initiatives, tools, and resources to achieve Agency goals and objectives are contained in the FY 2016 DHS Congressional Budget Justification for the President's Budget, which details information by DHS component.

CBP's FY 2015 PAR and the Summary of Performance and Financial Information are available online at www.cbp.gov.

For more information:

U.S. Customs and Border Protection
Office of Administration
1331 Pennsylvania Avenue, NW, Suite 1555
Washington, DC 20004

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Email updates:

<https://public.govdelivery.com/accounts/USDHSCBP/subscriber/new>

CBP At A Glance



Established	2003
Headquarters	Ronald Reagan Building 1300 Pennsylvania Avenue NW, Washington, DC 20004
Commissioner	R. Gil Kerlikowske
2015 Total Employees	Approximately 60,000
2015 Annual Budget	\$15.6 billion

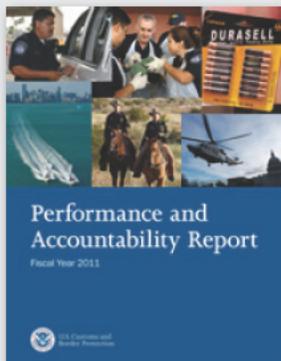
Foreword

CBP is part of DHS. DHS is required by OMB to implement the CFO Act of 1990 and prepare consolidated financial statements which include component agencies financial information. CBP consolidates key data and information and provides to DHS for incorporation into its corresponding reports. Although not required, CBP also prepares annual financial statements and a PAR using the same statutory and guidance framework used by DHS. CBP has produced its own financial statements and either a PAR or Agency Financial Report (AFR) since FY 2003.

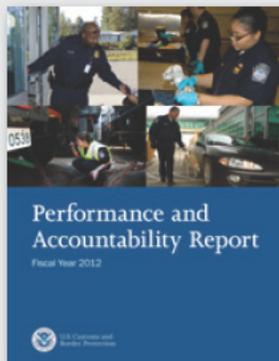
CBP's FY 2015 PAR provides an overview of the Agency's financial and performance data to help Congress, the President, and the public assess its performance and stewardship of resources. CBP strives to raise the bar with top performance and financial accountability and help DHS and the Federal Government excel in providing high-quality services and products to American taxpayers.

This report and reports from prior years are available on the CBP website at www.cbp.gov.

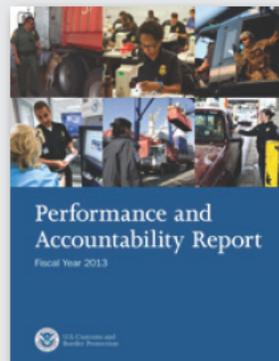
Links to previous year's PARs



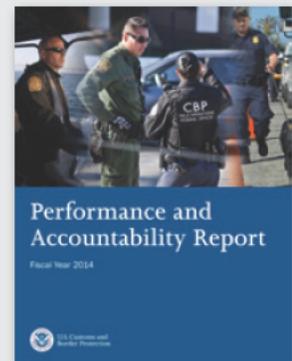
FY 2011 PAR



FY 2012 PAR



FY 2013 PAR



FY 2014 PAR



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Other Information

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Message from the Commissioner



I am pleased to present the Fiscal Year (FY) 2015 Performance and Accountability Report (PAR) for U.S. Customs and Border Protection (CBP).

As the guardians of our Nation's borders, CBP serves in a crucial leadership role for America's national security and trade interest, and sets the standard for excellence through the unifying tenets of collaboration, innovation, and integration.

In FY 2015, CBP's accomplishments have made important contributions to our Nation's homeland security and economic vitality by protecting the United States and the American people from the entry of dangerous goods and people. Through the use of technology, personnel, and resources, CBP has made significant progress in border security efforts, including increases in illegal narcotics seized and illegal border crossers apprehended. We increased our collaboration with federal, state, local, tribal, and international partners using a whole Government approach to combat individuals and criminal organizations who threaten communities on both sides of the border.

The FY 2015 PAR discusses our challenges, accomplishments, performance results, and financial information, and highlights noteworthy stories of success in serving as the Nation's premier law enforcement agency.

CBP provides performance and financial data that is complete and reliable. In addition, CBP is able to provide reasonable assurance that its internal controls over financial reporting are effective, with the exception of material weaknesses described in the Management Assurances section of this PAR. CBP is working to remediate the deficiencies identified.

As an organizational component of the Department of Homeland Security, CBP is not required to prepare a separate PAR; however, as the second largest revenue collector in the federal government, we owe the public we serve transparency in our stewardship responsibilities.

Beginning in 2015, and carrying through FY 2020, I have authorized the CBP Vision and Strategy 2020, CBP's Strategic Plan, to focus on four strategic goals:

- Counter Terrorism and Transnational Crime
- Advance Comprehensive Border Security and Management
- Enhance U.S. Economic Competitiveness by Enabling Lawful Trade and Travel
- Promote Organizational Integration, Innovation, and Agility

The goal of the PAR remains to provide Congress and the American public with timely, reliable, and useful financial information and to illustrate the value and impact of CBP's contributions to U.S. prosperity and security. This same information enables CBP managers to make sound business decisions, improve our processes, and increase our efficiency and effectiveness as we execute our vital missions.

A handwritten signature in black ink that reads "R. Gil Kerlikowske". The signature is written in a cursive, slightly slanted style.

R. Gil Kerlikowske
Commissioner

Ethos of the U.S. Customs and Border Protection Agency

We are the guardians of our Nation's borders.

We are America's frontline.

We safeguard the American homeland at and beyond our borders.

We protect the American people 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 people with vigilance, integrity, and professionalism.



U.S. Customs and
Border Protection



CBP
FIELD OPERATIONS
FEDERAL OFFICER

Management's Discussion and Analysis

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

Overview of CBP

The creation of CBP in 2003 began a process that brought together previously disparate organizations, each with a rich history and unique culture, to form a unified Federal border authority.

Following the Homeland Security Act of 2002 which established DHS, CBP was formed by merging the U.S. Customs Service, the U.S. Department of Agriculture's Animal and Plant Health Inspection Service, and major elements of the U.S. Immigration and Naturalization Service, including the U.S. Border Patrol and Immigration Inspection Program. Later, CBP added the Air and Marine Operations Division (now Air and Marine Operations) from the U.S. Immigration and Customs Enforcement, and most recently, select functions of DHS' former U.S. Visitor and Immigration Status Indicator Technology (US-VISIT). As the resulting Federal law enforcement agency, CBP provides far greater operational capability than the sum of its parts.

Over the past 13 years, CBP's greatest strength has come from its diversity and breadth of experiences that our workforce brings to the Agency. CBP plays a crucial role in supporting its interdepartmental partners and the President's National Security Strategy by safeguarding and managing America's borders, maintaining domain awareness to prevent terrorist attacks, intercepting malicious criminals and materials, and enforcing U.S. laws at its borders. CBP develops partnerships with public and private sector organizations and the international community to enhance its responsiveness and unwavering commitment to safety, security, and prosperity.

CBP's culture is a reflection of its collective history, which is captured in its proclaimed values of vigilance, service to country, and integrity. These core values unify the individual histories and cultures across the Agency. They drive a shared purpose by uniting the beliefs and behaviors of all CBP employees. CBP uses these core values to promote the health and strength of its culture to ensure unity and mission success.

CBP's Mission

CBP employees pursue these mission themes every day as they safeguard America at its borders with vigilance, selfless service, and unyielding integrity.

To safeguard America's borders, thereby protecting the public from dangerous people and materials while enhancing the Nation's global economic competitiveness by enabling legitimate trade and travel.

CBP's approximately 60,000 employees manage, control, and protect the Nation's borders at and between 328 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. While CBP's mission is complex and diverse, the principal operational requirements can be summarized in three distinct and mutually supporting themes:

- Protect the American people;
- Protect the national economy; and
- Safeguard and manage the U.S. air, land, and maritime borders.



CBP's Vision

To serve as the premier law enforcement agency enhancing the Nation's safety, security, and prosperity through collaboration, innovation, and integration.

CBP aspires to be a global leader in promoting strong security and trade partnerships that foster a safe, secure, and prosperous America and international community. CBP will continue to leverage partnerships, technology, and an entrepreneurial spirit to continue maturing into a fully integrated Federal law enforcement agency that consistently and continuously improves mission effectiveness.

CBP will continue to mature and advance the following strategic themes through unyielding commitment to safeguard America's borders while enhancing global economic competitiveness:

- **Collaboration** – The complexity of CBP's mission requires the Agency to serve as a global leader in delivering border security and expanding strategic partnerships. Improved collaboration throughout CBP and with its stakeholders provides a shared sense of purpose, enhanced understanding of the operating environment, increased trust, and complementary engagement – all of which enable efficient and effective mission execution.
- **Innovation** – CBP must remain vigilant through innovative initiatives to continually advance and transform the Agency into a more agile and adaptable organization. Understanding that global challenges and opportunities in trade, security, and immigration are constantly evolving, CBP is committed to leveraging science, technology, and corporate innovation to ensure optimal capabilities development for peak performance.
- **Integration** – CBP must lead development of a seamless global network to integrate border enforcement capabilities and meet the demands of a constantly evolving security landscape. A unified CBP promoting a shared identity and culture will inspire a fully-integrated, agile, and adaptable workforce serving with unyielding integrity. Integration enables CBP to better leverage global enforcement resources through national whole-of-government and international unity of effort approaches and practices.

CBP Statistical Highlights FY 2012 – 2015

	FY 2012	FY 2013	FY 2014	FY 2015
Total employees	60,668	59,969	59,544	59,472
Total revenue ¹	\$39.4 billion	\$40.9 billion	\$43.5 billion	\$45.8 billion
Total assets	\$15.9 billion	\$15.5 billion	\$16.2 billion	\$16.2 billion
Total net position	\$9.7 billion	\$9.4 billion	\$9.5 billion	\$9.4 billion
Total net cost of operations	\$12.3 billion	\$12.6 billion	\$12.9 billion	\$13.3 billion
Total budgetary resources	\$17.2 billion	\$16.2 billion	\$17.3 billion	\$19.5 billion
Ports of entry	329	328	328	328
Preclearance locations	15	15	16	16
Border Patrol sectors	20	20	20	20
Air units	46	43	41	40
Marine units	71	71	71	71
Trade entries processed	30.4 million	30.4 million	31.6 million	32.9 million
Illegal narcotics seized ²	2.8 million pounds	2.8 million pounds	2.5 million pounds	2.2 million pounds
Illegal alien apprehensions between ports of entry	364,768	420,789	486,651	337,117
Inadmissible aliens inter- dicted at ports of entry	195,865	204,905	223,712	255,342
Pedestrians and passengers processed	351 million	362 million	375 million	383 million
Conveyances processed	107 million	110 million	113 million	118 million
Aircraft passengers processed	98 million	102 million	107 million	112 million
Prohibited plant and animal materials seized at ports of entry	1,576,343	1,603,944	1,623,294	1,659,907
Agricultural plants and pests intercepted at ports of entry	170,967	161,050	155,247	171,434

Did You Know?

CBP prevents the illegal movement of people and contraband throughout U.S. airspace, approximately 5,000 miles of border with Canada, 1,900 miles of border with Mexico, and in partnership with the U.S. Coast Guard, approximately 95,000 miles of shoreline.

CBP safeguards the Nation's air, land, and maritime borders and protects CBP of threats, challenges, opportunities, and capabilities within border regions.

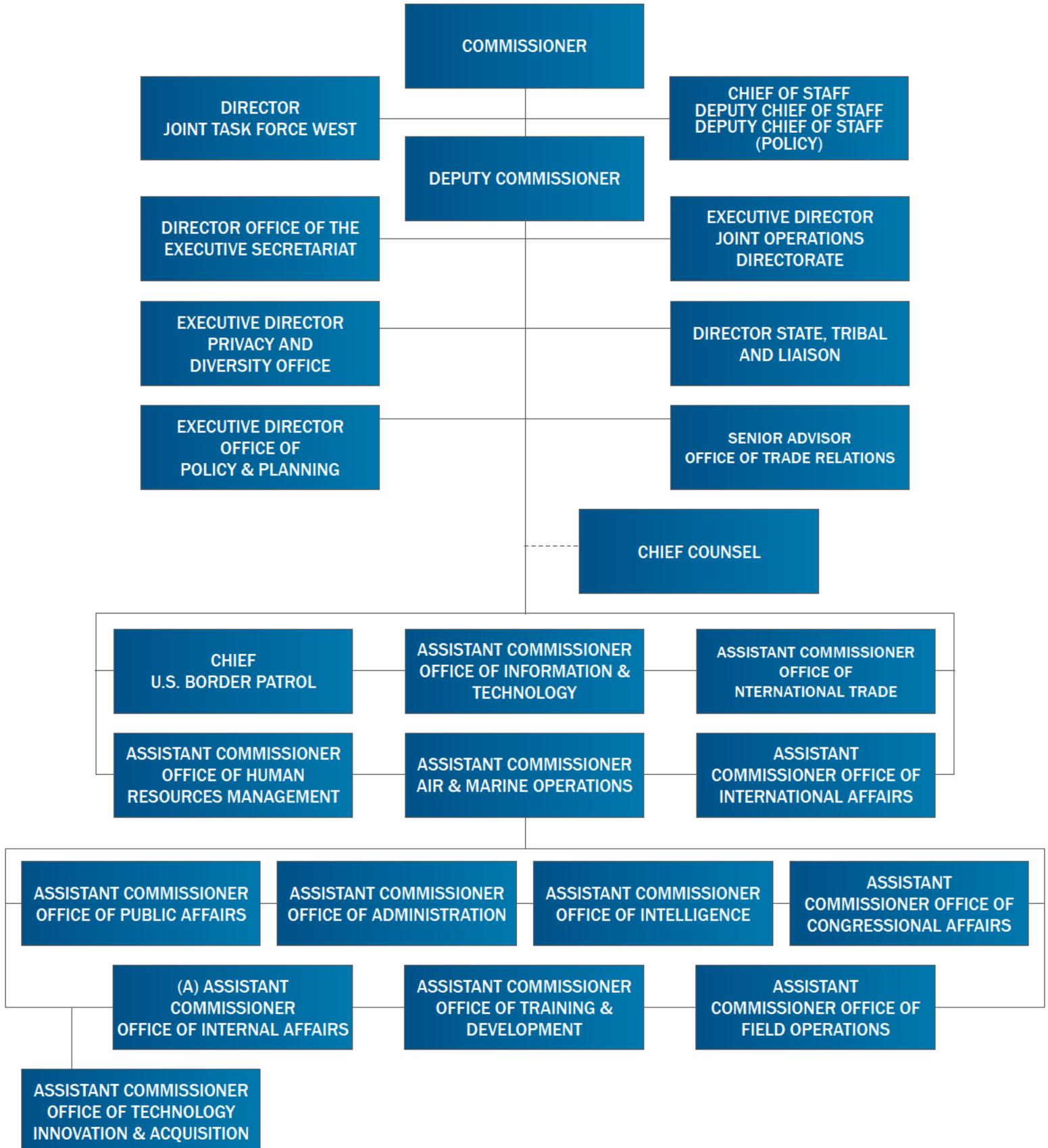
¹ Includes custodial and entity revenue

² Represents narcotics held by CBP until disposal or destruction

CBP Organization Chart



U.S. Customs and Border Protection



CBP Offices

Headquarters

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

Deputy Commissioner: The Deputy Commissioner provides leadership and executive-level direction on 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): The 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. The COS provides advice and counsel to the Commissioner in defining priorities to accomplish CBP's mission and goals.

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

Joint Task Force West (JTF-W): JTF-W is a new overarching organization at the DHS level, with CBP as the executive agent, to oversee the security objectives of the Southwest border corridors. To support the JTF-W, CBP adopted a uniform Integrated Corridor Operations model across the four Southwest border corridors (JTF-W California Corridor, JTF-W Arizona Corridor, JTF-W New Mexico-West Texas Corridor, and JTF-W South Texas Corridor) to collectively coordinate targeting of DHS' shared threats and priorities to disrupt and dismantle transnational criminal organizations.

Privacy and Diversity Office (PDO): PDO develops and administers all CBP programs and activities necessary to comply with the Privacy Act of 1974, the Freedom of Information Act (FOIA), the Prison Rape Elimination Act, and all applicable Federal anti-discrimination laws, civil rights and liberties, regulations, and policies necessary to facilitate lawful travel and trade across U.S. borders, while ensuring national security and economic prosperity.

Office of State, Local, and Tribal Liaison (SLT): SLT advises the Commissioner, Deputy Commissioner, and program offices regarding the impact of CBP policies and initiatives on state and local stakeholders. SLT is 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 stakeholders in addressing concerns with CBP programs, and assists in building and maintaining partnerships between CBP and state and local governments.

Office of Policy and Planning (OPP): OPP directly supports the Commissioner and his principal staff officers through deliberate and rapid planning processes to 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 agency priorities through the development, review, and implementation of key policy and planning initiatives. The OPP staff facilitates

and coordinates the Agency's strategic, operational, and institutional planning and integrates processes. OPP promotes analytic rigor, strategic thinking, and integrated risk management to empower CBP leadership to make the best informed decisions for safety, security, and prosperity.

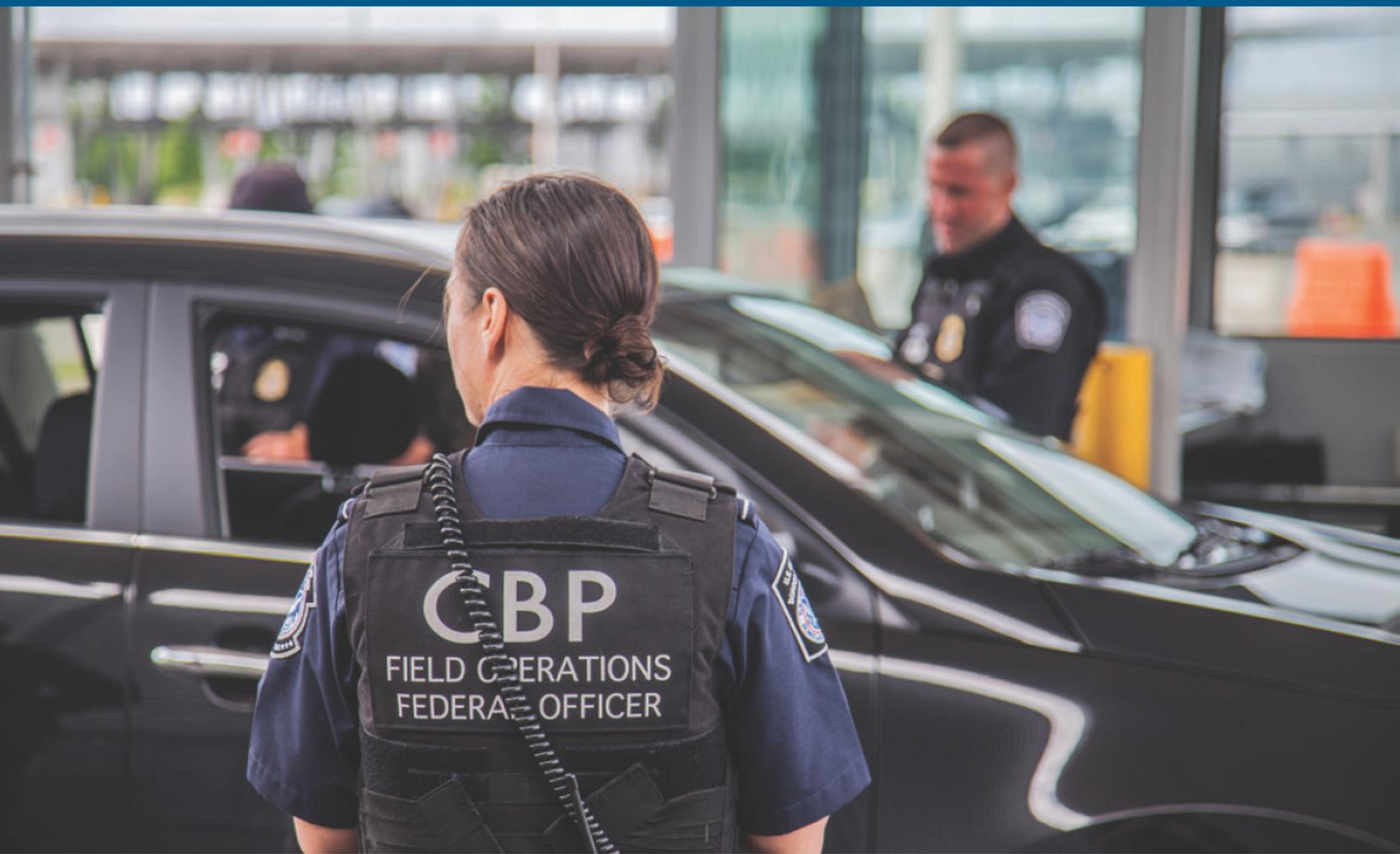
Office of Trade Relations (OTR): OTR manages CBP's outreach and communications with the international trade community. OTR ensures that the trade community and the public understand that trade is an integral part of CBP's mission to make America safer, stronger, more prosperous, and economically competitive. OTR organizes and presents formal CBP outreach, including CBP's annual trade symposiums, monthly trade meetings, trade roundtable meetings, and webinars. OTR serves as the designated regulatory fairness representative for the Agency, promoting compliance with the Small Business Regulatory Enforcement Fairness Act, and managing the CBP Advisory Committee on Commercial Operations (COAC) and the User Fee Advisory Committee (UFAC), two congressionally mandated trade advisory groups.

Joint Operations Directorate (JOD): JOD serves as the CBP operational information conduit for the Commissioner, Deputy Commissioner, and component leadership, and supports leadership's ability to make agency-wide decisions. JOD evolves to meet CBP needs by providing incident management and reporting, and engaging in interagency collaboration efforts and field coordination. This includes the Commissioner's Situation Room, the centralized CBP entity that collects all significant incident reports from all CBP field components. The Situation Room is also the focal point for all calls to the CBP Washington, D.C. headquarters and for outgoing messaging to CBP's national and international components.

Office of Executive Secretariat (OES): OES ensures appropriate and fast action on all requests for information, executive correspondence, and official memoranda addressed to the Commissioner and other CBP and DHS senior officials. OES directly supports the Commissioner and Deputy Commissioner, as well as supports agency leadership and management.



U.S. Customs and
Border Protection



Component Organizations and Field Structure

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

Office of Field Operations (OFO): OFO enforces customs, immigration, and agriculture laws and regulations at U.S. borders and has the primary responsibility of preventing terrorists and their weapons from entering the U.S. at ports of entry. OFO maintains programs at 20 field operation offices; 328 ports of entry; 16 preclearance stations in Canada, the Caribbean, Ireland, and the United Arab Emirates; and 60 Container Security Initiative (CSI) ports worldwide. OFO oversees the enforcement of laws and regulations while ensuring the safe and efficient flow of goods and people through ports of entry.

U.S. Border Patrol (USBP): USBP serves as the CBP law enforcement organization with the primary responsibility of preventing terrorists and their weapons, illegal aliens, drugs, and those who smuggle them, from entering the U.S. between ports of entry. Some of the major activities include maintaining traffic checkpoints along highways leading from border areas, conducting city patrol and transportation checks, and anti-smuggling investigations. USBP has 20 sectors along the southwestern, northern, and coastal areas of the U.S.

Air and Marine Operations (AMO): AMO protects the American people and critical infrastructure through the coordinated use of integrated air and marine forces. AMO is the world's largest aviation and maritime law enforcement organization with 1,163 Federal agents authorized, 256 aircraft, and more than

300 marine vessels operating from locations throughout the U.S. and Puerto Rico. AMO detects, interdicts, and prevents acts of terrorism and the unlawful movement of people, illegal drugs, and other contraband toward or across U.S. borders. AMO further supports DHS missions, such as the response to and recovery from natural disasters and terrorism.

Office of Intelligence (OI): OI develops, coordinates, and implements intelligence capabilities to support CBP's mission to secure America's borders while facilitating legitimate trade and travel. OI integrates CBP's diverse intelligence capabilities into a cohesive intelligence enterprise. OI 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, timely analysis of intelligence and information, and establishing intelligence-sharing relationships with Federal, state, local, and tribal agencies, and intelligence agencies.

Office of International Affairs (INA): INA coordinates and supports CBP's foreign initiatives, programs, and activities. This includes establishing partnerships with U.S. Government agencies, foreign administrations, and international organizations. Through its 22 Attaché offices, eight Advisory locations, and Representatives assigned to three Unified Combatant Commands (UCCs) in the Department of Defense, INA coordinates CBP's international engagements by implementing programs and initiatives that promote global best practices in border enforcement and capacity building.

Office of International Trade (OT): 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 trans-shipment, intellectual property rights infringement, and commodity dumping. OT directs risk-based investigation, detection, and prevention programs to identify imports that present public health or safety risks and products requiring protection from unfair trade practices. OT provides the Agency's regulatory audit function, which helps ensure companies are in compliance with trade laws and regulations. OT issues CBP regulations, binding rulings and decisions, compliance publications, and provides extensive training and outreach on trade laws and regulations.

Office of Congressional Affairs (OCA): OCA serves as the single point of contact within CBP to manage communications between CBP and Congress, advise CBP leadership on congressional activities, develop and promote CBP's legislative program, and support DHS congressional activities as they relate to CBP.

Office of Administration (OA) and Chief Financial Officer (CFO): OA and the CFO are responsible for financial management, to include: accounting, budget, financial systems, procurement and acquisition, facilities management and engineering, asset management, investment management, and oversight of all CBP financial operations. This includes all financial systems and activities delineated under the CFO Act of 1990. OA is responsible for administering \$15.6 billion CBP annual budget for law enforcement and trade operations, and processing collections of \$45.8 billion in annual custodial and entity revenue in FY 2015.

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

Office of Information and Technology (OIT) and Chief Information Officer (CIO): OIT and the CIO provide information, services, and technology solutions to secure the U.S. border, prevent the entry of terrorists or terrorist weapons, and facilitate legitimate trade and travel. OIT operates a worldwide, round-the-clock, secure, stable, and high-performance IT infrastructure, while supporting tactical communications, scientific solutions, forensic services, and CBP's IT strategies. OIT personnel manage all computers and related resources, including all cybersecurity operations. OIT establishes the technical requirements for system interfaces between CBP, trade groups, and government agencies and manages automated import processing and systems development. OIT scientists operate CBP field laboratories, satellite laboratories, and technical centers, providing state-of-the-art scientific commodity analysis, technical advice, forensic analysis (including digital), weapons of mass destruction support, and other scientific services.

Office of Internal Affairs (IA): IA serves as the oversight authority for all aspects of CBP operations, personnel and facilities. IA is responsible for ensuring compliance with all CBP-wide programs and policies relating to corruption, misconduct, or mismanagement and for executing the internal security and integrity awareness programs. At the national headquarters in Washington, D.C., and strategically located regional field offices, IA screens potential CBP employees for suitability; conducts polygraph examinations for law enforcement applicants; educates employees concerning ethical standards and integrity responsibilities; maintains a robust investigative capability to investigate allegations of employee corruption; and evaluates physical security threats to CBP employees, facilities, and sensitive information.



Office of Public Affairs (OPA): OPA communicates to external and internal audiences to build support for CBP's mission. Audiences include the American public, international trade stakeholders, travel industry, travelers who cross U.S. borders, and U.S. and international government agencies. OPA manages the CBP Information Center, a call center that receives website, email and telephone inquiries from travelers and traders. OPA directs media outreach and events, public awareness campaigns, video, photography, a speakers' bureau, the CBP history program, social media and publications, including *Frontline*, a monthly multimedia online publication and quarterly print magazine. OPA designs and manages the content of the public-facing website CBP.gov; oversees internal communications for the CBP workforce; and manages internal communication platforms, including "CBP in 60," CBP Postmaster, and CBPnet.

Office of Technology Innovation and Acquisition (OTIA): OTIA focuses CBP's applied technology efforts on the Agency's mission and integrates them across CBP. OTIA strengthens CBP's expertise and effectiveness in acquisition and management of contractor-delivered products and services. The OTIA Assistant Commissioner also serves as CBP's component acquisition executive, overseeing all CBP acquisition programs to ensure that they comply with DHS and CBP regulations and policies. OTIA is a center of expertise for program management, acquisition, and innovation.

Office of Training and Development (OTD): OTD leads all CBP training programs for the entire CBP workforce. OTD ensures that all training supports the CBP mission and strategic goals and prepares the Agency's workforce to meet the challenges of mission-critical operations. OTD establishes CBP training standards and policies; develops, delivers, and evaluates training; and procures the necessary tools for training. OTD also develops, implements, and oversees the CBP use of force programs and policies.



CENTRAL | UTC-6

EASTERN | UTC-5



AND FORKS SECTOR

CHICAGO FIELD OFFICE

MINNEAPOLIS, ST. PAUL, DAVENPORT/ROCK ISLAND/MAINE, OMAHA, KANSAS CITY, ST. LOUIS, PEORIA, INDIANAPOLIS, EVANSVILLE, OWENSBORO, CHICAGO, MIDWAY, ROCKFORD, O'HARE

NEW ORLEANS FIELD OFFICE

NEW ORLEANS SECTOR

HOUSTON FIELD OFFICE

HOUSTON SECTOR

RIO GRANDE VALLEY SECTOR

DETROIT SECTOR

DETROIT FIELD OFFICE

DETROIT, MARINETTE, GREEN BAY, MANITOWISH, SHEBOYGAN, MILWAUKEE, RACINE, MILWAUKEE, RACINE, MILWAUKEE, RACINE

CHICAGO, MIDWAY, ROCKFORD, O'HARE, CHICAGO, MIDWAY, ROCKFORD, O'HARE

NEW ORLEANS FIELD OFFICE

NEW ORLEANS SECTOR

NEW ORLEANS SECTOR

NEW ORLEANS SECTOR

SWANTON SECTOR

DETROIT FIELD OFFICE

DETROIT, MARINETTE, GREEN BAY, MANITOWISH, SHEBOYGAN, MILWAUKEE, RACINE, MILWAUKEE, RACINE

CHICAGO, MIDWAY, ROCKFORD, O'HARE, CHICAGO, MIDWAY, ROCKFORD, O'HARE

NEW ORLEANS FIELD OFFICE

NEW ORLEANS SECTOR

NEW ORLEANS SECTOR

NEW ORLEANS SECTOR

HOULTON SECTOR

DETROIT FIELD OFFICE

DETROIT, MARINETTE, GREEN BAY, MANITOWISH, SHEBOYGAN, MILWAUKEE, RACINE, MILWAUKEE, RACINE

CHICAGO, MIDWAY, ROCKFORD, O'HARE, CHICAGO, MIDWAY, ROCKFORD, O'HARE

NEW ORLEANS FIELD OFFICE

NEW ORLEANS SECTOR

NEW ORLEANS SECTOR

NEW ORLEANS SECTOR

BUFFALO SECTOR

BUFFALO FIELD OFFICE

BUFFALO, BUFFALO, BUFFALO, BUFFALO, BUFFALO, BUFFALO

BUFFALO SECTOR

BUFFALO SECTOR

BUFFALO SECTOR

BUFFALO SECTOR

BALTIMORE SECTOR

BALTIMORE FIELD OFFICE

BALTIMORE, BALTIMORE, BALTIMORE, BALTIMORE, BALTIMORE, BALTIMORE

BALTIMORE SECTOR

BALTIMORE SECTOR

BALTIMORE SECTOR

BALTIMORE SECTOR

ATLANTA SECTOR

ATLANTA FIELD OFFICE

ATLANTA, ATLANTA, ATLANTA, ATLANTA, ATLANTA, ATLANTA

ATLANTA SECTOR

ATLANTA SECTOR

ATLANTA SECTOR

ATLANTA SECTOR

MIAMI SECTOR

MIAMI FIELD OFFICE

MIAMI, MIAMI, MIAMI, MIAMI, MIAMI, MIAMI

MIAMI SECTOR

MIAMI SECTOR

MIAMI SECTOR

MIAMI SECTOR

LEGEND

- CBP Headquarters
- Office of Field Operations (OFO)
- Field Office
- Port of Entry (POE)
- POE - RFID Enabled
- POE - RFID & DCL
- United States Border Patrol (USBP)
- Sector Headquarters
- Border Patrol Station
- Border Patrol Sector Boundary
- Office of Air and Marine (OAM)
- Regional Headquarters
- Operations Center
- OAM Air Facility
- OAM Air Unit
- National Air Security Operations
- OAM Marine Facility
- Other
- Training Facility
- National Finance Center (NFC)

PUERTO RICO/U.S. VIRGIN ISLANDS

EASTERN time during Spring/Summer
ATLANTIC time during Fall/Winter
UTC-4

RAMEY SECTOR
Ramey, Aguadilla, Mayaguez, Police, Verapaz

SAN JUAN FIELD OFFICE
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CBP’s Strategic Goals

Four strategic goals guide CBP’s actions to achieve its mission. In FY 2015, the Commissioner published CBP Vision and Strategy 2020, the U.S. Customs and Border Protection Strategic Plan. It outlines four foundational strategic goals that will enhance CBP’s foresight and agility to meet the increasingly global and complex challenges it faces.

CBP’s strategic goals encompass comprehensive national security considerations and the growth of Agency business and management processes. The detailed objectives outlined within each strategic goal describe the Agency’s desired outcomes and effects that will ensure its vision to keep the American people safe, secure, and prosperous.

The table below lists the CBP strategic goals and objectives that guided its operations in FY 2015.

Mission: To safeguard America’s borders, thereby protecting the public from dangerous people and materials while enhancing the Nation’s global economic competitiveness by enabling legitimate trade and travel.
Goal One - Counter Terrorism and Transnational Crime
Objective A – Understand the threat environment
Objective B – Enhance procedures and partnerships that will facilitate interagency and international border enforcement coordination
Objective C – Strengthen global supply chain security
Goal Two - Advance Comprehensive Border Security and Management
Objective A – Increase situational awareness of the air, land and maritime borders
Objective B – Detect, interdict and disrupt illegal cross-border activities
Objective C – Strengthen comprehensive trade enforcement
Objective D – Strengthen processes to conduct outbound enforcement and interdiction of travelers and cargo
Objective E – Advance a comprehensive, predictive targeting strategy to identify threats as early as possible
Goal Three - Enhance U.S. Economic Competitiveness by Enabling Lawful Trade and Travel
Objective A – Reduce costs for the U.S. Government and the trade and travel communities by streamlining processes in collaboration with public and private sector partners
Objective B – Promote harmonization throughout ports of entry and other U.S. Government agencies
Objective C – Expand risk-segmentation through advanced technology to enable low-risk trade and travel
Goal Four - Promote Organizational Integration, Innovation, and Agility
Objective A – Mature CBP’s strategic resource management framework
Objective B – Optimize CBP’s organizational structure to ensure agile and efficient operations
Objective C – Strengthen CBP’s culture of unwavering integrity and professional growth
Objective D – Advance CBP mission effectiveness through transformative technologies and innovative business practices
CBP’s Strategic Goals and Objectives (Sub-Goals) that Guide its Operations.

CBP uses various mission strategies (i.e. programs and initiatives) within each objective to achieve its strategic goals, and ultimately, its mission. Strategies include programs, technologies, and partnerships, each with specific performance measures to determine how well the Agency is achieving its strategic goals and objectives. CBP develops performance measures in response to DHS, Government Accountability Office (GAO), and Office of Inspector General (OIG) recommendations, as well as internal CBP management requirements. Performance measures inform decision makers on where they should place resources to ensure program effectiveness, results of which are reported to OMB and DHS.



Goal 1: Counter Terrorism and Transnational Crime

Support the President's National Security Strategy and counter-terrorism efforts, promote the national elements of power (to include: diplomatic, information, economic, financial, intelligence, and law enforcement), contribute to and lead a whole-of-government approach to national security, and promote the safety of the American people.

Overview: The U.S. faces diverse security challenges in an increasingly borderless global environment with interconnected and codependent communities, economies, and infrastructures. CBP influences and continues to develop a cohesive global network that inspires integration, cooperation, and comprehensive actions to ensure its physical border is the last line of defense, not the first. CBP persistently evolves its capabilities to combat terrorism and extremism; stop the spread of weapons of mass destruction; sustain U.S. economic growth; define, prioritize, and disrupt transnational criminal organizations; and prevent the spread of agricultural pests and diseases.

CBP accomplishes these priorities through a risk-based approach that uses actionable information. Recognizing that no one nation, agency, or locality can meet global challenges alone, CBP collaborates with domestic and international partners to better understand the threat environment and strengthen risk-informed, intelligence-driven law enforcement efforts.

Objectives to Accomplish Goal 1 - Advance National Security and Public Safety

- Objective A – Understand the threat environment
- Objective B – Enhance procedures and partnerships that will facilitate interagency and international border enforcement coordination
- Objective C – Strengthen global supply chain security

Objective A: Understand the Threat Environment

CBP uses a whole of government approach to enhance its ability to collect, analyze, and appropriately share intelligence and information, including timely warnings of potential threats and proactive enforcement opportunities to better understand the threat environment. CBP strengthens partnerships with Federal, state, local, tribal, territorial, and international stakeholders to enhance intelligence and information sharing. This is accomplished, in part, by developing common intelligence pictures – common understandings of terrorists and criminal threats including their tactics, techniques, and procedures; their capabilities and vulnerabilities; and indicators of their potential courses of action.

Central to this objective is the CBP Law Enforcement Intelligence Enterprise, a powerful border security partnership that connects law enforcement and intelligence communities for an enhanced intelligence and targeting strategy to predict threats and better understand the threat environment. This enterprise detects threats beyond our borders, integrates and coordinates intelligence and law enforcement capabilities, and establishes stronger border-centric partnerships to respond to the criminal network.

By using common intelligence pictures and broadening the dissemination of intelligence, CBP can ensure that decision authorities and policy-makers are fully informed and better able to develop risk-informed strategies and operational plans.



Strategies to Understand the Threat Environment

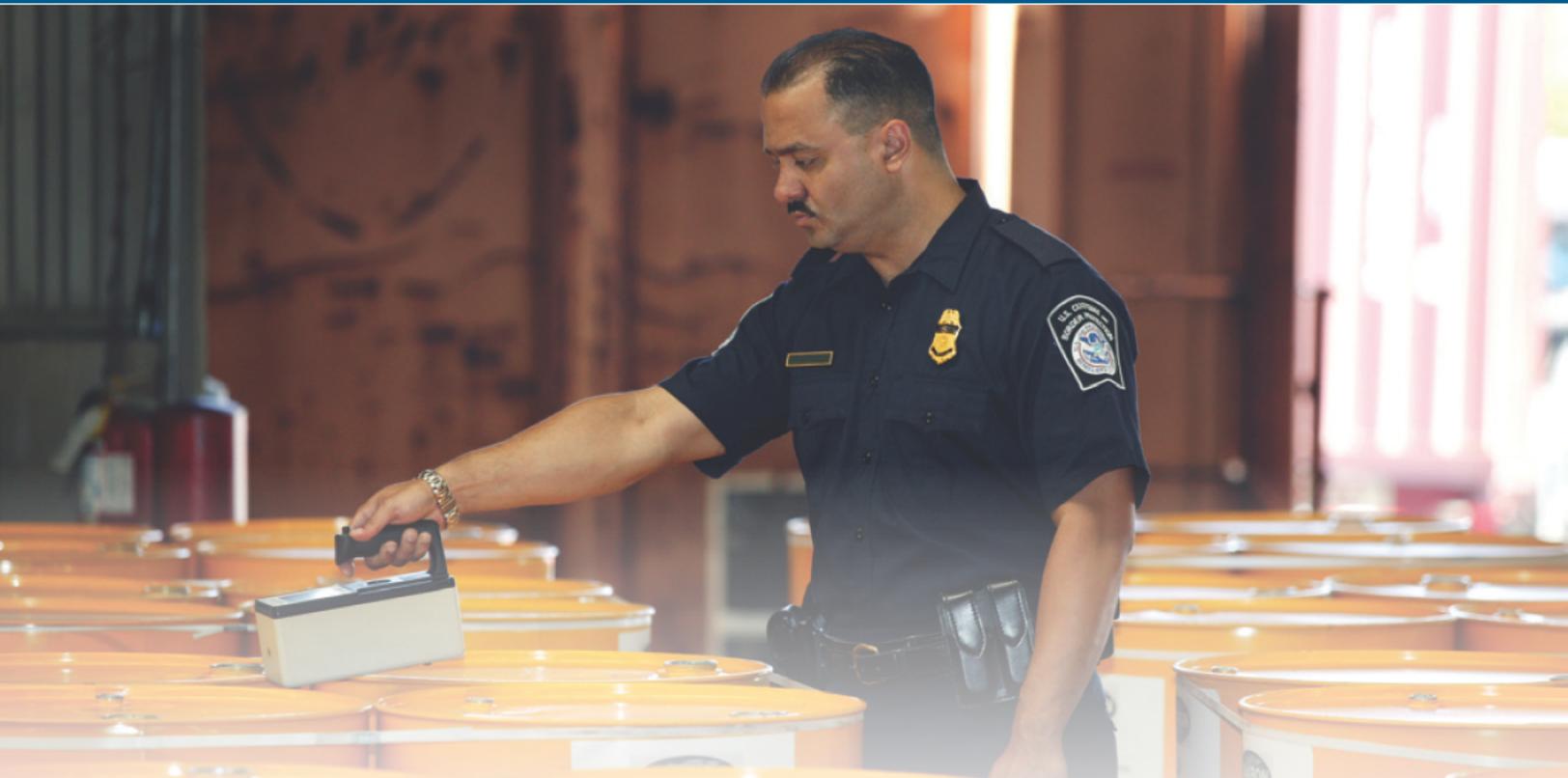
National Targeting Center (NTC): Managed by CBP's OFO, NTC prevents dangerous and unlawful travelers and cargo from entering and exiting the country by reviewing and segmenting them across inbound and outbound modes of transportation. OFO examines travelers and cargo that may be connected to terrorism or other transnational crimes such as narcotics smuggling, human trafficking, merchandise counterfeiting, and money laundering. NTC coordinates CBP's counter terrorism initiatives by maintaining a common counter terrorism framework and developing policy guidelines that direct CBP's counter terrorism responses. NTC conducts various Passenger Targeting and Cargo Targeting Operations as described below:

- **Passenger Targeting Operations:** OFO conducts passenger targeting operations to vet inbound and outbound passengers and crews from commercial airlines, cruise ships, and cargo vessels to identify potential high-risk individuals such as terrorists, disingenuous travelers, and other inadmissible travelers. OFO examines advance passenger data and uses automated targeting and risk-informed approaches to vet, segment, and facilitate the movement of travelers. OFO uses data processing systems including the Automated Targeting System (ATS) to vet passenger manifests and related information prior to U.S. arrival. Passenger Targeting Operations include:
 - **Air and Marine Operations Center (AMOC) support.** The NTC identifies and vets aircraft crossing the border, conducts research, and utilizes data to proactively target and disrupt narcotics trafficking, money laundering, weapons smuggling and fugitives.
 - **Alien Smuggling Interdiction (ASI).** The NTC ASI Unit deters, detects, and disrupts illegal immigration to the U.S. and increases criminal prosecution of smugglers and human traffickers.



- **Advanced Targeting Team.** The Advanced Targeting Team detects, deters, disrupts, and dismantles terrorism facilitation networks, foreign fighters, and transnational criminal organizations.
- **Caribbean Community (CARICOM).** CBP and the CARICOM Joint Regional Communications Centre (JRCC) targets and analyzes Advance Passenger Information System (APIS) data from aircraft and vessels traveling within the CARICOM member nations.
- **Electronic System for Travel Authorizations (ESTA).** NTC vets all ESTA applications for prospective travelers seeking to travel to the U.S. under the Visa Waiver Program (VWP).
- **International Targeting Center (ITC).** The International Targeting Center protects against terrorism and criminal activities by facilitating a cohesive relationship between ITC member nations.
- **Biometrics.** NTC serves as the CBP office of primary responsibility for all DHS Automated Biometric Identification System (ABIS) users in relation to encounters with individuals listed in Department of Defense (DoD) biometric watch list records.
- **Pre-Adjudicative Threat Recognition and Intelligence Operations Team (PATRIOT).** NTC leads the interagency coordination effort to conduct advance visa application vetting and enhance visa security among DHS, CBP, Immigration and Customs Enforcement (ICE), and the U.S. Department of State.
- **Terrorist Screening Database.** In collaboration with the National Counterterrorism Center and the Federal Bureau of Investigation (FBI) Terrorist Screening Center, NTC improves the accuracy and integrity of the database by vetting database nominations against CBP passenger and cargo data.
- **Visa Vetting.** In coordination with the U.S. Department of State, NTC provides continuous vetting of existing visas against law enforcement databases and any new derogatory information.





- **Cargo Targeting Operations:** OFO identifies and examines high-risk shipments such as cargo that can potentially conceal components for weapons of mass destruction and chemical precursors for illegal drugs, conventional weapons, and explosives. Cargo targeting operations use data processing systems such as ATS and the Automated Export System (AES). NTC's cargo targeting operations support CBP ports of entry, field offices, and 60 foreign locations. Cargo Targeting Operations include activities, initiatives and resources.
 - **Air Cargo Advance Screening.** This is a collaborative effort between CBP, Transportation Security Administration (TSA), and air cargo carriers to screen inbound air cargo before loading onboard aircraft. CBP is completing new regulatory requirements to mandate Air Cargo Advance Screening for all air cargo destined for the U.S.
 - **Container Security Initiative (CSI) Targeting.** The CSI is part of CBP's layered cargo security strategy. The initiative addresses the threat to border security and global trade, posed from maritime containers, by deploying teams of CBP Officers to foreign seaports to work with their host government counterparts to target and examine high-risk cargo before it is placed on vessels bound for the U.S. NTC provides cargo targeting support for 60 overseas CSI locations.
 - **Outbound Targeting.** The Outbound Targeting Unit uses information from AES to target export shipments, support counter-proliferation efforts, and disrupt transnational criminal organizations. The unit collaborates closely with the Department of Energy on exports of radiological material and equipment.
 - **Narcotics Targeting.** The Narcotics Targeting Unit is a collaborative effort between CBP, U.S. Drug Enforcement Administration (DEA), Homeland Security Investigations (HSI), Joint Interagency Task Force (JIATF), and CBP's foreign partners to detect and interdict illicit narcotics, precursor chemicals, and synthetics. The unit identifies targets of interest through post seizure and link analysis to facilitate disruption of transnational criminal organizations.
 - **International Cargo Targeting Fellowship Program.** This program is a collaborative effort with international partners to identify, prevent, deter, disrupt, and manage risks in the cargo environment by hosting foreign customs officials at the NTC to facilitate information sharing.

- **Terrorist Screening Database.** The Terrorist Screening Database is a collaborative effort that uses NTC information, data from the FBI's Violent Gang and Terrorist Organization File, and DoD biometric matches to identify cargo shipments and businesses associated with identified individuals of interest.
- **Tactical Trade Targeting.** The Tactical Trade Targeting Unit leads a cooperative initiative that identifies targets, generates case leads, and provides rapid and real-time targeting support to HSI and other law enforcement agencies to detect, disrupt, and deter trade fraud globally.
- **Rail Targeting.** The Rail Targeting Unit is a collaborative effort between CBP and representatives of the rail freight industry to segment risk and facilitate trade. Located in El Paso, Texas, the Rail Targeting Unit and its rail partners share cross border rail shipment information to expedite the flow of legitimate rail commerce.
- **Real-time Vessel Targeting and Tracking System.** This system is a collaborative effort with the U.S. Coast Guard (USCG) and CBP components within ATS that increases CBP's ability to identify and mitigate threats in the maritime environment by incorporating geospatial capabilities with customs, immigration, agriculture, law enforcement and other data sources. ATS provides a holistic view of the commercial vessels, cargo, crew, and passengers entering U.S. seaports in advance of a vessel's arrival.



Did You Know?

CBP established the Integrated Trade Targeting Network, an integrated operational network between all of CBP's trade targeting assets to improve communications, coordinate actions, and standardize procedures for more effective trade targeting. The Integrated Trade Targeting Network promotes sustained and coordinated efforts that lead to definitive enforcement actions.



In FY 2015, USBP worked with Central America and Caribbean nations to secure their borders against threats posed by transnational criminal organizations, terrorists, narcotics, weapons, and human trafficking. CBP developed the Central America Advisory Support and Training (CAAST) model to develop land interdiction units in Central America, to be used as a global framework worldwide. CAAST is a collaborative effort between CBP and host nations for capacity building, training, and technical assistance to combat terrorism, enhance border security, and establish a framework for expanded capabilities and capacity.



NTC-Investigations Division (NTC-I): A division within NTC, NTC-I enhances the entire border security continuum, from CBP interdictions and HSI investigations to joint exploitation of intelligence. The division supports ongoing HSI investigations, provides quality investigative referrals and intelligence to HSI field offices, and expands collaboration within CBP. This includes the establishment of new interfaces between the CBP TECS system and the ICE Case Management Modernization system to support data sharing for HSI investigations.

Automated Commercial Environment (ACE) Single Window: ACE provides threat awareness, prevention, and protection through a centralized “single window” to process legitimate transactions quickly, focusing resources on suspect shipments. In FY 2015, CBP incorporated new ACE features to process cargo and identify shipments that may require additional scrutiny. ACE now accepts electronic export manifests (previously submitted and reviewed via paper) which speeds processing and allows CBP to ensure shipments leaving U.S. ports are safe and secure.

Revisions to CBP Forms and Processes: CBP uses forms to establish bond coverage; process release and entry of merchandise; and process drawbacks, fines, penalties, and forfeitures. CBP's OT is revising Form 5106 (Importer ID Input Record) to feed into ACE and ATS to conduct better risk assessments for the targeting of shipments and screening for shell companies to avoid paying large sums of duty, including antidumping and countervailing duties.

Did You Know?

In FY 2015, CBP published two Federal Register Notices soliciting public comments on proposed revisions to CBP Form 5106. The revised form will be implemented in FY 2016. CBP worked with the National Customs Brokers and Forwarders Association of America Advisory Committee on Commercial Operations to review the current customs broker regulations in 19 CFR Part 111. CBP developed amendments to clarify the brokers' responsibilities for importer validation, modernize regulations to align with current trade practices, and implement a system of national permitting, among other changes.

To strengthen its product identification capabilities in the field, CBP conducts rights holder training webinars with U.S. based companies who share information about their products and supply chains. These webinars serve as a method to gather trade intelligence that enables CBP to spend less time searching for information and more time making informed decisions on whether goods are counterfeit.





Laboratories and Scientific Services Directorate (LSSD): LSSD identifies potentially destructive and hazardous imported merchandise, and provides rapid response involving forensics, narcotics, and criminal investigative testing. Samples submitted to field laboratories are processed within 58 days, enabling CBP personnel to take timely action. In FY 2015, LSSD fielded and analyzed 14,717 calls from frontline officers and screened 5,299 suspect samples and identified multiple chemicals of concern.

Did You Know?

In FY 2015, LSSD personnel analyzed 22,653 trade cases involving 75,029 sample items to determine compliance with trade agreements, laws, and tariff classification. Of the trade samples tested, 32 percent showed a change in duty rate resulting in the collection of millions of dollars in additional duties. Some affected commodities included honey, steel products, aluminum exclusions, solar cells and panels, multilayered wood flooring, seafood, and thermal paper.

Electromagnetic Gradiometer and Ground Penetrating Radar: LSSD uses advanced commercial technology such as Electromagnetic Gradiometer and Ground Penetrating Radar to detect cross border tunnels. The Electromagnetic Gradiometer generates electromagnetic waves that interact with underground electrical infrastructures, making them detectable. Ground Penetrating Radar radiates an electromagnetic pulse into the ground. Waves that are scattered back toward the surface induce a signal in the receiving antenna, and are recorded as digitized signals for display and further analysis.

Objective B: Enhance Procedures and Partnerships that will Facilitate Interagency and International Border Enforcement Coordination

CBP aggressively champions strategic partnerships that facilitate integrated, risk-informed, intelligence-driven law enforcement operations, using whole of government and international unity of effort approaches. Because no single nation or agency has the authority or resources to unilaterally eradicate cross-border violations, CBP strengthens domestic and international partnerships to provide greater synergy, reduce unintended redundancies, improve communications, and serve as a force multiplier. Interagency and international coordination entails integrating intelligence, surveillance, and reconnaissance capabilities into law enforcement operations. This includes ensuring all partners have access to the same operational information and that CBP has information on other agencies' activities, initiatives and resources.

CBP serves in operational and advisory capacities to coordinate resources and identify and stop threats before they reach the border. This unifies efforts in detecting, interdicting, deterring, and disrupting terrorists, transnational criminal organizations and transnational criminal networks, and cross-border criminal activity. CBP also helps international partners develop their own capacity to create a strong and resilient enforcement network.

Strategies to Enhance Procedures and Partnerships that will Facilitate Interagency and International Border Enforcement Coordination

Unmanned Aircraft System (UAS) Operations: In FY 2015, AMO worked with DoD Unified Combatant Commands including U.S. Northern Command and U.S. Southern Command, and the Joint Interagency Task Force – South (JIATF-S) to expand UAS operations in drug source, transit, and arrival zones. AMO flies P-3 and Guardian UAS missions from forward operating locations in El Salvador, Honduras, and the Dominican Republic with a combined 6,978 hours in source, transit, and arrival zone in FY 2015.



Air and Marine Operations Center (AMOC): The AMOC is a state-of-the-art law enforcement domain awareness and operations coordination center located at March Air Reserve Base in Riverside, California. AMOC coordinates interdiction operations and provides detection, monitoring, sorting, tracking, and coordination of law enforcement response to illicit use of non-commercial air and maritime conveyances. The AMOC uses its Air and Marine Operations Surveillance System—one of the most capable domain awareness systems in the country—to fuse up to 700 sensors and display up to 50,000 tracks simultaneously. In FY 2015, the AMOC integrated more than 400 sensor feeds including an additional 23 radar feeds from the Government of Mexico and nine radar feeds from the Federal Aviation Administration.

Did You Know?

To increase maritime domain awareness, the AMOC partners with DHS, DoD, and foreign partners to explore data fusion, surveillance, forensic, and commercial space-based technologies. The AMOC works with CBP units to verify and test the capabilities of maritime radars, including Tethered Aerostat Radar Systems. The AMOC receives and disseminates radar data from maritime patrol aircraft to partner agencies.



Border Community Liaison Program: This program encourages direct interaction between CBP and members of local communities to gain a better perspective of community views and to promote CBP's mission. This collaboration with local border communities supports CBP's mission, strengthens relationships, and offers a forum for community feedback.



In June 2015, Del Rio Sector Border Patrol held the 2015 Border Patrol Explorer Academy. The academy included Posts from Del Rio Station (Post 920), Brackettville Station (Post 931), Eagle Pass South Station (Post 925), and Eagle Pass North Station (Post 921). The program trains students how to become leaders and gives them a positive outlook by following a structured law enforcement program.

Regional Coordinating Mechanisms (ReCoMs): ReCoMs are collaborative law enforcement groups that operate in the maritime domain including USBP, HSI, USCG, and other local, state, and Federal law enforcement agencies. ReCoMs coordinate maritime operations around the Nation through integrated planning, information sharing, and intelligence integration to expand detection beyond standard patrols.



USBP manages the President-directed interagency Unified Coordination Group in response to the influx of unaccompanied alien children across the Southwest border. The Unified Coordination Group monitors apprehension and shelter capacity statistics from the Department of Health and Human Services (HHS) to coordinate resources. On April 1, 2015, the group developed the Unified Coordination Group Plan for Unaccompanied Children Surge to coordinate personnel, equipment, supplies, facilities, managerial, technical, and advisory services to ensure unified humanitarian relief is provided to the affected children, including housing, care, medical treatment, and transportation.



Training and Technical Assistance Programs: In FY 2015, CBP's INA conducted training and implemented technical assistance programs to enhance international border security and law enforcement efforts to combat terrorism from groups such as Boko Haram in Nigeria, Al-Shabaab in Kenya and Somalia, and Al-Qaeda in the Islamic Maghreb in the Sahel. Some of these efforts included:

- **Technical Assistance and Capacity Building Training in the Philippines.** INA provided training under the Philippine Maritime Port Security Project to Philippine government agencies responsible for maintaining its border security in the maritime environment.
- **Presidential Security Governance Initiative.** INA provided consultation visits to Kenya, Mali, Niger, Senegal, and Ghana to enhance their security institutions and processes.
- **Carrier Liaison Programs.** Facilitated fraudulent documents training and shared best practices with events in Thailand (January 2015), and Mexico City (March 2015).
- **Targeting and Risk Management (TRM) training in Peru.** INA supported training programs which resulted in the Peruvian Targeting Task Force intercepting a shipment of avocados embedded with cocaine destined for the U.S., among other seizures in March 2015.

International Capacity Building Efforts: CBP's international capacity building efforts focus on the narcotics and crime control, non-proliferation, export control, border security, and private sector partnership programs. Each effort includes a border security assessment in the host country to determine the type of training and equipment needed to improve operations. During FY 2015, CBP provided 233 capacity building sessions for foreign partners, including 18 courses at the International Law Enforcement Academies, and provided capacity building support in over 67 countries.

**Did You Know?**

In June 2015, CBP Commissioner Kerlikowske headed a delegation to Kazakhstan for the South and Central Asia Countering Violent Extremism Regional Conference. Ministers, senior government officials, and civil society representatives from South and Central Asian countries discussed ways to counter violent extremism within the framework of good governance and the rule of law, especially through partnerships with civil society. The summit facilitated the sharing of best practices and the development of concrete initiatives.

International Visitors Program: CBP hosts visits to help with capacity building and long-term sustainment and establishes relationships with foreign partners to improve worldwide border security practices, mitigate the risk of threats, and facilitate legitimate trade and travel. This program informs officials from foreign customs, immigration, border patrols, coast guards, and other enforcement administrations and levels of government about successful CBP programs and strategies. During FY 2015, CBP hosted 457 visits from 100 international countries, and briefed 2,582 foreign officials on various CBP programs and strategies.

Customs Mutual Assistance Agreements: These agreements provide the legal framework to assist countries in the enforcement against customs offenses. They help prevent, detect, and investigate crimes associated with goods such as duty evasion, smuggling of wildlife, infringing items, unsafe products, and other prohibited goods, trafficking, and terrorism-related activities. In FY 2015, the U.S. (led by CBP) signed Customs Mutual Assistance Agreements with five countries.

- Costa Rica (28 May 2015)
- Malaysia (9 December 2014)
- Senegal (27 April 2015)
- Singapore (1 December 2014)
- Gabon (August 2015)

Other International Agreements: In FY 2015, CBP signed Trade Facilitation and Cargo Security Agreements with Brazil, Dominican Republic, Mexico, Panama, Singapore, and Tanzania. CBP also signed Travel Facilitation and Passenger Security Agreements with Canada, Colombia, Peru, and Singapore.

**Did You Know?**

On May 5, 2015, DHS (led by CBP) and the Tanzania Revenue Authority signed a memorandum of understanding to facilitate the exchange of customs expertise that serves as the foundation upon which Tanzania and the U.S. may collaborate to strengthen their customs interdiction and border security capabilities in wildlife trafficking and drug interdiction.

Objective C: Strengthen Global Supply Chain Security

CBP promotes the efficient flow of legitimate commerce while protecting the global supply chain from a diverse range of threats, including counterfeit and unsafe goods, agricultural pests and diseases, and fraudulent and criminal trade schemes. CBP layers its security efforts throughout the global supply chain to identify high-risk cargo and conveyances while facilitating the swift movement of legitimate trade across U.S. borders, leading to a safer, faster, more resilient, and more economically competitive international trade process. CBP's approach is aligned with the President's National Strategy for Global Supply Chain Security, which calls for the protection of a global supply chain system that supports innovation and prosperity by the secure, timely, and reliable moving of goods across the borders and around the world.

By coordinating with international partners, CBP develops and maintains a more accurate picture of threats and trends across the global supply chain. CBP continually gathers information about the global supply chain to manage risk and mitigate systemic vulnerabilities to disruption and exploitation. To better identify high-risk shipments, CBP works closely with international and private sector partners to expand the advance shipping information available for commercial and national security targeting.



Strategies to Strengthen Global Supply Chain Security

Non-Intrusive Inspection (NII) Technologies:

CBP uses NII technologies such as large-scale X-ray and gamma ray imaging systems, as well as portable and handheld technologies to detect contraband and other materials that pose potential threats. CBP scans cargo containers for radioactive materials as they pass through land border ports, seaports, airports, and consignment/mail courier facilities. In FY 2015, CBP deployed NII technologies to ports of entry and Border Patrol checkpoints that included 315 large-scale imaging systems, 1,281 radiation portal monitors, 2,685 operational radiation isotope identification devices, and 32,404 personal radiation detectors. CBP used these systems in more than seven million examinations, resulting in 2,452 seizures and the interception of more than 390,000 pounds of narcotics.



Container Security Initiative (CSI): CBP officers work with host country counterparts to examine containers and identify those that pose a high risk for terrorist activity. The initiative is operational in 60 foreign seaports in 35 countries—covering approximately 80 percent of the maritime containerized cargo shipped to the U.S. In FY 2015, CBP officers stationed at CSI ports reviewed 11.9 million bills of lading and conducted over 124,200 exams in conjunction with their host country counterparts.

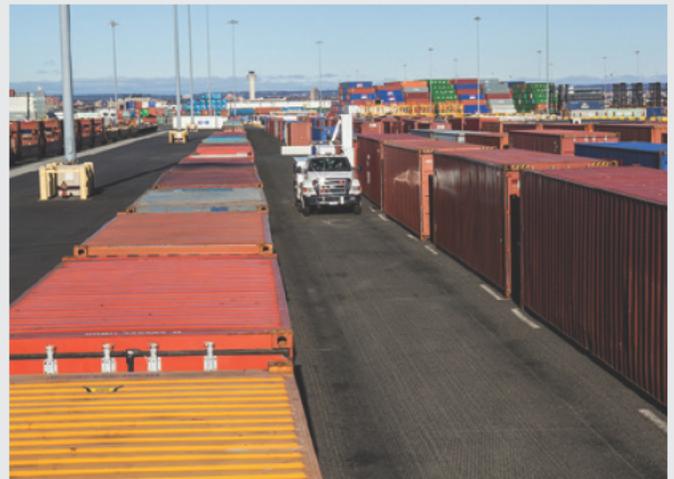


In February 2015, CBP and the Australian Customs and Border Protection Service signed the first Declaration of Principles to strengthen the sharing of information and requesting of exams using the CSI Remote Targeting Platform. Commissioner Kerlikowske signed the declaration with Roman Quaedvlieg, Chief Executive Officer of the Australian Customs and Border Protection Service.



Did You Know?

Approximately 80 percent of maritime cargo containers destined for the U.S. transit through CSI ports. In FY 2015, more than 12.1 million cargo containers arrived on ships and were off-loaded at U.S. seaports, representing nearly half of incoming U.S. trade (by value).

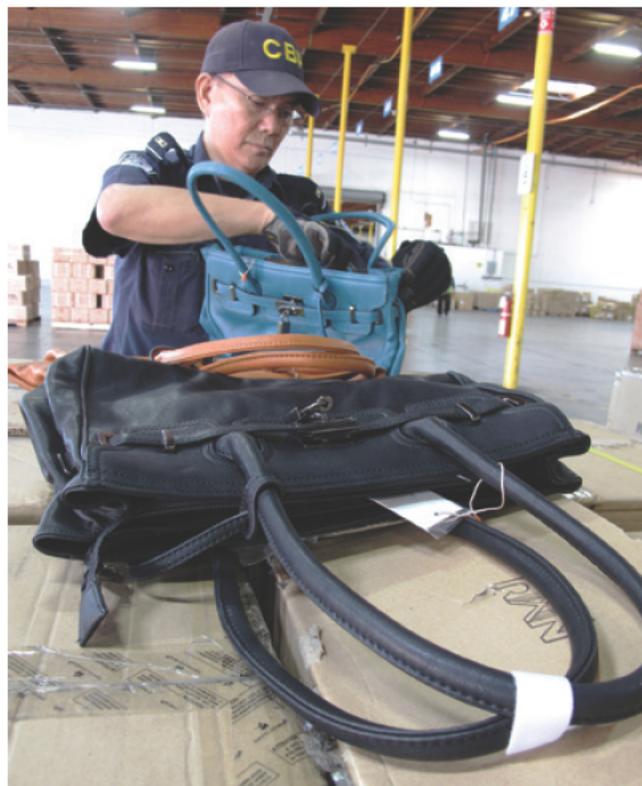


Analytical Framework for Intelligence System: This system gathers and develops information about persons, events, and cargo of interest by indexing relevant data. It integrates data with analytical tools that provide link analysis and geospatial capabilities. It uses a suite of tools to detect trends, patterns and emerging threats, and identifies non-obvious relationships between persons, events and cargo to generate tactical, operational, and strategic law enforcement intelligence products. In FY 2015, OIT improved the system with security enhancements (two-factor authentication), performance enhancements, and more frequent updates of large data sources and usability updates.

Intellectual Property Rights (IPR)

Enforcement: CBP's OT analyzes trade enforcement samples for IPR violations in coordination with CBP laboratories. In FY 2015, CBP found IPR violations in commercial products that included integrated circuits, networking devices, gaming devices, and cell phones of trademarks such as Cisco, Toshiba, Nintendo, and Apple.

Automated Targeting System (ATS): ATS is a computerized decision support tool to compare traveler, cargo, and conveyance information against law enforcement, intelligence, and other data using risk-based targeting scenarios and assessments. In FY 2015, CBP expanded the ATS infrastructure and upgraded the data warehouse to provide CBP officers with more efficient access to more relevant real-time information. ATS has several modules that use slightly different data to conduct risk assessments.

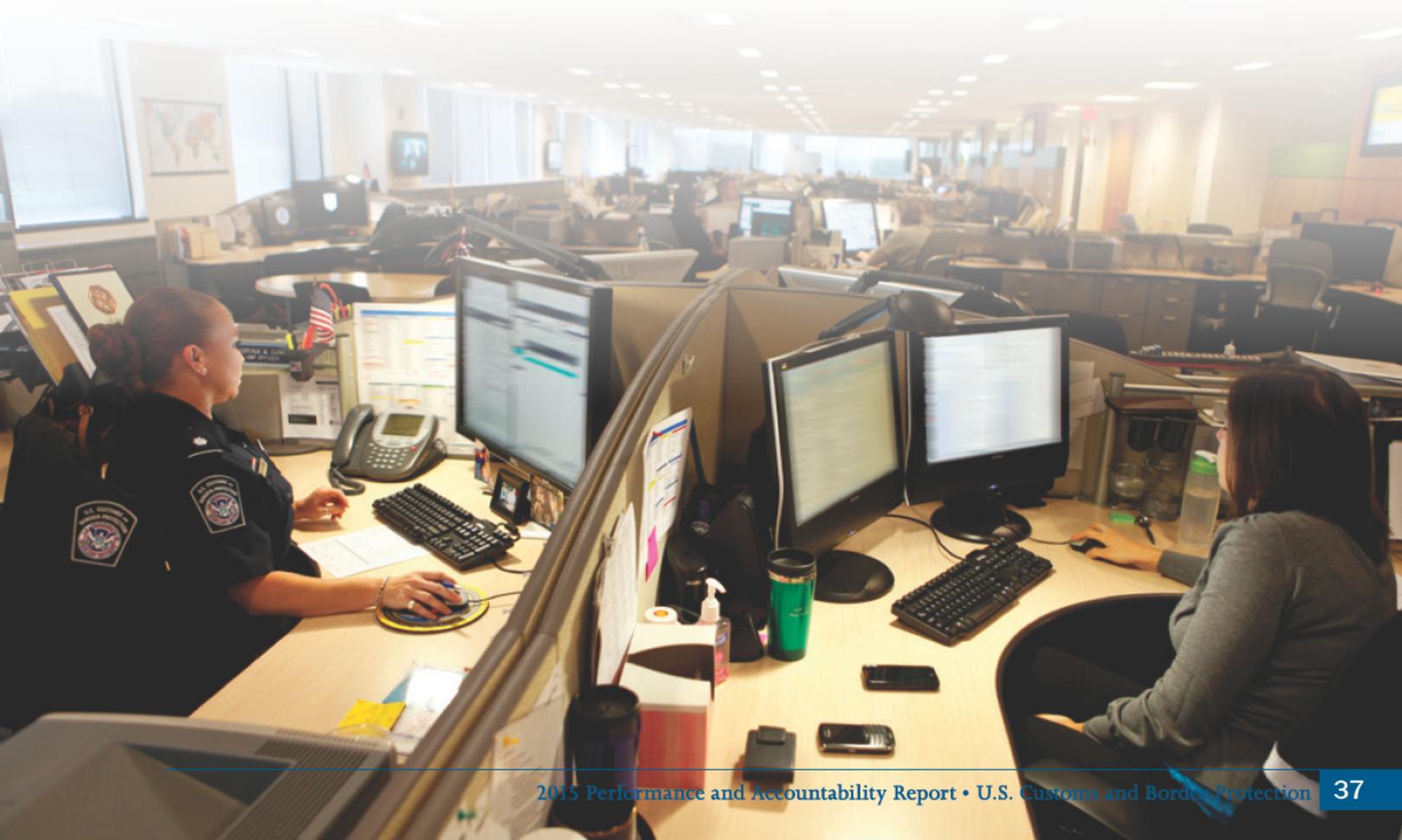


- **Automated Targeting System –Anti-Terrorism (ATS-AT):** This module evaluates export information, including information filed electronically through the Automated Export System (AES). The module screens both commodity information on export documents and individuals identified on those documents.
- **Automated Targeting System – Land (ATS-L):** This module evaluates border crossing records as well as internal and external data sources for land border targeting. ATS-L stores vehicle registration and registered owner information for U.S. plated vehicles and biographical information on vehicle occupants collected during land border entry processing. ATS-L seizures have amounted to over \$572 million since the implementation of the predictive model enhancement.

Did You Know?

Since the deployment of the new ATS-L predictive model across a select number of Southwest border ports of entry, drug seizures have increased. Results show that the new model is more effective than the previous model. This success led CBP to deploy the new model to all ports of entry across the Southwest border.

- **ATS – Inbound (ATS-N):** This module evaluates inbound cargo to identify high-risk cargo for examinations. It uses numerous rules, weight sets, and models to analyze information from manifest, importer security filing, and entry data, to prioritize shipments for review and recommend targets. The module also screens individuals against lookouts and prior violations.
- **ATS – Passenger (ATS-P):** This module identifies potential terrorists, transnational criminals, and other persons who pose a high risk of violating U.S. laws. ATS-P helps CBP officers determine whether a passenger or crew member should receive additional screening. The ATS-P hierarchical system allows CBP to focus on potentially high-risk passengers by eliminating labor-intensive manual reviews of traveler information or lengthy interviews with every traveler.
- **ATS – Targeting Framework (ATS-TF):** This module searches across data sources in other ATS modules and allows users to initiate research activities, collaborate among analysts, and access past activity logs for intelligence tracking of people and entities of interest. CBP personnel can create ad hoc queries, integrate data from multiple sources, and show possible relationships between entities and data elements.
- **ATS Visa Pre-Adjudication (PATRIOT):** This is a hot list that enables ICE and NTC analysts to manage and integrate visa cases with other NTC hot lists. Hot lists are prioritized lists of people and cargo based on their level of risk. CBP provides complete vetting of each PATRIOT record and pushes results to other DHS systems for final vetting of visa cases and recommendations for visa approvals. This streamlined process completes all vetting within one system before making a final recommendation to the U.S. Department of State for approval or denial of a visa application.
- **ATS Unified Passenger (UPAX):** UPAX merges ATS-P and ATS-TF into one user interface that provides better entity resolution, a streamlined vetting process, and consolidation of traveler and applicant hot lists. UPAX reduces the average vetting time for an applicant and provides expanded name matching algorithms.





Goal 2: Advance Comprehensive Border Security and Management

Safeguard and manage our air, land, and maritime borders through active administration of U.S. laws, to include cross-border criminal activity, screening and scanning at ports, and comprehensive trade enforcement.

Overview: CBP deploys air, land, and marine assets to patrol and safeguard U.S. border areas, as well as sophisticated systems to detect and interdict potential threats beyond its borders. CBP prevents the illegal movement of people and contraband crossing U.S. airspace, more than 5,000 miles of border with Canada, 1,900 miles of border with Mexico, and approximately 95,000 miles of shoreline. CBP anticipates and responds to diverse illegal activities, including terrorism, transnational crime, counterfeit and unsafe goods, agricultural pests and diseases, narcotics smuggling, human trafficking, the unlawful transport of immigrants, and the transfer of prohibited weapons and illicit bulk currency.

In its border management and protection efforts, CBP assesses numerous variables, including points of origin, modes of transit, arrival at U.S. borders, and routes departing the physical border. While enabling the flow of lawful trade and travel, CBP ensures proper revenue collection and prevents the illegal movement of people and contraband through 328 air, land, and maritime ports of entry. CBP partners with Federal, state, local, tribal, territorial, and international law enforcement agencies to strengthen its ability to safeguard and manage the border.

Objectives to Accomplish Goal Two - Advance Comprehensive Border Security and Management

- Objective A – Increase situational awareness of the air, land and maritime borders
- Objective B – Detect, interdict and disrupt illegal cross-border activities
- Objective C – Strengthen comprehensive trade enforcement
- Objective D – Strengthen processes to conduct outbound enforcement and interdiction of travelers and cargo
- Objective E – Advance a comprehensive, predictive targeting strategy to identify threats as early as possible

Objective A: Increase Situational Awareness of the Air, Land and Maritime Borders

CBP maintains a comprehensive awareness of the threat environment and current and projected operating conditions at specific border regions. Information is collected by CBP's intelligence, surveillance, and reconnaissance capabilities, combined with a thorough analysis of cross-border trends, especially those concerning illicit trafficking and unlawful border crossings. CBP leverages a wide range of tactics, skills, and technologies to improve data and information collection, formulate actionable intelligence, and enhance situational awareness.

To increase situational awareness, CBP leads efforts to collaborate and coordinate with domestic law enforcement, intelligence, local community, and foreign law enforcement partners. This includes assisting international partners in expanding their resources and capacities through coordinated training and exercises. CBP uses various tactics to gather information and intelligence, including periodic reconnaissance patrols, sign-cutting and tracking, UAS patrols, and routine interaction with security partners within local communities. CBP leverages advanced technologies such as biometrics, mobile surveillance systems, radiation detectors, ground sensors, and imaging systems to better detect, identify, monitor, and appropriately respond to threats across U.S. border regions.

Strategies to Increase Situational Awareness of the Air, Land and Maritime Borders

Southern Border Bi-National Operations: These operations target the trafficking of narcotics, weapons, ammunition, humans, goods and currency along the U.S./Mexico border. Bi-national operations improve information gathering and analysis so terrorist and transnational criminal organization threats can be interdicted outside of U.S. borders. Through the Cross Border Coordination Initiative, USBP conducts operations with the Mexico Federal Police in mutually agreed-upon zones to degrade transnational criminal organization activity on both sides of the border. This is done through the exchange of information, physical officer presence, coordinated response, and border enforcement training provided to Federal Police officers and specialty units, such as the Gendarmerie, assigned to areas along the U.S. and Mexican border. CBP has established International Liaison Units to coordinate law enforcement activities between CBP and Mexican counterparts.



Northern Border Bi-National Operations: Joint operations between the U.S. and Canada improve border management outlined in the 2011 Beyond the Border Action Plan. Some bi-national operations include the Cross Border Crime Forum, the Cross Border Law Enforcement Advisory Committee that supports cross border law enforcement initiatives, and Integrated Border Enforcement Teams across 15 regions.



In FY 2015, USBP disclosed the locations of stash houses to the Government of Mexico. This intelligence resulted in the rescue of migrants (some held against their will for ransom) and multiple narcotic and weapon seizures.

e-Allegations: This system allows concerned individuals to report illegal import and export activities through the CBP.gov website (<https://eallegations.cbp.gov>). The e-Allegation process facilitates formal communication protocols for CBP personnel to pursue meaningful dialogue with claimants. Since its inception in 2008, approximately 10,000 allegations have been reported and processed through the portal. In FY 2015, CBP completed 433 audits, which resulted in \$288 million in additional revenue.

Did You Know?

In FY 2015, trade allegations were received across a spectrum of risk areas, including intellectual property rights, antidumping/countervailing duty, classification, valuation, and import safety. Each submission had a detailed review, assignment, and referral to various targeting and investigatory offices for resolution.



An e-Allegation report alleged that an Indonesian manufacturer was shipping activated carbon from China through Indonesia to circumvent the payment of antidumping duties. The e-Allegation report cited four importers potentially circumventing paying duties. A survey of importers involved in the activated carbon industry resulted in almost \$73,000 collected, with potential uncollected loss of revenue of \$22 million for all importers.

TECS Modernization: This system supports border enforcement by screening travelers entering the U.S. TECS supports users and Federal agencies responsible for traveler processing, investigations, vetting, entry/exit, and research requirements. OIT is modernizing server infrastructure, databases and user interfaces that sustain and improve screening capabilities. OIT continues to improve access to traveler information, including photos and improving the effectiveness and efficiency of secondary inspections.

Did You Know?

CBP developed the audit survey approach to identify high-risk companies. This approach allows CBP to quickly and efficiently obtain information about import activities. In FY 2015, CBP completed 36 reviews, resulting in \$7.7 million in underpaid duties.

Coastal Interceptor Vessels: AMO is developing a new generation of Coastal Interceptor Vessels designed for swift and nimble maritime operations. These vessels are outfitted with a quad outboard engine that provides increased speed, responsive acceleration, and increased fuel range.



Objective B: Detect, Interdict, and Disrupt Illegal Cross-Border Activities

CBP is vigilant in anticipating and responding to threats to national security and in ensuring the safety of the U.S. public. CBP employs risk-informed approaches that incorporate intelligence, shared information, and situational awareness protocols to enable rapid response, strengthen integrated operations, and discourage future illegal activities. CBP and its law enforcement partners are integrated and efficient in addressing cross-border threats. CBP provides unified efforts, such as corridor campaigns, that involve joint interagency planning, operational design, and execution.

CBP works closely with other Federal agencies to support the President's National Strategy to Combat Transnational Organized Crime. CBP expands mobile and rapid interdiction capabilities to further enable a quick and appropriate response to changing threats, targeting the highest risk regions at and around U.S. borders. When illegal cross-border activity is discovered, CBP administers appropriate consequences to discourage recidivist behavior and degrade transnational criminal organizations and terrorist capabilities.

Strategies to Detect, Interdict, and Disrupt Illegal Cross-Border Activities

Alliances to Combat Transnational Threats (ACTTs): ACTTs are collaborative, unified command enforcement approaches to target transnational criminal organizations using the capabilities and resources of Federal, state, local, and tribal law enforcement and public safety organizations. CBP works with these strategic partners to develop coordinated operational plans based on their specific mission, capabilities, and jurisdiction. In New Mexico and West Texas, USBP continues interagency collaboration with DHS, DoD, Department of Justice (DOJ), and state and local law enforcement organizations to secure the joint operating environment. In Arizona, USBP continues to strengthen its collaborative and cooperative law enforcement approach to combatting transnational criminal organizations.



USBP continues to work closely with strategic partners in Mexico to detect illicit tunnels that smuggle contraband or persons. In FY 2015, USBP working with Mexican authorities, discovered tunnels in Nogales, AZ; Imperial Beach, CA; and near Chula Vista, CA.

Unattended Ground Sensors (UGS): These sensors relay actionable information to CBP. In FY 2015, CBP replaced outdated UGS with modern sensors. Using the Intelligent Computer Assisted Detection, 4th version (ICAD4), CBP optimized the deployment of numerous Imaging UGS, which significantly improved the ability to identify traffic types and classify their potential threat.

Joint Task Force-West (JTF-W): To support the JTF-W, CBP adopted a uniform integrated corridor operations model across the Southwest border corridors (JTF-W California Corridor, JTF-W Arizona Corridor, JTF-W New Mexico-West Texas Corridor, and JTF-W South Texas Corridor) to collectively coordinate targeting of DHS' shared threats and priorities to disrupt and dismantle transnational criminal organizations. Leveraging the integrated corridor operations model, CBP works closely with Federal, state, and local law enforcement partners and international counterparts to collect and assess intelligence for enforcement operations. This includes regular meetings with leadership from CBP, ICE, FBI, DEA, and other law enforcement partners to synergize efforts. JTF-W focuses on apprehensions of key corridor targets, prosecutions, and convictions of major smuggling organization members.

Did You Know?

JTF-W's joint operating area includes the land border with Mexico, from California to the Gulf of Mexico and the land approaches to this border, the littorals in the Gulf of Mexico off Texas and Pacific off California, and the airspace spanning U.S. territorial land and waters alongside the U.S./Mexico border. The JTF-W corridors are comprised of multiple organizations which include: USBP, OFO, AMO, ICE Enforcement and Removal Operations (ERO), DOJ/U.S. Attorney's Office, FBI, and DEA.

In FY 2015, the California Corridor Campaign evolved to become JTF-W California Corridor and the South Texas Campaign evolved into the JTF-W South Texas Corridor. These task forces align the intelligence of all corridor components to identify the top threats to border security. The JTF-W began integrated operational coordination against the threats and is set to commence in FY 2016.

In FY 2015, 480 Canine Enforcement Teams were responsible for the seizure of 603,283 pounds of narcotics, \$34,991,253 in seized property, and 4,507 arrests. CBP's 49 Currency/Firearms Detection Canine Teams were responsible for the seizure of \$39,323,455 in currency, 24 firearms and over 10,000 rounds of ammunition. In FY 2015, OFO Agriculture Canine Teams, comprised of 118 Agriculture Specialists, were responsible for 223,202 positive responses. These positive responses resulted in 174,896 seizures consisting of 241,514 plant and animal quarantine materials. A total of 1,139 penalties were issued as a result of these seizures. Agriculture Canine Teams also provided compliance enforcement on 5,098 trusted travelers and crew.



SUCCESS STORY

Canine Enforcement Teams: CBP has the largest and most diverse law enforcement canine program in the U.S., with more than 1,500 canine teams. CBP canine officers and USBP agents use trained canines for search and rescue; human remains detection; tracking and trailing; and interdicting concealed persons, narcotics, and other contraband. The Border Patrol Tactical Unit Canine program has canine teams for tactical high-stress situations. USBP also has canine horse patrol teams with canines working alongside horseback handlers.

Canine Tracking System (K9TS): This system is a web-based canine tracking and management system used across all CBP canine programs including the Canine Training Program, Canine Enforcement and Agriculture Canine Program, and the Border Patrol Canine Program. The system provides an Agency-wide canine information system with search, management, and reporting capabilities. Each canine record includes a missing canine flyer feature that was successfully used in July 2015 to ensure the safe recovery of a lost canine on the Southern border. All canine veterinary visits and vaccinations are tracked in K9TS, allowing handlers, supervisors, and veterinarian staff to manage the health of CBP canines.

Public Information Campaigns: CBP's OPA directed "Know the Facts," a branded public information campaign for DHS, CBP and the Department of State. The 2015 campaign focused TV, radio and print messages via earned and purchased media in El Salvador, Guatemala, Honduras, and Mexico. The messages encouraged people to "know the facts before they travel" to avoid the dangerous trek to illegally enter the U.S. The campaign included outreach to the diaspora communities in the U.S.

Did You Know?

In FY 2015, an OPA national news release, with underground crime-scene photos and video imagery, communicated the discovery of a sophisticated tunnel across the U.S.-Mexico border near Naco, Arizona. The content was picked up by many media outlets including the Associated Press. The video was posted on the Defense Video and Imagery Distribution System and featured by the DoD on "Defense TV."



Objective C: Strengthen Comprehensive Trade Enforcement

This objective aims to secure and intercept unlawful cargo and enable the swift movement of legitimate trade. CBP enforces U.S. trade laws and international trade agreements to protect the economy, national security, and the safety of the American people by protecting against counterfeit and unsafe goods, disease and plant pests, and financial schemes that defraud the U.S. Government and undermine lawful business. CBP's trade enforcement efforts identify, detect, and interdict high-risk shipments through advanced technology, integrated enforcement capabilities, and collaborative partnerships with the private sector.



CBP maximizes the use of trade intelligence, working with the private sector to better use targeting capabilities, detect bad actors earlier in the supply chain, respond to real-time risks, and anticipate new threats before they fully emerge. CBP drives innovative solutions to help increase trade volumes and identify trade that can harm the American people or economy. Using automated risk-segmentation, CBP expedites low-risk trade, focusing enforcement resources on identifying high risk shipments that may contain unsafe merchandise. CBP maintains a constant awareness to identify non-compliant importers and exporters who do not adhere to U.S. import and export laws. CBP leads an international network of customs authorities and law enforcement agencies to defeat the global network of criminals involved in unlawful international trade practices.

Strategies to Strengthen Comprehensive Trade Enforcement

Customs-Trade Partnership Against Terrorism (C-TPAT) Program: This program safeguards global trade by validating C-TPAT member companies' supply chain security procedures. Members are incentivized to ensure their supply chains meet or exceed C-TPAT security criteria. At the end of September 2015, C-TPAT had 11,330 program participants.



C-TPAT has been working with Canada's Partners in Protection (PIP) Program on the Beyond the Border Initiative, specifically, the section dedicated to harmonizing and enhancing benefits for Canada and the United States' trusted trader programs. The proposal is for C-TPAT and PIP to adopt a common framework for trusted trader programs that will align requirements, enhance member benefits and provide applicants with the opportunity to submit one application to multiple programs, depending on their business needs.



In December 2014, C-TPAT deployed phase one of its new automated system, Portal 2.0, the program's system of record to support the acceptance of multi-mode applications. The second phase was launched in May 2015 that allows U.S. exporter-only companies to apply for membership into C-TPAT. The creation of an exporter entity in C-TPAT helps support the President's National Export Initiative and the National Strategy for Global Supply Chain Security, align CBP to be more compatible with the World Customs Organization Framework of Standards to Secure and Facilitate Global Trade and the Authorized Economic Operator programs currently operational around the world, and help ensure that benefits from current and future mutual recognition arrangements are reciprocal.

Trusted Trader Program: In FY 2015, CBP continued its 18-month test of the Trusted Trader Program, where importers can establish compliance with laws and regulations for secure supply chains and strong internal controls, enforced by CBP, the U.S. Consumer Product Safety Commission, and the U.S. Food and Drug Administration (FDA). CBP encourages importers through incentives to secure their supply chains and strengthen their internal controls. The Trusted Trader program involves the unification of the C-TPAT and Importer Self-Assessment (ISA) processes to integrate supply chain security and trade compliance.



CBP publishes *Frontline*, a print and online multimedia magazine to inform the public on CBP's programs and initiatives to secure the Nation and facilitate lawful trade and travel. This magazine includes in-depth articles on topics such as stopping wood-packaging pests, Southwest border technology, and preclearance operations.



Antidumping/Countervailing Duties: The CBP Antidumping and Countervailing Duties (AD/CVD) Division enhances the Nation's global economic competitiveness through policy and enforcement programs that level the playing field so U.S. domestic industries can fairly compete against foreign competition. Antidumping duties remedy imports sold at unfair low prices, and countervailing duties remedy imports which benefit from foreign government subsidies. In FY 2015, CBP AD/CVD personnel reviewed and activated 1,550 AD/CVD instructions from the Department of Commerce.

A circular icon with a scalloped edge and a dashed border, containing the text "SUCCESS STORY" in a bold, sans-serif font.

SUCCESS
STORY

Working with the trade community through CBP's e-Allegations system, CBP identified a violator that was taking advantage of solar panels being dumped by a foreign manufacturer in the U.S. It began with an anonymous tip that was then processed by CBP's AD/CVD Division in Miami, which further coordinated enforcement action with the Electronics Center of Excellence and Expertise in Los Angeles.

Textile Production Verification Teams (TPVT): CBP deploys TPVTs to partner countries to enforce free trade agreements and other legislated programs. These teams are comprised of CBP and ICE/HSI personnel who visit textile factories to verify origin and eligibility of textiles that claim preferential tariff treatment under a free trade agreement or legislated program. TPVTs identify areas of noncompliance and loss of revenue to the U.S. Government, and ensure that benefits accrue only to the signatories of the agreements, thereby stimulating economic growth through trade. Enforcement of free trade agreements ensure a level playing field in the market for goods manufactured by the domestic industry.

Operation Super Fake: Operation Super Fake is a nationwide law enforcement effort aimed at combatting counterfeit sports merchandise. Authorities identified warehouses, stores, flea markets, online vendors and street vendors selling counterfeit game-related sportswear and tickets throughout the country. Fake jerseys, ball caps, t-shirts, jackets, and other souvenirs are among the counterfeit merchandise and clothing confiscated by teams of special agents and officers from CBP, HSI, and other Federal, state, and local law enforcement agencies around the country. OPA media relations generated 1,895 news stories related to Super Bowl counterfeit products this year compared to approximately 150 last year.



Commercial Targeting and Analysis Center (CTAC): Led by CBP, CTAC brings together partner Federal agencies—including the Environmental Protection Agency and the Department of Agriculture—to enforce import safety laws. The center's work protects American consumers from dangerous goods ranging from unsafe vehicle parts and toys to pharmaceutical products and food. In FY 2015, CTAC worked with the United Kingdom customs and law enforcement authorities to stop vehicles from being unlawfully imported into the U.S. The joint operation was so successful that CBP and its United Kingdom counterparts expanded the operation to the greater European continent.



In FY 2015, CTAC targeting resulted in 368 seizures of unsafe imported products with a domestic value of \$6.3 million and an estimated retail price of \$24 million. From FY 2014 to FY 2015, this represented an increase in seizures of 107 percent, 12 percent in domestic value, and 175 percent in retail price.



Objective D: Strengthen Processes to Conduct Outbound Enforcement and Interdiction of Travelers and Cargo

CBP enhances the detection of potential threats and the legitimate flow of people and cargo and effectively manages the flow of outbound trade to inhibit the export of illicit currency, weapons, and other illegal products. Supporting a whole of government approach, CBP coordinates with the U.S. law enforcement and intelligence communities to verify outbound travelers and cargo. CBP strengthens its partnerships to share common data and intelligence, deploy innovative and cost-effective solutions, and support unity of effort across a global network of enforcement agencies. CBP creates information sharing programs to enhance outbound enforcement by allowing the exit information from one country to serve as the entry information for the other country, providing a low cost method to validate people and cargo, and alleviate the need for costly new infrastructures or processes.

CBP deploys innovative and cost-effective solutions to enhance validation of outbound cargo and passengers and better identify illegal or illicit activities, including travelers who overstay their lawful admission in the U.S. This includes working with the DHS Science and Technology Directorate to implement biometric capture capabilities to confirm the departure of non-U.S. citizens at airports and seaports and to more efficiently screen travelers entering the U.S.

Strategies to Strengthen Processes to Conduct Outbound Enforcement and Interdiction of Travelers and Cargo

Outbound Mission: CBP's outbound mission is to interdict the illegal export of unreported currency, firearms, ammunition, and stolen property; prevent international terrorist groups and rogue nations from obtaining sensitive and controlled commodities; arrest fugitives; increase export compliance; and ensure that travelers and commerce departing the U.S. comply with U.S. export laws and regulations. In FY 2015, CBP began piloting the automation of the export manifest in the air environment for an enhanced capability to assess risk of shipments departing the U.S. Automation of the export manifest will expand to the sea and rail environments in FY 2016.

SUCCESS
STORY

On June 6, 2015, CBP worked with the New York State Police to search for two dangerous convicted murderers who escaped from the Clinton Correctional Facility in upstate New York. On June 26, an AMO aircrew inserted a Border Patrol Tactical Unit team into the woods near Lake Titus, New York. A USBP agent then found, shot, and killed the first inmate. Two days later, a New York State Trooper shot and apprehended the second inmate, near the Canadian border. AMO's efforts enabled fellow law enforcement authorities to make more informed decisions on the state-wide search.



In response to the Ebola outbreak in Liberia, Sierra Leone, Guinea and Mali, CBP and the Centers for Disease Control and Prevention (CDC) implemented enhanced screening protocols at the international airports in Atlanta, Chicago, Dulles, New York (JFK), and Newark. CDC increased staffing to conduct individual public health assessments for identified travelers and CBP enacted travel restrictions that require airlines to route any travelers potentially exposed to Ebola into one of these five airports.

When the Ebola situation first reached the U.S., data was gathered on paper forms and CDC notified state health departments 24 hours later of travelers arriving in their jurisdictions who had undergone enhanced screening. CBP Officers spent hours each day identifying relevant travelers and pre-populating biographic information. The process was automated and the average notification was reduced to three hours. Officers spent much less time conducting the enhanced screening of individuals. Additionally, CBP provided the Ebola Crisis Action Team with mobile devices with broadband connectivity to provide near real-time information for targeting effectiveness as well as Ebola vessel and flight tracking. This technology facilitated the proper, timely screening of selected passengers to minimize the public health risk.

Operation Stonegarden Grant Program: CBP and the Federal Emergency Management Agency (FEMA) worked together to secure the borders with Mexico, Canada, and international waters. Organizations eligible for Operation Stonegarden grant funding include local governments and tribal governments. CBP uses risk-based prioritization to allocate grant funds from the Homeland Security Appropriations Act of 2010 (Public Law 110-83). In FY 2015, CBP and FEMA allocated \$55 million in grant funds to 22 Border States and territories under Operation Stonegarden.

Automation at Outbound and Checkpoints: CBP continues to incorporate new technologies for outbound vehicle and Border Patrol checkpoint processing. In FY 2015, CBP upgraded outbound locations and Border Patrol checkpoints with fixed license plate readers and mobile handheld devices. The new outbound technologies on the Southwest border facilitated the seizure of more than \$12 million, 61 firearms, 36,100 rounds of ammunition, and the arrest of 627 wanted fugitives or violators of export laws.



In May 2015, CBP officers conducting outbound operations at the Calexico Port of Entry intercepted cash being smuggled in a personally owned vehicle. A CBP K-9 team detected contraband (cash hidden in grocery bags) in the trunk of the vehicle.

Objective E: Advance a Comprehensive, Predictive Targeting Strategy to Identify Threats as Early as Possible

CBP uses an integrated targeting strategy to identify high-risk passengers and cargo and enable international passengers and cargo to move more quickly through the inspection process. CBP uses a multilayered approach that includes partnerships, advanced information, technology, forward deployments, and examinations at the earliest point possible through the transit process. The Agency coordinates with domestic, international, and private sector partners to conduct joint targeting programs to identify high-risk passengers and cargo in real time. This includes working with business partners to align systems, processes, and procedures to efficiently gather information while minimally impacting partners' operations.



CBP pursues innovative solutions, techniques, and methodologies to enhance the targeting enterprise to confront a persistently shifting threat environment. This includes updating automated systems with more advanced risk models and algorithms, predictive forms of automation, and adaptive technology that reduces the need for human analysis and speeds the identification of new and emerging threats. CBP applies advanced data analytics to combine shipment data, biographical and biometric data, past importation and travel patterns, and enforcement action information to stay ahead of emerging threats.

Strategies to Advance a Comprehensive, Predictive Targeting Strategy to Identify Threats as Early as Possible

Minotaur Mission Management System: Using onboard AMO aircraft, this system is a multi-platform, multi-sensor data ingest and exploitation mission system that provides seamless in-flight and post-mission synchronized replay of all source data from aircraft. The data collected and transmitted by Minotaur forms the basis for forensic analysis. AMO uses Minotaur aboard the Predator UAS, P3 Orion Long Range Tracker Maritime Patrol Aircraft, DHC-8 MPA, Mongoose King Air Law Enforcement Technical Collection Aircraft, and King Air 350 Multi-Role Enforcement Aircraft. AMO expects to expand the use of Minotaur to all sensor equipped and select non-sensor equipped aircraft over the next 10 years.



On July 18, 2015, the crew of a P-3 based in National Air Security Operations Center – Jacksonville tracked a self-propelled, semi-submersible west of El Salvador. The AMO crew subsequently detected a vessel in the area and provided coordinates to the U.S. Coast Guard to intercept both vessels. Joint Interagency Task Force – South reported the cocaine seizure.

Vehicle and Dismounted Exploitation Radar (VADER): VADER is an intelligence and tactical operations sensor used on the Predator UAS that provides comprehensive situational awareness for an expanded area. This Synthetic Aperture Radar (SAR) produces accurate Ground Moving Target Indicator and Dismount Moving Target Indicator data that distinguishes between vehicles and people in real time at tactically significant ranges.



Since AMO began operating VADER in February 2012, it has used the Predator UAS as the persistent surveillance platform focusing on the JTF-W Arizona Corridor as well as the JTF-W South Texas Corridor. The sensor provides wide area radar and optical sensing in varying types of terrain, giving field commanders a strategic view of the border, and increasing opportunities to interdict illegal activities.

Coherent Change Detection (CCD): CCD is a geospatial intelligence technique to collect and compare images from the same location at different times. AMO supports CCD during day-to-day operations and during disasters, routinely flying “SAR runs” to collect strategic information such as vehicular traffic and patterns of life in remote areas. In FY 2015, the National Air Security Operations Center – Corpus Christi conducted multiple SAR runs in the JTF-W South Texas Corridor area, and the National Air Security Operations Center – Grand Forks conducted SAR runs along the Northern border, collecting high value intelligence.



Arizona Technology Plan: This is a multiyear effort to evaluate and deploy new tools for use in the Arizona Corridor. CBP seeks to improve surveillance capabilities ranging from ground sensors to powerful cameras and radars mounted on vehicles and towers. To date, CBP has deployed the following capabilities:

- Mobile Surveillance Capabilities
- Agent Portable Surveillance Systems
- Unattended Ground Sensors
- Imaging Sensors
- Thermal Imaging Devices

Border Security Deployment Program:

This is an integrated surveillance and intrusion-detection system consisting of 8,853 cameras and microphones that provide security, motion detection, and remote monitoring across every U.S. land border port of entry. The system connects via the DHS Wide Area Network to remote monitoring stations called Centralized Area Surveillance Centers. These centralized command centers house digital video recorders with analytic software to alert watch officers of a detected alarm or intrusion within a port facility and archive the event as evidence in subsequent investigations and prosecutions.



Goal 3: Enhance U.S. Economic Competitiveness by Enabling Lawful Trade and Travel

Advance U.S. economic competitiveness and promoting economic prosperity with our public, private, and international partners.

Overview: Efficiently processing goods and people across our borders is crucial to support the Nation's economy, promote job growth, and help the private sector remain competitive in an evolving global economy. Anticipated growth in the volume of trade and travel is accompanied by growing complexity in the global supply chain and international travel patterns. CBP will enhance America's economic competitiveness by reducing barriers to the efficient flow of trade and travel, streamlining and unifying processes and procedures, and managing the volume of cargo and passengers by separating goods and travelers according to the level of risk they pose.

Objectives to Accomplish Goal Three - Enhance U.S. Economic Competitiveness by Enabling Lawful Trade and Travel

- Objective A – Reduce costs for the U.S. Government and the trade and travel communities by streamlining processes in collaboration with public and private sector partners
- Objective B – Promote harmonization throughout ports of entry and other U.S. Government agencies
- Objective C – Expand risk-segmentation through advanced technology to enable low-risk trade and travel

Objective A: Reduce Costs for the U.S. Government and the Trade and Travel Communities by Streamlining Processes in Collaboration with Public and Private Sector Partners

CBP continuously identifies and eliminates barriers to the flow of lawful cargo and passengers by collaborating with the private sector to leverage innovative technology and processes. By automating information collection and dissemination, CBP enhances data quality and streamlines risk-informed decision-making to expedite the flow of legitimate cargo and passengers. To ensure entry decisions are made quickly and accurately, CBP integrates systems and information databases with other U.S. agencies to validate visa eligibility and verify passports.

Strategies to Reduce Costs for the U.S. Government and the Trade and Travel Communities by Streamlining Processes in Collaboration with Public and Private Sector Partners

Immigration Advisory Program (IAP) and Joint Security Program (JSP): IAP is part of CBP's pre-departure strategy to prevent terrorists and improperly documented travelers from boarding U.S. bound commercial flights. JSP is a component of the IAP, which partners CBP officers with host country law enforcement to disrupt terrorist travel and intercept narcotics, bulk currency, illegal migrants, and fugitives. While IAP focuses on screening U.S. bound passengers, JSP targets travelers arriving into and departing from host countries, both U.S. bound and foreign-to-foreign. In FY 2015, IAP and JSP officers, in conjunction with NTC-P, issued 3,947 "no board" recommendations to carriers and host governments, which resulted in an estimated \$9.9 million savings for CBP.

Entry/Exit Transformation (EXT) Office: This office enables CBP to process travelers with increased security and immigration integrity. It improves CBP and ICE immigration enforcement operations and enables DHS to better manage the Visa Waiver Program—a program that enables eligible citizens or nationals of designated countries to travel to the U.S. for tourism or business for stays of 90 days or less without first obtaining a visa. The EXT Office uses a holistic assessment of operational processes, evaluates various technologies, and tests and deploys new biometric technologies while building on existing biographic data collection.



In FY 2015, the EXT Office launched several new biometric field tests to advance CBP's security screening and exit recording capabilities, including:

- **1:1 Face ePassport Air Entry** - From March to May 2015 at Washington Dulles International Airport, travelers were processed using facial comparison technology.
- **Biometric Exit Mobile** - Beginning in July 2015 at Hartsfield-Jackson Atlanta International Airport, handheld wireless devices are used to capture and query biometrics on departing air travelers. This technology will be expanded to nine additional airports in FY 2016.



Active Lane Management: This program is a CBP traffic management policy that establishes wait time targets for vehicle and pedestrian processing at all land border ports, adjusting lanes as necessary. This includes three types of lanes: Trusted Traveler lanes with the shortest wait times, Ready Lanes, and general lanes. When Trusted Traveler lane wait times are longer than expected, CBP re-designates other lanes. If Ready Lane wait times are more than half as long as general lanes, then general lanes will be re-designated as Ready Lanes. CBP actively tracks violations of these targets. The program's existing initiatives, such as automated wait time measurement and variable message signage help Port Directors optimize resources to reduce wait times and encourage travelers to participate in Trusted Traveler and Ready Lanes. In FY 2015, more than 209 million travelers crossed the land border via inbound vehicles. Of these, 30.9 million crossed in Trusted Travelers lanes, 39.3 million crossed in Ready Lanes, and 139.1 million crossed in the general lanes.

Variable Message Signage: Variable message signs, positioned above each vehicle lane, enable CBP to better manage traffic flow by informing travelers of processing mode (Trusted Traveler, Ready Lane, and general), lane status (open or closed), and processing procedures and policies. CBP has deployed variable message signs to 39 land border ports of entry nationwide.

Pedestrian Reengineering: CBP has deployed kiosks along the Southwest border that query pedestrian travel documents prior to inspection. In FY 2015, CBP deployed kiosks to several land border ports of entry on the Northern and Southern borders. At these locations, CBP launched pedestrian Ready Lanes for travelers with radio frequency ID travel documents. CBP also deployed variable message signs that provided travelers with information on proper kiosk use and lane designations to facilitate the crossing process.

Did You Know?

In FY 2015, CBP deployed the Mobile Passport Control (MPC) application to four airports (Miami, Seattle, Chicago, and San Francisco). The MPC application enables travelers with a smart phone to complete a customs declaration, submit passport information and upload a photograph before inspection to expedite the inspection process.



CBP Mobile Program: This program facilitates the deployment of mobile solutions to officers, agents and specialists for conducting mission operations. Mobile devices capture and query license plate images, enable document machine-readable zone swipes, and provide the results to officers or agents. During FY 2015, CBP supported the Enforcement Link Mobile Operations (ELMO) application that provides real-time tactical targeting data to field personnel via a tablet. ELMO is used by all CBP frontline personnel and has helped intercept undocumented aliens, narcotics, unreported currency, and weapons.



CBP can rapidly deploy mobile jump kits (wireless enabled laptops with a camera, machine readable zone document reader and fingerprint scanner in a portable case) in support of inbound and outbound inspection processing. CBP has successfully deployed mobile jump kits in the rail environment for onboard passenger inspection; for wait time reduction in pedestrian, bus, and vehicle processing; and for cruise ship crew and passenger verification.

Legal Frameworks for Trade and Travel: CBP's OT provides legal support, advice, and guidance for CBP trade operations and national border security operations. The trade community relies on these legal services, including guidance on tariff classification, valuation, marking, origin, import procedures, and navigation laws. CBP issues final administrative decisions and advice on major penalty and other civil enforcement matters, thus ensuring uniform and impartial application of enforcement laws while facilitating legitimate trade. In its regulatory development role, CBP creates the legal framework that enables trade and border security programs to be implemented nationally. In FY 2015, CBP supported the following rulemaking projects:

- The United States-Australia Free Trade Agreement (CBP Dec. 15-03) Interim Final rule that amended 19 CFR parts 10, 24, 162, 163, and 178 published on February 10, 2015 (80 FR 7303).
- The North American Free Trade Agreement Uniform Regulations (CBP Dec. 15-07) Final rule that amended 19 CFR part 181 published on May 11, 2015 (80 FR 26828).
- Documentation related to goods imported from U.S. insular possessions (CBP Dec. 15-04) Final rule that amended 19 CFR parts 7, 163, and 178 published on February 11, 2015 (80 FR 7537).
- Liberalization of Certain Documentary Evidence Required as Proof of Exportation on Drawback Claims (CBP Dec. 15-11) Final rule that amended 19 CFR parts 181 and 191 published on August 7, 2015 (80 FR 47405).
- Disclosure of Information for Certain Intellectual Property Rights Enforced at the Border (CBP Dec. 15-12) Final rule that amended 19 CFR parts 133 and 151 published on September 18, 2015 (80 FR 56370).
- The Electronic System for Travel Authorization (ESTA), which is the online system through which nonimmigrant aliens visiting the United States under the Visa Waiver Program must obtain a travel authorization in advance of travel to the United States (CBP Dec. 15-08) Final rule that amended 8 CFR part 217 published on June 8, 2015 (80 FR 32267).



In FY 2015, the U.S. Court of Appeals for the Federal Circuit affirmed CBP's practice of assessing penalties against employees or officers of corporate importers of record, provided that these employees and officers can be shown to have personally participated in the violation. The decision means that an owner of a small company cannot avoid the law by closing the company and opening a new one that conducts the identical importing to evade paying duties and penalties to CBP (U.S. v. Trek Leather, Inc.).

Trade Agreement Verification Plan: This plan provides guidance on enforcing trade agreements using the Trade Agreement Verification Database. CBP provides guidance to U.S. ports of entry on how many of each type of item with trade preference should be verified yearly. This annual activity helps ensure that the correct amount of duty is charged and saves the U.S. Government millions of dollars annually. In addition to Trade Agreements, the U.S. has five major preferential trade legislation programs in place—the African Growth and Opportunity Act, the Caribbean Basin Trade Partnership Act, the Caribbean Basin Economic Recovery Act, the Generalized System of Preferences, and the Haiti HOPE/HELP.

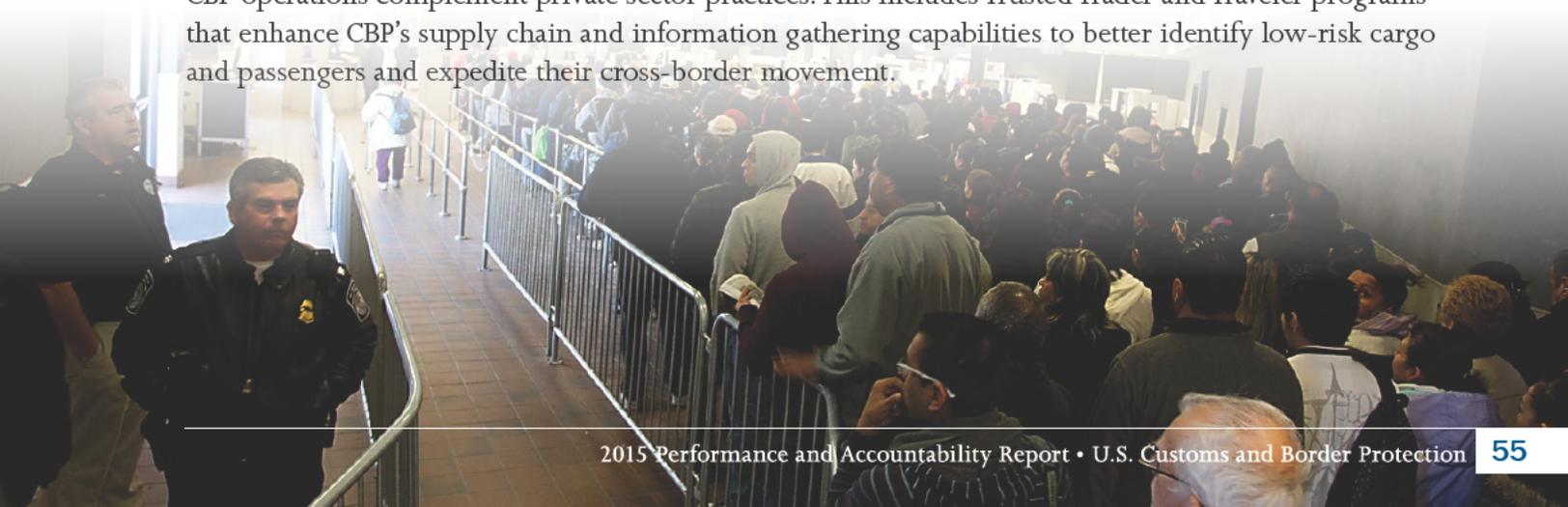
Trade Transformation Initiatives: These initiatives expedite the flow of legitimate cargo by creating efficiencies that reduce costs for businesses and the U.S. Government. Examples of Trade Transformation initiatives include CBP Centers of Excellence and Expertise (CEE), ACE, Air Cargo Advance Screening (ACAS), and trade partnerships. By virtually linking trade personnel across the country into industry-based, multi-disciplinary teams, CBP facilitates trade and develops a deeper understanding of industry practices, risk areas, and enforcement issues. Ten Centers are now open and conducting entry summary activities for importers:

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

Objective B: Promote Harmonization throughout Ports of Entry and Other U.S. Government Agencies

CBP harmonizes processes across ports of entry to unify enforcement, and enhance the global economy with reduced transactional costs and an efficient movement of people. Supporting a whole of government approach, CBP unifies Federal efforts and develops international common practices. CBP maintains CEE to develop these common practices and expand CBP's focus on "Trade in the 21st Century" by aligning the Agency with modern business practices, focusing on industry-specific issues, and tailoring support to unique trading environments.

CBP operations complement private sector practices. This includes Trusted Trader and Traveler programs that enhance CBP's supply chain and information gathering capabilities to better identify low-risk cargo and passengers and expedite their cross-border movement.



Strategies to Promote Harmonization throughout Ports of Entry and Other U.S. Government Agencies

Trusted Traveler Programs: CBP operates four Trusted Traveler programs: Northern Border Crossing System (NEXUS), Secure Electronic Network for Travelers Rapid Inspection (SENTRI), Fast and Secure Trade (FAST), and Global Entry. These programs speed the processing of pre-approved, low-risk travelers, allowing CBP to focus on higher-risk travelers. Applicants apply online through CBP's Global Online Enrollment System (GOES) and undergo a background check, biometrics collection, and an interview with a CBP officer. Participation in these fee-based programs is voluntary, and membership is valid for up to five years. Once an applicant is enrolled in a program, CBP runs law enforcement checks every 24 hours to ensure the member maintains his/her low-risk status. All NEXUS and SENTRI members and only Global Entry members who are U.S. citizens, Lawful Permanent Residents or Mexican Nationals receive radio frequency identification (RFID) cards for use at land borders.

In FY 2015, CBP produced more than 1.3 million Trusted Traveler Program (TTP) cards, an increase of 4 percent over FY 2014. CBP Trusted Traveler Programs.



NEXUS is a cooperative effort between CBP and Canada Border Services Agency (CBSA). U.S. citizens and lawful permanent residents, and Canadian citizens and permanent residents are eligible for NEXUS. NEXUS members are interviewed by CBP and CBSA officers to receive expedited entry into the U.S. and Canada. NEXUS air applicants must have their iris scan collected by CBSA to use the NEXUS kiosks for expedited air entry into Canada.



SENTRI provides expedited CBP processing from Mexico through dedicated commuter lanes for vehicles and pedestrians. SENTRI has no citizenship requirement and is open to anyone. Members use their RFID-enabled card for identification and to validate their status upon arrival at a U.S. port of entry.



FAST is a commercial clearance program for known low-risk shipments from Canada and Mexico that expedites processing for commercial carriers who have completed background checks and meet eligibility requirements. FAST vehicle lanes process cargo at land border ports of entry. Participation in FAST requires that every link in the supply chain, from manufacturer to carrier to driver to importer, be certified under the C-TPAT program. FAST provides dedicated lanes to facilitate efficient trans-border shipment processing, reduces the number of inspections and border delays, and prioritizes front-of-the-line CBP processing.



Global Entry expedites the clearance of pre-approved low-risk air travelers into the U.S. Global Entry members use automated kiosks at designated airports to bypass the regular passport control queues. While Global Entry's goal is to speed travelers through the process, members may still be selected for further examination. U.S. citizens and lawful permanent residents, and citizens of Germany, Mexico, the Netherlands, Panama, and South Korea may apply for Global Entry. CBP is operating pilot programs with Israel, Qatar, Saudi Arabia, and the United Kingdom, allowing limited numbers of their citizens to participate. CBP has also signed joint statements with Colombia, Peru, and Singapore to expand Global Entry. All NEXUS program members as well as U.S. citizens and U.S. lawful permanent residents enrolled in SENTRI may also use Global Entry kiosks. In FY 2015, CBP added Global Entry services to Burlington, Vermont; Fairbanks, Alaska; and Nassau, Bahamas. CBP also set up new enrollment centers in Nashville, Tennessee; New Orleans, Louisiana; and Peoria, Rockford, and Quad Cities, Illinois to service the enrollments of CBP Trusted Travelers.

Global Online Enrollment System (GOES): This system allows registered users to apply online for CBP Trusted Traveler Programs. In FY 2015, CBP enhanced GOES to accept applications from German citizens, in support of the permanent Global Entry arrangement with Germany. Enhancements to GOES were also made to support the Global Entry pilot with Israel.

Automated Passport Control (APC): APC expedites the entry process for U.S., Canadian, and eligible Visa Waiver Program international travelers via automated processing through CBP's primary inspection area. Travelers use self-service kiosks to submit customs declaration and biographic information. Instead of filling out a paper customs declaration form, eligible passengers use the APC kiosks for electronic submission. Travelers scan their passport, take a photograph using the kiosk, and answer a series of questions verifying biographic and flight information. This reduces wait times and congestion and speeds processing. By the end of FY 2015, APC kiosks were processing approximately 115,000 passengers per day, up from more than 55,000 passengers per day at the end of FY 2014.



Travel and Tourism Initiatives: Supporting the President's Travel and Tourism Strategy, CBP continues to transform and optimize its business processes to facilitate a more welcoming, interactive, and secure arrival process. Steady progress continues on the 17 airport action plans CBP developed in partnership with the travel and tourism industry for airports with the top international volume. Stakeholders include representatives from airlines, airports, hotels, theme parks, visitor and convention bureaus; and local elected officials, congressional representatives, and representatives from Federal agencies including DHS and the U.S. Department of Commerce. CBP used stakeholder input to develop infrastructure and airport environment improvements, including:

- Automated Passport Control kiosks
- Mobile Passport Control
- Growth in Trusted Traveler programs
- Expanded public-private partnerships
- Improved signage and multimedia



Objective C: Expand Risk-Segmentation through Advanced Technology to Enable Low-Risk Trade and Travel

To expedite the transit of legitimate passengers and cargo, CBP automates the categorization and segmentation of goods and travelers according to the risks they pose. This includes analyzing border traffic using accurate risk assessments for every traveler and cargo shipment that crosses the U.S. border. CBP automates trade and travel processes, increases information sharing and collaboration, and uses advanced data to more quickly and easily identify high-risk cargo and passengers.

Strategies to Expand Risk-Segmentation through Advanced Technology to Enable Low-Risk Trade and Travel

Advance Passenger Information System (APIS): APIS is the most critical system CBP uses to identify dangerous individuals entering or departing the U.S. Through APIS, 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). CBP receives APIS data in advance of passenger and crewmember departures, allowing CBP to screen them against government databases. Screening includes automated law enforcement queries that seek matches to multi-agency law enforcement alerts, non-immigrant and immigrant visas, and historical databases. The APIS process also incorporates Electronic System for Travel Authorization (ESTA) screening to send carriers interactive messages with the traveler's ESTA status for boarding decisions. In FY 2015, CBP screened 382,750,789 total passengers and crew through all modes and referred 34,120,670 to secondary screening for further processing.

Electronic System for Travel Authorization (ESTA): ESTA allows CBP to screen information provided by Visa Waiver Program travelers to determine whether an alien presents a security risk and is eligible to travel to the U.S. CBP requires airlines to verify ESTA status before boarding all Visa Waiver Program passengers. Travelers who are denied a travel authorization via ESTA can apply for a U.S. visa at the nearest U.S. Embassy or Consulate. The ESTA website appears in English and 22 other languages. In FY 2015, CBP redesigned the ESTA website, making it much more user friendly and convenient to use on a mobile device, as well as added security elements.



On May 27, 2015, CBP advanced national security by establishing an interface between ESTA and APIS with the DoD Joint Interagency Task Force (JIATF) to send ESTA data collected from Visa Waiver Program travelers through the ESTA website. Daily ESTA and APIS files are now sent to JIATF. This enhances the ability of JIATF and DHS to screen and more effectively identify travelers who pose a potential security risk to the homeland.

Admissibility Review Office (ARO): This office works with the U.S. Department of State and other law enforcement agencies to determine whether inadmissible aliens can legally travel as non-immigrants with waivers under the Immigration and Nationality Act. ARO balances each alien's reason(s) for travel with the seriousness of their ineligibility, weighed against any benefit or potential risk if CBP were to admit the alien. ARO processes and adjudicates all inadmissible waivers that the U.S. Department of State consular officers recommend worldwide. ARO decides all high profile "seat of government" non-immigrant waivers, and processes and adjudicates all waiver applications submitted directly to CBP by eligible individual international travelers. In FY 2015, ARO supported 13,443 nonimmigrant waiver recommendations.



Fraudulent Document Analysis Unit (FDAU): The FDAU serves as the central location for analysis of all fraudulent documents seized by CBP nationwide. FDAU manages the CBP Fraud Prevention Program, which through training, equipment and communication, increases the ability of officers to detect fraudulent documents. FDAU manages the Carrier Liaison Program which increases commercial carriers' effectiveness in identifying improperly documented passengers through training, and carrier and vessel inspection guides.

CBP inputs and verifies travel and identity documents using Edison TD, a global database in partnership with the Netherlands, Canada, Australia, United Arab Emirates, and the International Criminal Police Organization (INTERPOL). In FY 2015, the FDAU retrieved 11,208 fraudulent documents.

National Agriculture Release Program: Developed in cooperation with the U.S. Department of Agriculture Animal and Plant Health Inspection Service (APHIS), Plant Protection and Quarantine (PPQ) division, this program 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 that would not compromise U.S. agricultural resources.

Automated Commercial Environment (ACE): ACE provides CBP and Partner Government Agencies (PGAs) with faster and modernized tools to access and process data to assess risk associated with shipments. ACE automates and enhances interaction between international trade partners, CBP, and PGAs during the cargo import and export process, significantly increasing efficiency and reducing costs compared to manual, paper-based interactions. Greater automation between CBP and PGAs strengthen the Government's risk-assessment capabilities to more readily determine what cargo can be cleared and what should be examined further. CBP expanded ACE cargo release processing to all CBP ports in FY 2015, and all modes of import manifest are now processed in ACE, providing personnel with one common platform to access and process data. Between October 2014 and September 2015, the percentage of entry summaries filed in ACE increased from nearly 40 percent to almost 67 percent.



In FY 2015, CBP initiated a pilot program to process shipments, with data going to one system (ACE), rather than multiple systems owned by multiple agencies. This streamlined submission and processing allows agencies to more quickly and effectively determine what shipments pose a risk to U.S. security and commerce.

Automated Export System (AES): A component of ACE, AES is the central point where export shipment data is filed electronically, providing an alternative to filing paper export information. The system detects errors in export information and allows users to correct them at the time of filing. AES is a nationwide system at all ports, for all methods of transportation. It assures compliance with and enforcement of export laws, improves trade statistics, reduces duplicate reporting to multiple agencies, and improves customer service. In FY 2015, CBP expanded the ACE Secure Data portal to include exporter accounts and deployed capabilities to allow electronic filings for air, ocean, and rail export manifests.

Inbound Radio Frequency Identification (RFID) Saturation: Used in CBP Ready Lanes, RFID documents reduce processing time when used with CBP's active lane management. CBP has issued more than 35 million RFID-enabled travel documents since January 2008. In FY 2015, 38.5 million vehicles crossed the border using RFID-enabled travel documents, with a 47.6 second average Ready Lane processing time.



Goal 4: Promote Organizational Integration, Innovation, and Agility

Mature and develop CBP's culture, capabilities, and business processes to remain agile and adaptable in supporting operational requirements to ensure efficiency and effectiveness.

Overview: Understanding the challenges and requirements of operating within a constantly changing environment, CBP must diligently pursue organizational efficiencies, optimized business processes, and mature functional capabilities to fully support operational needs and assure overall mission effectiveness. CBP's committed personnel are its most valuable resources and must be cultivated through progressive training to maintain a highly skilled and effective workforce.

Objectives to Achieve Goal Four- Promote Organizational Integration, Innovation, and Agility

- Objective A – Mature CBP's strategic resource management framework
- Objective B – Optimize CBP's organizational structure to ensure agile and efficient operations
- Objective C – Strengthen CBP's culture of unwavering integrity and professional growth
- Objective D – Advance CBP mission effectiveness through transformative technologies and innovative business practices

Objective A: Mature CBP's Strategic Resource Management Framework

CBP aligns its programs to meet ever-changing domestic and global conditions and enhances performance through the Planning, Programming, Budgeting, and Accountability (PPBA) business structure. CBP's PPBA process aligns strategy to implementation and resource allocation, and assesses the effectiveness of meeting mission objectives. CBP's shared mission and capabilities-based portfolios align strategy to performance to better integrate all facets of PPBA throughout the Agency.

With the publication of the CBP Vision and Strategy 2020, and the development and signing of the FY 2017-2021 Integrated Planning Guidance (IPG), CBP's PPBA process has assisted in clearly aligning strategic objectives to the Commissioner's current operational priorities. These priorities respond to the strategic foundation and requirements contained within the 2014 Quadrennial Homeland Security Review (QHSR) and the DHS Strategic Plan 2014-2018.

Strategies to Mature CBP's Strategic Resource Management Framework

AMO Vision and Strategy 2025: AMO implemented its Vision and Strategy 2025, a strategic plan to set a common direction, aligned with the CBP Vision and Strategy 2020, the DHS Strategic Plan 2014-2018, and the Southern Border and Approaches Campaign. AMO outlines its operational requirements, which defines its operational planning direction.

Reutilization of Excess DoD Technology: CBP identifies and obtains excess DoD surveillance and situational awareness technologies that have saved substantial taxpayer resources while providing new and innovative tools to improve border security. CBP has acquired ground surveillance, aerial surveillance, and detection of contraband and weapons of mass destruction technologies from DoD to help secure America's borders.



SUCCESS
STORY

CBP redeployed to Texas small transportable aerostats and surveillance towers no longer needed by the U.S. military in the Middle East, providing enhanced capabilities for border security. USBP agents gain improved situational awareness from the elevated vantage points and long-reach cameras in challenging areas. Since 2013 these surveillance technologies have assisted in apprehensions and in seizing illegal drugs.

Facilities Management and Engineering Directorate (FM&E): CBP has a large, complex, and diverse real property portfolio, which includes buildings, structures, and towers (with approximately 26 million square feet of building space), more than 5,300 acres of land in the U.S., and thousands of miles of fence along the Southwest border. The current plant replacement value for CBP-owned facilities and tactical infrastructure is \$4.7 billion, which is expected to grow to more than \$5 billion as in-progress projects are delivered. FM&E serves as the program manager for CBP's facilities and tactical infrastructure portfolio.

2012-2016 Border Patrol Strategic Plan: The Border Patrol Strategic Plan focuses operational efforts on meeting the challenges and complexities of the 21st century while securing the border against a variety of threats and adversaries. The principal theme of the strategic plan is to use information, integration, and rapid response to meet all threats. USBP utilizes a risk based strategy to deploy and redeploy resources to areas of highest risk to prevent the entry of terrorists, weapons, illegal immigrants and contraband along more than 5,000 miles of border with Canada, 1,900 miles of border with Mexico, and 95,000 miles of shoreline.

Interdiction Effectiveness Rate (IER): CBP uses the IER along the Southwest border to evaluate the USBP's ability to apprehend or turn back would-be illegal entrants with an 80 percent IER target for FY 2015. IER is measured by dividing the sum of apprehensions and turn-backs by the total number of entries (apprehensions, turn-backs, and got-aways). USBP exceeded the FY 2015 target with an 81 percent IER by year-end.

Consequence Delivery System (CDS): The CDS is an analysis tool that analyzes the effectiveness and efficiency of USBP consequences, and recommends courses of action based upon the circumstances of an alien's apprehension. CDS enhances border security by the systematic and consistent application of consequences shown to dissuade illegal re-entry attempts and disrupt the smuggling cycle. The recidivism rate indicates CBP's use of more effective and efficient consequences to influence a person's desire and ability to attempt illegal entries. Recidivism has continued to decrease since the January 2011 CDS implementation. The CDS has helped reduce illegal alien recidivism to 14 percent in FY 2015, significantly lower than the 24 percent in FY 2010, the year before implementation.

Objective B: Optimize CBP's Organizational Structure to Ensure Agile and Efficient Operations

CBP continues to meet the complex challenges of its operating environment through agility and innovation. The Agency combines operational differentiation and integration in its organizational design to respond to uncertainty in the external environment. CBP's organizational design is more than an organizational structure or strategic plan – it encompasses all formal and informal systems and processes and their interactions. By defining and evolving the optimal lines of authority, communications, responsibilities and functions, CBP continuously streamlines command and control over daily operations.

Strategies to Optimize CBP's Organizational Structure to Ensure Agile and Efficient Operations

Enterprise Agile Project Management: CBP's OIT continues to implement Agile Project Management practices to support the Federal CIO's 25-Point Implementation Plan to Reform Federal Information Technology Management. These efforts help drive common standards and practices and support

streamlined processes to support CBP's IT infrastructure. In an Agile organization, integrated product teams actively engage customers to deploy IT functionality in smaller and less risky increments. In shifting to Agile, CBP improved cost management and better aligned IT products to mission needs.

Workforce Development: CBP's OTD provides formal training and educational programs through two training academies and three training centers, delivering instructor-led classroom training and online training through CBP's Performance and Learning Management System. OTD develops and implements CBP's Annual Training Plan and provides career development programs, management and executive development programs, and basic and advanced training on specific topics such as anti-terrorism. OTD defines and implements evaluation measures, data collection processes, and inspection methods for an ongoing assessment of all CBP training programs.



Mobile Intellectual Property Rights Enforcement Team (MIPET): To improve the agility of Intellectual Property Rights trade enforcement operations, CBP developed MIPET, a group of mobile Intellectual Property Rights subject matter experts who partner with various CBP field offices to quickly identify and seize goods that violate U.S. intellectual property laws.



One of the most successful MIPET missions during FY 2015 was Operation Super Fake. MIPET partnered with CBP's Apparel, Footwear, and Textile CEE and the Area Port of Cleveland to seize nearly 700 shipments of counterfeit NFL goods, worth a total of \$13 million manufacturer suggested retail price.

Mobile Work Initiative: CBP's OA transformed its work environment into a more mobile, dynamic office. The transformation provides technology, training, and guidance that enables the workforce to collaborate and work productively both on and off site. More than just telework, the Mobile Workforce Initiative adopted a workplace philosophy focusing on results, flexibility, and mobility which ultimately resulted in a cultural shift in work practices.

FY 2015 Employee Engagement Initiative: CBP's Commissioner convened an Employee Engagement Steering Committee to champion initiatives that positively impact all CBP employees. The committee identified and prioritized three key corporate issues to improve engagement and morale within CBP:

1. Performance management to promote a high performance culture;
2. Communication to provide a robust internal information program; and
3. Employee development and advancement to provide career developmental opportunities.

In FY 2015, CBP focused on strengthening employee engagement through work group-level impact planning as well as building supervisory leadership skills to create a more engaging environment. Impact plans focused on improving communication within the offices including shared calendars, document sharing tools, and newsletters and special recognition events to highlight best practices and share successes. CBP supported leader development through its Coaching Cohort Program with topics including leading virtual teams, coaching high performers, and leadership behaviors that hinder coaching.

Radio-Over Internet Protocol System (RIPS): This project provides an IP based tactical communications network solution to connect existing Land-Mobile-Radio systems and multiple disparate communication centers throughout CBP via a consolidated IP backbone. This solution enables CBP to migrate existing OFO and USBP radio systems to an efficient unified connection capability that interfaces with the AMOC in Riverside, CA. In FY 2015, CBP successfully implemented RIPS at the National Law Enforcement Communications Center (NLECC), the AMOC, and Buffalo and Swanton sectors.

Objective C: Strengthen CBP's Culture of Unwavering Integrity and Professional Growth

CBP develops a collaborative culture to ensure continued delivery of its mission to the American people. This includes attracting, hiring, continually developing, and retaining a highly qualified workforce with an enduring commitment to CBP's highest ideals, especially integrity. CBP provides training and dynamic growth opportunities to strengthen professional skills and capabilities throughout its workforce.

CBP strengthens its culture of unwavering integrity and professional growth by implementing comprehensive programs and capabilities to prevent, detect, investigate, and respond to instances of corruption and misconduct. This includes improving procedures for background investigations, polygraph exams, behavior analysis, investigations, security, covert testing, and inspections to ensure workforce integrity and accountability. To retain high-caliber employees and ensure the effectiveness of programs, CBP continues to build a diverse workforce, develop career path roadmaps, promote work-life programs, and maintain a work culture that rewards performance, encourages employee engagement, and provides personal, professional, and organizational growth opportunities.



Strategies to Strengthen CBP's Culture of Unwavering Integrity and Professional Growth



In December 2014, at Commissioner Kerlikowske's request, DHS Secretary Jeh Johnson approved the creation of a CBP Integrity Advisory Panel, a subcommittee of the Homeland Security Advisory Council. The panel brings together proven leaders from the Federal, state, and local law enforcement community. The panel is co-chaired by William J. Bratton, New York City Police Commissioner, and Karen Tandy, former administrator of the U.S. DEA. On June 29, 2015, the panel released an interim report and recommendations on integrity, use of force, and transparency.

Basic Training for USBP Agents: In FY 2015, CBP constructed two International Border Fence training venues at the Advanced Training Center in Harpers Ferry, West Virginia and conducted a comprehensive review and redesign of the entire USBP agent basic training curriculum, with the new curriculum expected to be piloted mid-FY 2016 and implemented in early FY 2017. The new curriculum includes scenario-based training, and basic training that focuses on law, policy, and safety tactics including de-escalation, officer presence, and communication techniques. Students will be certified in non-lethal devices including Electronic Control Weapons, Pepperball Launching System, and FN-303 compressed air launcher.

Integrity and Personal Accountability Strategy: In FY 2015, CBP maintained its commitment to the highest level of integrity through implementation of CBP's Integrity and Personal Accountability Strategy. This strategy enhances the capability to investigate and pursue misconduct. In FY 2014, CBP made a significant move toward greater transparency by releasing the revised CBP Use of Force Policy, Guidelines and Procedures Handbook. In FY 2015, CBP continued this progress toward greater transparency by streamlining its complaint process and improving its training and review of use of force incidents which include the sharing of investigative findings.



To fulfill hiring surge and congressionally mandated staffing goals, CBP's HRM collaborated with CBP's IA to examine and refine hiring operations. This included increasing the number of IA polygraph examiners to meet the 150 examiners target; designating applicants who successfully pass the polygraph as provisionally cleared and eligible to enter on duty; authorizing polygraph examiners to end interviews of candidates who make disqualifying admissions and move to another candidate; and allowing applicants to lock in a location selection as part of the pre-employment process and reduce declinations of final offers based on location.

Integrated Frontline Hiring Operation: CBP established a Frontline Hiring Program Management Office that includes representatives from CBP component offices to carry out a holistic approach to recruiting and hiring frontline personnel. CBP implemented several process improvements including hiring hubs at military installations to expedite select pre-employment processes; awarding provisional clearances for background investigations; and starting two-day polygraph exams.

Did You Know?

OPA developed a new outreach campaign called “CBP in the City.” The campaign features senior CBP leaders engaging with travel and trade stakeholders, media, state and local law enforcement, CBP employees, and non-governmental organizations to promote CBP’s mission and operations. At the first event in Baltimore in May 2015, Commissioner Kerlikowske participated in a business roundtable, an employee town hall, and a media session that underscored CBP’s importance to border security, travel facilitation, and economic competitiveness.

Video Series: OPA produces videos including “CBP In 60,” an internal messaging tool for CBP leaders to communicate with CBP employees with one-minute videos. These videos have included a personnel protective equipment training series to ensure CBP personnel properly protect themselves from exposure to Ebola or other highly communicable diseases; a DHS cybersecurity video entitled “Protecting Your PII in the Wake of OPM’s Data Breach;” and a video of body worn cameras training scenarios intended for upcoming media event use. OPA produced DHS Secretary Jeh Johnson’s message to new DHS employees, which are delivered during all DHS new employee orientations.



Workers’ Compensation Program: CBP restructured the Workers’ Compensation Program to establish an overall strategic case-management process that reduces chargeback costs and expedites the return-to-work of CBP employees who are injured while performing their duties. This includes initiating medical case management services, such as nurse-review of new workers’ compensation cases, offering pharmacy benefit plan services to injured workers, and conducting reviews of long-term disability cases using predictive modeling software.

Employee Resilience: In FY 2015, CBP finalized its policy framework for employee resilience that contains a unified strategy for workforce resilience. This policy affirms CBP’s commitment to the emotional, mental, and physical well-being of its employees. The policy ensures uniform messaging and better coordination among offices that implement programs to boost employee resilience. Programs covered under this policy include the Peer Support Program, the Chaplaincy Program, the Employee Assistance Program, and the Healthier CBP program.

Management Inspections Program: As part of its oversight role to promote the integrity, effectiveness, and efficiency of CBP programs and operations, the 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 2015,

MID issued a total of 70 reports, presenting CBP executive managers with 794 recommendations to address operational, financial or administrative deficiencies identified during inspection activity.

Self-Inspection Program (SIP): CBP managers and supervisors conduct annual self-assessments to verify the proper implementation of their program's operational, financial, and administrative functions. These assessments promote management accountability and strengthen the oversight of programs and operations, and help CBP meet Federal internal control requirements established by the Federal Managers' Financial Integrity Act, OMB Circular No. A-123, and the Department of Homeland Security Financial Accountability Act. As part of the SIP, CBP managers complete, certify, and approve the self-inspection worksheets in the web-based Self-Inspection Reporting System that indicate compliance or non-compliance with requirements, with supporting information. Managers reporting non-compliance are required to timely implement corrective action to resolve each deficient condition. In FY 2015, over 1,700 managers in 670 CBP Headquarters and Field Offices performed self-assessment activities researching, certifying, and/or approving the results of office self-inspections. CBP managers completed 13,678 self-inspection worksheets by answering a total of 76,376 questions.

Audit Management and Liaison: The MID Audit Management and Liaison team serves as the CBP's 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 2015, CBP had 190 ongoing GAO and OIG audits. Of these audits, GAO initiated 48 new audits (33 audits and 29 audit reports were carried over from previous years) and issued 40 reports containing 22 recommendations. DHS OIG initiated 25 new audits (29 audits and 26 audit reports were carried over from previous years) and issued 25 reports containing 41 recommendations. As of the end of FY 2015, CBP has 135 open recommendations.



Objective D: Advance CBP Mission Effectiveness through Transformative Technologies and Innovative Business Practices

CBP promotes organizational excellence and operational agility by leveraging technological advances and innovative practices. This includes optimizing resource allocation with the greatest return on investment and the delivery of prioritized operational capabilities. CBP anticipates and prepares for future organizational requirements by collaborating with partners and promoting an entrepreneurial spirit. CBP implements innovations – transforming business practices and processes to be more forward-looking and streamlined – to reduce costs for greater return on investment to the American people. This includes implementing Agile Project Management processes and reducing the reliance on burdensome bureaucratic protocols.

Strategies to Advance CBP Mission Effectiveness through Transformative Technologies and Innovative Business Practices

Human Resources Business Engine (HRBE): HRBE is a web-based workflow engine that supports CBP's complex pre-employment processes at the Indianapolis and Minneapolis Hiring Centers. In FY 2015, CBP deployed HRBE background investigations which automate the management of background investigation status between Internal Affairs and the hiring centers. CBP modified HRBE to provide single sign-on authentication across DHS; and developed a new HRBE application called HRBE-Employee Position Profile, which improves the ability to review data on employee and position attributes.

Resource Optimization Strategy: This strategy optimizes business processes, identifies staffing requirements, and explores alternative funding strategies to increase revenue. This includes CBP's Workload Staffing Model, a data-driven tool to identify staffing requirements by accounting for the processes, personnel, and time required of CBP officers to accomplish an operation. It estimates future staffing requirements for new or enhanced facilities, technology deployments, and growth in trade and travel. CBP continues to pursue alternative sources of funding through the Reimbursable Services Program and the Donation Acceptance Program.

Trade Analytics: CBP pursues opportunities with the academic community to take advantage of innovative and creative models to deal with the unprecedented information windfall known as "Big Data." OT is partnering with the Johns Hopkins University Applied Physics Laboratory to adapt new analysis capabilities to vast sets of trade data. In FY 2015, subject matter experts from John Hopkins teamed with CBP experts to pilot analytical tests.

FY 2015 Fuel Management Initiative: CBP's OA awarded a contract and began implementation of the FY 2015 Fuel Management Initiative that will allow DHS partnering components and the Federal Law Enforcement Training Center (FLETC) to share fuel facilities for approximately 18,000 vehicles in Georgia and Puerto Rico and along the Southwest border. DHS projects that the initiative will result in \$2.42 million in annual cost savings and \$1.45 million in annual cost avoidance through reduced commercial fuel purchasing, reduced sales tax charges, improved fuel efficiency, automated collection of vehicle metrics and maintenance scheduling, reduced vehicle acquisition costs, and simplified reporting.

CBP Vehicle Sales Center Initiative: This initiative focuses on the planning, approvals, and implementation of a CBP Vehicle Sales Center. CBP obtained the appropriate authorizations and waivers from the General Services Administration to dispose of CBP vehicles and after-market equipment. Vehicle sales provide funding for replacement vehicles and speed the disposal process.

Fleet Right-Sizing Initiative: This initiative is CBP's methodology for determining an optimal fleet size based on the number of CBP personnel, mission requirements, and other operational factors, as required by the Presidential Memorandum on Federal Fleet Performance. In FY 2015, OA continued the Fleet Right-Sizing Initiative and reduced the CBP fleet by 1,198 vehicles for a total of 1,511 vehicles since the third quarter of FY 2014. OA also implemented a Fleet Right-Sizing Directive as official CBP policy in August 2015.

Home-to-Work (HtW) Program: In FY 2015, OA implemented HtW program quality and internal controls to prevent overuse and abuse. OA analyzed HtW utilization on a monthly basis to ensure each deployment is in alignment with the CBP and DHS mission and to ensure responsible stewardship of Government assets. OA also began drafting a CBP Call-Out Policy to standardize procedures for employees called back to duty outside of regularly scheduled working hours. Policy implementation is scheduled for early 2016.

CBP Overtime Scheduling System (COSS): CBP's OIT modified the COSS work ticket and billing process to better calculate overtime services, track the expenses in the financial systems, and automate the billing to external customers. CBP partnered with Dallas-Fort Worth International Airport, City of El Paso, South Texas Assets Consortium, Houston Airport System, and Miami-Dade County for overtime reimbursement. These enhancements enable CBP to be reimbursed for services via an alternative funding source, and provide an innovative way to support growing volumes of travel and trade in a challenging budget environment.

Border Security Fencing Infrastructure and Technology (BSFIT) Appropriation: This appropriation supports DHS and CBP missions by delivering operationally appropriate, agile, and cost-effective detection and surveillance technology systems, and tactical infrastructure, and tactical communications modernization to border security fences. BSFIT funds several technologies including Integrated Fixed Towers, Agent Portable Surveillance System, Mobile Surveillance Capability, Mobile Video Surveillance System, Remote Video Surveillance System, Thermal Imaging Device, Unattended Ground Sensors, Tethered Aerostat Radar Systems, and Ultra-Light Aircraft Detection. These technologies enhance CBP's ability to survey the border and detect incursions.



CBP Small Airports User Fee: In FY 2015, OIT and OA implemented the CBP Small Airports User Fee billing and collection process and redesigned the existing process for Section 560 of the Consolidated and Further Continuing Appropriations Act 2013 (Public Law 113-6) and Section 559 of the Consolidated Appropriations Act 2014 (Public Law 113-76). These bills authorized CBP to enter into reimbursable fee agreements between private and public entities that support CBP's national security mission while expediting the legitimate flow of people and goods vital to the U.S. The redesigned Small Airports User Fee billing and collection process includes an enhanced user experience, new centralized processing and automation of all reimbursable bills, viewing of billing data utilizing a pdf viewer, streamlined Dunning Process, automated billing process using pay.gov e-billing, and automated Treasury bill clearing.



CBP Cloud Computing Environment (C3E): CBP continuously retires obsolete legacy mainframe technology, and modernizes its IT infrastructure to improve systems availability, achieve cost avoidance, and deploy new computing capabilities. These activities started in FY 2014 and will continue through the full retirement of the mainframe in FY 2017. The target environment – C3E, is a cloud-based IT infrastructure which can expand and contract to rapidly accommodate changes to CBP's mission-based computing needs. During FY 2015, CBP deployed nine applications using the new C3E cloud environment and retired them from the mainframe: ESTA, Electronic Advance Passenger Information System, Decal and Transponder Online Procurement System, Payment Services, Performance Measurement System, National Incident Management System, Chief Counsel Tracking System, Web-based Self-Inspection Reporting System, and the Regulations and Rulings Tracking System. In addition, no new applications will be deployed using mainframe technology, and the remaining mainframe applications are being re-engineered to operate in the cloud environment by FY 2017.

Mobile Capabilities to the CBP Workforce: CBP leverages mobile technologies to expand the boundaries of the workplace and has deployed the necessary laboratory and infrastructure environments to properly test capabilities and security and prepare our workforce for the next generation of productivity including:

- **Laboratory Test Environment:** Established to facilitate the safe, controlled, and secure testing of mobility technologies essential to the ongoing advancement and deployment of mobile solutions to CBP users.
- **CBP Infrastructure Environment:** OIT designed and deployed the back-end mobility technology framework within the CBP infrastructure that is capable of facilitating secure mobile communications capabilities to CBP users abroad.
- **Workplace Mobility Connectivity:** OIT deployed Wi-Fi access points throughout a number of CBP office locations that allow for secure wireless office/airport connectivity to the CBP infrastructure. These locations allow users to securely connect authorized wireless devices, such as laptops, tablets, and handhelds, to the CBP infrastructure.
- **Device Deployment:** OIT is actively deploying tablet devices to select CBP components to improve work performance by allowing work functions to be mobile and extended to field locations.
- **CBP Border Wait Time Publicly-Available Smartphone App:** CBP's new Border Wait Time smartphone app makes it easier for travelers to plan their trip across the border. The app provides estimated wait times and open lane status at land ports of entry, allowing travelers to make an informed decision of where and when to cross the border. Travelers can download the app for free from Apple's App Store and Google Play. Developed by CBP, the app does not require individuals to register or provide any personal information and does not store or have access to any information regarding travelers using the app.

Body Worn Camera Feasibility Study: As part of CBP's commitment to transparency and accountability to the public we serve, Commissioner Kerlikowske established a year-long feasibility study to evaluate implementing body worn cameras into our land, air, and sea operations. During Phase One of the study, CBP evaluated a representative sample of the body worn camera technology at training academies, focusing on officer and agent safety. Phase two involved evaluating the cameras in selected operational environments along the Northern, Southern, and Coastal borders. Several CBP officers and agents volunteered to evaluate the body-worn cameras during their daily assignments to record enforcement-related encounters. This phase focused on whether the information generated by the cameras contributes to CBP's overall mission and whether the cameras can be used by typical CBP frontline personnel. CBP completed a report for the Commissioner to assess the path forward. The study determined what questions needed to be asked, with answers to those questions being the task for the next working group. The study took a hard look at the capabilities and limitations of body worn camera technology to evaluate the costs versus benefits.

Performance Goals and Results

CBP uses performance measures to monitor, report, and improve its programs. CBP releases its performance results on the nine strategic performance measures which align with the DHS major missions established by the DHS Strategic Plan 2014-2018 listed in the figure below. The Performance section, beginning on page 84, contains full discussions of CBP's FY 2015 performance and results of each of the nine measures.

CBP Performance Measure	2015 Performance Target	FY 2015 Year End Result	Target Met?
1. 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	100%	99.76%	✗
2. Percent of detected conventional aircraft incursions resolved along all borders of the United States	100%	99.3%	✗
3. Percent of people apprehended multiple times along the Southwest border	<= 17%	14%	✓
4. Rate of interdiction effectiveness along the Southwest Border between ports of entry	80%	81.01%	✓
5. Amount of smuggled outbound currency seized at the ports of entry (in millions)	\$30	\$37.6	✓
6. Number of smuggled outbound weapons seized at the ports of entry	400	505	✓
7. Percent of import revenue successfully collected	100%	98.61%	✗
8. Percent of imports compliant with applicable U.S. trade laws	97.5%	98.89%	✓
9. Percent of cargo by value imported to the U.S. by participants in CBP trade partnership programs	54%	52.2%	✗

CBP's FY 2015 results towards its nine releasable performance measures.

CBP performance measures improve the efficiency and effectiveness of CBP programs through improved measurement, analysis, and reporting. CBP aligns its performance measures to CBP's revised Strategic Plan – CBP Vision and Strategy 2020.

The FYHSP requires CBP offices to report their performance results within CBP's five core mission areas. DHS uses FYHSP performance data to assess how CBP programs performed in meeting its targets and how to efficiently use requested resources to meet performance goals for the following year. CBP reports performance results within the FYHSP intranet-accessible system that include:

- Performance measures of major programs organized by component or mission
- Trends of performance data from four previous years, the current year, and established measure targets six out years
- Targets and actual results for each measure
- Alignment of measures to QHSR mission, goals, and objectives

The figure below describes how CBP aligns its performance measures to the CBP Vision and Strategy 2020, and CBP's FYHSP mission areas.

CBP Performance Measure	CBP Vision and Strategy 2020	CBP FYHSP Mission Area
1. 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	Goal 1: Counter Terrorism and Transnational Crime Objective C: Strengthen Global Supply Chain Security	Mission Area 4: Intelligence and Targeting
2. Percent of detected conventional aircraft incursions resolved along all borders of the United States	Goal 2: Advance Comprehensive Border Security and Management Objective A: Increase Situational Awareness of the Air, Land, and Maritime Borders	Mission Area 1: Securing America's Borders
3. Percent of people apprehended multiple times along the Southwest border	Goal 2: Advance Comprehensive Border Security and Management Objective B: Detect, Interdict, and Disrupt Illegal Cross-Border Activities	Mission Area 1: Securing America's Borders
4. Rate of interdiction effectiveness along the Southwest Border between ports of entry	Goal 2: Advance Comprehensive Border Security and Management Objective B: Detect, Interdict, and Disrupt Illegal Cross-Border Activities	Mission Area 1: Securing America's Borders
5. Amount of smuggled outbound currency seized at the ports of entry (in millions)	Goal 2: Advance Comprehensive Border Security and Management Objective D: Strengthen Processes to Conduct Out-Bound Enforcement and Interdiction of Travelers and Cargo	Mission Area 3: Securing and Expediting Travel
6. Number of smuggled outbound weapons seized at the ports of entry	Goal 2: Advance Comprehensive Border Security and Management Objective D: Strengthen Processes to Conduct Out-Bound Enforcement and Interdiction of Travelers and Cargo	Mission Area 3: Securing and Expediting Travel
7. Percent of Import Revenue Successfully Collected	Goal 3: Enhance U.S Economic Competitiveness by Enabling Lawful Trade and Travel Objective A: Reduce Costs for the U.S. Government and the Trade and Travel Communities by Streamlining Processes in Collaboration with Public and Private Sector Partners	Mission Area 2: Securing and Expediting Trade
8. Percent of imports compliant with applicable U.S. trade laws	Goal 3: Enhance U.S Economic Competitiveness by Enabling Lawful Trade and Travel Objective A: Reduce Costs for the U.S. Government and the Trade and Travel Communities by Streamlining Processes in Collaboration with Public and Private Sector Partners	Mission Area 2: Securing and Expediting Trade
9. Percent of cargo by value imported to the U.S. by participants in CBP trade partnership programs	Goal 3: Enhance U.S Economic Competitiveness by Enabling Lawful Trade and Travel Objective C: Expand Risk-Segmentation Through Advanced Technology to Enable Low-Risk Trade and Travel	Mission Area 2: Securing and Expediting Trade

CBP's Performance Measures as Aligned to the CBP Vision and Strategy 2020, and CBP's FYHSP Mission Areas.

Measuring performance has many benefits. First, it highlights areas for improvement, which leads to more informed decision-making in establishing priorities and ensuring that resources are allocated to best support mission execution. Secondly, performance measurements can highlight opportunities to increase efficiency and efficacy to improve return on investment for resource allocation decisions. Finally, performance measurements provide critical information to external stakeholders, which can lead to improved oversight and more accurate assessment of organizational effectiveness.

FY 2015 Performance by CBP Strategic Goal

CBP’s Integrated Planning Framework provides performance management guidelines to improve the efficiency and effectiveness of CBP programs through improved measurement, analysis, and reporting. CBP links its resources and performance results to accomplish its four strategic goals and associated objectives in the context of their risks and costs. The Integrated Planning Framework aligns CBP strategic goals with DHS mission goals and resource allocation decisions, and supports DHS’ compliance requirements established by OMB Circular No. A-11 and GPRAMA.

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. The figure below shows the FY 2015 targets and results of CBPs nine performance measures, as aligned under their respective strategic goal and objective.

	Performance Measure	FY 2015 Target	FY 2015 Result	Target Met
Goal 1 – Counter Terrorism and Transnational Crime	Objective A – Understand the threat environment			
	No performance measures	-	-	-
	Objective B – Enhance procedures and partnerships that will facilitate interagency and international border enforcement coordination			
	No performance measures	-	-	-
	Objective C – Strengthen global supply chain security			
	1. 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	100%	99.76%	✘



	Performance Measure	FY 2015 Target	FY 2015 Result	Target Met
Goal 2 – Advance Comprehensive Border Security and Management	Objective A – Increase situational awareness of the air, land and maritime borders			
	2. Percent of detected conventional aircraft incursions resolved along all borders of the U.S.	100%	99.3%	✗
	Objective B – Detect, interdict and disrupt illegal cross-border activities			
	3. Percent of people apprehended multiple times along the Southwest border	<=17%	14%	✓
	4. Rate of interdiction effectiveness along the Southwest Border between ports of entry	80%	81.01%	✓
	Objective C – Strengthen comprehensive trade enforcement			
	No performance measures	-	-	-
	Objective D – Strengthen processes to conduct out-bound enforcement and interdiction of travelers and cargo			
	5. Amount of smuggled outbound currency seized at the ports of entry (in millions)	\$30	\$37.6	✓
	6. Number of smuggled outbound weapons seized at the ports of entry	400	505	✓
Objective E – Advance a comprehensive, predictive targeting strategy to identify threats as early as possible				
No performance measures	-	-	-	
Goal 3 – Enhance U.S Economic Competitiveness by Enabling Lawful Trade and Travel	Objective A – Reduce costs for the U.S. government and the trade and travel communities by streamlining processes in collaboration with public and private sector partners			
	7. Percent of import revenue successfully collected	100%	98.61%	✗
	8. Percent of imports compliant with applicable U.S. trade laws	97.5%	98.89%	✓
	Objective B – Promote harmonization throughout ports of entry and other U.S. government agencies			
	No performance measures	-	-	-
	Objective C – Expand risk-segmentation through advanced technology to enable low-risk trade and travel			
9. Percent of cargo by value imported to the U.S. by participants in CBP trade partnership programs	54%	52.2%	✗	
Goal 4 – Promote Organizational Integration, Innovation and Agility	Objective A – Mature CBP's strategic resource management framework			
	No performance measures	-	-	-
	Objective B – Optimize CBP's organizational structure to ensure agile and efficient operations			
	No performance measures	-	-	-
	Objective C – Strengthen CBP's culture of unwavering integrity and professional growth			
	No performance measures	-	-	-
Objective D – Advance CBP mission effectiveness through transformative technologies and innovative business practices				
No performance measures	-	-	-	

CBP's FY 2015 Targets and Results of its Nine Strategic Performance Measures as Aligned to their Strategic Goal and Objective

Management Assurances

Overview

CBP management is responsible for establishing and maintaining effective internal control to support DHS in providing reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA) are met. CBP activities also support DHS compliance with the DHS Financial Accountability Act. CBP has evaluated its management controls, internal controls over financial reporting, and compliance with Federal financial systems standards. In performing the evaluation, CBP considered results from external audit reports, independent reviews, and internal assessments conducted by CBP management.

Federal Managers' Financial Integrity Act (FMFIA)

In accordance with FMFIA and the Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibilities for Internal Control, and in support of DHS' compliance requirements, CBP provides reasonable assurance that internal controls are effective and efficient to support program operations in compliance with applicable laws and regulations of the objectives of Section 2 of the FMFIA (Operations), and that financial systems conform to financial system objectives of FMFIA Section 4 (Financial Systems) except for non-compliance noted below.

FMFIA Section 2 (Operations)

- **Single Transaction Bonds** – Weaknesses over the CBP Single Transaction Bond program could impact CBP's ability to collect all trade-related revenues owed. During FY 2015, CBP continued to make substantial progress by implementing an electronic eBond Solution that will allow for the consolidation of the bond management program that automates the Single Transaction Bond submission, validation, and retention processes. The electronic-eBond Solution was implemented in FY 2015 Quarter 2 with full implementation to be completed in FY 2016 Quarter 2, and is expected to fully remediate the control deficiencies.
- **Drawback Payments** – CBP's ACS has inherent limitations in detecting and preventing excessive drawback claim payments. 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 legislative changes. Until the legislative changes and systems improvements are realized, CBP expects drawback controls to remain a reportable condition. In FY 2014, CBP developed a Drawback Action Plan that provides a roadmap to address the control weaknesses. The Plan includes an enhanced manual compliance measurement program that builds on prior efforts and was tested in FY 2015. It also incorporates new drawback functionality in ACE, and continued efforts to promote proposed legislative changes to the drawback program.
- **Contract Management Oversight** - The FY 2014 cybersecurity intrusion into systems used by background investigation companies under contract with DHS and CBP highlighted the risk associated with the use of systems not connected to the DHS network. In response to this risk, CBP took several actions in FY 2015, including the following:

- New contract language was created to enhance security of contracts that involve sensitive information;
- OA's Procurement Office worked with PDO and OCC to assess existing and planned contracts to determine which contracts need the new language. As contracts are identified, contract clauses will be included to safeguard system security requirements;
- Adequate policies and procedures have been put in place to ensure contracts contain the applicable system security requirements; and
- OA Procurement plans to continue to work with OIT to ensure effective monitoring of contractor computer system safeguards and timely response when systems have been compromised.

FMFIA Section 4 (Financial Systems)

- **Core Financial Systems** – CBP's ACS does not maintain trade receivable activity at the transaction level. The non-compliance issue will be included in the planning and development of an initiative to migrate ACS from its current mainframe platform to a web-based platform as part of the Revenue Modernization Program. The systems maintaining CBP's aircraft and marine spare parts inventories do not report addition and usage activity at the transaction level.
- **Information Technology General Controls** – The DHS OIG continues to identify information technology general and application control weaknesses at CBP. Weaknesses were cited in CBP's accounting system, Systems, Applications and Products (SAP); HRBE; and mainframe system environments, including weaknesses in access and separation of duties processes, application and account inactivity parameters, application production client settings, and audit logging and monitoring.
- **Information and Technology Infrastructure** – CBP has initiated multiple efforts to improve the security posture and systems availability of aging and obsolete infrastructure. Remediation actions are ongoing. Most recently, CBP aggressively worked to further reduce network and access vulnerabilities in response to the Administration's mandate in the summer of 2015, following the Office of Personnel Management security breach.

DHS Financial Accountability Act

The DHS Financial Accountability Act requires DHS to provide an assertion of internal controls over financial reporting. CBP contributes to the Department's assertion by performing procedures consistent with OMB Circular No. A-123 and DHS guidance.

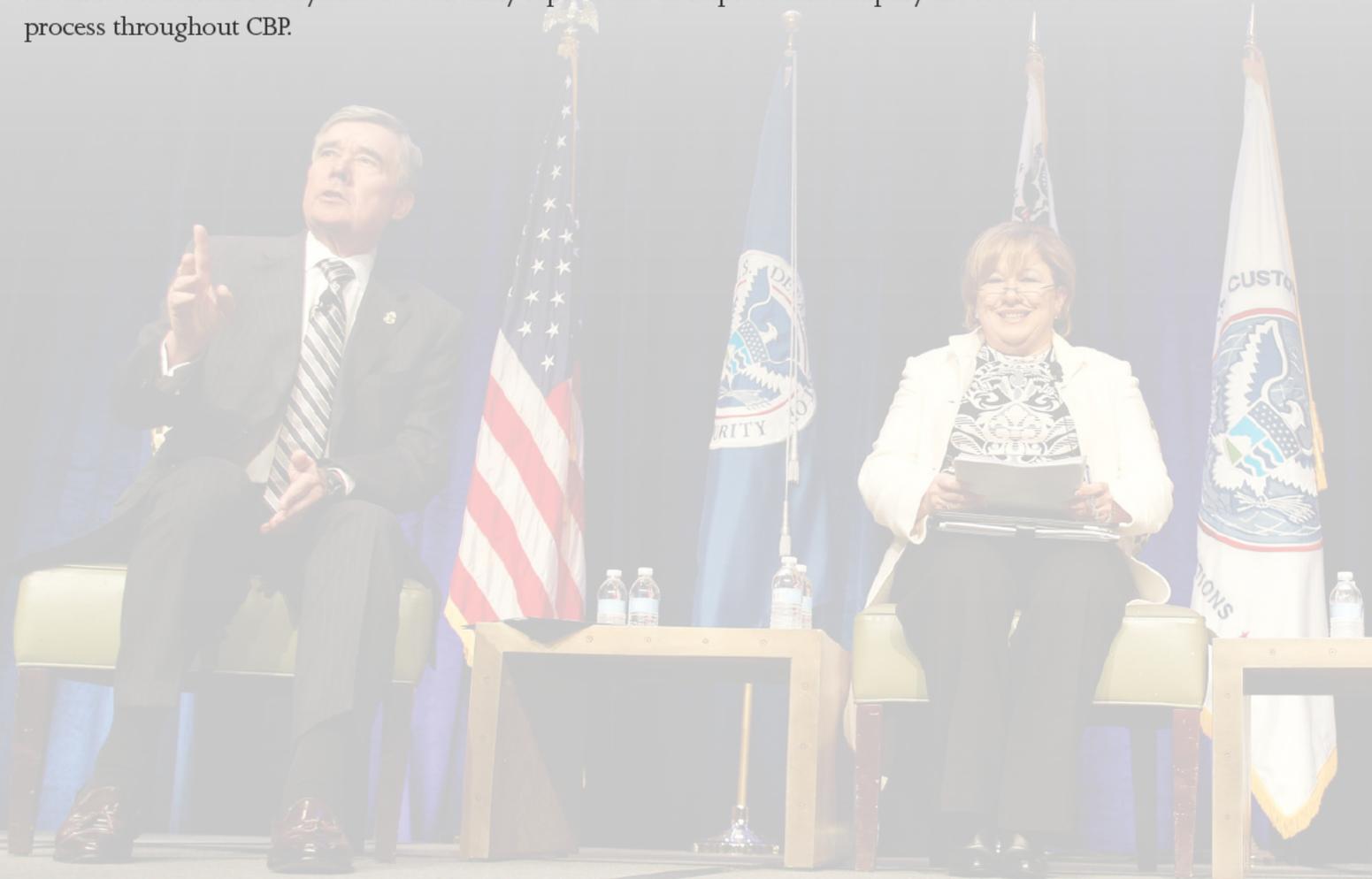
Federal Financial Management Improvement Act (FFMIA)

CBP's financial systems contribute to DHS's substantial non-compliance with FFMIA. Details of the non-compliance, as well as planned remediation, are discussed above as part of FMFIA.

Systems and Controls

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. Internal management controls are in place 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: CBP's financial systems strategy is to align its programs performance through the PPBA business structure. The PPBA process aligns implementation and resource allocation, and assesses the effectiveness of meeting mission objectives. CBP's main financial system is SAP, 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. CBP uses ACE and ACS systems to process trade and revenue. ACE, when fully implemented, will provide threat awareness, prevention, and protection through a centralized "single window" to process legitimate transactions quickly, focusing resources on suspect shipments. In FY 2015, CBP incorporated new ACE features to process cargo and identify shipments that may require additional scrutiny. ACS currently provides revenue and accounts receivable information; however as previously mentioned, is non-compliant with FMFIA. In FY 2015, CBP initiated requirement planning for a new Revenue Modernization System to eventually replace ACS to improve and simplify the revenue collection process throughout CBP.



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'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 to 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.

Overview of the Financial Statements

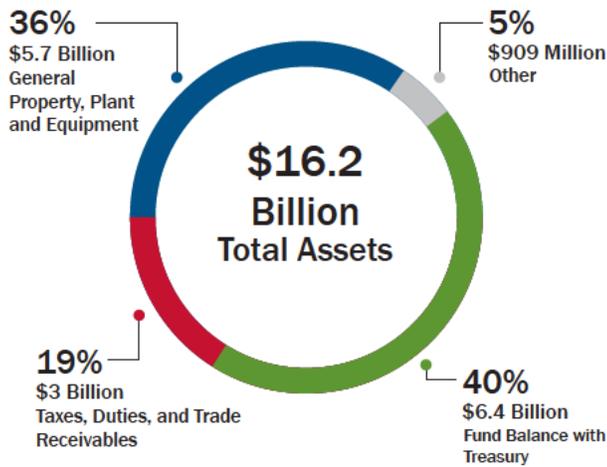
The financial statements and footnotes appear in the "Financial Section" of this report. The financial statements have been audited by the independent auditor engaged by the DHS OIG, KPMG LLP, who determined that the financial statements are fairly presented in all material respects in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP).

Consolidated Balance Sheet

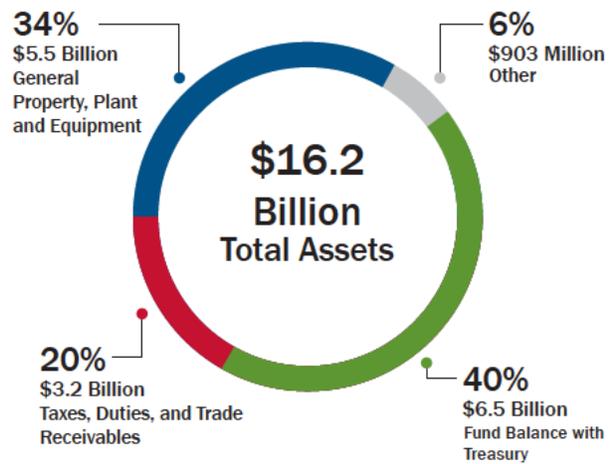
The Consolidated Balance Sheet presents the property owned by CBP (assets), amounts owed by CBP (liabilities), and the difference (net position). As of September 30, 2015, total assets were \$16.2 billion, a <1 percent increase from FY 2014. Total liabilities were \$6.8 billion, an increase of 2 percent over FY 2014.



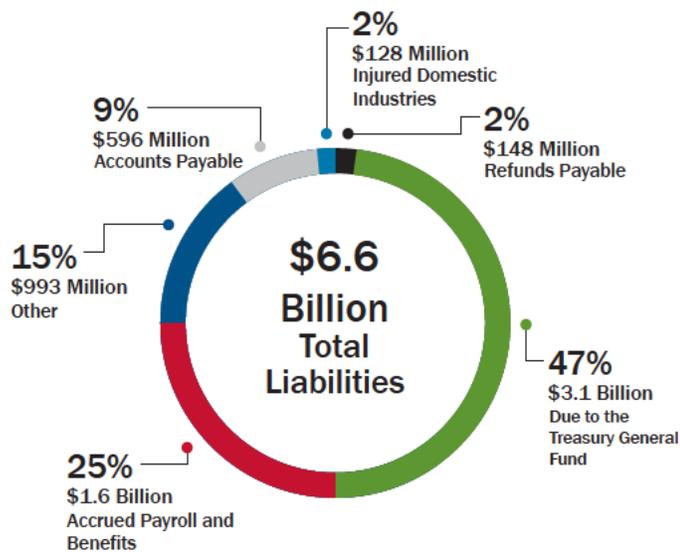
FY 2014 Assets



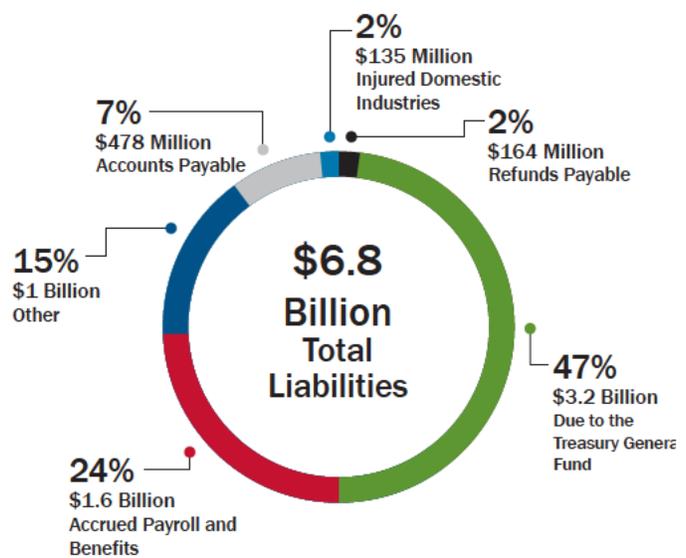
FY 2015 Assets



FY 2014 Liabilities



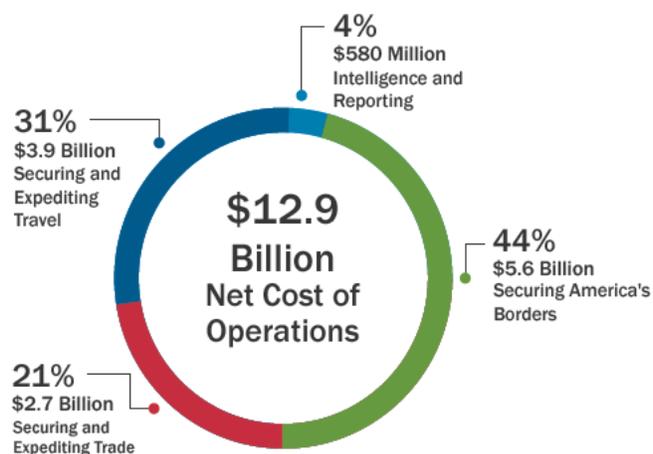
FY 2015 Liabilities



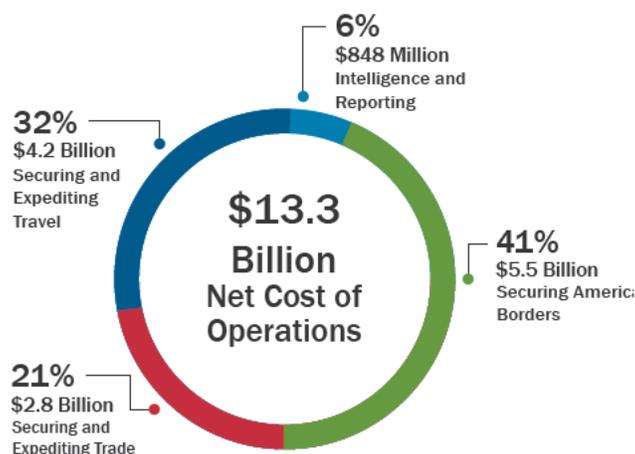
Consolidated Statement of Net Cost

The Consolidated Statement of Net Cost presents the net cost of the major CBP programs as they relate to the goals of the DHS 2014-2018 Strategic Plan. The gross cost less any offsetting revenue for each program equals net cost of operations. Net cost of operations was \$13.3 billion.

FY 2014 Net Cost of Operations



FY 2015 Net Cost of Operations



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 \$8.2 billion, representing 62 percent of CBP's total financing sources. CBP collected and retained \$4.1 billion of non-exchange revenue, amounting to 31 percent of total financing sources, which was used to fund CBP operations.

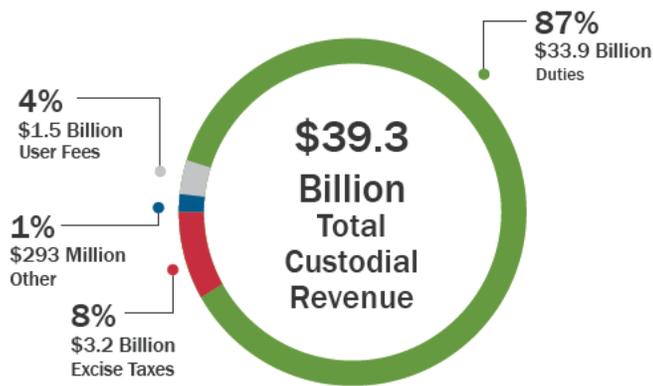
Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources illustrates how budgetary resources were made available, as well as their status at the end of FY 2015. CBP had \$19.5 billion in budgetary resources, of which \$1.7 billion were unobligated. CBP incurred obligations of \$17.7 billion and recorded \$17.2 billion in gross outlays by the end of FY 2015.

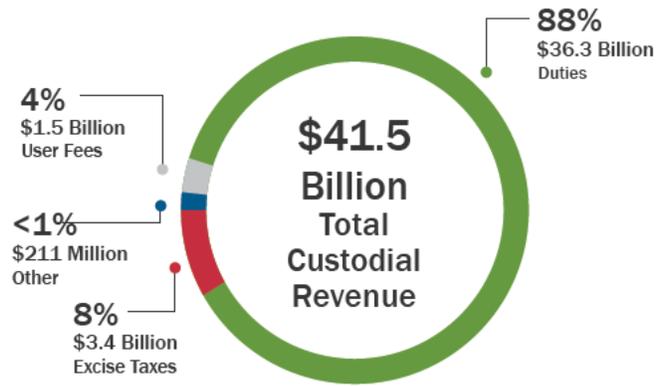
Consolidated Statement of Custodial Activity

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 2015 was \$41.5 billion.

FY 2014 Total Custodial Revenue



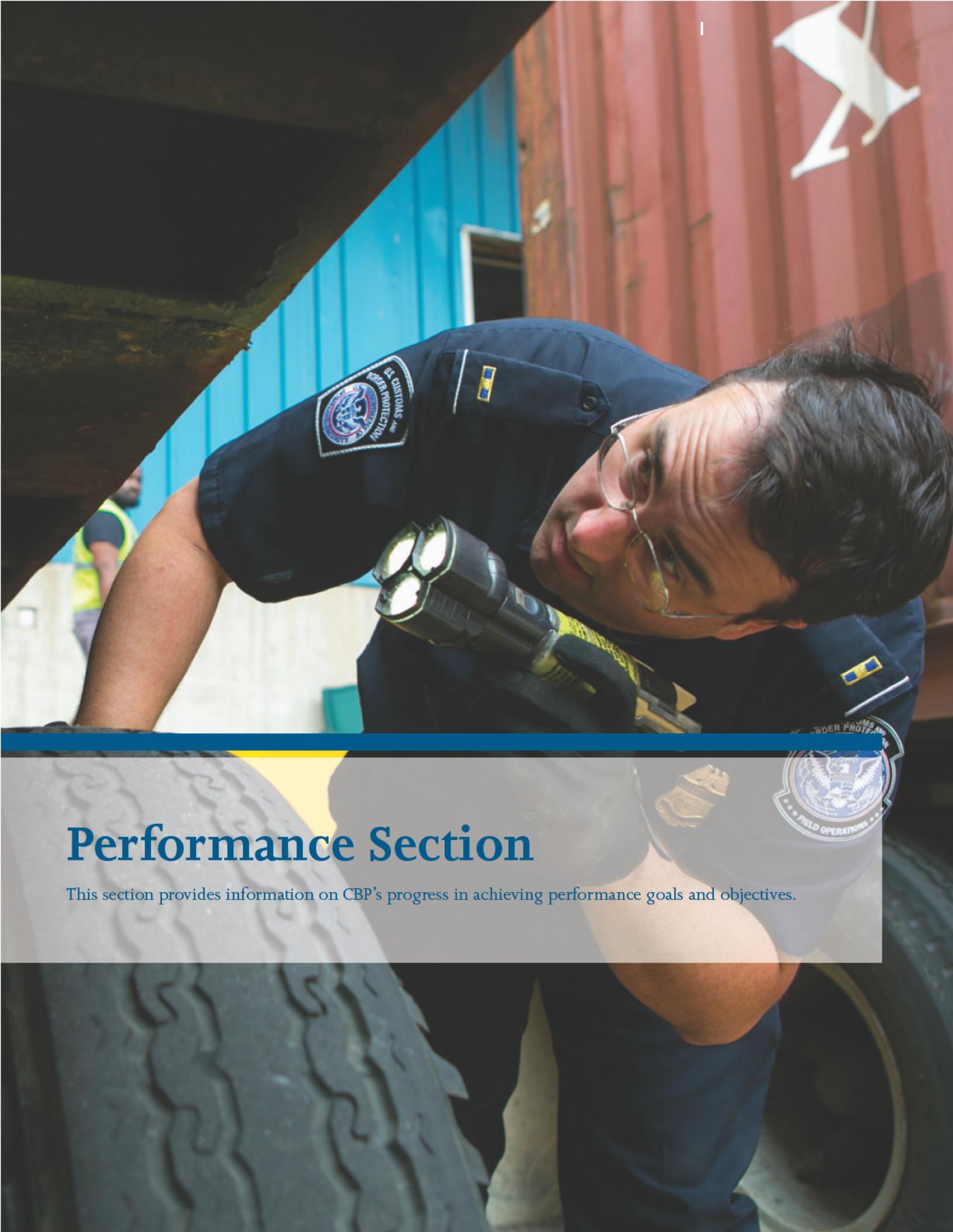
FY 2015 Total Custodial Revenue



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 U.S. 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.



Performance Section

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

Performance Summary

The performance data presented in this report is in accordance with certain provisions of OMB guidance. The data integrity discussion in the “Systems and Controls” section describes CBP’s commitment to providing quality and timely performance information. CBP managers use this data to demonstrate accountability and improve the quality of program results.

The performance measures are used to measure progress in achieving the goals outlined in the CBP Vision and Strategy 2020, the DHS Strategic Plan 2014-2018, developed as a result of the 2014 QHSR, and the DHS FYSHIP. The measurement data is collected through various systems and methods and then entered into the FYHSP System for tracking and compiling management decision-making and year-end reporting. In this PAR, CBP has reported on the nine strategic performance measures which align with the DHS major missions established by the DHS Strategic Plan 2014-2018 and that support DHS’ GPRAMA compliance requirements.

In FY 2015, CBP met 5 of the 9 (55.6 percent) strategic performance measure targets. Of the four targets CBP did not meet, its performance results were very close to the targets, in some cases less than 1 percent. The measures are organized by strategic goal and objective. CBP has four overarching strategic goals:

1. Counter Terrorism and Transnational Crime
2. Advance Comprehensive Border Security and Management
3. Enhance U.S. Economic Competitiveness by Enabling Lawful Trade and Travel
4. Promote Organizational Integration, Innovation, and Agility

Individual Performance Measure Results

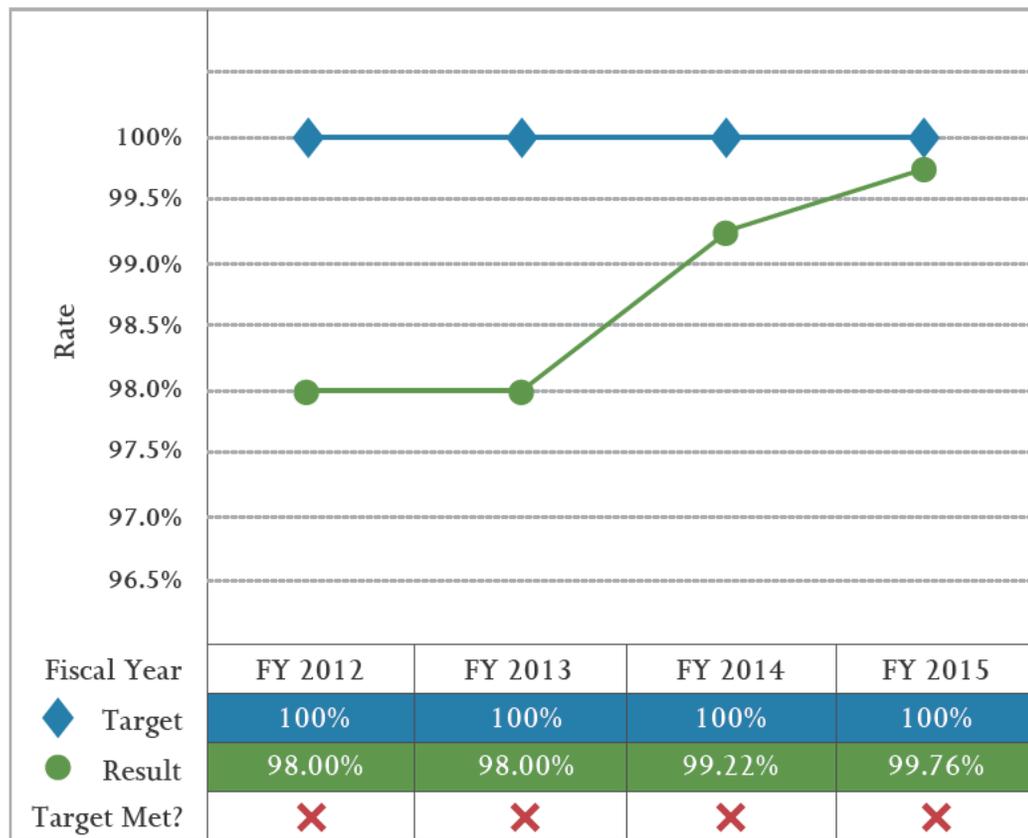
This section describes the FY 2015 target for each performance measure, a discussion of CBP’s FY 2015 performance results, and, when available, four years of historical trend data. CBP has prepared line graphs for each performance measure to show performance trends.

Although in some cases CBP achieved a result significantly better than the target, CBP did not set the new fiscal year’s target to reflect the prior year’s result. Annual performance is subject to greater variability than long-term performance. Over time, short-term trends tend to balance out and provide a more accurate picture of CBP’s long-term performance. Targets are determined to measure the performance toward long-term strategic goals.

Goal 1: Counter Terrorism and Transnational Crime

Performance Measure (1): 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

This measure gauges the percent of international cargo coming to the U.S. via air, land, and sea identified as potentially high-risk using ATS 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.



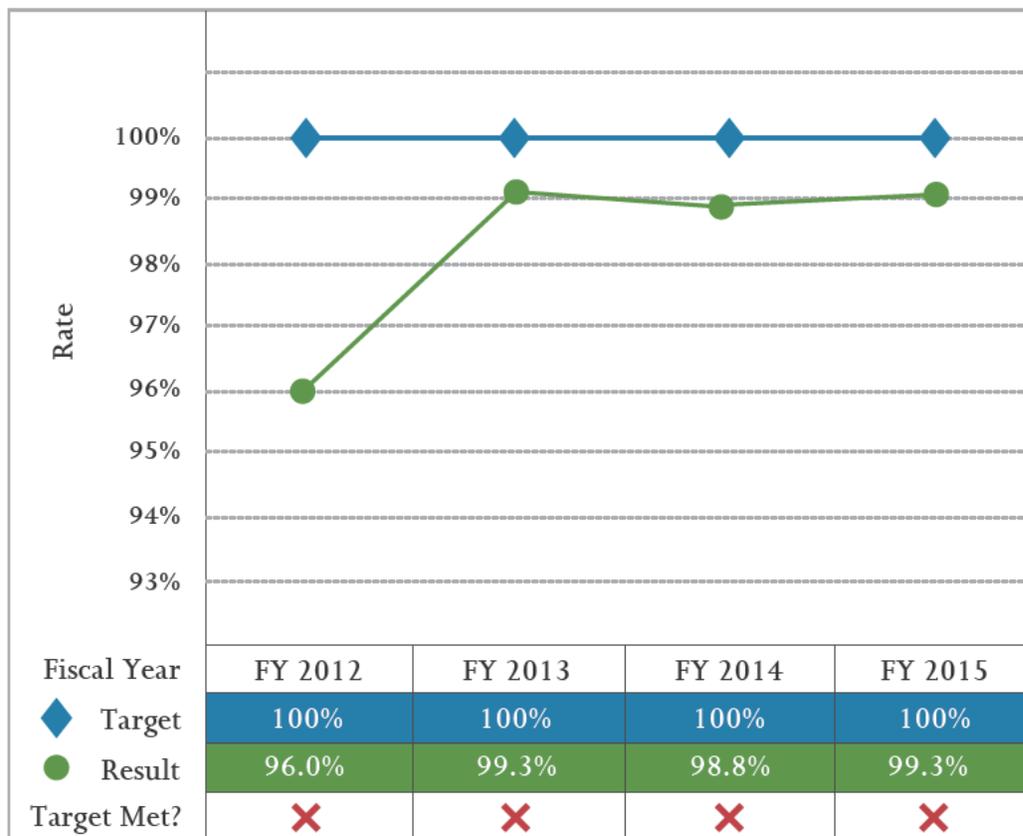
Explanation of FY 2015 Results: This measure gauges the overall percent of inbound cargo in the sea, air, and land environments identified as potentially high risk by the ATS that is reviewed, scanned, or otherwise examined prior to lading or at arrival at a U.S. port of entry. A small percentage of cargo is not reviewed due to status changes en route, information processing and data entry errors, or logistical and scheduling anomalies.

Corrective Action: CBP’s OFO will continue to work with the Targeting and Analysis Systems Program Directorate and shippers and carriers to identify the reasons that shipments are not reviewed, to resolve identified issues, and implement permanent process improvements.

Goal 2: Advance Comprehensive Border Security and Management

Performance Measure (2): Percent of detected conventional aircraft incursions resolved along all borders of the United States

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, CBP's AMO assets are launched to interdict the aircraft. In most cases, resolution of the aircraft identity is made by AMOC working with interagency partners, such as the Federal Aviation Administration (FAA). If the incursion is deemed legal, AMOC considers the incursion resolved. If AMOC could not identify that target in working with our partners, including AMO assets, the incursion is deemed unresolved and is thus considered illegal.



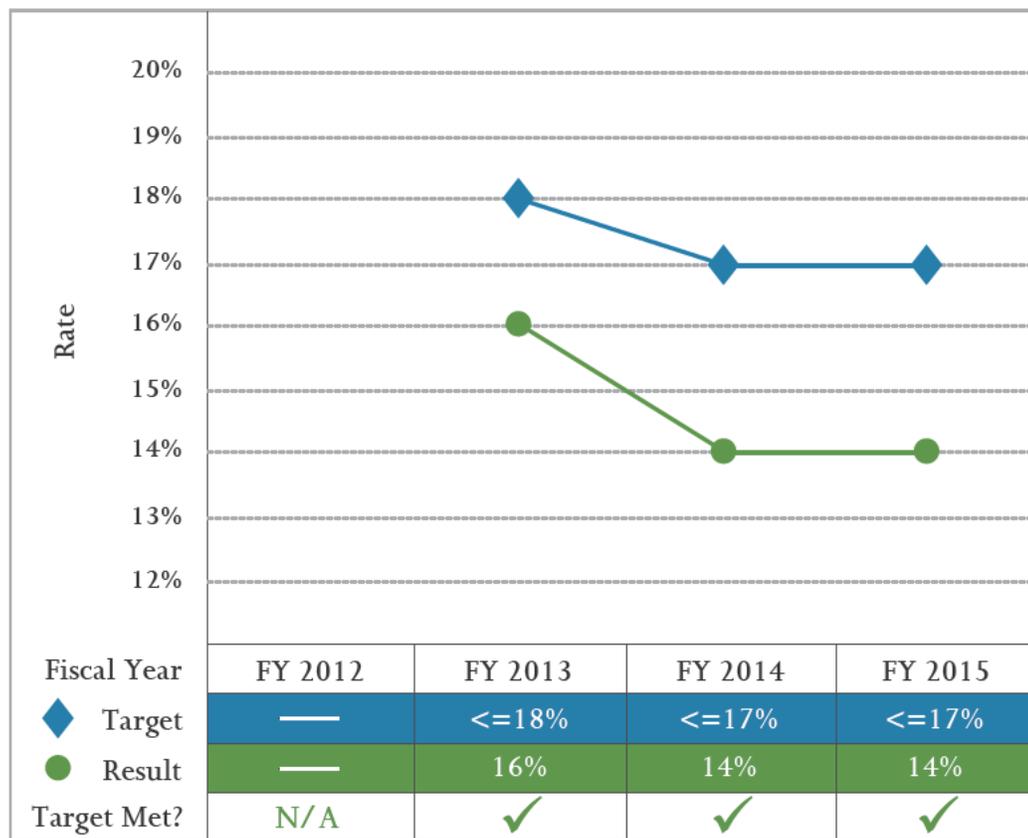
Explanation of FY 2015 Results: During Q4 of FY 2015, AMOC resolved 59 of 59 border incursions, a 100% success rate. FY 2015 totals were 269 of 271 border incursions resolved for an overall 99.3% success rate. The two unresolved aircraft were visually spotted by USBP and OFO agents on the border and reported to AMOC. Responding law enforcement could not locate the target to identify and resolve.

Corrective Action: The AMOC will continue to increase surveillance capability through integration of FAA and DoD radar technology along the border environment to better detect low flying aircraft incursions.

Goal 2: Advance Comprehensive Border Security and Management

Performance Measure (3): Percent of people apprehended multiple times along the Southwest border

This measure examines the percent of deportable individuals who have been apprehended multiple times by the USBP. 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.

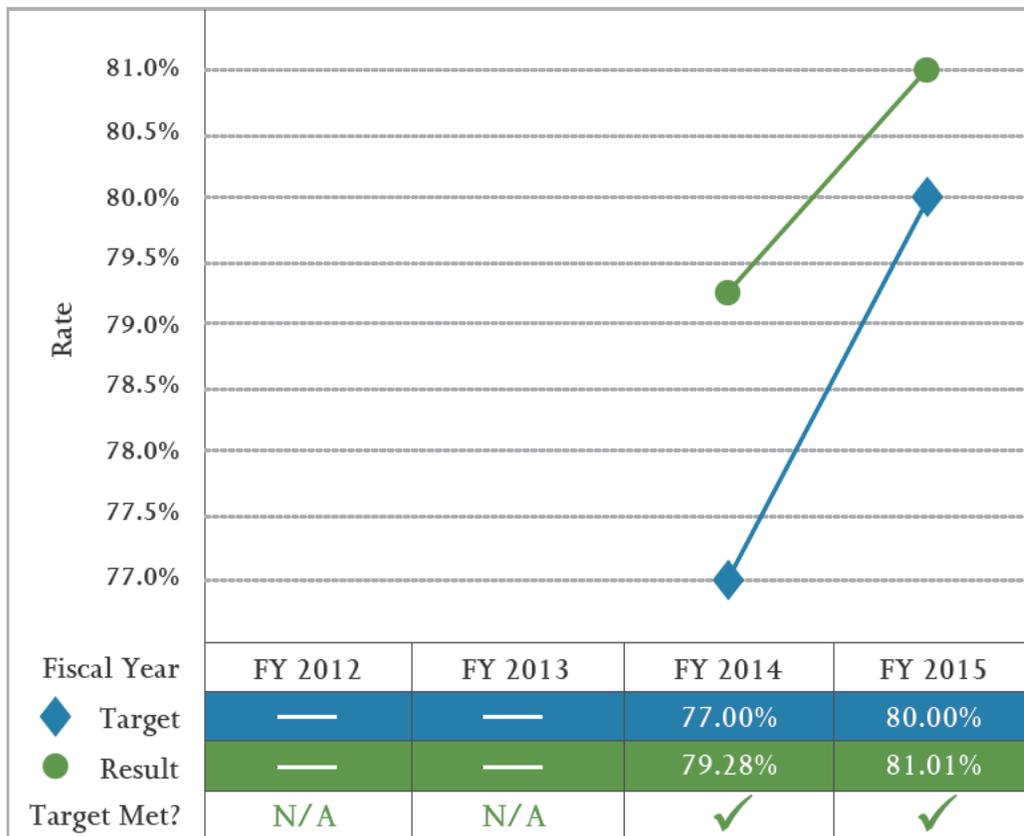


Explanation of FY 2015 Results: The USBP uses the Consequence Delivery System (CDS) on the Southwest border as a means to employ an analytical process that standardizes decision making in the application of consequences and examines the efficiency and effectiveness of individual consequences on various types of deportable aliens. Recidivism and the average number of apprehensions per recidivist are the strongest indicators of CDS effectiveness. Since CDS implementation in FY 2011, the annually reported recidivism rate has decreased from an average of 27 percent to 14 percent in FY 2015 and average apprehensions per recidivist decreased from 2.71 to 2.38 in FY 2015. Contributing factors to the reduction included reducing the percent of apprehensions resulting in a Voluntary Return, the least effective and efficient consequence, from 59 percent in FY 2010 to 4 percent in FY 2015; and applying more effective and efficient consequences to illegal aliens with a higher probability of making subsequent illegal entries.

Goal 2: Advance Comprehensive Border Security and Management

Performance Measure (4): Rate of interdiction effectiveness along the Southwest Border between ports of entry

This measure reports the percent of detected illegal entrants who were apprehended or turned back after illegally entering the U.S. between the ports of entry on the Southwest border. The Border Patrol achieves this desired strategic outcome by maximizing the apprehension of detected illegal entrants or confirming that illegal entrants return to the country from which they entered; and by minimizing the number of persons who evade apprehension and can no longer be pursued.

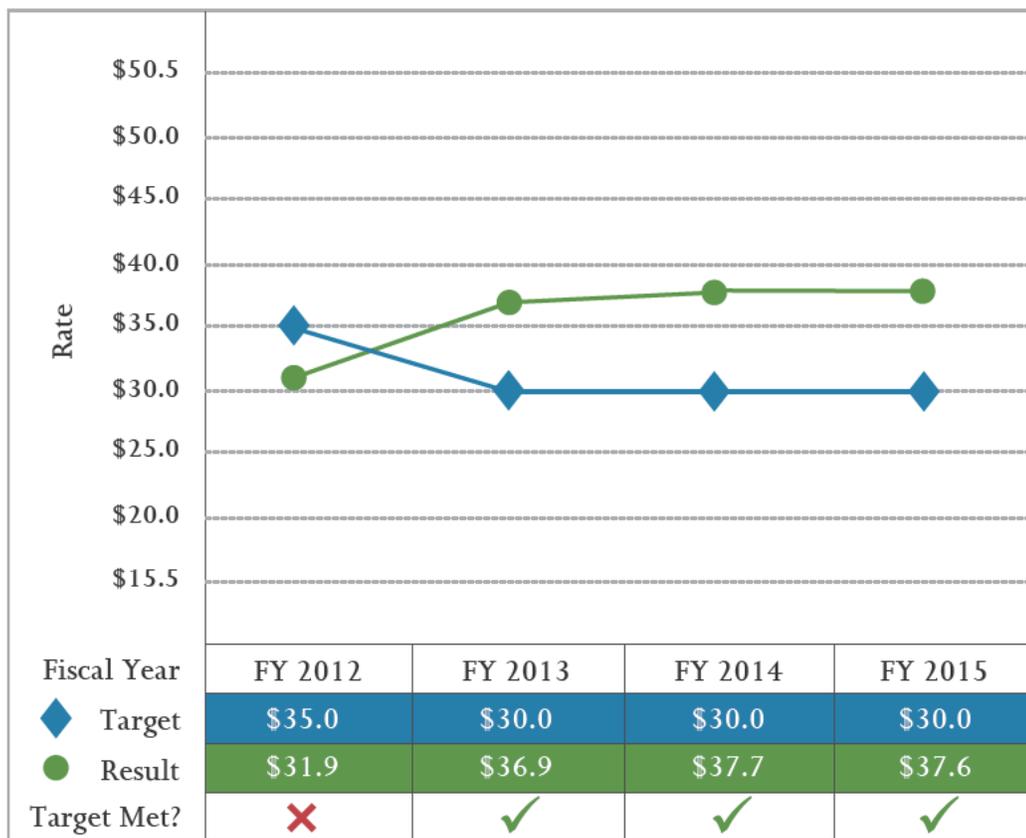


Explanation of FY 2015 Results: USBP uses a risk-based strategy to deploy resources and address emerging threats. Risk is assessed qualitatively and quantitatively and is informed by multiple indicators, including the Interdiction Effectiveness Rate (IER). The IER is the percent of detected illegal entrants who were apprehended or turned back after illegally entering the U.S. between the Southwest border ports of entry. The IER focuses on positive outcomes (apprehensions or turnbacks) of recent entrants made in the immediate border area, excluding apprehensions made over 30 days after entry and apprehensions made beyond our area of operations. Through recent process improvements that identify capability gaps, as well as additional man hours attained through the Overtime Transition Plan, CBP was able to strategically deploy resources based on risk and end the year with an IER of 81.01 percent exceeding the 80 percent target.

Goal 2: Advance Comprehensive Border Security and Management

Performance Measure (5): Amount of smuggled outbound currency seized at the ports of entry (in millions)

This measure provides the total dollar amount of all currency in millions seized during outbound inspection of exiting passengers and vehicles, both privately-owned and commercial. The scope of this measure covers both the Southwest and Northern borders and includes all modes of transportation (land, air, and sea).

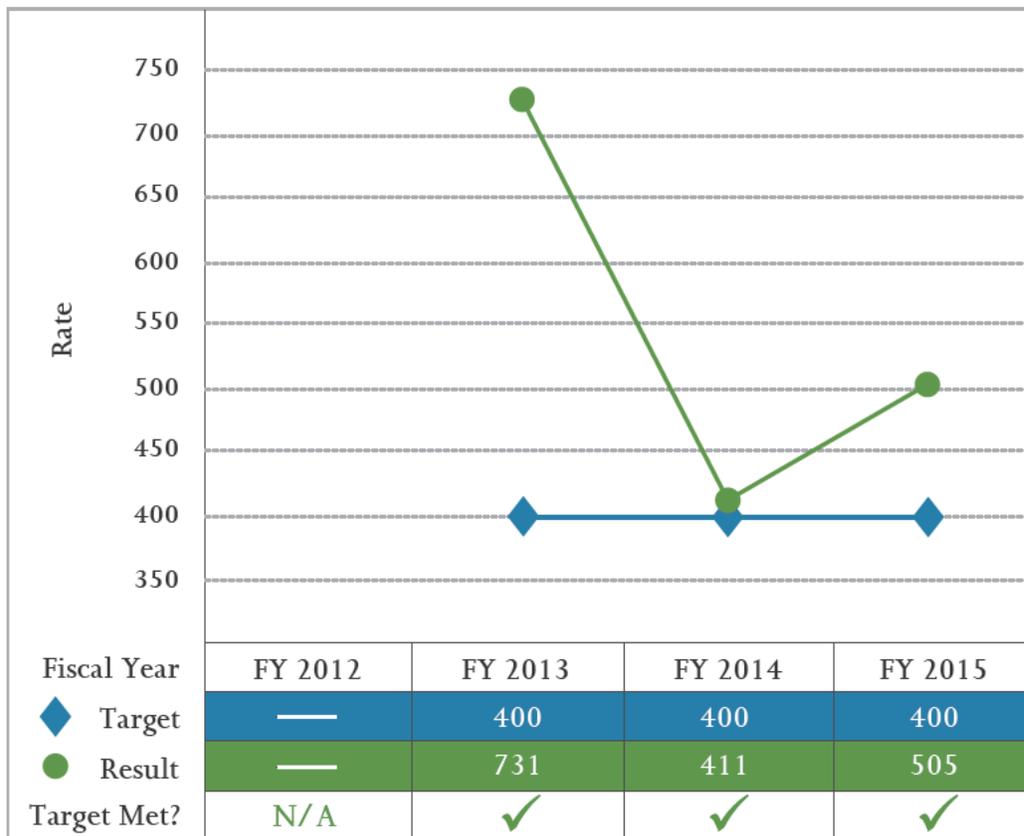


Explanation of FY 2015 Results: This is a cumulative national-level measure with the target specified as the amount of currency to be seized by the end of year. CBP conducted risk-based outbound enforcement activities on an ongoing basis.

Goal 2: Advance Comprehensive Border Security and Management

Performance Measure (6): Number of smuggled outbound weapons seized at the ports of entry

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 border security by preventing the movement of assault weapons and ammunition.

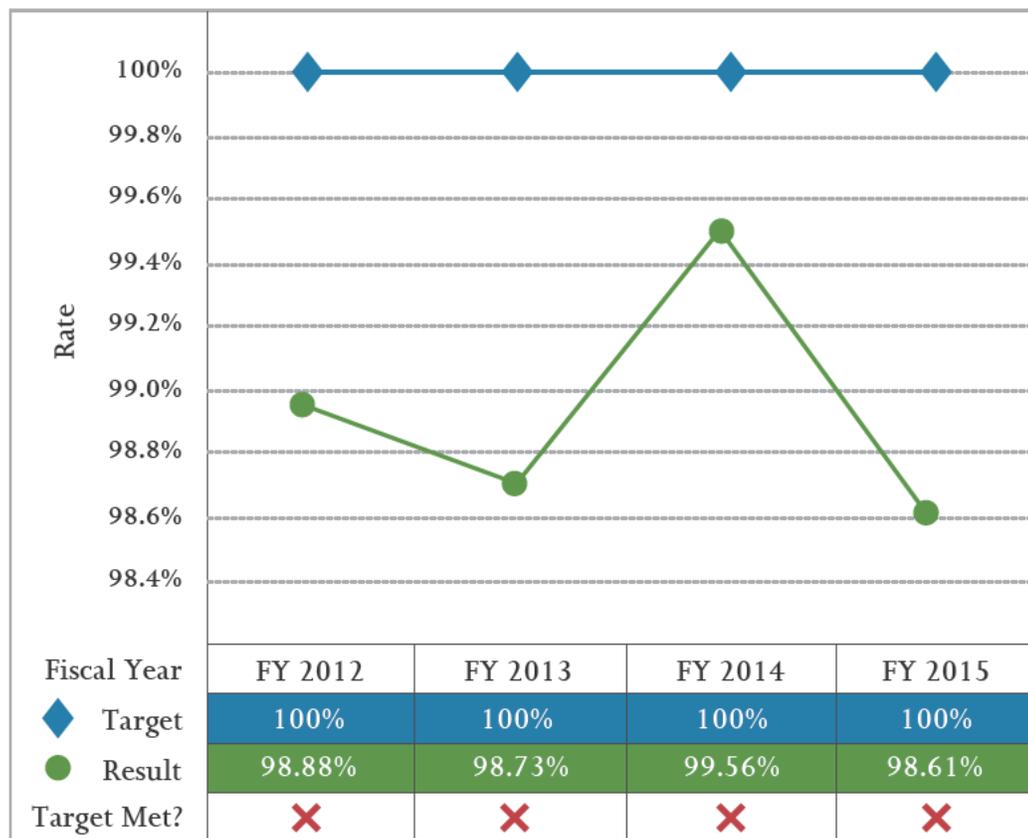


Explanation of FY 2015 Results: CBP will continue to conduct risk-based outbound enforcement operations to identify and seize weapons being transported out of the country illegally and work with other law enforcement agencies and both local and international partners to identify and disrupt outbound smuggling activities.

Goal 3: Enhance U.S Economic Competitiveness by Enabling Lawful Trade and Travel

Performance Measure (7): Percent of import revenue successfully collected

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 estimated revenue gap is a statistical calculation of potentially uncollected duties (the difference between estimated under-collection and overpayment) based on statistical sampling.



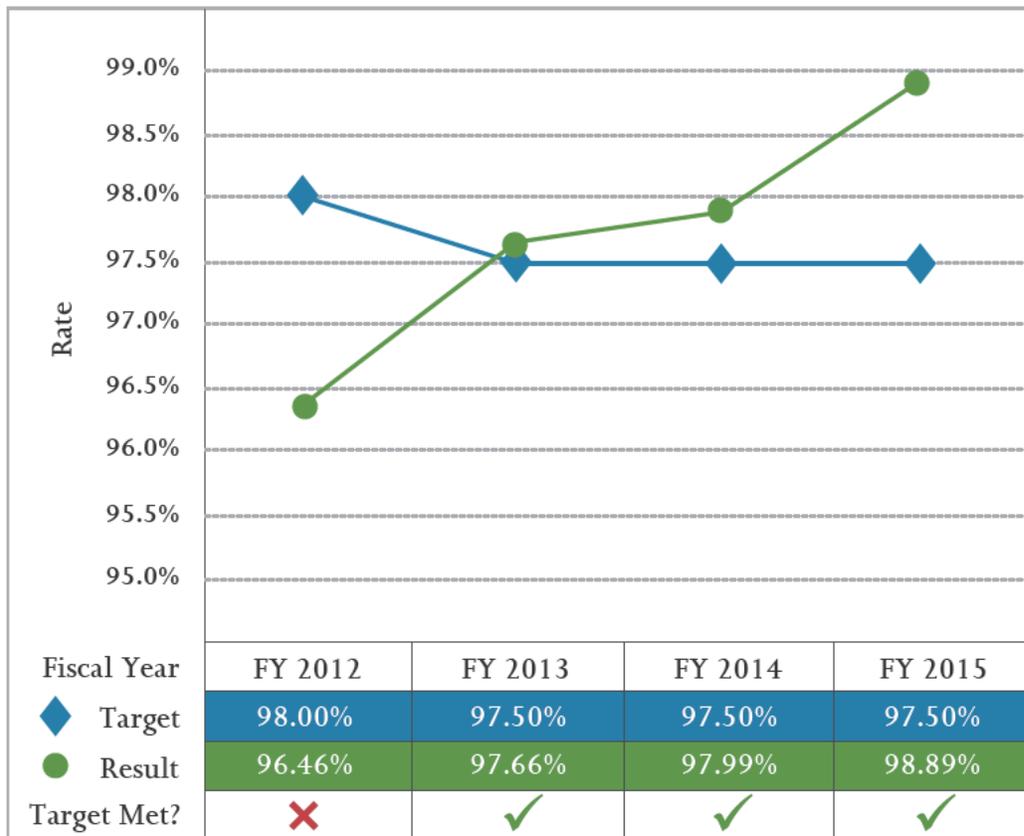
Explanation of FY 2015 Results: While there remains a very small percentage of under collections, it is due to some importers unintentionally or intentionally failing to pay the correct amount of duties, taxes, and fees.

Corrective Action: CBP will continue to apply various enforcement methods such as audits, targeting, and statistical random sampling to bridge revenue gap and identify non-compliance with U.S. trade laws, regulations and agreements.

Goal 3: Enhance U.S Economic Competitiveness by Enabling Lawful Trade and Travel

Performance Measure (8): Percent of imports compliant with applicable U.S. trade laws

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..

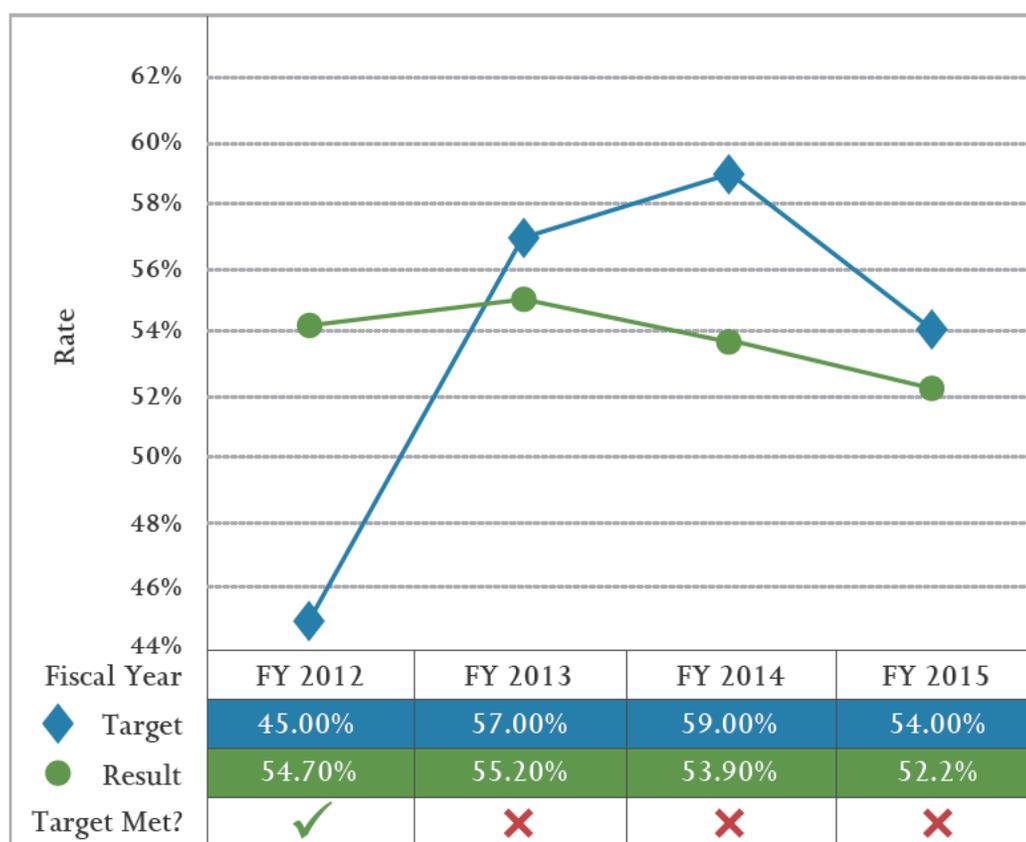


Explanation of FY 2015 Results: Through C-TPAT and Importer Self-Assessment programs and CEE, CBP closely monitored importers to reduce the non-compliance rates.

Goal 3: Enhance U.S Economic Competitiveness by Enabling Lawful Trade and Travel

Performance Measure (9): Percent of cargo by value imported to the U.S. by participants in CBP trade partnership programs

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 C-TPAT and Importer Self-Assessment (ISA). 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..

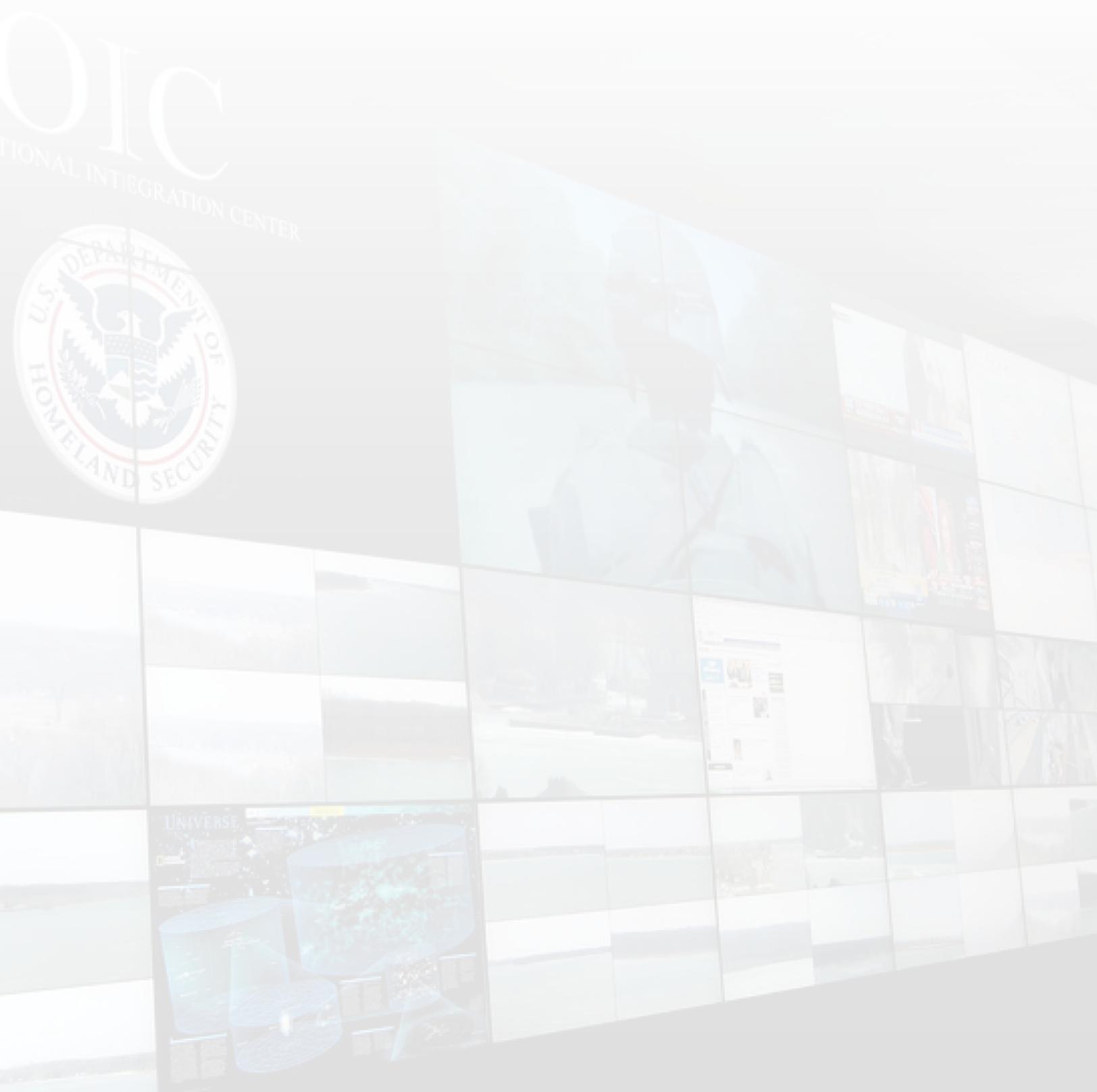


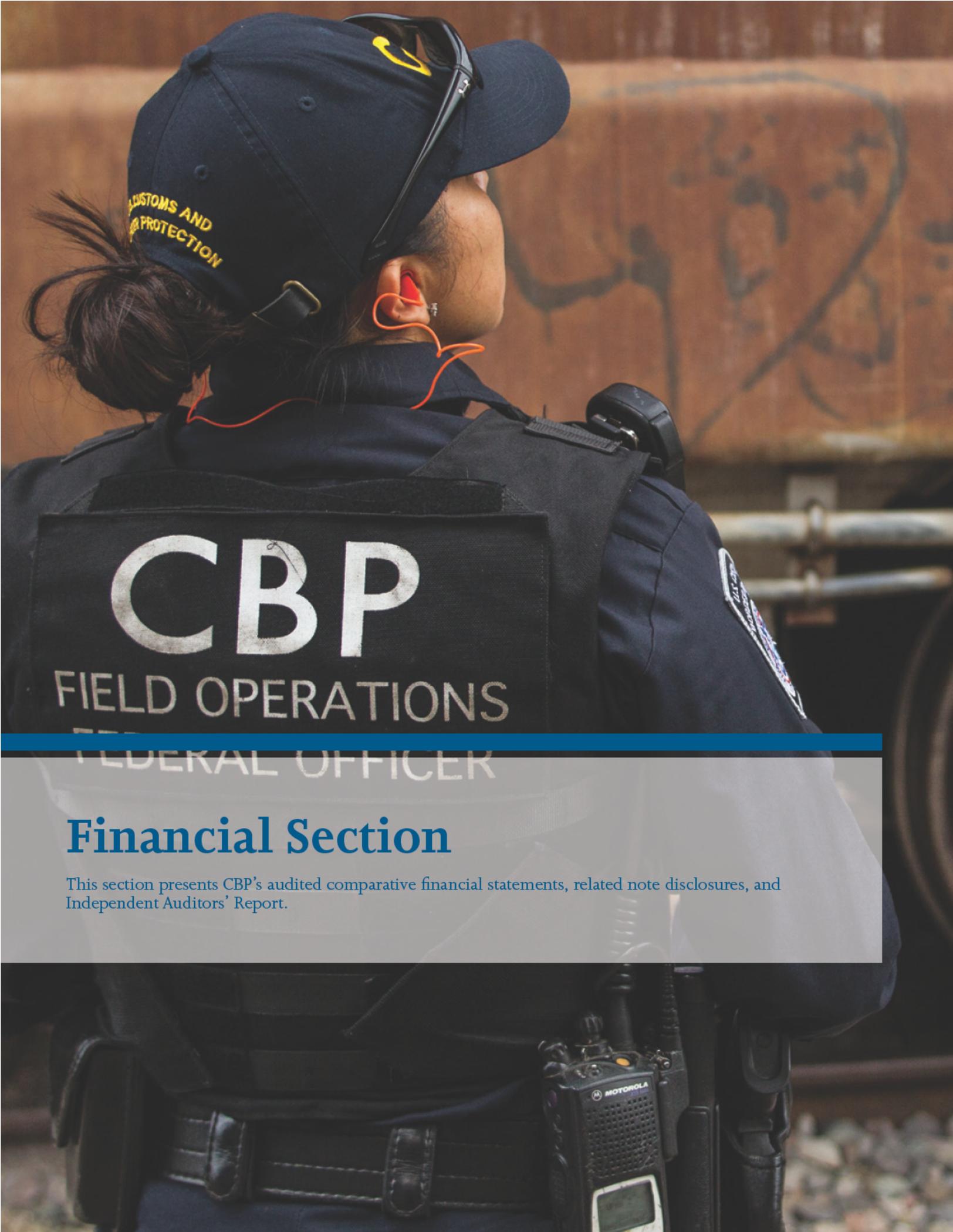
Explanation of FY 2015 Results: Over 67 importers were suspended from the C-TPAT program during FY 2015 for various instances of non-compliance: negative validations, narcotics, et al. As required by the Safe Port Act, immediate remediation efforts have been implemented.

Corrective Action: CBP will continue to increase its outreach efforts independently and in conjunction with various trade and supply chain security associations to increase active partners and ensure the most effective and efficient means to secure and expedite trade.

Goal 4: Promote Organizational Integration, Innovation, and Agility

CBP does not have strategic performance measures that align to this strategic goal. This is a mission support goal. Per DHS guidance, mission support does not have strategic measures.





CUSTOMS AND
BORDER PROTECTION

CBP
FIELD OPERATIONS
FEDERAL OFFICER

Financial Section

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

Message from the Chief Financial Officer



CBP is firmly committed to financial management excellence. In FY 2015, CBP is particularly proud of its accomplishment of implementing property control and business process improvements that improved the accountability of the reporting of property on the financial statements. Properly accounting for \$11 billion in Property, Plant and Equipment across all CBP Program Offices at hundreds of locations across the country and beyond is an extremely encompassing task that requires the support from all CBP components. This was a culmination of efforts by CBP employees over the last seven years to improve the financial controls around property that resulted in reduced financial risk regarding the accountability over property on the FY 2015 CBP Financial Statement Audit.

Through the dedicated work of our employees and a desire for continuous improvement, these accomplishments illustrate the highest standards of integrity in CBP's mission support. In the midst of challenging times and a tight budget environment, CBP balances our responsibility to provide an effective management infrastructure with our mission of securing the Nation's borders and facilitating international trade and travel. The purpose of this report is to provide a comprehensive assessment of our financial performance, and report on our stewardship of CBP's resources with demonstrated successes.

In FY 2015, CBP received an Unmodified Audit Opinion on our FY 2015 Financial Statements for the tenth year in a row. The Unmodified opinion on our financial statements reflects positively that CBP demonstrates discipline, integrity, and accountability in the execution of our fiscal stewardship responsibilities.

CBP can provide reasonable assurance to support DHS' compliance requirements that the agency has achieved the objectives of the Federal Management Financial Integrity Act, Section 2 (Operations) and Section 4 (Financial Systems), with certain exceptions as identified in CBP's Management Assurance Statement. CBP is committed to addressing all of our financial management challenges by continuing to implement corrective measures to improve oversight and accountability. Through the CBP Vision and Strategy 2020, we articulate CBP's vision and mission from our leaders and prioritize financial resources to align with our strategic goals. This provides an improved internal structure and processes that promote collaboration and integration across the Agency.

CBP continues to work toward correcting its remaining control issues as identified by the Financial Statement Audit as well as other weaknesses identified through Government Accountability Office, Department of Homeland Security Office of Inspector General, or internal management evaluations.

The diligent work of employees across CBP allows us to maintain high standards of financial stewardship. I would like to thank the men and women of this organization for the hard work they do every day. Our goals remain to provide timely, reliable, and useful financial management information to the U.S. Congress and the American public to enable the managers across CBP to make smart business decisions.

A handwritten signature in black ink that reads "Jaye Williams" followed by a long horizontal flourish.

Jaye M. Williams
Chief Financial Officer

Financial Statements

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 all material respects in accordance with U.S. GAAP.

- The Consolidated Balance Sheet presents the property owned by CBP (assets), amounts owed by CBP (liabilities), and the difference (net position).
- The Consolidated Statement of Net Cost presents the net cost of the major CBP programs as they relate to the goals of the DHS 2014-2018 Strategic Plan.
- 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.
- The Combined Statement of Budgetary Resources illustrates how and in what amounts budgetary resources were made available, as well as their status at the end of FY 2015.
- 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.

Financial Statements

U.S. Customs and Border Protection
Consolidated Balance Sheets
As of September 30, 2015 and 2014
(in Thousands)

	<u>2015</u>	<u>2014</u>
ASSETS (Note 2)		
Intra-governmental:		
Fund Balance with Treasury (Note 3)	\$ 6,506,547	\$ 6,428,244
Accounts Receivable	41,291	44,704
Advances and Prepayments (Note 11)	244,737	263,800
Total Intra-governmental	<u>6,792,575</u>	<u>6,736,748</u>
Cash and Other Monetary Assets (Note 4)	3,836	3,644
Accounts Receivable, Net (Note 5)	399,979	394,940
Taxes, Duties and Trade Receivables, Net (Note 6)	3,244,950	3,049,390
Inventory and Related Property, Net (Note 7)	213,579	202,535
General Property, Plant and Equipment, Net (Note 9)	5,532,535	5,787,086
Other Assets (Note 11)	254	50
TOTAL ASSETS	<u>\$16,187,708</u>	<u>\$16,174,393</u>
Stewardship Property, Plant and Equipment (Note 10)		
LIABILITIES (Note 12)		
Intra-governmental:		
Accounts Payable	\$ 211,046	\$ 161,953
Other		
Due to the Treasury General Fund	3,246,558	3,120,838
Custodial Liability	76,200	--
Accrued Federal Employees' Compensation Act Liability (Note 12)	177,276	167,449
Other Employment Liabilities (Note 12)	363	206
Employee Benefits and Taxes	68,935	58,797
Advances From Others	1,981	1,570
Total Intra-governmental	<u>3,782,359</u>	<u>3,510,813</u>
Accounts Payable	266,872	435,027
Environmental and Disposal Liabilities (Notes 12 and 14)	20,074	20,974
Other		
Accrued Payroll and Benefits (Note 13)	1,631,295	1,621,998
Refunds Payable (Note 15)	164,734	148,522
Deferred Revenue	24,861	63,331
Injured Domestic Industries (Note 15)	135,178	128,251
Liability for Puerto Rico Trust Fund (Note 15)	69,811	--
Custodial Liability	13,495	--
Liabilities for Deposit Accounts	246,544	283,211
Legal Contingent Liabilities (Note 17)	398,858	397,844
TOTAL LIABILITIES	<u>6,754,081</u>	<u>6,609,971</u>
Commitments and Contingencies (Note 17)		
NET POSITION:		
Unexpended Appropriations – All Other Funds	3,572,084	3,688,692
Cumulative Results of Operations – Funds from Dedicated Collections (Note 18)	976,799	768,034
Cumulative Results of Operations – All Other Funds	4,884,744	5,107,696
TOTAL NET POSITION	<u>9,433,627</u>	<u>9,564,422</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$16,187,708</u>	<u>\$16,174,393</u>

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

U.S. Customs and Border Protection
Consolidated Statements of Net Cost
For the Years Ended September 30, 2015 and 2014
(in Thousands)

	<u>2015</u>	<u>2014</u>
Securing America's Borders		
Gross Cost	\$ 5,563,325	\$ 5,750,055
Less: Earned Revenue	99,448	102,039
Net Program Costs	<u>5,463,877</u>	<u>5,648,016</u>
Securing and Expediting Trade		
Gross Cost	2,818,975	2,755,931
Less: Earned Revenue	48,735	45,866
Net Program Costs	<u>2,770,240</u>	<u>2,710,065</u>
Securing and Expediting Travel		
Gross Cost	4,296,250	4,049,378
Less: Earned Revenue	80,176	75,745
Net Program Costs	<u>4,216,074</u>	<u>3,973,633</u>
Intelligence and Targeting		
Gross Cost	857,515	586,334
Less: Earned Revenue	9,426	6,339
Net Program Costs	<u>848,089</u>	<u>579,995</u>
Total Gross Cost	13,536,065	13,141,698
Less: Total Earned Revenue	237,785	229,989
Net Cost of Operations (Notes 19 and 20)	<u>\$13,298,280</u>	<u>\$12,911,709</u>

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

U.S. Customs and Border Protection
Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2015
(in Thousands)

	FY 2015		
	Funds from Dedicated Collections	All Other Funds	Consolidated Total
Cumulative Results of Operations:			
Beginning Balances	\$ 768,034	\$ 5,107,696	\$ 5,875,730
Budgetary Financing Sources:			
Appropriations Used	--	8,245,369	8,245,369
Non-exchange Revenue (Note 21)	911,942	1,312	913,254
Transfers In/Out Without Reimbursement (Note 21)	(2,515,568)	2,855,601	340,033
Other Financing Sources (Non-exchange):			
Transfers In/Out Without Reimbursement	(1,091)	8,212	7,121
Imputed Financing	--	599,562	599,562
Other (Note 21)	3,212,622	(33,868)	3,178,754
Total Financing Sources	1,607,905	11,676,188	13,284,093
Net Cost of Operations	(1,399,140)	(11,899,140)	(13,298,280)
Net Change	208,765	(222,952)	(14,187)
Cumulative Results of Operations	976,799	4,884,744	5,861,543
Unexpended Appropriations:			
Beginning Balance	--	3,688,692	3,688,692
Budgetary Financing Sources:			
Appropriations Received (Note 23)	--	8,311,122	8,311,122
Appropriations Transferred In/Out	--	(38,746)	(38,746)
Other Adjustments (Note 23)	--	(143,615)	(143,615)
Appropriations Used	--	(8,245,369)	(8,245,369)
Total Budgetary Financing Sources	--	(116,608)	(116,608)
Total Unexpended Appropriations	--	3,572,084	3,572,084
Net Position	\$ 976,799	\$ 8,456,828	\$ 9,433,627

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

U.S. Customs and Border Protection
Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2014
(in Thousands)

	FY 2014		
	Funds from Dedicated Collections	All Other Funds	Consolidated Total
Cumulative Results of Operations:			
Beginning Balances	\$ 641,492	\$ 5,500,094	\$ 6,141,586
Budgetary Financing Sources:			
Other Adjustments	--	16,779	16,779
Appropriations Used	--	7,783,637	7,783,637
Non-exchange Revenue (Note 21)	822,288	8,062	830,350
Transfers In/Out Without Reimbursement (Note 21)	(2,381,699)	2,630,045	248,346
Other Financing Sources (Non-exchange):			
Transfers In/Out Without Reimbursement	(390)	42,546	42,156
Imputed Financing	--	685,831	685,831
Other (Note 21)	3,026,203	12,551	3,038,754
Total Financing Sources	1,466,402	11,179,451	12,645,853
Net Cost of Operations	(1,339,860)	(11,571,849)	(12,911,709)
Net Change	126,542	(392,398)	(265,856)
Cumulative Results of Operations	<u>768,034</u>	<u>5,107,696</u>	<u>5,875,730</u>
Unexpended Appropriations:			
Beginning Balance	--	3,340,275	3,340,275
Budgetary Financing Sources:			
Appropriations Received (Note 23)	--	8,315,139	8,315,139
Appropriations Transferred In/Out	--	5,655	5,655
Other Adjustments (Note 23)	--	(188,740)	(188,740)
Appropriations Used	--	(7,783,637)	(7,783,637)
Total Budgetary Financing Sources	--	348,417	348,417
Total Unexpended Appropriations	<u>--</u>	<u>3,688,692</u>	<u>3,688,692</u>
Net Position	<u>\$ 768,034</u>	<u>\$ 8,796,388</u>	<u>\$ 9,564,422</u>

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

U.S. Customs and Border Protection
 Combined Statements of Budgetary Resources
 For the Years Ended September 30, 2015 and 2014
 (in Thousands)

	<u>2015</u>	<u>2014</u>
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 1,559,893	\$ 1,292,312
Recoveries of Prior Year Unpaid Obligations	574,505	344,049
Other Changes in Unobligated Balance	(118,461)	(115,001)
Unobligated Balance from Prior Year Budget Authority, Net	<u>2,015,937</u>	<u>1,521,360</u>
Appropriations (Note 23)	15,577,725	13,978,189
Spending Authority from Offsetting Collections	<u>1,880,418</u>	<u>1,754,183</u>
Total Budgetary Resources	<u><u>\$ 19,474,080</u></u>	<u><u>\$ 17,253,732</u></u>
Status of Budgetary Resources:		
Obligations Incurred (Note 22)	\$ 17,745,566	\$ 15,693,839
Unobligated Balance, End of Year:		
Apportioned	928,257	1,017,432
Unapportioned	<u>800,257</u>	<u>542,461</u>
Total Unobligated Balance, End of Year	<u>1,728,514</u>	<u>1,559,893</u>
Total Budgetary Resources	<u><u>\$ 19,474,080</u></u>	<u><u>\$ 17,253,732</u></u>
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1 (gross)	\$ 3,651,410	\$ 3,521,005
Obligations Incurred (Note 22)	17,745,566	15,693,839
Outlays (gross)	(17,247,245)	(15,219,385)
Recoveries of Prior Year Unpaid Obligations	<u>(574,505)</u>	<u>(344,049)</u>
Unpaid Obligations, End of Year (gross)	<u>3,575,226</u>	<u>3,651,410</u>
Uncollected Payments:		
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(146,206)	(151,759)
Change in Uncollected Customer Payments from Federal Sources	<u>4,990</u>	<u>5,553</u>
Uncollected Customer Payments from Federal Sources, End of Year	<u>(141,216)</u>	<u>(146,206)</u>
Obligated Balance, Start of Year	<u>\$ 3,505,204</u>	<u>\$ 3,369,246</u>
Obligated Balance, End of Year	<u><u>\$ 3,434,010</u></u>	<u><u>\$ 3,505,204</u></u>
Budget Authority and Outlays, Net:		
Budget Authority, Gross	\$ 17,458,143	\$ 15,732,372
Actual Offsetting Collections	(1,885,408)	(1,759,736)
Change in Uncollected Customer Payments from Federal Sources	<u>4,990</u>	<u>5,553</u>
Budget Authority, Net	<u><u>\$ 15,577,725</u></u>	<u><u>\$ 13,978,189</u></u>
Outlays, Gross	\$17,247,245	\$15,219,385
Actual Offsetting Collections	<u>(1,885,408)</u>	<u>(1,759,736)</u>
Outlays, Net	<u>15,361,837</u>	<u>13,459,649</u>
Distributed Offsetting Receipts	<u>(4,104,082)</u>	<u>(3,919,289)</u>
Agency Outlays, Net	<u><u>\$11,257,755</u></u>	<u><u>\$ 9,540,360</u></u>

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

U.S. Customs and Border Protection
Consolidated Statements of Custodial Activity
For the Years Ended September 30, 2015 and 2014
(in Thousands)

	<u>2015</u>	<u>2014</u>
Revenue Activity (Note 27):		
Sources of Cash Collections:		
Duties	\$36,321,296	\$33,903,818
User Fees	1,475,325	1,556,122
Excise Taxes	3,382,045	3,272,758
Fines and Penalties	50,085	57,070
Interest	13,625	59,296
Miscellaneous	148,288	177,064
Total Cash Collections	<u>41,390,664</u>	<u>39,026,128</u>
Accrual Adjustments (+/-)	107,281	328,435
Total Custodial Revenue	<u>41,497,945</u>	<u>39,354,563</u>
Disposition of Collections:		
Transferred to Others:		
Treasury General Fund Accounts	25,785,869	25,293,394
U.S. Department of Agriculture	11,130,974	10,338,504
U.S. Army Corps of Engineers	1,429,177	1,510,343
Other Federal Agencies	101,217	103,694
Government of Puerto Rico	(163,989)	--
Government of the Virgin Islands	1,024	--
Non-Federal Other	138,480	133,540
(Increase)/Decrease in Amounts Yet to be Transferred	94,150	439,396
Refunds and Drawbacks (Note 27)	2,981,043	1,535,692
Total Disposition of Collections	<u>41,497,945</u>	<u>39,354,563</u>
Net Custodial Activity	<u>\$ --</u>	<u>\$ --</u>

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

Notes to Financial Statements

U.S. Customs and Border Protection Notes to Financial Statements

1. Significant Accounting Policies

A. 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.

B. Basis of Accounting and Presentation

These financial statements have been prepared from CBP's accounting records in conformity with U.S. Generally Accepted Accounting Principles (U.S. 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 U.S. 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 No. A-136, *Financial Reporting Requirements*.

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 a future period. CBP non-entity revenue and refunds are reported on the Consolidated 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 No. 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 No. 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.

**U.S. Customs and Border Protection
Notes to Financial Statements**

C. 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	Note 18 Category
70X4363	Enhanced Inspectional Services	Other
70X5087	Customs and Border Protection, Immigration User Fees	IUF
70X5089	Land Border Inspection Fees	Other
70X5451	Enforcement Fines Account	Other
70X5543	International Registered Traveler	Other
70X5569	APEC Business Travel Card Fee	Other
70X5595	Electronic Systems for Travel Authorization Fees	Other
70X5694	Customs and Border Protection Services at User Fee Facilities	Other
70X5695	Customs User Fees Account	COBRA
70X8870	Harbor Maintenance Fee Collections	Other

D. 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.

E. Entity and Non-entity Assets

Entity assets are assets CBP has the authority to use in its operations. The authority to use funds in an entity's operations means either CBP's management has the authority to decide how funds are used or management is legally obligated to use funds to meet entity obligations (e.g., salaries and benefits).

Non-entity assets are assets held by CBP but not available for use by CBP. They are offset by corresponding liabilities. An example of a non-entity asset is Taxes, Duties and Trade Receivables, which is offset by a liability to the Treasury General Fund.

For additional information, see Note 2, Non-entity Assets.

F. Fund Balance with Treasury

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.

G. Accounts Receivable, Net

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 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.

U.S. Customs and Border Protection Notes to Financial Statements

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 after the end of the applicable month.

H. Advances and Prepayments

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

I. Taxes, Duties and Trade Receivables, Net

Taxes, Duties and Trade Receivables consist of duties, user fees, fines and penalties, refunds and drawbacks overpayments, and interest associated with import/export activity, that have been established as specifically identifiable, legally enforceable claims that 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.

J. Inventory and Related Property, Net

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 accounts for inventory using the consumption method and records an operating expense when inventory is ultimately used in operations.

K. Seized and Forfeited Property

Prohibited seized and forfeited property results primarily from U.S. Immigrations and Customs Enforcement's (ICE) criminal investigations and from CBP's seizures during passenger and 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 occurs. Non-prohibited seized property, including monetary instruments, real property and tangible personal property of others in the actual or constructive possession of CBP is 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 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, firearms, and counterfeit goods, are held by CBP until disposed or destroyed. In accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*, an analysis of changes in CBP's seized and forfeited prohibited property is presented in Note 8, Seized and Forfeited Property.

**U.S. Customs and Border Protection
Notes to Financial Statements**

L. General Property, Plant and Equipment, Net

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

CBP estimates a portion of the Construction in Progress balance to accrue amounts for work completed but not yet recorded. The estimate is calculated by applying the percentage of work completed on a construction project to the associated undelivered orders.

Expenditures for normal repairs and maintenance are expensed as incurred. Expenditures greater than \$50 thousand that extend an asset's useful life, or enlarge or improve capacity, are capitalized and depreciated or amortized over the remaining useful life of the asset.

Depreciation and amortization are computed using the straight line method over the estimated useful lives of the assets. 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.

M. 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.

N. Due to the Treasury General Fund

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

O. Custodial Liability

Custodial Liability is the offsetting liability to non-entity collections and non-entity receivables owed to entities other than the Treasury General Fund. The intra-governmental custodial liability is owed to other federal agencies. The custodial liability with the public is comprised of amounts owed to the governments of Puerto Rico and U.S. Virgin Islands for duties collected in excess of CBP's cost of collecting those duties. Prior to FY 2015 the intra-governmental custodial liability was reported as Due to the General Fund and the public custodial liability was reported as accounts payable.

P. 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.

Q. 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

U.S. Customs and Border Protection Notes to Financial Statements

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 2015 and 2014. 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.

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.

R. Workers' Compensation and Unemployment 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 for payments made usually occurs approximately two fiscal 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 unfunded FECA is recorded is titled 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 for estimated future payments 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 actuarial liability is not covered by budgetary resources and will require future funding. For additional information see Note 13, Accrued Payroll and Benefits.

A liability is also recorded for unemployment compensation owed to DOL for payments made to former CBP employees. The Unemployment Compensation for Federal Employees program provides benefits for unemployed former Federal employees and is administered by states as agents for the Federal government. DOL reimburses the states for benefits paid and then charges Federal agencies for reimbursement for their former employees' benefits payments. The unemployment compensation liability is reported as Intra-governmental Other Employment Liabilities.

S. 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.

T. 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.

U.S. Customs and Border Protection Notes to Financial Statements

U. 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.

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, U.S. Department of Agriculture, and U.S. Army Corps of Engineers. CBP transfers the remaining revenue (generally less than one 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.

The activities reported on the Consolidated Statements 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 revenue CBP is entitled to collect on behalf of the Federal Government is earned. Primarily, the revenue results 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.
- **Drawbacks:** remittances, in whole or in part, of duties, taxes or fees. Drawback 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.

CBP receives an annual permanent, indefinite appropriation to fund refunds and drawbacks payments. The appropriation is recorded as a liability to Treasury General Fund, which is reduced as payments are made. Any unobligated balance at year-end is returned to Treasury.

**U.S. Customs and Border Protection
Notes to Financial Statements**

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 receivables, net of uncollectible amounts and refunds payable.

V. 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, actuarial workers' compensation, 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.

W. Taxes

CBP, as a Federal entity, 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, 2015 and 2014, consist of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Intra-governmental:		
Fund Balance with Treasury (Note 3)	\$ 610,291	\$ 621,854
Public		
Cash and Other Monetary Assets (Note 4)	3,524	3,260
Accounts Receivable, Net	797	678
Taxes, Duties and Trade Receivables, Net (Note 6)	3,244,950	3,049,390
Total Public	<u>3,249,271</u>	<u>3,053,328</u>
Total Non-entity Assets	3,859,562	3,675,182
Total Entity Assets	12,328,146	12,499,211
Total Assets	<u>\$16,187,708</u>	<u>\$16,174,393</u>

Non-entity Fund Balance with Treasury as of September 30, 2015 and 2014 includes approximately \$233.0 million and \$273.2 million (deposit funds) in duties collected by CBP for U.S. Virgin Islands, U.S. Department of Agriculture and antidumping/countervailing duties and \$212.2 million and \$199.3 million (special funds) for Injured Domestic Industries as of September 30, 2015 and 2014, respectively. These assets are directly offset with liabilities as of September 30, 2015 and 2014.

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. Upon collection of these receivables, the funds will be available to pay the accrued intra-governmental liabilities Due to the Treasury General Fund and Custodial Liability, which totaled \$3.3 billion and \$3.1 billion as of September 30, 2015 and 2014, respectively.

U.S. Customs and Border Protection
Notes to Financial Statements

3. Fund Balance with Treasury

Fund Balance with Treasury as of September 30, 2015 and 2014 consists of the following (in thousands):

<u>2015</u>	<u>Entity</u>	<u>Non-entity</u>	<u>Total</u>
Trust Funds	\$ 1,229	\$ --	\$ 1,229
Special Funds	659,620	212,234	871,854
General Funds	4,203,861	165,099	4,368,960
Other Funds	1,019,071	--	1,019,071
Deposit Funds	12,475	232,958	245,433
Total	\$5,896,256	\$610,291	\$6,506,547

<u>2014</u>	<u>Entity</u>	<u>Non-entity</u>	<u>Total</u>
Trust Funds	\$ 1,183	\$ --	\$ 1,183
Special Funds	620,994	199,325	820,319
General Funds	4,163,456	149,333	4,312,789
Other Funds	1,012,197	--	1,012,197
Deposit Funds	8,560	273,196	281,756
Total	\$5,806,390	\$621,854	\$6,428,244

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, 2015 and 2014, Customs User Fees Account includes approximately \$242.2 million and \$139.3 million, respectively; Customs and Border Protection Services at User Fee Facilities account contained approximately \$13.2 million and \$15.9 million, respectively; Refunds, Transfers and Expenses of Operation of Puerto Rico account contained approximately \$135.7 million and \$289.9 million, respectively; and Immigration User Fees contained \$61.6 million and \$12.0 million, respectively. Non-entity fund balance represents amounts collected in connection with antidumping and countervailing duties of \$210.8 million and \$198.2 million as of September 30, 2015 and 2014, respectively. Of this balance, \$135.2 million and \$128.3 million are eligible for payment to qualifying Injured Domestic Industries as of September 30, 2015 and 2014, 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.

**U.S. Customs and Border Protection
Notes to Financial Statements**

Status of Fund Balance with Treasury as of September 30, 2015 and 2014 consists of the following (in thousands):

2015	Entity	Non-entity	Total
Unobligated Balance			
Available	\$ 928,065	\$ --	\$ 928,065
Unavailable	646,752	212,406	859,158
Obligated Balance not yet Disbursed	3,269,082	164,927	3,434,009
Non-budgetary FBWT	1,052,357	232,958	1,285,315
Total	\$5,896,256	\$610,291	\$6,506,547
2014	Entity	Non-entity	Total
Unobligated Balance			
Available	\$1,017,232	\$ 16	\$1,017,248
Unavailable	400,211	199,310	599,521
Obligated Balance not yet Disbursed	3,355,871	149,332	3,505,203
Non-budgetary FBWT	1,033,076	273,196	1,306,272
Total	\$5,806,390	\$621,854	\$6,428,244

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 for which payment has not yet been made.

The Non-budgetary Fund Balance with Treasury at September 30, 2015 and 2014 includes \$639.9 million in COBRA User Fees that are restricted by law for use until either withdrawn by Treasury from CBP's account or made available to CBP, as provided in Appropriation Acts. The balance resulted from a temporary fee increase and elimination of the North American Free Trade Agreement (NAFTA) country exemptions from 1994 to 1997.

CBP returned to Treasury \$315.5 million and \$64.4 million for indefinite no-year authority and retained \$164.9 million and \$149.3 million in authority for obligations pursuant to public law during the years ending September 30, 2015 and 2014, 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, 2015, CBP canceled \$118.5 million from FY 2010 annual appropriations. As of September 30, 2014, CBP canceled \$120.4 million from FY 2009 annual appropriations.

4. Cash and Other Monetary Assets

Cash and Other Monetary Assets as of September 30, 2015 and 2014, consist of the following (in thousands):

2015	Entity	Non-entity	Total
Imprest Funds	\$192	\$ --	\$ 192
Undeposited Collections	120	3,524	3,644
Total	\$312	\$3,524	\$3,836
2014	Entity	Non-entity	Total
Imprest Funds	\$185	\$ --	\$ 185
Undeposited Collections	199	3,260	3,459
Total	\$384	\$3,260	\$3,644

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Imprest funds consist of cash held primarily for change-making and for using as aids in training canines to detect the odor of currency. 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, 2015 and 2014 are as follows (in thousands):

Receivable Category	2015		
	Gross Receivable	Amounts Uncollectible	Total Net Receivables
Reimbursable Services	\$ 878	\$ --	\$ 878
Customs User Fees	322,149	(2,564)	319,585
Immigration User Fees	88,603	(9,087)	79,516
Total	\$411,630	\$(11,651)	\$399,979

Receivable Category	2014		
	Gross Receivable	Amounts Uncollectible	Total Net Receivables
Reimbursable Services	\$ 9,426	\$ --	\$ 9,426
Customs User Fees	313,379	(2,570)	310,809
Immigration User Fees	84,471	(9,766)	74,705
Total	\$407,276	\$(12,336)	\$394,940

6. Taxes, Duties and Trade Receivables, Net

Receivables as of September 30, 2015 and 2014 are as follows (in thousands):

Receivable Category	2015		
	Gross Receivable	Amounts Uncollectible	Total Net Receivables
Duties	\$2,651,597	\$ (124,239)	\$2,527,358
Excise Taxes	163,540	(9,663)	153,877
User Fees	71,203	(369)	70,834
Fines/Penalties	488,130	(428,875)	59,255
Interest	802,602	(752,115)	50,487
Antidumping/ Countervailing Duties	1,961,033	(1,647,801)	313,232
Refunds and Drawbacks	72,075	(2,168)	69,907
Total	\$6,210,180	\$(2,965,230)	\$3,244,950

**U.S. Customs and Border Protection
Notes to Financial Statements**

<u>Receivable Category</u>	2014		
	<u>Gross Receivable</u>	<u>Amounts Uncollectible</u>	<u>Total Net Receivables</u>
Duties	\$2,750,220	\$ (128,119)	\$2,622,101
Excise Taxes	168,201	(9,547)	158,654
User Fees	71,862	(400)	71,462
Fines/Penalties	509,547	(460,496)	49,051
Interest	668,525	(622,016)	46,509
Antidumping/ Countervailing Duties	1,406,494	(1,305,036)	101,458
Refunds and Drawbacks	2,374	(2,219)	155
Total	\$5,577,223	\$(2,527,833)	\$3,049,390

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 required 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 gross receivable (comprised of duties, taxes, and fees) of \$2.9 billion was recorded for merchandise released into commerce on or before both September 30, 2015 and 2014. It is CBP's policy to track and demand payment of unpaid estimated duties, taxes and fees receivable by establishing a liquidated damage case which generally results in a fine and penalty type 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 88.5 percent of the total assessment based on historical experience of fines and penalties mitigation and collection. Duties and taxes receivable are non-entirety 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. OTIA operating materials and supplies as of September 30, 2015 and 2014 includes \$24.5 million and \$23.5 million, respectively, for steel used to repair Border Patrol tactical infrastructure and \$34.5 million and \$27.7 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. CBP estimates the net realizable value of Excess, Obsolete, and Unserviceable operating materials and supplies as zero and recorded losses of \$236.0 thousand and \$1.9 thousand in FY 2015 and FY 2014, respectively, to adjust the carrying value to zero.

**U.S. Customs and Border Protection
Notes to Financial Statements**

Operating Materials and Supplies as of September 30, 2015 and 2014 consist of the following (in thousands):

	2015	2014
Aircraft Parts		
Items Held for Use	\$115,485	\$114,012
Items Held for Repair	25,746	18,679
Total Aircraft Parts	141,231	132,691
Vessel Parts		
Items Held for Use	8,015	7,466
Items Held for Repair	268	109
Total Vessel Parts	8,283	7,575
OTIA Parts		
Items Held for Use	50,219	43,089
Items Held for Repair	8,767	8,133
Total OTIA Parts	58,986	51,222
Uniforms		
Items Held for Use	5,079	11,047
Total Uniforms	5,079	11,047
Total	\$213,579	\$202,535

8. Seized and Forfeited Property

This schedule is presented for 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. Firearms are presented in number of case line items. Counterfeit goods include clothing, footwear, jewelry, electronic equipment, movies, music, media, identification documents and other items. Counterfeit goods are presented in number of case line items. Illegal drugs consist of tested and verified controlled substances as defined per the Controlled Substances Act. 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. The Other Drugs category includes immaterial amounts of controlled substances that do not warrant being isolated to an individual category.

Synthetic marijuana seizures have increased in volume and social relevance in recent years and are therefore now included in an individual category of illegal drugs seized and forfeited in FY 2015. Ecstasy and steroids seizures have decreased in recent years and are therefore no longer individually itemized. These are now included in the Other Drugs category of the illegal drugs seized and forfeited in FY 2015.

Analysis of Changes in Prohibited (Non-valued) Seized Property, September 30, 2015

Category	Balance October 1	New Seizures	Remissions	New Forfeitures	Adjustments	Balance September 30
Illegal Drugs (in kilograms)						
Cannabis (marijuana)	3,013	893,068	--	(894,215)	(550)	1,316
Cocaine	303	27,226	--	(26,877)	(240)	412
Heroin	49	2,638	--	(2,631)	(35)	21
Synthetic Marijuana	303	3,804	--	(3,799)	(39)	269
Khat	--	67,412	--	(67,412)	--	--
Methamphetamine	33	13,627	--	(13,384)	(66)	210
Other Drugs	858	9,103	--	(8,659)	(17)	1,285
Firearms (in number of case line items)	5,603	1,579	(229)	(2,445)	(291)	4,217
Counterfeit Goods (in number of case line items)	33,320	63,879	(979)	(60,750)	(2,258)	33,212

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

**U.S. Customs and Border Protection
Notes to Financial Statements**

Analysis of Changes in Prohibited (Non-valued) Seized Property, September 30, 2014

<u>Category</u>	<u>Balance October 1</u>	<u>New Seizures</u>	<u>Remissions</u>	<u>New Forfeitures</u>	<u>Adjustments</u>	<u>Balance September 30</u>
Illegal Drugs (in kilograms)						
Cannabis (marijuana)	3,104	1,039,151	--	(1,043,877)	4,635	3,013
Cocaine	211	21,975	--	(21,889)	6	303
Heroin	9	2,402	--	(2,383)	21	49
Ecstasy	17	298	--	(298)	--	17
Khat	45	66,902	--	(66,910)	(37)	--
Methamphetamine	11	11,676	--	(11,633)	(21)	33
Steroids	264	689	--	(555)	(2)	396
Firearms (in number of case line items)	3,668	4,589	(361)	(1,528)	(765)	5,603
Counterfeit Goods (in number of case line items)	31,473	55,768	(818)	(51,755)	(1,348)	33,320

* 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, 2015

<u>Category</u>	<u>Balance October 1</u>	<u>New Forfeitures</u>	<u>Transfers</u>	<u>Destroyed</u>	<u>Adjustments</u>	<u>Balance September 30</u>
Illegal Drugs (in kilograms)						
Cannabis (marijuana)	134,592	894,215	(152)	(339,071)	(544,472)	145,112
Cocaine	21,301	26,877	(33)	(22,676)	(432)	25,037
Heroin	3,505	2,631	(16)	(2,214)	(149)	3,757
Synthetic marijuana	9,538	3,799	(13)	(3,142)	91	10,273
Khat	2,242	67,412	--	(66,633)	(21)	3,000
Me hamphetamine	13,274	13,384	(44)	(11,692)	(342)	14,580
Other Drugs	8,220	8,659	(1)	(12,499)	(159)	4,220
Firearms (in number of case line items)	1,410	2,445	(1,501)	(29)	179	2,504
Counterfeit Goods (in number of case line items)	26,583	60,750	(53)	(49,291)	100	38,089

* 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, 2014

<u>Category</u>	<u>Balance October 1</u>	<u>New Forfeitures</u>	<u>Transfers</u>	<u>Destroyed</u>	<u>Adjustments</u>	<u>Balance September 30</u>
Illegal Drugs (in kilograms)						
Cannabis (marijuana)	143,319	1,043,877	(270)	(353,443)	(698,891)	134,592
Cocaine	19,850	21,889	(130)	(19,354)	(954)	21,301
Heroin	3,247	2,383	(20)	(1,897)	(208)	3,505
Ecstasy	1,077	298	(46)	(474)	(25)	830
Khat	3,658	66,910	--	(68,165)	(161)	2,242
Methamphetamine	11,480	11,633	(9)	(8,094)	(1,736)	13,274
Steroids	335	555	--	(836)	9	63
Firearms (in number of case line items)	1,160	1,528	(1,668)	--	390	1,410
Counterfeit Goods (in number of case line items)	22,905	51,755	(275)	(48,323)	521	26,583

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

**U.S. Customs and Border Protection
Notes to Financial Statements**

9. General Property, Plant and Equipment, Net

Property, Plant and Equipment as of September 30, 2015 and 2014 consists of the following (in thousands):

2015				
Categories	Useful Life (in years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value
Land and Land Rights	N/A	\$ 185,454	\$ --	\$ 185,454
Improvements to Land	5 - 40	2,236,392	(699,427)	1,536,965
Construction in Progress	N/A	371,192	--	371,192
Buildings, Other Structures and Facilities*	20 - 40	2,046,960	(443,098)	1,603,862
Equipment:				
ADP Equipment	5	381,796	(312,258)	69,538
Aircraft	12 - 27	1,491,714	(757,847)	733,867
Vessels	5 - 30	44,137	(23,156)	20,981
Vehicles	4 - 8	395,396	(345,608)	49,788
Other Equipment	5 - 15	2,044,628	(1,580,843)	463,785
Leasehold Improvements	2 - 30	583,932	(292,324)	291,608
Internal Use Software	5	1,238,226	(1,053,144)	185,082
Internal Use Software-in Development	N/A	20,413	--	20,413
Total		\$11,040,240	\$(5,507,705)	\$5,532,535

2014				
Categories	Useful Life (in years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value
Land and Land Rights	N/A	\$ 182,801	\$ --	\$ 182,801
Improvements to Land	5 - 40	2,217,954	(585,817)	1,632,137
Construction in Progress	N/A	383,963	--	383,963
Buildings, Other Structures and Facilities*	20 - 40	1,962,811	(378,137)	1,584,674
Equipment:				
ADP Equipment	5	425,492	(353,345)	72,147
Aircraft	12 - 27	1,543,935	(785,839)	758,096
Vessels	5 - 30	43,097	(21,837)	21,260
Vehicles	4 - 8	401,439	(353,061)	48,378
Other Equipment	5 - 15	1,962,402	(1,370,939)	591,463
Leasehold Improvements	2 - 30	544,301	(255,032)	289,269
Internal Use Software	5	1,179,270	(970,834)	208,436
Internal Use Software-in Development	N/A	14,462	--	14,462
Total		\$10,861,927	\$(5,074,841)	\$5,787,086

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

**U.S. Customs and Border Protection
Notes to Financial Statements**

10. Stewardship PP&E

CBP's Stewardship PP&E is comprised of heritage assets located in Washington D.C. and 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, 2015 and 2014 consists of the following:

Categories	2015				
	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	2014				
	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 port records, CBP regulations, and ledgers of Collectors of Customs. 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, 2015 and 2014, 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, 2015 and 2014, totaling \$244.7 million and \$263.8 million, respectively, consist primarily of advances to the Departments of Transportation and Defense for support of border security, and to the Department of Justice, UNICOR, for vehicle purchases.

Other

Other assets consists of capital assets no longer in service, pending disposal, and employee travel and salary advances as of September 30, 2015 and 2014, totaling \$254 thousand and \$50 thousand, respectively.

**U.S. 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, 2015 and 2014, consist of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Intra-governmental:		
Accrued FECA Liability	\$ 177,276	\$ 167,449
Other Employment Liabilities	363	206
Due to the Treasury General Fund	3,176,321	3,120,403
Custodial Liability	76,200	--
Total Intra-governmental	<u>3,430,160</u>	<u>3,288,058</u>
Public:		
Accrued Payroll and Benefits:		
Accrued Unfunded Leave (Note 13)	421,740	433,161
Actuarial FECA Liability (Note 13)	1,008,009	1,015,236
Other Employment Liabilities (Note 13)	3,832	3,832
Environmental and Disposal Liabilities (Note 14)	20,074	20,974
Custodial Liability	13,495	--
Liability for Puerto Rico Trust Fund	69,811	--
Legal Contingent Liabilities	398,858	397,844
Total Public	<u>1,935,819</u>	<u>1,871,047</u>
Total Liabilities Not Covered by Budgetary Resources	5,365,979	5,159,105
Total Liabilities Covered by Budgetary Resources	1,388,102	1,450,866
Total Liabilities	<u>\$6,754,081</u>	<u>\$6,609,971</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.

CBP considers \$105.7 million and \$92.6 million of the accrued FECA Liability, \$1.0 billion of the actuarial FECA Liability, and \$372.5 million and \$375.2 million of the Legal Contingent Liabilities as non-current as of September 30, 2015 and 2014, respectively. CBP considers all remaining liabilities as current.

13. Accrued Payroll and Benefits

The payroll and benefits liability as of September 30, 2015 and 2014 consists of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Accrued Funded Payroll and Benefits	\$ 197,714	\$ 169,769
Accrued Unfunded Leave	421,740	433,161
Accrued Other Employment Liabilities	3,832	3,832
Actuarial FECA Liability	1,008,009	1,015,236
Total	<u>\$1,631,295</u>	<u>\$1,621,998</u>

Future workers' compensation estimates are generated from an application of actuarial procedures developed by DOL.

**U.S. Customs and Border Protection
Notes to Financial Statements**

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.

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; Technical Bulletin 2006-1; 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, 2015 and 2014 was \$20.1 million and \$21.0 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 2015 dollars and have been appropriately adjusted to account for inflation.
- Inventory of liabilities was modified in the Due Care Review process, which includes routine assessments and reviews to identify the mediation, presence, and removal of environmental liabilities.

15. Other Liabilities

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. CBP calculates the accrual based on the current fiscal year actual disbursements and subsequent disbursement testing of the prior fiscal year accrual. CBP has estimated \$21.2 million as of September 30, 2015 and \$16.8 million as of September 30, 2014, as a payable.

The September 30, 2015 and 2014, accrued liability consists of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Refunds	\$107,606	\$ 88,288
Drawback Claims	57,128	60,234
Total	<u>\$164,734</u>	<u>\$148,522</u>

**U.S. Customs and Border Protection
Notes to Financial Statements**

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 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, 2015 and 2014, CBP recorded a liability of \$135.2 million and \$128.3 million, respectively. CBP makes annual payments of antidumping/countervailing duties to qualifying Injured Domestic Industries.

Liability for Puerto Rico Trust Fund

The liability for Puerto Rico Trust Fund is for amounts owed for prior year Puerto Rico drawback payments that were funded out of the Refunds and Drawbacks appropriation.

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, 2015 (in thousands):

<u>Fiscal Year</u>	<u>Facilities</u>
2016	\$ 247,171
2017	232,048
2018	210,028
2019	176,565
2020	167,492
Beyond 2020	1,560,957
Total Future Lease Payments	\$2,594,261

17. Commitments and Contingencies

Legal Contingent Liabilities

CBP is party to various administrative proceedings, legal actions, and administrative claims brought against it in the normal course of operations that may result in settlements or decisions that are adverse to CBP. The ultimate disposition of these claims is unknown, and they are primarily related to personnel matters, Federal Tort Claims Act matters, and trade matters involving various customs laws and regulations. Any financially unfavorable administrative or court decision will normally be funded from: (1) CBP appropriation for refunds and drawbacks; (2) the Judgment Fund maintained by Treasury; or (3) CBP salaries and expenses appropriations.

U.S. Customs and Border Protection Notes to Financial Statements

The range of estimated contingent liabilities for all probable and estimable litigation related claims as of September 30, 2015 and 2014 were \$398.9 million to \$1.0 billion and \$397.8 million to \$1.0 billion, respectively. Asserted and pending legal claims for which loss is reasonably possible range from an estimated \$695.2 million to \$753.6 million and \$393.4 million to \$530.6 million as of September 30, 2015 and 2014, respectively. As of September 30, 2015, CBP had three unasserted tort cases considered probable or reasonably possible for which no estimate could be made.

As disclosed in Note 12, \$372.5 million and \$375.2 million of the Legal Contingent Liabilities is considered non-current as of September 30, 2015 and 2014, 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 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, 2015 and 2014 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 \$23 million per aircraft for both years ended September 30, 2015 and 2014.

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.

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, and are deposited into Customs User Fees accounts (Treasury Account Fund Symbols 705695.30 and 70X5695).

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.

**U.S. Customs and Border Protection
Notes to Financial Statements**

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.

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.

CBP collects and shares the revenue from the immigration user fees with Immigration and Customs Enforcement (ICE). The fees are collected in the Immigration User Fees accounts (Treasury Account Fund Symbols 705087.003 and 70X5087). 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.C) as of and for the years ended September 30, 2015 and 2014 (in thousands).

	2015			Total
	COBRA	IUF	All Others	
Balance Sheet				
Assets				
Fund Balance with Treasury	\$242,183	\$121,139	\$221,555	\$ 584,877
Other Assets	319,705	79,516	8,910	408,131
Total Assets	\$561,888	\$200,655	\$230,465	\$ 993,008
Liabilities and Net Position				
Liabilities	\$ 13,226	\$ --	\$ 2,983	\$ 16,209
Cumulative Results of Operations	548,662	200,655	227,482	976,799
Total Liabilities and Net Position	\$561,888	\$200,655	\$230,465	\$ 993,008
Statement of Net Cost				
Gross Cost	\$621,284	\$628,773	\$174,044	\$1,424,101
Less: Earned Revenue	--	10,541	14,420	24,961
Net Cost of Operations	\$621,284	\$618,232	\$159,624	\$1,399,140

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	2015			
Statement of Changes In Net Position	COBRA	IUF	All Others	Total
Net Position Beginning of Period	\$ 438,895	\$ 139,876	\$ 189,263	\$ 768,034
Net Costs of Operations	(621,284)	(618,232)	(159,624)	(1,399,140)
Non-exchange Revenue	722,353	--	189,589	911,942
Net Transfers In/Out	(2,375,186)	(140,382)	(1,091)	(2,516,659)
Other (Note 21)	2,383,884	819,393	9,345	3,212,622
Change in Net Position	<u>109,767</u>	<u>60,779</u>	<u>38,219</u>	<u>208,765</u>
Net Position End of Period	<u>\$ 548,662</u>	<u>\$ 200,655</u>	<u>\$ 227,482</u>	<u>\$ 976,799</u>
	2014			
Balance Sheet	COBRA	IUF	All Others	Total
Assets				
Fund Balance with Treasury	\$ 139,336	\$ 65,172	\$ 180,637	\$ 385,145
Other Assets	311,008	74,705	12,544	398,257
Total Assets	<u>\$ 450,344</u>	<u>\$ 139,877</u>	<u>\$ 193,181</u>	<u>\$ 783,402</u>
Liabilities and Net Position				
Liabilities	\$ 11,449	\$ --	\$ 3,919	\$ 15,368
Cumulative Results of Operations	438,895	139,877	189,262	768,034
Total Liabilities and Net Position	<u>\$ 450,344</u>	<u>\$ 139,877</u>	<u>\$ 193,181</u>	<u>\$ 783,402</u>
Statement of Net Cost				
Gross Cost	\$ 609,309	\$ 593,398	\$ 148,872	\$ 1,351,579
Less: Earned Revenue	--	4,187	7,532	11,719
Net Cost of Operations	<u>\$ 609,309</u>	<u>\$ 589,211</u>	<u>\$ 141,340</u>	<u>\$ 1,339,860</u>
Statement of Changes In Net Position				
Net Position Beginning of Period	\$ 380,120	\$ 111,361	\$ 150,011	\$ 641,492
Net Costs of Operations	(609,309)	(589,211)	(141,340)	(1,339,860)
Non-exchange Revenue	649,089	--	173,199	822,288
Net Transfers In/Out	(2,256,478)	(125,221)	(390)	(2,382,089)
Other (Note 21)	2,275,473	742,947	7,783	3,026,203
Change in Net Position	<u>58,775</u>	<u>28,515</u>	<u>39,252</u>	<u>126,542</u>
Net Position End of Period	<u>\$ 438,895</u>	<u>\$ 139,876</u>	<u>\$ 189,263</u>	<u>\$ 768,034</u>

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

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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.

The Consolidated Statement of Net Cost reflects intra-governmental and public cost and exchange revenue as summarized below for the years ended September 30, 2015 and 2014 (in thousands):

For the years ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Securing America's Borders		
Intra-governmental Costs	\$ 1,664,837	\$ 1,680,830
Public Costs	3,898,488	4,069,225
Total Securing America's Borders Costs	<u>5,563,325</u>	<u>5,750,055</u>
Less: Intra-governmental Earned Revenue	33,095	34,591
Less: Public Earned Revenue	66,353	67,448
Total Securing America's Borders Revenue	<u>99,448</u>	<u>102,039</u>
Securing and Expediting Trade		
Intra-governmental Costs	922,074	881,132
Public Costs	1,896,901	1,874,799
Total Securing and Expediting Trade Costs	<u>2,818,975</u>	<u>2,755,931</u>
Less: Intra-governmental Earned Revenue	15,770	15,697
Less: Public Earned Revenue	32,965	30,169
Total Securing and Expediting Trade Revenue	<u>48,735</u>	<u>45,866</u>
Securing and Expediting Travel		
Intra-governmental Costs	1,485,587	1,362,216
Public Costs	2,810,663	2,687,162
Total Securing and Expediting Travel Costs	<u>4,296,250</u>	<u>4,049,378</u>
Less: Intra-governmental Earned Revenue	26,997	25,762
Less: Public Earned Revenue	53,179	49,983
Total Securing and Expediting Travel Revenue	<u>80,176</u>	<u>75,745</u>
Intelligence and Targeting		
Intra-governmental Costs	254,015	163,335
Public Costs	603,500	422,999
Total Intelligence and Targeting Costs	<u>857,515</u>	<u>586,334</u>
Less: Intra-governmental Earned Revenue	3,027	2,046
Less: Public Earned Revenue	6,399	4,293
Total Intelligence and Targeting Revenue	<u>9,426</u>	<u>6,339</u>
Net Cost of Operations	<u>\$13,298,280</u>	<u>\$12,911,709</u>

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20. Sub-organization of Program Costs by 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 programs as they support DHS missions 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 program goals identified in the following FY 2015 table align with the "U.S. Department of Homeland Security (DHS) Strategic Plan for Fiscal Years (FY) 2014 – 2018". The new DHS Strategic Plan is the result of the 2014 DHS Quadrennial Homeland Security Review, which updated the national homeland security strategy, including the homeland security missions and goals. As a result of the new DHS Strategic Plan, the FY 2015 and 2014 Statements of Net Cost by program goal are not comparative. The program goals in the FY 2014 Statement of Net Cost align with the missions in the "DHS Strategic Plan for FY 2012 – 2016". Most of CBP's net costs that aligned in prior years with the DHS mission "Providing Essential Support to National, Economic and Homeland Security" now align with the mission "Foster a Safe and Secure Homeland".

For the year ended September 30, 2015 (in thousands):

Schedule of Net Cost by CBP Program and DHS Mission	2015			
	Foster a Safe & Secure Homeland	Enforce & Administer Our Immigration Laws	Intra-Entity Eliminations	Consolidated Total
Securing America's Borders				
Gross Costs	\$ 6,089,700	\$ 47,181	\$ 573,556	\$ 5,563,325
Less: Earned Revenue	174,261	–	74,813	99,448
Net Program Costs	5,915,439	47,181	498,743	5,463,877
Securing and Expediting Trade				
Gross Costs	3,224,255	–	405,280	2,818,975
Less: Earned Revenue	596,133	–	547,398	48,735
Net Program Costs	2,628,122	–	(142,118)	2,770,240
Securing and Expediting Travel				
Gross Costs	2,830,879	2,149,917	684,546	4,296,250
Less: Earned Revenue	619,155	543,785	1,082,764	80,176
Net Program Costs	2,211,724	1,606,132	(398,218)	4,216,074
Intelligence and Targeting				
Gross Costs	912,042	–	54,527	857,515
Less: Earned Revenue	22,360	–	12,934	9,426
Net Program Costs	889,682	–	41,593	848,089
Net Cost of Operations	\$11,644,967	\$1,653,313	\$ –	\$13,298,280

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For the year ended September 30, 2014 (in thousands):

Schedule of Net Cost by CBP Program and DHS Mission	2014				
	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	\$ 6,275,106	\$ 39,603	\$ --	\$ 564,654	\$ 5,750,055
Less: Earned Revenue	160,793	--	--	58,754	102,039
Net Program Costs	6,114,313	39,603	--	505,900	5,648,016
Securing and Expediting Trade					
Gross Costs	2,362,091	--	753,083	359,243	2,755,931
Less: Earned Revenue	410,458	--	137,947	502,539	45,866
Net Program Costs	1,951,633	--	615,136	(143,296)	2,710,065
Securing and Expediting Travel					
Gross Costs	2,623,917	2,019,157	151	593,847	4,049,378
Less: Earned Revenue	554,323	502,947	2	981,527	75,745
Net Program Costs	2,069,594	1,516,210	149	(387,680)	3,973,633
Intelligence and Targeting					
Gross Costs	621,276	--	--	34,942	586,334
Less: Earned Revenue	16,205	--	--	9,866	6,339
Net Program Costs	605,071	--	--	25,076	579,995
Net Cost of Operations	\$10,740,611	\$1,555,813	\$615,285	\$ --	\$12,911,709

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, Customs and Border Protection Services at User Fee Facilities, 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.

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22. Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Apportionment categories are determined in accordance with the guidance provided in OMB Circular No. 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).

2015	Apportionment Category A	Apportionment Category B	Exempt from Apportionment	Total
Obligations Incurred – Direct	\$10,831,263	\$2,341,905	\$2,681,527	\$15,854,695
Obligations Incurred - Reimbursable	6,741	1,884,130	--	1,890,871
Total Obligations Incurred	\$10,838,004	\$4,226,035	\$2,681,527	\$17,745,566
2014	Apportionment Category A	Apportionment Category B	Exempt from Apportionment	Total
Obligations Incurred – Direct	\$10,333,519	\$2,252,647	\$1,399,172	\$13,985,338
Obligations Incurred - Reimbursable	(4,032)	1,712,533	--	1,708,501
Total Obligations Incurred	\$10,329,487	\$3,965,180	\$1,399,172	\$15,693,839

23. Appropriations

As of September 30, 2015 and 2014, the Combined Statements of Budgetary Resources consist of appropriations totaling \$15.6 billion and \$14.0 billion, respectively. This differs from the Consolidated Statements of Changes in Net Position as of September 30, 2015 and 2014, which consist of appropriations received totaling \$8.3 billion. This difference is due to CBP's non-entity activity, which as of September 30, 2015 and 2014 consists of \$3.0 billion and \$1.5 billion, respectively, for Refund and Drawback activity; \$3.9 billion for user/inspection fees and subsidy activity, that are not reported on the Consolidated Statements of Changes in Net Position; \$25.1 million and \$51.5 million, respectively, in rescissions, that are reported separately in Other Adjustments on the Consolidated Statements of Changes in Net Position; and \$438.4 million and \$340.6 million, respectively, in non-expenditure transfers, that 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, 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.

24. Legal Arrangements Affecting the Use of Unobligated Balances

Unobligated balances, for which the 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

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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 \$867.2 million at September 30, 2015, 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 \$208.6 million, as of September 30, 2015 are restricted by law in their 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.

25. Explanation of Differences Between the SBR and the Budget of the United States Government

The table below documents the material differences between the FY 2014 Combined Statement of Budgetary Resources and the actual amounts reported for FY 2014 in the Budget of the United States Government. Since the FY 2015 financial statements are reported prior to the Budget of the United States Government, CBP is reporting for FY 2014 only. Typically, the Budget of the United States Government with the FY 2015 actual data is published in February of the subsequent year. Once published, the FY 2015 actual data will be available at the OMB website, www.whitehouse.gov/omb.

Differences between the SBR and the Budget of the United States Government (in millions):

2014	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$17,254	\$15,694	\$(3,919)	\$ 9,540
Differences:				
Expired Appropriations not Included in President's Budget	(257)	--	--	--
Refunds & Drawbacks (70X0505) not Included in President's Budget	(1,397)	(1,397)	--	(1,423)
Injured Domestic Industries(20X5688) not Included in President's Budget	(253)	(62)	--	(61)
Offsetting Receipts not Included in the Treasury Annual Report	--	--	(26)	3,919
Miscellaneous	3	--	1	--
Total Differences	(1,904)	(1,459)	(25)	2,435
Budget of the United States Government	\$15,350	\$14,235	\$(3,944)	\$11,975

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

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26. 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, 2015 and 2014 (in thousands):

	<u>2015</u>	<u>2014</u>
Unpaid	\$3,013,284	\$3,010,987
Upward/Downward Adjustment of Prior Period	(361,373)	(330,071)
Total Undelivered Orders at the End of Period	<u>\$2,651,911</u>	<u>\$2,680,916</u>

27. 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 that have been established as specifically identifiable, legally enforceable claims 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. Primarily, revenue collections result from current fiscal year activity.

Disbursements from the Refunds and Drawbacks Account for the fiscal years ended September 30, 2015 and 2014 (in thousands):

	<u>2015</u>	<u>2014</u>
Refunds	\$1,875,405	\$ 586,009
Drawbacks	1,105,638	949,683
Total	<u>\$2,981,043</u>	<u>\$1,535,692</u>

Amounts refunded during FY 2015 and 2014 identified by entry year consist of the following (in thousands):

Entry Year	<u>2015</u>
2015	\$1,659,107
2014	860,382
2013	181,950
2012	32,756
Prior Years	246,848
Total	<u>\$2,981,043</u>

Entry Year	<u>2014</u>
2014	\$ 925,874
2013	320,336
2012	100,585
2011	45,295
Prior Years	143,602
Total	<u>\$1,535,692</u>

The total amount of antidumping and countervailing duties varies from year to year, depending on decisions from the 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, 2015 and 2014, consisted of the following (in thousands):

	<u>2015</u>	<u>2014</u>
Antidumping and Countervailing Duty Refunds	\$194,626	\$170,131
Interest	10,514	6,251
Total	<u>\$205,140</u>	<u>\$176,382</u>

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28. 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, 2015 and 2014 (in thousands).

	<u>2015</u>	<u>2014</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$17,745,566	\$15,693,839
Less: Spending Authority from Offsetting Collections and Recoveries	2,454,923	2,098,232
Obligations Net of Offsetting Collections and Recoveries	15,290,643	13,595,607
Less: Offsetting Receipts	4,104,082	3,919,289
Net Obligations	<u>11,186,561</u>	<u>9,676,318</u>
Other Resources		
Transfers In/Out Without Reimbursement	7,121	42,156
Imputed Financing from Costs Absorbed by Others	599,562	685,831
Other (Note 21)	3,178,754	3,038,754
Net Other Resources Used to Finance Activities	<u>3,785,437</u>	<u>3,766,741</u>
Total Resources Used to Finance Activities	<u>14,971,998</u>	<u>13,443,059</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	(53,603)	236,381
Resources that Fund Expenses Recognized in Prior Periods	19,547	--
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	(823,793)	(849,554)
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	517,996	425,205
Tax Revenue Refunds and Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations	2,671,528	1,494,076
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>2,331,675</u>	<u>1,306,108</u>
Total Resources Used to Finance the Net Cost of Operations	<u>12,640,323</u>	<u>12,136,951</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	9,985	31,548
Change in Actuarial FECA Liability, Legal Contingent Liabilities and Other	1,013	32,490
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	<u>10,998</u>	<u>64,038</u>
Components Not Requiring or Generating Resources		
Depreciation and Amortization	625,662	630,985
Revaluation of Assets or Liabilities	(23,930)	(5,924)
Other Non-budgetary Resources	45,227	85,659
Total Components of Net Cost of Operations that will Not Require or Generate Resources	<u>646,959</u>	<u>710,720</u>
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	<u>657,957</u>	<u>774,758</u>
Net Cost of Operations	<u>\$13,298,280</u>	<u>\$12,911,709</u>

Required Supplementary Information

U.S. Customs and Border Protection Required Supplementary Information (Unaudited)

Deferred Maintenance and Repairs

CBP presents deferred maintenance and repairs in accordance with SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32*. 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.

Deferred maintenance and repairs are reported for capitalized general PP&E including fully depreciated PP&E. Detailed facility condition assessments are conducted by a third party whereby all repair needs and scheduled replacements are identified. CBP prioritizes maintenance and repairs based on the importance to operational facilities for all CBP owned facilities. Acceptable condition standards are measured against a facilities condition index.

Deferred maintenance and repairs are not typically reported for personal property assets. Maintenance and repair programs are in place for all motor vehicles, vessels, and aircraft. These assets are considered mission-critical and as a result, maintenance and repairs are fully funded and performed immediately when identified. All other personal property assets are excluded from maintenance and repair programs due to immateriality.

A condition 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. 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. In some cases, this includes condemned or failed facilities. The increase in deferred maintenance and repairs in FY 2015 resulted from capital renewals not completed during the year and thus were converted to deferred maintenance and repairs. A capital renewal is a planned investment program for known cyclic repair and replacement requirements of major building systems and components that extend the life and retain useable condition of facilities and systems. If capital renewals remain unfunded, deferred maintenance and repairs will continue to increase. A summary of deferred maintenance (in thousands), by asset category, at the beginning and end of FY 2015 follows:

	Condition Assessment	Deferred Maintenance and Repairs	
		2015 Ending Balance	2015 Beginning Balance
Building and Structures	Poor to Good	\$224,561	\$119,300
Multi-Use Heritage Assets	Poor to Good	32,033	31,250
Total		\$256,594	\$150,550

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Combined Statement of Budgetary Resources (SBR)

The total Budgetary Resources of \$19.5 billion for FY 2015 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.

Combined Statement of Budgetary Resources by Major Budget Accounts (in thousands):

	2015						
	Salaries & Expenses	Air & Marine	Border Security Fencing, Infrastructure & Technology (BSFIT)	Construction	Automation Modernization	Other	Total
As of September 30, 2015 (in thousands):							
Budgetary Resources							
Unobligated Balance Brought Forward, October 1	\$ 372,232	\$121,094	\$356,762	\$108,137	\$ 138,012	\$ 463,656	\$ 1,559,893
Recoveries of Prior Year Unpaid Obligations	153,261	33,366	79,751	61,492	51,185	195,450	574,505
Other Changes in Unobligated Balance	(70,389)	(28)	(786)	(50,061)	2,803	–	(118,461)
Unobligated Balance from Prior Year Budget Authority, Net	455,104	154,432	435,727	119,568	192,000	659,106	2,015,937
Appropriations	8,783,435	735,036	430,561	308,919	841,598	4,478,176	15,577,725
Spending Authority from Offsetting Collections	1,822,806	10,181	–	–	22,320	25,111	1,880,418
Total Budgetary Resources	\$11,061,345	\$899,649	\$866,288	\$428,487	\$1,055,918	\$5,162,393	\$19,474,080
Status of Budgetary Resources							
Obligations Incurred (Note 23)	\$10,740,603	\$823,022	\$471,105	\$320,200	\$ 915,930	\$4,474,706	\$17,745,566
Unobligated Balance, End of Year:							
Apportioned	73,598	70,820	346,564	98,374	119,460	219,441	928,257
Unapportioned	247,144	5,807	48,619	9,913	20,528	468,246	800,257
Total Unobligated Balance, End of Year	320,742	76,627	395,183	108,287	139,988	687,687	1,728,514
Total Budgetary Resources	\$11,061,345	\$899,649	\$866,288	\$428,487	\$1,055,918	\$5,162,393	\$19,474,080

**U.S. Customs and Border Protection
Required Supplementary Information
(Unaudited)**

2015

	Salaries & Expenses	Air & Marine	BSFIT	Construction	Automation Modernization	Other	Total
Change in Obligated Balance:							
Unpaid Obligations:							
Unpaid Obligations Brought Forward, October 1 (gross)	\$ 1,243,860	\$ 512,747	\$ 515,157	\$ 505,774	\$ 421,434	\$ 452,438	\$ 3,651,410
Obligations Incurred (Note 23)	10,740,603	823,022	471,105	320,200	915,930	4,474,706	17,745,566
Outlay (Gross)	(10,442,795)	(849,975)	(355,946)	(324,644)	(837,489)	(4,436,396)	(17,247,245)
Recoveries of Prior Year Unpaid Obligations	(153,261)	(33,366)	(79,751)	(61,492)	(51,185)	(195,450)	(574,505)
Unpaid Obligations, End of Year (Gross)	1,388,407	452,428	550,565	439,838	448,690	295,298	3,575,226
Uncollected Payments:							
Uncollected Customer Payments from Federal Sources Brought Forward from October 1	(124,471)	(3,667)	–	–	(16,218)	(1,850)	(146,206)
Change in Uncollected Customer Payments from Federal Sources	8,244	(2,593)	–	–	184	(845)	4,990
Uncollected Customer Payments from Federal Sources, End of Year	(116,227)	(6,260)	–	–	(16,034)	(2,695)	(141,216)
Obligated Balance, Start of Year	\$ 1,119,389	\$ 509,080	\$ 515,157	\$ 505,774	\$ 405,216	\$ 450,588	\$ 3,505,204
Obligated Balance, End of Year	\$ 1,272,180	\$ 446,168	\$ 550,565	\$ 439,838	\$ 432,656	\$ 292,603	\$ 3,434,010
Budget Authority and Outlays, Net:							
Budget Authority, Gross	\$ 10,606,241	\$ 745,217	\$ 430,561	\$ 308,919	\$ 863,918	\$ 4,503,287	\$ 17,458,143
Actual Offsetting Collections	(1,831,050)	(7,588)	–	–	(22,504)	(24,266)	(1,885,408)
Change in Uncollected Customer Payment from Federal Sources	8,244	(2,593)	–	–	184	(845)	4,990
Budget Authority, Net	\$ 8,783,435	\$ 735,036	\$ 430,561	\$ 308,919	\$ 841,598	\$ 4,478,176	\$ 15,577,725
Outlays, Gross	\$ 10,442,795	\$ 849,975	\$ 355,946	\$ 324,644	\$ 837,489	\$ 4,436,396	\$ 17,247,245
Actual Offsetting Collections	(1,831,050)	(7,588)	–	–	(22,504)	(24,266)	(1,885,408)
Outlays, Net	8,611,745	842,387	355,946	324,644	814,985	4,412,130	15,361,837
Distributed Offsetting Receipts	–	–	–	–	–	(4,104,082)	(4,104,082)
Agency Outlays, Net	\$ 8,611,745	\$ 842,387	\$ 355,946	\$ 324,644	\$ 814,985	\$ 308,048	\$ 11,257,755

**U.S. Customs and Border Protection
Required Supplementary Information
(Unaudited)**

Combined Statement of Budgetary Resources by Major Budget Accounts (in thousands):

	2014						Total
	Salaries & Expenses	Air & Marine	BSFIT	Construction	Automation Modernization	Other	
As of September 30, 2014 (in thousands):							
Budgetary Resources							
Unobligated Balance Brought Forward, October 1	\$ 245,596	\$ 72,667	\$420,691	\$ 77,831	\$ 84,115	\$ 391,412	\$ 1,292,312
Recoveries of Prior Year Unpaid Obligations	116,152	48,814	91,020	34,519	47,628	5,916	344,049
Other Changes in Unobligated Balance	(118,618)	—	(1,811)	—	5,428	—	(115,001)
Unobligated Balance from Prior Year Budget Authority, Net	243,130	121,481	509,900	112,350	137,171	397,328	1,521,360
Appropriations	8,449,512	805,032	283,956	472,778	854,781	3,112,130	13,978,189
Spending Authority from Offsetting Collections	1,695,632	14,536	3	—	28,647	15,365	1,754,183
Total Budgetary Resources	\$10,388,274	\$941,049	\$793,859	\$585,128	\$1,020,599	\$3,524,823	\$17,253,732
Status of Budgetary Resources							
Obligations Incurred (Note 23)	\$10,016,042	\$819,955	\$437,097	\$476,991	\$ 882,587	\$3,061,167	\$15,693,839
Unobligated Balance, End of Year:							
Apportioned	212,021	114,807	334,544	49,523	120,087	186,450	1,017,432
Unapportioned	160,211	6,287	22,218	58,614	17,925	277,206	542,461
Total Unobligated Balance, End of Year	372,232	121,094	356,762	108,137	138,012	463,656	1,559,893
Total Budgetary Resources	\$10,388,274	\$941,049	\$793,859	\$585,128	\$1,020,599	\$3,524,823	\$17,253,732

**U.S. Customs and Border Protection
Required Supplementary Information
(Unaudited)**

	2014						Total
	Salaries & Expenses	Air & Marine	BSFIT	Construction	Automation Modernization	Other	
Change in Obligated Balances							
Unpaid Obligations:							
Unpaid Obligations Brought Forward, October 1 (gross)	\$ 1,178,792	\$ 559,463	\$ 512,721	\$ 519,001	\$ 342,214	\$ 408,814	\$ 3,521,005
Obligations Incurred (Note 23)	10,016,042	819,955	437,097	476,991	882,587	3,061,167	15,693,839
Outlay (Gross)	(9,834,822)	(817,857)	(343,641)	(455,699)	(755,739)	(3,011,627)	(15,219,385)
Recoveries of Prior Year Unpaid Obligations	(116,152)	(48,814)	(91,020)	(34,519)	(47,628)	(5,916)	(344,049)
Unpaid Obligations, End of Year (Gross)	1,243,860	512,747	515,157	505,774	421,434	452,438	3,651,410
Uncollected Payments:							
Uncollected Customer Payments from Federal Sources Brought Forward from October 1	(150,083)	(591)	--	--	--	(1,085)	(151,759)
Change in Uncollected Customer Payments from Federal Sources	25,612	(3,076)	--	--	(16,218)	(765)	5,553
Uncollected Customer Payments from Federal Sources, End of Year	(124,471)	(3,667)	--	--	(16,218)	(1,850)	(146,206)
Obligated Balance, Start of Year	\$ 1,028,709	\$ 558,872	\$ 512,721	\$ 519,001	\$ 342,214	\$ 407,729	\$ 3,369,246
Obligated Balance, End of Year	\$ 1,119,389	\$ 509,080	\$ 515,157	\$ 505,774	\$ 405,216	\$ 450,588	\$ 3,505,204
Budget Authority and Outlays, Net:							
Budget Authority, Gross	\$10,145,144	\$ 819,568	\$ 283,959	\$ 472,778	\$ 883,428	\$ 3,127,495	\$ 15,732,372
Actual Offsetting Collections	(1,721,244)	(11,460)	(3)	--	(12,429)	(14,600)	(1,759,736)
Change in Uncollected Customer Payment from Federal Sources	25,612	(3,076)	--	--	(16,218)	(765)	5,553
Budget Authority, Net	\$ 8,449,512	\$ 805,032	\$ 283,956	\$ 472,778	\$ 854,781	\$ 3,112,130	\$ 13,978,189
Outlays, Gross	\$ 9,834,822	\$ 817,857	\$ 343,641	\$ 455,699	\$ 755,739	\$ 3,011,627	\$ 15,219,385
Actual Offsetting Collections	(1,721,244)	(11,460)	(3)	--	(12,429)	(14,600)	(1,759,736)
Outlays, Net	8,113,578	806,397	343,638	455,699	743,310	2,997,027	13,459,649
Distributed Offsetting Receipts	--	--	--	--	--	(3,919,289)	(3,919,289)
Agency Outlays, Net	\$ 8,113,578	\$ 806,397	\$ 343,638	\$ 455,699	\$ 743,310	\$ (922,262)	\$ 9,540,360

Custodial Activity

Substantially all duty, tax and fee revenues collected by CBP are remitted to various General Fund accounts maintained by Treasury and the 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 2015 and 2014, CBP had the legal right to collect \$3.2 billion and \$3.1 billion of receivables, respectively. In addition, there were \$2.1 billion and \$2.8 billion representing records still in the protest phase for FY 2015 and 2014, respectively. CBP recognized as write-offs \$37.2 million and \$47.4 million of assessments that the Department has statutory authority to collect at September 30, 2015 and 2014, respectively, but has no future collection potential. Most of this amount represents trade receivables.

OFFICE OF INSPECTOR GENERAL

Independent Auditors' Report on U.S. Customs and Border Protection's FY 2015 Consolidated Financial Statements



Homeland
Security

March 21, 2016
OIG-16-54



DHS OIG HIGHLIGHTS

Independent Auditors' Report on U.S. Customs and Border Protection's FY 2015 Consolidated Financial Statements

March 21, 2016

Why We Did This Audit

U.S. Customs and Border Protection (CBP) prepares annual financial statements to demonstrate accountability to Congress and the public. CBP uses the same guidance and statutory framework used by the Department of Homeland Security (DHS). We contracted with KPMG LLP to audit CBP's fiscal year (FY) 2015 financial statements to express an opinion over the fairness of presentation of those statements.

What We Recommend

KPMG LLP made 11 recommendations to improve internal control over financial reporting and increase the reliability of financial systems and operations. These recommendations address the four significant deficiencies identified in the report.

For Further Information:

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

What We Found

Under contract with DHS Office of Inspector General, the independent public accounting firm KPMG LLP has issued an unmodified (clean) opinion on CBP's FY 2015 consolidated financial statements. In the independent auditors' opinion, the financial statements present fairly, in all material respects, CBP's financial position as of September 30, 2015.

The report identifies four significant deficiencies in internal control, two of which are considered material weaknesses. The material weaknesses are in drawback of duties, taxes, and fees and information technology. The two other significant deficiencies were in internal control in the entry process and entity-level controls.

CBP's Response

CBP concurred with the two material weaknesses and the two significant deficiencies identified in the report and indicated that management will continue to work to resolve all identified weaknesses.





OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

the quality of the audit work performed, we evaluated KPMG's qualifications and independence, reviewed the approach and planning of the audit, monitored the progress of the audit at key points, reviewed and accepted KPMG's audit report, and performed other procedures that we deemed necessary.

Additionally, we provided oversight of the audit of financial statements and certain accounts and activities conducted at CBP. Our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

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

Please call me with any questions, or your staff may contact Maureen Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.

Attachment

www.oig.dhs.gov



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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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, 2015 and 2014, 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 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

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the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity



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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Customs and Border Protection as of September 30, 2015 and 2014, and its net costs, changes in net position, custodial activity, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Management has elected to reference to information on websites or other forms of interactive data outside the *Performance and Accountability Report* to provide additional information for the users of its financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

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 Table of Contents, Introduction, Performance Section, Message from the Chief Financial Officer, and Other Information, as reflected in CBP's *Fiscal Year 2015 Performance and Accountability Report*, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit 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 as of and for the year ended September 30, 2015, 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*.

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 material weaknesses 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 material weaknesses.

I-A. Drawback of Duties, Taxes and Fees

I-B. Information Technology

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.

II-C. Entry Process

II-D. Entity-Level Controls

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, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 15-02. With respect to other matters, we noted DHS is currently reviewing one potential violation of the *Antideficiency Act*. As of the date of this report, no final noncompliance determination has been made for the incident.



CBP's Response to Findings

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

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.
March 8, 2016

Independent Auditors' Report

Introduction to Exhibits on Internal Control over Financial Reporting

The internal control weaknesses in financial reporting, and findings related to compliance with certain laws, regulations, contracts, and grant agreements presented herein were identified during our audit of CBP financial statements as of September 30, 2015. Our findings are presented in two exhibits:

Exhibit I Findings that individually or in the aggregate are considered material weaknesses in internal control over financial reporting affecting the CBP's consolidated financial statements.

Exhibit II Findings that individually or in aggregate are considered significant deficiencies in internal control over financial reporting, which are less severe than a material weakness, yet important enough to merit the attention of CBP's management and others in positions of oversight at CBP.

Criteria Index of Financial Reporting and Internal Control Criteria

Attachment Management's response to our findings

The determination of which findings rise to the level of a material weakness or significant deficiency is based on an evaluation of how identified deficiencies, considered in aggregate, may affect the CBP's financial statements as of September 30, 2015.

A summary of our findings in fiscal year (FY) 2015 and FY 2014 are presented in the tables below:

Table 1 Presents a summary of CBP's material weaknesses for FY 2015 and FY 2014.

Table 2 Presents a summary of CBP's significant deficiencies for FY 2015 and FY 2014.

The criteria supporting our findings, such as references from technical accounting standards, various rules and regulations, including requirements issued by the OMB and the U.S. Treasury, and internal Departmental and component directives, are presented in the *Index of Financial Reporting and Internal Control Criteria* behind Exhibit II.

TABLE 1 – Summarized CBP FY 2015 and FY 2014 Material Weaknesses

	Comments / Financial Statement Area	FY 2015	FY 2014
A	Drawback of Duties, Taxes and Fees	MW	MW
B	Information Technology	MW	SD

TABLE 2 – Summarized CBP FY 2015 and FY 2014 Significant Deficiencies

	Comments / Financial Statement Area	FY 2015	FY 2014
C	Entry Process	SD	SD
D	Entity-Level Controls	SD	CD
E	Property, Plant and Equipment	CD	SD

Independent Auditors' Report**Introduction to Exhibits on Internal Control over Financial Reporting**

MW	Material Weakness when control deficiencies are aggregated
SD	Significant Deficiency when control deficiencies are aggregated
CD	Control Deficiencies were identified but did not aggregate to an SD or MW

EXHIBIT I – Material Weaknesses in Internal Control over Financial Reporting**I-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) 2015, CBP collected approximately \$41.4 billion in import duties, taxes, and fees on merchandise arriving in the United States from foreign countries. Receipts of import duties and related refunds are presented in the statement of custodial activity in CBP's consolidated financial statements.

Drawbacks are a remittance, in whole or in part, of duties, taxes, or fees previously paid by an importer. Drawbacks typically occur 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.

The conditions cited below have existed for several years; however, CBP's planned remediation for these conditions is dependent upon funding for information technology (IT) systems modernization and new system implementation. In FY 2015, CBP continued its efforts to review and reassess the drawback process as a whole.

Conditions:

We identified the following conditions in internal control over refund and drawback of duties, taxes, and fees paid by the importer:

- The current entry/collections system lacked automated controls necessary to prevent, or detect and correct excessive drawback claims. The programming logic did not link drawback claims to imports at a detailed level. In addition, the system did not have the capability to compare, verify, and track essential information on drawback claims to the related underlying consumption entries and export documentation upon which the drawback claim is based. Further, the system had not been configured to restrict drawback claims to 99 percent of each entry summary in accordance with regulation.
- Manual drawback review policies did not require drawback specialists to review all, or a statistically valid sample, of prior drawback claims against a selected import entry to determine whether, in the aggregate, an excessive amount was claimed against import entries.
- Documentation retention periods were not appropriate to ensure that support for drawback transactions was maintained for the full claim time period.
- The automated control designed to prevent a claimant from exceeding the continuous bond amount on file did not operate effectively.

Cause/Effect:

IT system functionality and outdated IT systems contribute to the weaknesses identified above. Refer to Comment **I-B**, *Information Technology Controls and Financial System Functionality*. For drawback, much of the process is manual until IT system functionality improvements are made, placing an added burden on limited resources and increasing the risk of error. CBP does not currently have sufficient resources to effectively perform compensating manual controls over drawback claims. CBP is pursuing changes to statutes, which govern the drawback process, to

EXHIBIT I – Material Weaknesses in Internal Control over Financial Reporting

further reduce the need for manual controls. The length of the drawback claim lifecycle often extends beyond the documentation retention period, which is set by statute. Until effective automated and manual controls are implemented over the drawback process, CBP may be subject to financial loss due to possible excessive drawback claims.

Criteria:

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

Recommendations:

We recommend that CBP:

- Continue to pursue compensating controls and measures that could ultimately identify the potential revenue loss exposure to CBP. These compensating controls over drawback claims may lead to the ability to compare, verify, and track essential information on drawback claims to the related underlying consumption entries and export documentation for which the drawback claim is based, and identify duplicate or excessive drawback claims.
- Develop and implement automated controls, where feasible, to prevent overpayment of a drawback claim.
- Continue to pursue Congressional action to change the statutory requirement for document retention on drawback claims.
- Continue to analyze current policies and procedures performed at the drawback centers and revise as necessary.

I-B. Information Technology**Background:**

Controls over 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 (i.e., security management, access control, configuration management, segregation of duties, and contingency planning) and four key application control areas (i.e., 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.

During our FY 2015 assessment of general IT controls (GITCs) and process-level IT application controls, we noted that, although CBP made some progress in remediating IT findings we reported in FY 2014, significant new findings were noted in FY 2015. Those new findings were related to: (1) controls that were effective in prior years, or (2) control deficiencies noted over new systems that were similar to deficiencies previously reported.

Conditions:

During FY 2015, 28 IT control deficiencies were identified. A number of the control deficiencies related to user access and audit logging, which collectively limited CBP's ability to support

EXHIBIT I – Material Weaknesses in Internal Control over Financial Reporting

assertions that critical financial and operational data confidentiality, integrity, and availability are maintained. Eleven of the 28 conditions were related to new systems not tested in previous years. During FY 2015, CBP took corrective actions to address some of the prior year IT control deficiencies; three of which were successfully closed.

In summary, we noted the following:

1. Access Controls:

- Management did not consistently or completely develop and formally document policies and procedures for managing and monitoring access to key financial applications and underlying system software components.
- Initial authorization and periodic recertification of application, database, and operating system user, service, and generic accounts (including emergency and temporary access) was inadequate, inconsistent, or in violation of the principles of least privilege and segregation of duties.
- Technical controls over logical access to key financial applications and underlying system software components, including password and inactivity requirements and account and data protection security configurations, were not consistently implemented in accordance with DHS requirements.
- Controls over the generation, review, analysis, and protection of application, database, and operating system audit logs were not fully implemented or were inconsistently performed.
- Transferred and/or terminated employees' and contractors' access privileges were not always consistently or timely removed from financial systems and general support systems, and controls related to review and revocation of system access were not always implemented or finalized.

2. Configuration Management:

- Vulnerability management activities, including performing internal scans of financial applications and system software, monitoring vulnerabilities identified, and implementing vendor-recommended patches to address known vulnerabilities, were not consistently performed.
- Monitoring controls to ensure the completeness and integrity of records of approved system changes for key financial systems were not always implemented.
- Configuration changes to financial systems were not consistently tested before deployment to the production environment.

3. Segregation of Duties:

- Implementation of segregation of duties for IT and financial management personnel with access to financial systems across several platforms and environments (including the development and production environments) was inadequate or incomplete.

4. Contingency Planning:

- Controls over the performance of periodic backups were not fully implemented.

EXHIBIT I – Material Weaknesses in Internal Control over Financial Reporting*Conditions Related to Financial System Functionality:*

In addition to the GITC deficiencies noted above, we identified several instances where financial system functionality limitations were inhibiting CBP's ability to implement and maintain internal control, including process-level IT application controls supporting financial data processing and reporting. Financial system functionality limitations also contributed to other control deficiencies, reported in Exhibits I and II. We noted persistent and pervasive financial system functionality conditions in the following general areas:

- System software supporting key financial applications, feeder systems, and general support systems either lacked the required functionality to implement effective controls or were outdated and no longer supported by the respective vendors, resulting in unmitigated vulnerabilities that exposed underlying data to potential unauthorized and undetected access and exploitation.
- GITCs and financial process areas were implemented or supported by manual processes, outdated or decentralized systems or records management processes, or utilities with limited automated capabilities. These limitations introduced a high risk of error and resulted in inconsistent, incomplete, or inaccurate control execution and supporting documentation.
- Financial system controls were not fully effective to efficiently provide readily auditable transaction populations without substantial manual intervention and additional supporting information which increased the risk of error.

In addition to the above general areas, system limitations contributed to deficiencies noted in multiple financial process areas. For example, system configurations and posting logic deficiencies limited the effectiveness of controls to properly calculate the value of certain transactions, identify funding variances, or prevent or detect and correct excessive refund claims. In some cases, while components implemented manual processes to compensate for these limitations, these manual processes were prone to error and increased the risk that financial data and transactions were improperly posted to the respective systems.

Criteria:

The criteria will be presented in a separate, restricted distribution report that discusses the general IT control and functionality deficiencies in greater detail.

Cause/Effect:

The control deficiencies described in this exhibit stem from a number of systemic root causes. In many cases, resource limitations; ineffective or inadequate management oversight; the complex, highly interrelated yet decentralized nature of systems and system components; and/or error-prone manual processes resulted in inadequately designed and implemented or ineffectively operating controls. In some cases, cost-prohibitive options for vendor support have limited system development activity to "break/fix" and sustainment activities.

CBP management continued to recognize the need to modernize its financial systems. Until necessary legacy IT issues are addressed, and updated IT solutions are implemented, compensating controls and other complex manual workarounds must be used to support CBP's IT environment and financial reporting processes. As a result, CBP's difficulty attesting to a strong

EXHIBIT I – Material Weaknesses in Internal Control over Financial Reporting

control environment, to include effective GITCs and reliance on key financial systems, will likely continue.

The conditions supporting our findings collectively limit CBP's ability to process, store, and report financial data in a manner to ensure accuracy, confidentiality, integrity, and availability. Some of the weaknesses could result in material errors in CBP's financial data that are not detected in a timely manner through the normal course of business. Because of the presence of IT control and financial system functionality weaknesses, there is added pressure on mitigating controls to operate effectively. Because mitigating controls were often more manually focused, there was an increased risk of human error that could materially affect the financial statements.

Recommendations:

We recommend that CBP management continue to make necessary improvements to the CBP's financial management systems and supporting IT security controls. Specific, more detailed recommendations were provided in individual limited distribution (For Official Use Only) Notices of Findings and Recommendations (NFRs) and a separate letter provided to CBP management.

EXHIBIT II – Significant Deficiencies in Internal Control over Financial Reporting**II-C. Entry Process****Background:**

CBP collected approximately \$41 billion in import duties, taxes, and fees on merchandise arriving in the United States from foreign countries. Our findings over the entry process include conditions identified in entry reports review, collections and deposits, refunds, bond sufficiency, liabilities for deposit accounts, and fines and penalties receivable.

Collections of cash and checks are made by port personnel on a daily basis for importer payment of duties, taxes, and fees. This collections detail is entered into CBP's system of record and then deposited with the U.S. Treasury.

Refunds occur when a claimant has paid duties, taxes, fees, and interest in excess of the amount due. As a result, a refund check is issued. CBP issues a variety of refunds, including baggage declaration refunds, refunds of cash deposits in lieu of surety, mail refunds, and administrative refunds of formal entry collections.

CBP assesses fines and penalties for violations of trade and importation laws and regulations under 19 Code of Federal Regulations (CFR) 171 and 19 CFR 172. Fines or liquidated damages arise from Importer/Broker violations of CBP bond agreements or trade laws and regulations (e.g., breach of the bond, late filing). Penalties may arise from violations of 19 United States Code (USC) 1592, related to importing and exporting of goods (e.g., marking violations).

CBP requires bonds from parties that import merchandise into the United States. These bonds are contracts to secure payment of duties, taxes, and fees in the event that an importer fails to fulfil their financial obligations. The assessment of liquidated damages against a bond serves to promote compliance with laws and regulations.

CBP personnel process and review certain entry edit and exception reports to monitor the status of rejected, cancelled, and unpaid entries, as well as to track suspense items.

Collections received that cannot be matched to an associated transaction or receivable are posted to the Budget Clearing Account (BCA). These items, which are referred to as intentional postings, are reported on the balance sheet as liabilities for deposit accounts, and are researched by CBP to determine whether the amount submitted is due to CBP, as well as whether any additional amount is owed.

Many of the conditions cited below have existed for several years. Management has stated that the timeframe for remediation of these conditions is dependent on funding for IT system upgrades and new system implementation.

Conditions:

In summary, we noted the following:

- Existing policies and procedures for review, verification, and segregation of duties of entry edit and exception reports were not consistently followed.
- Controls over the collections and deposits process did not operate effectively. Specifically, certain collection files did not contain evidence of an independent verifier. Additionally, certain collection files did not contain evidence that the amount received by the bank agreed to the amount recorded in CBP's system of record.

II.1

EXHIBIT II – Significant Deficiencies in Internal Control over Financial Reporting

- Controls over the review of refunds prior to disbursement were not operating effectively. Specifically, segregation of duties controls were not consistently enforced, and certain reports were not generated and reviewed in accordance with policies.
- Controls over the review of Single Transaction Bonds were not operating effectively. The system for reviewing the sufficiency of bonds was not implemented until January 2015. Additionally, CBP was unable to provide documentation to support the review of certain Single Transaction Bonds. Certain bonds were insufficient to cover the value of duties, taxes, and fees for the associated entries.
- Controls over the review of the BCA report were not fully implemented during FY 2015. Port personnel did not review all intentional postings on the BCA report on at least a quarterly basis to ensure that intentional postings were removed timely and properly classified. In addition to deficiencies in the design and implementation of controls over the BCA report, we also identified specific instances of non-compliance with policies and procedures over Liabilities for Deposit Accounts, including the incorrect classification of intentional postings to Liabilities for Deposit Accounts after the review had been completed.
- Controls did not exist to ensure that the fines and penalties receivable was correctly recorded, by case, in the system.

Cause/Effect:

Policies and procedures over the review of the edit and exception report, known as the B06, *Weekly List of Rejected/Cancelled Entries Report*, and the daily *Collections and Deposits Report*, were not consistently followed or reinforced in FY 2015. Ports did not always have sufficient contingency plans to ensure segregation of duties in the event of extended employee absences or terminations. Failure to consistently adhere to existing policies and procedures for review and verification of reports may result in a potential misstatement to the balance of taxes, duties, and trade receivables, net and total cash collections on the statement of custodial activities.

Policies and procedures over the review of single transaction bonds were not implemented for the entire fiscal year. After implementation, CBP did not adhere to policies and procedures for the review of Single Transaction Bonds. Failure to consistently adhere to existing policies and procedures for the review of Single Transaction Bonds could lead to loss of revenue due to uncollected duties, taxes, and fees.

CBP did not have processes in place to ensure the timely review of intentional postings on the BCA report. The personnel reviewing the BCA report were often not the same as the personnel reviewing the intentional postings and did not have sufficient resources and information to perform an adequate review. Inadequate controls could result in CBP's failure to identify amounts that are due to the Treasury General Fund.

Controls have not been designed and implemented to ensure the open receivable amount in the system is properly updated for subsequent adjustments (i.e., write-offs) to the assessed penalties and fines initially recorded, which could result in a misstatement to the receivables balance.

Criteria:

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

II.2

EXHIBIT II – Significant Deficiencies in Internal Control over Financial Reporting**Recommendations:**

We recommend that CBP:

- Institute a periodic monitoring control to ensure that timely reconciliations and reviews are performed.
- Develop contingency plans to ensure adequate segregation of duties in the event of extended employee absences or terminations.
- Update and redistribute guidance to necessary personnel regarding the appropriate CBP Directives and guidance that communicate the steps required for completing control procedures.
- Provide oversight and assistance at the headquarters-level to ensure that port personnel are adhering to procedures.
- Implement monitoring controls and review procedures to ensure case information is accurately updated.

II-D. Entity-Level Controls**Background:**

Entity-level controls are pervasive across an entity. They include the entity's culture, values, and ethics as well as the attitudes, awareness, and actions of management and those charged with governance concerning the entity's internal control and its importance. Entity-level controls are often categorized as control environment, risk assessment, control activities, monitoring, and information and communications, as defined by the *Committee of Sponsoring Organizations* of the Treadway Commission (COSO) (1992 and 2013 versions), and the Government Accountability Office (GAO). These controls must be effective in order to create and sustain an organizational structure that is conducive to reliable financial reporting.

The Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, assessment is also designed to assist with management's evaluation of control effectiveness and the remediation of control deficiencies, in accordance with an OMB approved plan.

The conditions below should be read in conjunction with Comment **I-A**, *Drawback of Duties, Taxes and Fees*, **I-B**, *Information Technology*, and **II-C**, *Entry Process*.

Condition/Cause/Effect:

During our audit we noted certain control deficiencies and underlying causes that were similar and pervasive across various process areas at CBP. The resulting recommendations, which we provided to correct the deficiencies, are based on improvements needed in management's risk assessment process, communication practices, and its monitoring activities. Accordingly, the entity-level control deficiencies described below apply to CBP as a whole.

Risk Assessment:

CBP's management has not developed an integrated process for ensuring various offices within the organization coordinated efforts to ensure a coordinated, complete and sufficient entity-wide risk assessment is performed. Specifically, GITC risks to the business process were not

EXHIBIT II – Significant Deficiencies in Internal Control over Financial Reporting

considered. As a result, automated or partially automated events and transactions that may have a greater likelihood of error or lack of controls may not always receive an appropriate level of attention.

Information & Communication:

We identified instances of weaknesses in communication within CBP throughout the audit. While CBP management has a process in place for internal communications, such as monthly remediation meetings with the Chief Financial Officer, improvements are needed to ensure effective and timely communications occur across various offices within the organization, specifically with respect to GITC risks.

Monitoring:

We noted instances where preventative and detective controls were either not designed at a level of precision to identify a significant error, or were not operating effectively. Therefore, there is the risk that an error or combination of errors could go undetected. While CBP management does perform tests of operating effectiveness and verification and validation of corrective action, improvements are needed to ensure the tests of operating effectiveness and/or verification and validation of corrective actions are performed at a sufficient level of detail to properly monitor and assess the progress of remediation efforts.

Specific examples have been provided in **I-A, Drawback of Duties, Taxes and Fees, I-B, Information Technology**, and **II-C, Entry Process**.

Criteria:

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

Recommendations:

We recommend that CBP personnel enhance the current process implemented over the entity-wide risk assessment, information & communication, and monitoring of the organization. Specifically, we recommend that CBP personnel strengthen the OMB Circular No. A-123 process throughout the organization by establishing program risk assessments and continuous monitoring processes.

Index of Financial Reporting and Internal Control Criteria

(Listed Alphabetically by Criteria Source)

Criteria	Reference	Report Exhibit
2014 Code of Federal Regulations (CFR)	Title 19, Volume 1, Section 111.23 (a)(1)-(2)	I-A
	Title 19, Volume 1, Section 113.13 (c)	
	Title 19, Volume 1, Section 113.65 (a)(3)-(4),(b)	
	Title 19, Volume 2, Section 163.4 (a)-(b)	
	Title 19, Volume 2, Section 191.15	
	Title 19, Volume 2, Part 191.38 (a)	
	Title 19, Volume 2, Section 191.51 (b)(1)	
	Title 19, Volume 2, Section 191.92 (d)	
	Title 19, Volume 1, Section 113.15	I-A, II-C
	Title 19, Volume 1, Section 113.26	
AU Section 341, <i>Auditing Accounting Estimates</i>	Internal Control Related to Accounting Estimates, Paragraph .06	II-C
CBP Directive 3710-004B, <i>Refund of Miscellaneous Collections</i>	Section 2.2; Section 5.7.1	II-C
CBP Directive 5610-004B, <i>Resolving Certain ACS Exception and Error Reports</i>	Section 5.1.2; Section 5.4.2; Section 5.5.2; Section 5.6.2; Section 5.11.2	II-C
CBP HB 3700-01B, <i>Drawback Handbook</i>	Chapter 5	I-A
CBP HB 5200-12B, <i>Collections and Deposits Handbook</i>	Section 1.4, Documentation Retention and Reconstruction Requirements	II-C
	Section 3.1, Separation of Duties	II-C
	Section 10.5, Verify Reconciliation of Deposits	II-C
SFFAS No. 7, <i>Accounting for Revenue and Other Financing Sources</i>	Section 53	II-C
The Federal Managers' Financial Integrity Act (FMFIA) of 1982	Section 2 (d)(1)(A)	I-A
GAO/PCIE Financial Audit Manual (FAM)	Section 260.50	II-D

Index of Financial Reporting and Internal Control Criteria

<p><i>GAO's Standards for Internal Control in the Federal Government</i></p>	<p>Section OV1.06, Section 1.05</p>	<p>II-D</p>
<p>Internal Automated Commercial Environment Entry Summary Business Rules and Process Documents</p>	<p>6.0 Single Transaction Bonds</p>	<p>II-C</p>
<p>Office of Management and Budget (OMB) Circular No. A-123, <i>Management's Responsibility for Internal Control</i></p>	<p>Policy, paragraph 3; Section I, paragraph 2; Section IV, paragraph 1</p>	<p>I-A, II-C, II-D</p>
	<p>Purpose, paragraph 1</p>	<p>II-C</p>



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Appendix B
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Washington, DC 20528-0305



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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

U.S. Customs and Border Protection Other Information (Unaudited)

Combined Schedule of Spending
For the Years Ended September 30, 2015 and 2014
(in Thousands)

	2015	2014
What Money is Available to Spend?		
Total Resources	\$19,474,080	\$17,253,732
Less: Amount Available but Not Agreed to be Spent	928,257	1,017,432
Less: Amount Not Available to be Spent	800,257	542,461
Total Amounts Agreed to be Spent	\$17,745,566	\$15,693,839
How was the Money Spent/Issued?		
<i>Salaries & Expenses</i>		
Personnel Compensation and Benefits	\$ 8,597,781	\$ 8,207,551
Contractual Services and Supplies	1,890,666	1,543,403
Acquisition of Assets	247,517	262,140
Refunds	4,035	2,343
Other	604	605
	<u>10,740,603</u>	<u>10,016,042</u>
<i>Automation Modernization</i>		
Personnel Compensation and Benefits	161,180	153,185
Contractual Services and Supplies	478,979	481,494
Acquisition of Assets	275,771	247,908
	<u>915,930</u>	<u>882,587</u>
<i>Construction</i>		
Personnel Compensation and Benefits	43,625	43,558
Contractual Services and Supplies	187,860	371,621
Acquisition of Assets	88,715	61,812
	<u>320,200</u>	<u>476,991</u>
<i>BSFIT</i>		
Contractual Services and Supplies	359,994	327,933
Acquisition of Assets	111,111	109,164
	<u>471,105</u>	<u>437,097</u>
<i>Air & Marine</i>		
Personnel Compensation and Benefits	278,839	274,600
Contractual Services and Supplies	463,051	488,308
Acquisition of Assets	81,105	57,044
Other	27	3
	<u>823,022</u>	<u>819,955</u>
<i>Other</i>		
Personnel Compensation and Benefits	1,343,757	1,259,327
Contractual Services and Supplies	168,872	293,423
Acquisition of Assets	23,067	46,546
Refunds	2,939,010	1,461,871
	<u>4,474,706</u>	<u>3,061,167</u>
Total Amounts Agreed to be Spent	\$17,745,566	\$15,693,839

**U.S. Customs and Border Protection
Other Information
(Unaudited)**

Who did the Money go to?	2015	2014
Individuals	\$ 4,880,255	\$ 5,136,965
Government	7,344,571	7,988,337
For Profit	5,477,205	2,535,314
Higher Education	29,072	30,880
Other	14,463	2,343
Total Amounts Agreed to be Spent	\$17,745,566	\$15,693,839
Who did the Money go to?		
Federal	\$ 5,659,095	\$ 5,373,992
Non-Federal	12,086,471	10,319,847
Total Amounts Agreed to be Spent	\$17,745,566	\$15,693,839

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.

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 statistical sample of the revenue losses and overpayments detected during TCM entry summary reviews conducted throughout the year.

	FY 2015 (Preliminary)	FY 2014 (Final)
Estimated Revenue Gap	\$649.6 mil	\$245.6 mil
Estimated Revenue Gap of all collectable revenue for year (%)	1.39 %	0.56 %
Estimated Over-Collection	\$37.8 mil	\$43.2 mil
Estimated Under-Collection	\$687.3 mil	\$288.8 mil
Estimated Overall Trade Compliance Rate (%)	98.9 %	97.6 %

The preliminary overall compliance rate for FY 2015 is 98.9 percent. The final overall trade compliance rate and estimated revenue gap for FY 2015 will be issued in February 2016.

**U.S. Customs and Border Protection
Other Information
(Unaudited)**

Petitioned and Protested Schedule

An analysis of the changes in petitioned and protested assessed amounts during FY 2015 and 2014 is as follows (in thousands):

	2015					
	Balance October 1	Additional Assessments	Protest in Favor of Debtor	Net Reduction Administrative Process	Additional Receivable	Balance September 30
Duties	\$ 349,441	\$ (4,256)	\$(139,818)	\$ 198,079	\$ --	\$ 403,446
Taxes	662	245	(36)	(354)	--	517
Fees	937	1,180	(91)	(1,244)	--	782
Fines/Penalties	1,726,424	560,847	(274,371)	(200)	(565,492)	1,447,208
Interest	212,198	19,005	(81,088)	(24,769)	--	125,346
Antidumping/ Countervailing Duties	486,979	8,337	(67)	(330,303)	--	164,946
Refunds & Drawbacks	5,731	5,542	--	(7,071)	--	4,202
Total	\$2,782,372	\$ 590,900	\$(495,471)	\$(165,862)	\$(565,492)	\$2,146,447
	2014					
	Balance October 1	Additional Assessments	Protest in Favor of Debtor	Net Reduction Administrative Process	Additional Receivable	Balance September 30
Duties	\$ 392,218	\$ 70,348	\$ (3,825)	\$(109,300)	\$ --	\$ 349,441
Taxes	1,367	(307)	--	(398)	--	662
Fees	1,366	1,193	(75)	(1,547)	--	937
Fines/Penalties	1,342,238	1,057,997	(268,519)	(23)	(405,269)	1,726,424
Interest	200,275	34,228	(1,024)	(21,281)	--	212,198
Antidumping/ Countervailing Duties	313,117	250,642	(3,166)	(73,614)	--	486,979
Refunds & Drawbacks	8,728	1,982	(1,255)	(3,724)	--	5,731
Total	\$2,259,309	\$1,416,083	\$(277,864)	\$(209,887)	\$(405,269)	\$2,782,372

**U.S. 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, 2015 and 2014 is as follows (in thousands):

2015	Aged Period					Total
	<=90 days	91 days-1 year	1-2 years	2-3 years	3+ years	
Reimbursable Services	\$ 878	\$ --	\$ --	\$ --	\$ --	\$ 878
User Fees	381,352	16,872	840	3,368	8,320	410,752
Gross Receivables	382,230	16,872	840	3,368	8,320	411,630
Less: Uncollectible Amounts	--	60	710	2,587	8,294	11,651
Net Receivables	\$382,230	\$16,812	\$ 130	\$ 781	\$ 26	\$399,979

2014	Aged Period					Total
	<=90 days	91 days-1 year	1-2 years	2-3 years	3+ years	
Reimbursable Services	\$ 2,849	\$ 4,688	\$ 566	\$ 405	\$ 918	\$ 9,426
User Fees	384,090	1,618	1,780	415	9,947	397,850
Gross Receivables	386,939	6,306	2,346	820	10,865	407,276
Less: Uncollectible Amounts	--	279	1,722	412	9,923	12,336
Net Receivables	\$386,939	\$ 6,027	\$ 624	\$ 408	\$ 942	\$394,940

**U.S. 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 2015 and 2014 is as follows (in thousands):

Receivable Category	2015					Balance September 30
	Balance October 1	Receivables Recorded During the Fiscal Year	Collections	Write-offs	Adjustments	
Duties	\$2,750,220	\$19,605,796	\$(17,684,110)	\$ (798)	\$(2,019,511)	\$2,651,597
Excise Taxes	168,201	952,231	(876,287)	—	(80,605)	163,540
Fees	71,862	1,904,567	(1,925,156)	—	19,930	71,203
Fines/Penalties	509,547	921,546	(46,714)	(36,330)	(859,919)	488,130
Interest	668,525	161,410	(3,657)	(4)	(23,672)	802,602
Antidumping/ Countervailing Duties	1,406,494	1,208,786	(673,926)	—	19,679	1,961,033
Refunds/Drawbacks	2,374	75,444	(3,065)	—	(2,678)	72,075
Total	5,577,223	\$24,829,780	\$(21,212,915)	\$(37,132)	\$(2,946,776)	6,210,180
Less: Uncollectible Amounts	2,527,833					2,965,230
Net Receivables	\$3,049,390					\$3,244,950

Receivable Category	2014					Balance September 30
	Balance October 1	Receivables Recorded During the Fiscal Year	Collections	Write-offs	Adjustments	
Duties	\$2,474,559	\$29,275,312	\$(17,575,331)	\$ (532)	\$(11,423,788)	\$2,750,220
Excise Taxes	149,281	2,762,032	(1,609,096)	—	(1,134,016)	168,201
Fees	68,224	3,187,170	(1,923,130)	—	(1,260,402)	71,862
Fines/Penalties	458,174	861,885	(52,975)	(42,296)	(715,241)	509,547
Interest	566,208	130,728	(12,737)	(8)	(15,666)	668,525
Antidumping/ Countervailing Duties	1,232,570	733,430	(314,985)	—	(244,521)	1,406,494
Refunds/Drawbacks	3,032	4,516	(3,021)	—	(2,153)	2,374
Total	4,952,048	\$36,955,073	\$(21,491,275)	\$(42,836)	\$(14,795,787)	5,577,223
Less: Uncollectible Amounts	2,270,041					2,527,833
Net Receivables	\$2,682,007					\$3,049,390

U.S. Customs and Border Protection
Other Information
(Unaudited)

An aging of Taxes, Duties, and Trade Receivables as of September 30, 2015 and 2014 is as follows (in thousands):

2015	Aged Period					Total
	<=90 days	91 days-1 year	1-2 years	2-3 years	3+ years	
Duties	\$2,470,293	\$ 51,784	\$ 10,346	\$ 8,109	\$ 111,065	\$2,651,597
Excise Taxes	153,322	64	497	850	8,807	163,540
User Fees	70,637	2	8	164	392	71,203
Fines/Penalties	63,131	81,605	89,806	33,589	219,999	488,130
Interest	34	31,862	70,563	48,356	651,787	802,602
Antidumping/ Countervailing Duties	140,500	126,102	372,805	226,968	1,094,658	1,961,033
Refunds and Drawbacks	69,811	1	2	100	2,161	72,075
Gross Receivables	2,967,728	291,420	544,027	318,136	2,088,869	6,210,180
Less: Uncollectible Amounts	58,046	211,520	445,696	259,426	1,990,542	2,965,230
Net Receivables	\$2,909,682	\$ 79,900	\$ 98,331	\$ 58,710	\$ 98,327	\$3,244,950

2014	Aged Period					Total
	<=90 days	91 days-1 year	1-2 years	2-3 years	3+ years	
Duties	\$2,581,828	\$ 12,581	\$ 30,769	\$ 10,402	\$ 114,640	\$2,750,220
Excise Taxes	157,957	409	618	233	8,984	168,201
User Fees	71,307	21	27	138	369	71,862
Fines/Penalties	55,351	105,800	97,212	52,009	199,175	509,547
Interest	11	12,094	37,367	43,435	575,618	668,525
Antidumping/ Countervailing Duties	1,178	71,335	206,861	204,647	922,473	1,406,494
Refunds and Drawbacks	--	2	137	--	2,235	2,374
Gross Receivables	2,867,632	202,242	372,991	310,864	1,823,494	5,577,223
Less: Uncollectible Amounts	51,923	176,534	325,846	279,025	1,694,505	2,527,833
Net Receivables	\$2,815,709	\$ 25,708	\$ 47,145	\$31,839	\$ 128,989	\$3,049,390

U.S. Customs and Border Protection
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CBP Collections by Category
(in thousands)

	2011	2012	2013	2014	2015
Duties	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Consumption Entries	\$29,522,341	\$30,860,080	\$32,246,586	\$34,267,273	\$36,430,548
Warehouse Withdrawals	41,907	38,676	58,065	46,462	42,939
Mail Entries	3,159	2,028	2,721	3,067	2,142
Passenger Baggage Entries	3,652	4,085	4,738	4,938	4,816
Crew Baggage Entries	6	5	60	11	1
Military Baggage Entries	3	5	2	2	2
Informal Entries	63,689	65,543	138,076	216,293	262,331
Vessel Repair Entries	30,381	16,710	11,613	29,123	12,077
Other Duties	8,359	18,868	24,904	32,927	42,749
Total Duties	<u>29,673,497</u>	<u>31,006,000</u>	<u>32,486,765</u>	<u>34,600,096</u>	<u>36,797,605</u>
Miscellaneous					
Violations of CBP Law	61,532	52,451	51,846	47,068	49,635
Testing, Inspecting & Grading	64	4,157	3,394	1,270	1,980
Miscellaneous Taxes	21,845	21,745	21,752	22,270	22,839
USDA Collections	120,704	131,680	146,016	151,595	165,845
Harbor Maintenance Fee	1,469,109	1,539,799	1,523,171	1,510,343	1,429,177
Fees	5,904	7,392	8,730	8,277	6,206
User Fee Account	2,779,483	3,439,523	3,680,658	3,853,530	4,103,056
Unclaimed Funds	164	469	240	256	82
Recoveries	--	--	3	1	--
Interest	35,577	40,173	1,050	37,891	16,606
Other CBP Receipts	13,838	22,412	22,142	56,275	24,611
Total Miscellaneous	<u>4,508,220</u>	<u>5,259,801</u>	<u>5,459,002</u>	<u>5,688,776</u>	<u>5,820,037</u>
Internal Revenue Taxes	<u>2,796,788</u>	<u>2,995,140</u>	<u>3,039,640</u>	<u>3,143,782</u>	<u>3,240,036</u>
Total Collections	<u>\$36,978,505</u>	<u>\$39,260,941</u>	<u>\$40,985,407</u>	<u>\$43,432,654</u>	<u>\$45,857,678</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.

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CBP Collections by Major Processing Port Locations
(in thousands)

	2011	2012	2013	2014	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Boston	\$ 345,490	\$ 363,497	\$ 364,986	\$ 368,708	\$ 367,471
Buffalo-Niagara Falls	294,659	317,012	322,727	329,602	347,271
Ogdensburg	132,567	147,013	143,957	148,037	162,459
Portland, Maine	60,124	62,517	55,223	59,328	62,808
Providence	112,008	126,627	146,914	147,430	159,977
St. Albans	46,145	50,206	51,063	55,956	56,339
Baltimore	629,569	654,950	701,463	797,220	820,764
Philadelphia	448,508	461,559	511,088	529,195	573,495
Newark	5,025,814	5,219,277	5,113,482	5,452,541	6,198,772
JFK Airport	1,017,668	981,040	1,056,601	1,096,558	1,117,372
Charleston	1,043,719	1,184,188	1,123,350	1,183,438	1,288,602
Miami	771,770	803,266	836,692	916,642	1,002,380
San Juan	117,235	125,899	279,092	198,743	109,879
St. Thomas	14,948	12,550	12,110	12,007	11,526
Savannah	1,985,424	2,047,913	2,073,771	2,548,813	3,226,361
Tampa	447,629	492,541	488,510	474,920	536,055
Wilmington	304,612	266,326	280,096	277,479	291,422
Norfolk	704,551	736,196	808,177	913,193	1,131,183
NFC Indianapolis/Washington	1,650,976	1,870,288	2,328,877	2,347,853	2,168,287
Mobile	180,997	185,049	204,101	184,221	196,302
New Orleans	1,232,590	1,303,706	1,351,597	1,536,368	1,367,858
Dallas/Ft Worth	527,570	574,583	625,293	667,102	680,159
El Paso	144,829	152,491	200,830	217,850	219,864
Houston	919,704	1,116,282	1,121,159	1,312,861	1,478,210
Laredo	583,472	656,435	674,221	779,703	802,953
Port Arthur	30,079	20,869	17,125	19,053	16,116
Nogales	96,259	94,566	110,129	131,433	134,563
Los Angeles	9,715,689	10,268,894	10,858,809	11,039,327	11,243,691
San Diego	221,490	252,688	268,872	320,284	360,524
Anchorage	134,253	118,389	94,208	80,073	105,960
Honolulu	36,089	37,192	36,037	35,748	36,924
Portland	312,337	365,043	338,674	340,501	332,563
San Francisco	1,301,094	1,405,650	1,449,926	1,506,267	1,471,681
Seattle	1,307,307	1,354,234	1,300,806	1,261,971	1,433,480
Chicago	1,916,811	2,009,737	2,013,849	2,169,167	2,283,257
Cleveland	1,710,571	1,810,848	1,938,792	2,150,736	2,169,244
Detroit	625,148	677,489	696,579	749,017	777,181
Milwaukee	23,183	31,130	23,548	38,893	43,376
Minneapolis	244,880	265,195	262,182	262,412	281,378
Pembina	25,078	31,373	36,254	44,855	35,695
St. Louis	364,369	426,942	486,737	540,986	545,974
Great Falls	171,290	179,291	177,500	186,163	208,302
Total Revenues Collected	\$36,978,505	\$39,260,941	\$40,985,407	\$43,432,654	\$45,857,678

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.

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Summary of Financial Statement Audit and Management Assurances

The table below provides a summary of the financial statement audit results and management assurances for FY 2015.

FY 2015 Summary of the Financial Statement Audit

Audit Opinion	UNMODIFIED				
Restatement	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Drawback Payments	1	--	--	--	1
Information Technology Controls and Financial Systems Functionality	--	1	--	--	1
Total Material Weaknesses	1	1	--	--	2

In FY 2015, the Independent Auditors' Report continues to identify one long-standing material weakness associated with drawback payments. Drawback is a remittance, in whole or in part, of duties, taxes, or fees previously paid by an importer. Drawback 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. Corrective actions to reduce the severity and ultimately resolve the material weakness will require a combination of legislative activity, an information technology systems solution, and compensating manual procedures. CBP's remediation strategy includes actions addressing each of these three components.

The Independent Auditors' Report also identified a material weakness associated with information technology (IT) controls and process-level IT application controls. During the FY 2015 assessment, the Independent Auditor noted that although some progress in remediating IT findings was reported, new findings were noted in FY 2015. Issues cited in CBP financial systems included weaknesses in access and separation of duties processes, application and account inactivity parameters, application production client settings, and audit logging and monitoring. CBP's remediation strategy includes IT control assessments and implementation of a sustainable and reliable IT control program to reduce vulnerabilities within and resulting from CBP's financial systems.

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, two of which, Custodial Refunds and Drawbacks and Salaries and Expenses – Payroll - Administrative Uncontrollable Overtime (AUO), were identified as high risk. Federal law requires Hurricane Sandy Supplemental spending to be considered high risk as defined by IPERIA. Thus all Hurricane Sandy Supplemental funds must be tested.

Congress requires funds allocated to agencies under the American Recovery and Reinvestment Act (ARRA) of 2009 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, with the concurrence of the agency's Office of Inspector General (OIG), request relief from the annual reporting requirements for this program or activity. The DHS Chief Financial Officer (CFO) signed a memorandum dated April 11, 2013 approving cessation of segregated testing for future ARRA disbursements due to CBP's consistent low error rate. DHS Risk Management and Assurance Division issued a Memorandum for the Record in FY 2015 to document the continued cessation of ARRA payment testing from FY 2015 testing of FY 2014 ARRA payments.

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Border Security Fencing (BSF) was deemed low risk according to the FY 2014 risk assessment. However, CBP received stimulus money for BSF projects under ARRA, which requires funds allocated to be tested regardless of the risk assessment outcome. Per OMB guidance mentioned above, CBP submitted a request in May 2014, which included the DHS OIG's concurrence, to obtain OMB's approval to seek relief from continued annual IPERIA testing for BSF, as CBP's total extrapolated error rate was less than 0.01 percent in FY 2011 and FY 2012. Relief from testing was granted by OMB on July 23, 2014. Therefore, no testing was conducted for BSF for FY 2014 payments.

The Custodial Refund and Drawback payment testing yielded an estimated improper payment amount of \$3.9 million of the \$1.6 billion, or 0.24 percent, that was disbursed in FY 2014. Salaries and Expense Payroll-AUO payment testing yielded an estimated improper payment amount of \$836 thousand of the \$338 million test population, or .25 percent, disbursed during FY 2014. One hundred percent of Hurricane Sandy disbursements were required to be tested, therefore the results provided reflect actual improper payments. CBP identified one improper payment of \$662 of the \$465 thousand, or 0.14 percent, of the total Hurricane Sandy payments disbursed in FY 2014.

Overpayments Recaptured Outside of Payment Recapture Audits (\$ in Thousands)

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 High-Risk Program Testing	\$11.5	\$0.7	**\$15.6	**\$5.1	\$27.1	\$5.8
Self-Reporting	--	--	\$945.8	\$945.8	\$945.8	\$945.8
Public Reporting	\$264	*\$266	\$1,896	\$1,894	\$2,160	\$2,160

*Collected \$1,738 from debt owed in 2014 **Adjusted IPIA High Risk Program testing PY Identified & Recovered

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	--	--	--	--	--	--

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%	100%	100%	100%

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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	--	--	--

CBP also identified amounts for recovery during the Improper Payment Information Act (IPIA) review of FY 2014 disbursements. The IPIA results are as follows (dollars in thousands):

	Amounts Identified as Improper Payments	Amounts Identified for Recovery	Amounts Recovered
Refunds and Drawbacks	\$6.5	--	--
American Reinvestment and Recovery Act (ARRA)	Testing Waived	Testing Waived	Testing Waived
Administrative Uncontrollable Overtime (AUO)	\$4.3	--	--
Hurricane Sandy Disaster Relief Funds (HSDR)	\$0.7	\$0.7	\$0.7
Border Security Fencing (BSF)	Testing Waived	Testing Waived	Testing Waived
Total	\$11.5	\$0.7	\$0.7

Recoveries for Custodial Refund and Drawback Program payments are restricted by regulations governing collections of duty, taxes, and fees associated with trade-related activity. OMB granted relief from testing BSF on July 23, 2014 due to three years of improper payment testing yielding low error rates and proving effectiveness of payment internal controls.

Improper Payment Reduction Outlook (\$ in millions)						
Source of Recovery	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (PYs)	Amount Recovered (PYs)	Cumulative Amount Identified (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
High-Dollar & Other Overpayment Reporting	\$0.3	\$0.3	\$2.8	\$2.8	\$3.0	\$3.0
IPIA High-Risk Program Testing	--	--	--	--	\$0.1	\$0.1
Post Payment Reviews	--	--	\$0.4	\$0.4	\$0.4	\$0.4
CBP Totals	\$0.3	\$0.3	\$3.2	\$3.2	\$3.5	\$3.5

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Do Not Pay Initiative to Prevent Improper Payments

	Number of Payments Reviewed for Improper Payments	Dollars of Payments Reviewed for Improper Payments	Number of Payments Stopped	Dollars of Payments Stopped	Number of Potential Improper Payments Reviewed and Determined Accurate	Dollars of Potential Improper Payments Reviewed and Determined Accurate
Review with the IPERIA Databases	482,401	\$4,229,628,374	--	--	5,241	\$16,302,014
Reviews with databases not listed in IPERIA	--	--	--	--	--	--

Footnote: SAP, ACS, ACE

Payment Recapture Audit Reporting

CBP contracted the audit recovery work for disbursements made during FY 2014. 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 (\$ in millions)	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	\$1,881	**N/A	--	--	100%	--	--	--

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's (\$000)	Amounts Recovered PYs (\$000)	Cumulative Amounts Identified for Recovery (CY + PYs) (\$000)	Cumulative Amounts Recovered (CY + PYs) (\$000)	Cumulative Amounts Outstanding (CY+PY)	Cumulative Amounts Determined Not to be Collectable (CY+PY)
CBP Mission	Contract	--	\$359,018	\$359,018	\$362,294	\$362,294	--	--

**CBP contracted the recovery audit work for disbursements made during FY 2014. In July 2015 the contractor notified CBP they could no longer perform the recovery audit as it was not cost effective due to the low recovery rate.

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Improper Payment Reduction Outlook

(in millions)	2013	2013	2013	2014	2014	2014	2014	2014	2015	2015
Program	PY Outlays	PY %	PY \$	CY Outlays	CY IP %	CY IP \$	CY Over-payment \$	CY Under-payment \$	CY + 1 Est. Outlays	CY + 1 IP %
Refunds & Drawbacks	\$1,473	.01%	\$0.18	\$1,591	.24%	\$3.9	\$3.9	--	\$1,469	.08%
Border Security Fencing	Testing Waived	--	--	Testing Waived	--	--	--	--	\$186	--
Administrative Uncontrollable Overtime (AUO)	\$393	--	--	\$338	.25%	\$.84	\$.84	--	\$366	.25%
Hurricane Sandy Disaster Relief Funds (HSDR)	\$.28	--	--	\$.47	--	--	--	--	N/A	--

(in millions)	2015	2016	2016	2016	2017	2017	2017
Program	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	\$1.4	\$1,469	.08%	\$1.4	\$1,469	.08%	\$1.4
Border Security Fencing	--	--	--	--	--	--	--
Administrative Uncontrollable Overtime (AUO)	\$.84	\$366	.25%	\$.84	\$366	.25%	\$.84
Hurricane Sandy Disaster Relief Funds (HSDR)	--	N/A	--	--	N/A	--	--

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.

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Freeze the Footprint

In May 2012 OMB issued Memorandum-12-12, *Promoting Efficient Spending to Support Agency Operations*, in response to Executive Order 13589, "*Promoting Efficient Spending*". In that Executive Order, signed by the President on November 9, 2011, the President directed each agency to reduce its combined costs in a variety of administrative categories from FY 2010 levels. Memorandum-12-12 addressed several of these categories, and included Section 3, *Real Property*, which states that agencies generally shall not increase the size of their domestic real estate inventory. Memorandum No. 2013-02, *Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint*, clarified the "Freeze the Footprint" (FtF) policy by stating that an agency's total square footage for office and warehouse space shall remain at its FY 2012 baseline level.

CBP, through its annual capital facilities investment plans and rent requirements control board, has put steps in place to reduce its office and warehouse footprint where it is controllable. Mobile Work Phases I and II have been successfully implemented in the National Capital Region and Phase III is being kicked off in Indianapolis. Through consolidation, co-location, and mobile work initiatives, CBP will continue to decrease nonoperational type office and warehouse space by 9 percent by FY 2020. CBP's operation and maintenance costs for FtF properties are estimated as CBP's accounting system doesn't provide cost detail by property.

Freeze the Footprint Baseline Comparison			
Square Footage (SF in millions)	FY 2012 Baseline	FY 2014 Actual	Decrease
	11.762	11.616	0.146
Operation and Maintenance Costs – Owned and Direct Lease Buildings			
Operation and Maintenance Costs (\$ in millions)	FY 2012 Estimated Costs	FY 2014 Estimated Costs	Decrease
	\$3.776	\$3.776	\$ --

Acronyms

Acronym	Definition
ACE	Automated Commercial Environment
ACS	Automated Commercial System
AES	Automated Export System
AFI	Analytical Framework for Intelligence
ALM	Active Lane Management
AIS	Automatic Identification System
AMO	Air and Marine Operations
AMOC	Air Marine Operations Center
APC	Automated Passport Control
APHIS	Animal and Plant Health Inspection Service
APIS	Advance Passenger Information System
ARO	Admissibility Review Office
ATS	Automated Targeting System
ATS-AT	Automated Targeting System-Anti-Terrorism
ATS-L	Automated Targeting System-Land
ATS-N	Automated Targeting System- Inbound
ATS-P	Automated Targeting System- Passenger
BORTAC	Border Patrol Tactical Unit
BSFIT	Border Security Fencing Infrastructure and Technology
C3E	CBP Cloud Computing Environment
CBP	Customs and Border Protection
CBSA	Canadian Border Services Agency
CCD	Coherent Change Detection
CDS	Consequence Delivery System
CEE	Centers of Excellence and Expertise
CFO	Chief Financial Officer
CIO	Chief Information Officer
CIV	Coastal Interceptor Vessels
CPSC	Consumer Product Safety Commission
CSA	Canada Self-Assessment
CSI	Container Security Initiative
CTAC	Commercial Targeting and Analysis Center
C-TPAT	Customs Trade Partnership Against Terrorism
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DoD	Department of Defense
DOJ	Department of Justice
ELMO	Enforcement Link Mobile Operations

EPA	Environmental Protection Agency
ERO	Enforcement and Removal Operations
ESTA	Electronic System for Travel Authorization
EXT	Entry/Exit Transformation Program
FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FAST	Free and Secure Trade
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
FDAU	Fraudulent Document Analysis Unit
FEA	Federal Electronic Assets
FECA	Federal Employees' Compensation Act
FEMA	Federal Emergency Management Agency
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Management Act of 2002
FLIR	Forward Looking Infrared Radiometer
FM&E	Facilities Management and Engineering Directorate
FMFIA	Federal Managers' Financial Integrity Act
FSU	Field Support Unit
FTZ	Foreign Trade Zone
FY	Fiscal Year
FYHSP	Future Year Homeland Security Program
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GMTI	Ground Moving Target Indicator
GOES	Global Online Enrollment System
GPRA	Government Performance and Program Results Act
GPRMA	Government Performance and Results Modernization Act
GSA	General Services Administration
HRBE	Human Resources Business Engine
HRM	Human Resources Management
HSI	Homeland Security Investigations
HtW	Home-to-Work
IA	Internal Affairs
IAP	Immigration Advisory Program
IBET	Integrated Border Enforcement Teams
ICE	Immigration and Customs Enforcement
ICS	International Container Security

IER	Interdiction Effectiveness Rate
ILU	International Liaison Unit
INA	Immigration and Nationality Act
INTERPOL	International Criminal Police Organization
IPR	Intellectual Property Rights
ISA	Importer Self-Assessment
ITDS	International Trade Data System
IUF	Immigration User Fees
IUFA	Immigration User Fees Accounts
JFC	Joint Field Command
JOD	Office of Joint Operations Directorate
JSP	Joint Security Program
JTF-W	Joint Task Force West
LSSD	Laboratories and Scientific Services Directorate
MID	Management Inspection Division
NAAP	National Audit Plan
NARP	National Agriculture Release Program
NEXUS	Northern Exchange with United States
NHTSA	National Highway Traffic Safety Administration
NII	Non-Intrusive Inspection
NTC-C	National Targeting Center-Cargo
NTC-P	National Targeting Center-Passenger
OA	Office of Administration
OCA	Office of Congressional Affairs
OCC	Office of Chief Counsel
OES	Office of Executive Secretariat
OFO	Office of Field Operations
OGA	Other Government Agencies
OIG	Office of Inspector General
OIIL	Office of Intelligence and Investigative Liaison
OIP	Operational Implementation Plan
OIT	Office of Information and Technology
OMB	Office of Management and Budget
OPA	Office of Public Affairs
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
OTD	Office of Training and Development
OTR	Office of Trade Relations
PAR	Performance and Accountability Report
PDO	Privacy and Diversity Office
POE	Port of Entry
PPBA	Planning, Programming, Budgeting, and Accounting
PPMOB	Personal Property Management Oversight Board
QHSR	Quadrennial Homeland Security Review
RA	Regulatory Audit
ReCoM	Regional Coordinating Mechanism
RFID	Radio Frequency Identification
RTU	Rail Targeting Unit
SAP	Systems, Applications, and Products
SAR	Synthetic Aperture Radar
SENTRI	Secure Electronic Network for Traveler Rapid Inspection
SFFAS	Statement of Federal Financial Accounting Standards
SIP	Self-Inspection Program
SLEP	Service Life Extension Program
SLT	Office of State, Local, and Tribal Liaison
SOP	Standard Operating Procedures
T3U	Tactical Trade Targeting Unit
TCO	Transnational Criminal Organization
TOMIS	Tasking, Operations, and Management Information System
TSA	Transportation Security Agency
UAS	Unmanned Aircraft System
UGS	Unattended Ground Sensor
UPAX	Unified Passenger
U.S.	United States
USBP	United States Border Patrol
USCIS	United States Citizenship and Immigration Services
US-VISIT	U.S. Visitor and Immigration Status Indicator Technology
VADER	Vehicle and Dismounted Exploitation Radar
VWP	Visa Waiver Program



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