

UNITED STATES INTERNATIONAL TRADE COMMISSION

**THE ADMINISTRATION AND OPERATION OF THE CUSTOMS LAWS:
CUSTOMS PROCEDURES WITH RESPECT TO THE VERIFICATION
OF IMPORT STATISTICS**

Report on Investigation No. 332-83

Under Section 332(a) of the Tariff Act of 1930



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Summary of Conclusions and Recommendations

In the course of this investigation on customs procedures with respect to the collection and verification of import statistics, the Commission has identified specific problem areas and has made a number of recommendations to correct them. In general, the Commission feels that ample legislative authority exists for the Customs Service to require importers to provide all the information necessary for the publication of accurate and timely import statistics. It is also apparent that Congress intended Customs to make use of professional personnel to insure the accuracy of that data and to enforce the laws with respect to the reporting of statistical information as one of that agency's primary functions. The Commission has proposed a number of specific recommendations which are designed to increase the focus of Customs activities in the statistical area. These recommendations are more fully discussed on pages 39-46 of this report and are briefly summarized below:

(1) Prior to the arrival of an initial shipment of merchandise, an extensive importer/customs import specialist interview should be required to obtain classification and value information for statistical as well as duty purposes, as a condition to granting blanket immediate delivery privileges.

(2) In response to requests for information or rulings concerning the classification of merchandise, Customs headquarters should provide such information on the five- and seven-digit basis, thereby advising interested parties of not only the tariff, but also the statistical

classification.

(3) Since commercial invoices frequently lack sufficient information to enable Customs officers to classify imported merchandise accurately, importers should be encouraged to instruct their foreign shippers to prepare invoices with as much information as necessary to permit proper classification and, although it is not required, to prepare invoices in English.

(4) Customs should not accept an entry with either statistical errors or the absence of sufficient information necessary for verification regardless of the possibility that the importer may not meet the deadline for filing of the entry.

(5) It is recommended that the Customs Service make increased use of available resources to carry out the verification programs--

(a) by requiring reports to the Customs Information Exchange to contain all the statistical information, including the seven-digit TSUSA classification number;

(b) by making greater use of the Customs Laboratory facilities in determining statistical classification;

(c) by expanding the current Statistical Circular program to provide a classification guide for all complex annotation schemes;

(d) by expanding the current program for conducting commodity seminars for Import Specialists to include special statistical seminars which emphasize the importance of import statistics; and

(e) by requiring all Customs ports to adopt a policy similar to

that in effect at the Port of New York for auditing or surveying the performance of import specialists whereby selected statistical copies are verified before being sent to Census, rather than simply checking those documents which are rejected by Census.

(6) It is recommended that the development and implementation of automated processing techniques be carefully reviewed in terms of their impact on statistical accuracy and on the needs of other governmental agencies.

(7) Customs, during the process of liquidation, should undertake to correct entries to reflect statistical changes, not just duty changes, and Census should undertake to correct annual published data to reflect final Customs decisions.

(8) The Commission recommends a review be undertaken of the Census edit criteria under the auspices of the 484(e) Committee.

Introduction

This report on customs procedures with respect to the verification of import statistics has been prepared in connection with United States International Trade Commission investigation No. 332-83, initiated March 21, 1977, pursuant to section 332(a) of the Tariff Act of 1930. 1/ That section provides as follows:

(a) It shall be the duty of the commission to investigate the administration and fiscal and industrial effects of the customs laws of this country, the relations between the rates of duty on raw materials and finished or partly finished products, the effects of ad valorem and specific duties and of compound specific and ad valorem duties, all questions relative to the arrangement of schedules and classification of articles in the several schedules of the customs law, and, in general, to investigate the operation of customs laws, including their relation to the Federal revenues, their effect upon the industries and labor of the country, and to submit reports of its investigations as hereafter provided.

The importance of accurate and timely trade statistics to both the private sector and the U.S. Government cannot be overstressed. Detailed and aggregate trade statistics are relied upon increasingly in determining foreign economic trade policy questions, and are essential in balance-of-trade calculations, in sales and market analysis, and in determining domestic consumption. They also are used extensively in adjustment assistance cases, escape-clause actions, dumping investigations, in the negotiation of trade agreements, and in other policy applications.

1/ This is the first of a series of investigations of the administration and operation of the customs laws which the Commission intends to initiate pursuant to this section.

International trade now, more than ever, plays an important role in the economic structure and well-being of every country. In 1962 total U.S. import trade amounted to slightly over \$16 billion; by 1976, the value of U.S. imports had reached \$119 billion. Traditionally, countries have exercised control over the importation of articles through such means as the imposition of import duties and the establishment of quantitative restrictions and absolute prohibitions. In recent times, through the effects of the trade agreements program, governmental trade barriers have been substantially reduced.

However, with the lessening of such barriers and the consequent increase in trade volume, it is essential that import data be correctly and accurately reported in a timely fashion. An illustration of the difficulties which can arise when statistical data are incorrectly reported is offered by the recent orderly marketing agreement which was entered into between the United States and Japan limiting the total quantity of alloy tool steel which Japan could export to the U.S. It appears that the U.S. Customs Service had for some time prior to the agreement been incorrectly reporting certain "bearing type" steel under a statistical category for "other alloy steel" rather than under the annotation for alloy "tool steel". Thus, the import statistics reflected an artificially low volume of imports of tool steel. These statistics were relied on in the negotiations and resulted in a relatively low quota level being established for such steel as part of the orderly

marketing agreement. However, shortly after the quota was implemented ^{1/}, the U.S. Customs Service began to scrutinize imports of this bearing type steel more carefully and determined that it should be entered as "tool steel". This resulted in the quota level being reached within a very short period of time and caused a great deal of embarrassment to the U.S. Government. The quota levels subsequently had to be modified. As can be seen from this example, the effects of statistical misclassification can be very significant and the correction of such a mistake can be time-consuming and costly.

Since the U.S. Customs Service initiated the present statistical verification program in 1962, there have been attempts to quantify the volume of clerical errors and omissions, and measures have been implemented to reduce those occurrences. In addition, the U.S. Customs Service, the Bureau of the Census, and the Commission have worked together to identify and correct statistical reporting inaccuracies on selected commodities, in response to specific complaints from importers, trade associations, or domestic industries. The Commission has discovered additional inconsistencies during the course of its detailed studies and investigations.

The purpose of this report is to comprehensively review the procedures and processes involved in the collection, verification and publication of import statistics. The report is divided into four parts; part 1 outlines the current procedures for the collection, verification,

^{1/} Pres. Proc. 4445, June 11, 1976, 41 F.R. 24101, effective date June 14, 1976.

and publication of trade data; part 2 discusses the timeliness of published import data; part 3 deals with the emphasis placed by the Customs Service on the statistical verification function; and part 4 contains certain conclusions with respect to the program and makes a number of recommendations for its improvement. The Commission anticipates the publication of a supplement to this report, detailing the results of an analysis of a representative sample of import documents to determine the causes and extent of error throughout the statistical collection and publication process.

Background

Program for the establishment of the enumeration of articles for statistical purposes

In order to provide for the regular, efficient, and periodic publication of statistical information, it is necessary to establish a product nomenclature or classification system which can be used as the basis for gathering such information. Prior to 1963 separate and unrelated classification systems were used for import duty and statistical purposes. However, when the Tariff Schedules of the United States (TSUS) became effective on August 31, 1963, they were annotated with statistical subdivisions designed to enable importers, customs brokers, and customs officers to determine through the use of one document both the classification and rates of duty applicable to imported merchandise and the requirements for reporting statistical data regarding imports. This integrated system, known as the Tariff Schedules of the United States Annotated (TSUSA), is arranged so that each tariff rate line is identified by a five-digit item number and constitutes a legal class prescribing specific tariff treatment for articles described therein. The numbering and product scope of a five-digit rate line cannot be changed except pursuant to statutory authority. For statistical purposes, a five-digit rate line may be subdivided by the use of two-digit statistical suffixes. These statistical subdivisions or annotations are subordinate to, and cannot change the scope of, the provisions of the legal text. The statistical reporting number for an article consists of

a seven-digit number formed by combining the five-digit item number with the appropriate two-digit statistical suffix. Thus, one of the chief advantages of the TSUSA is that customs officers classifying imports for rate purposes can simultaneously classify them for statistical purposes as well. The statistical annotations contained in the tariff schedules may be changed without legislative enactment by a committee composed of representatives of the Secretary of the Treasury, the Secretary of Commerce, and the International Trade Commission 1/ pursuant to section 484(e) of the Tariff Act of 1930, as amended (19 U.S.C. 1484(e)), 2/ which provides the legal authority for the collection of import statistics.

The TSUSA now contains approximately 6,000 five-digit item numbers subdivided into about 10,000 seven-digit statistical annotations, which prescribe the statistical information to be supplied on customs entry and withdrawal forms with respect to articles imported into the customs territory of the United States. New annotations are usually added on

1/ This committee is known as the Committee for Statistical Annotation of Tariff Schedules.

2/ Sec. 484(e) provides as follows:

The Secretary of the Treasury, the Secretary of Commerce, and the United States International Trade Commission are authorized and directed to establish from time to time for statistical purposes an enumeration of articles in such detail as in their judgment may be necessary, comprehending all merchandise imported into the United States and exported from the United States, and shall seek, in conjunction with statistical programs for domestic production, to establish the comparability thereof with such enumeration of articles. All import entries and export declarations shall include or have attached thereto an accurate statement specifying, in terms of such detailed enumeration, the kinds and quantities of all merchandise imported and exported and the value of the total quantity of each kind of article.

an annual (or sometimes a more frequent) basis, and the committee on statistical annotation promptly evaluates and acts on requests from interested parties for additional statistical breakouts.

The Customs Service role in the collection of import statistics

Prior to 1962 the Collector of Customs in each customs district was responsible for transmitting copies of entry documents to the Bureau of the Census. These "statistical copies" contained detailed information on every shipment entering the United States, and from these documents Census tabulated and published the official U.S. import statistics.

In 1962 Customs initiated a program to improve the accuracy and reliability of four specific categories of information: country of origin, quantity, value, and classification. Under the Examiner Verification Program, now known as the Import Statistics Verification Program, Customs personnel indicated verification of those four elements of data by underlining that information and making corrections when necessary on the statistical copy sent to Census. In 1973 this program was expanded to include the verification of additional information being provided in connection with the fob/cif program. ^{1/} Customs currently verifies between 6 and 10 data elements for each line item of an entry document.

^{1/} The fob/cif program was initiated in order to provide for the tabulation of import statistics on both an F.O.B. and C.I.F. basis, thereby making the published statistics more meaningful for particular analytical purposes. The program calls for the additional reporting and verification of information with respect to related party transactions, actual (or transaction) value, equivalent arms length value for related party transactions, and insurance, freight and other costs and charges incurred in bringing the merchandise from the port of exportation to the port of importation.

The Customs Service is the logical agency to collect and verify the information required by the statistical verification and fob/cif programs. The agency is located at the source of the importation, and therefore has primary access to the merchandise, the importer, the shipper, and the commercial import documents. Also, as part of the original Customs mission of collecting customs duties, it has always been necessary for Customs to determine the country of origin, the value of the imported merchandise, the five-digit TSUS classification, and in some cases, the net quantity. Therefore, it is essential that Customs-trained personnel be responsible for classifying and verifying additional items of information necessary for the statistical program.

Section 481(a) of the Tariff Act of 1930 (19 U.S.C. 1481 (a)) 1/, which sets forth invoice requirements for imported merchandise, provides the requisite legal authority for the Secretary of the Treasury to require that sufficient information appear on invoices to allow the customs officer to verify the statistical data which is collected. In addition to the very specific invoice requirements set forth in subsections (a)(1) through (a)(9) of section 481(a), subsection (a)(10) requires an invoice to set forth--

any other facts deemed necessary to a proper appraisal, examination, and classification of the merchandise that the Secretary of the Treasury may require.

1/ The full text of section 481(a) is set forth in the Appendix.

Part 1. Customs and Census Procedures for the Collection,
Verification, and Publication of Import Statistics

Preimportation advice and rulings

If a question exists as to the proper classification and rate of duty of an article which is to be imported into the United States, a prospective importer may obtain either informal advice or a formal ruling from the Customs Service prior to the importation of such article.

A formal ruling on the proper classification and rate of duty of an article prior to its importation is obtained by writing to the Commissioner of Customs at Customs headquarters in Washington, D.C. On the basis of either a sample of the article to be imported or a detailed description thereof, a classification decision which is legally binding on the Customs Service will be made when the goods are ultimately imported into the United States. Such decision cannot be changed subsequently as a result of an administrative decision to impose a higher rate of duty without a public notice of such proposed change, which affords the opportunity for making written representations in support of a continuation of the previous decision.

Informal advice on the classification of an article prior to its importation may also be obtained by writing or visiting the district or port director at the port of entry at which the goods will be entered. In such instances, the district or port director will generally give an advisory opinion as to the classification of the article. However,

although most shipments which are entered at a port or district which has issued an advisory opinion on the classification of a particular article are classified in accordance with that advisory opinion, such opinion is not legally binding on the Customs Service and can be changed at any time subsequent to its issuance without a public notice (unless a "uniform and established practice" exists with respect to the classification of the article). 1/

The formal rulings and advisory opinions discussed above are limited, for the most part, to decisions on the tariff classification (at the five-digit level) and duty rates of imported articles, and such rulings and opinions are not given for statistical annotations (the seven-digit level). Informal assistance on the proper statistical annotations can generally be obtained, however, from the appropriate import specialist at the district or port at which the merchandise is to be entered.

Inspection and control of merchandise

When a commercial shipment is first imported into the United States, the goods are in the custody of the Customs Service until the importer or his agent proves ownership and meets the applicable customs requirements. One of the first decisions made by an importer in obtaining his merchandise

1/ When the district or port director is certain that merchandise of the same or similar description is being classified under an established and uniform practice, the district or port director will advise of the existence of the uniform and established practice; this advice may be relied on to the same extent as a decision from the Commissioner of Customs.

from Customs is whether to file a regular entry or to get his shipment released under Customs' immediate delivery (ID) procedures.

Immediate delivery procedures.--The ID system for the release of merchandise under Customs custody is provided for in section 448(b) of the Tariff Act of 1930 (19 U.S.C. 1448(b)) 1/ and was originally designed to prevent the unnecessary spoilage of certain perishable or fragile cargo by substantially shortening the length of time that a shipment is held by Customs. Under this system, once an importer has been granted permission by Customs to receive his shipments under the ID procedure, he can obtain release of the merchandise simply by providing the Customs inspector with proof of ownership and relevant commercial documents such as invoices, packing lists, and bills of lading. Using this procedure, many importers receive their shipments on the same day the goods enter the country. After release, the importer has 10 working days to file formal entry papers with Customs and pay the estimated duty.

Since its inception, the ID program has been expanded to include virtually all commodities, to the extent that, in fiscal year 1976, over 80 percent of formal entries filed with Customs covered merchandise which had been released under ID procedures. Importers excluded from ID privileges are usually those with a history of customs problems with respect to the timely filing of entries of necessary commercial documents, the

1/ Section 448(b), Tariff Act of 1930.

(b) The Secretary of the Treasury is authorized to provide by regulations for the issuing of special permits for delivery, prior to formal entry therefor, of perishable articles and other articles, the immediate delivery of which is necessary.

payment of duty, or the absence of sufficient bonding from a surety company. Commodities excluded from ID release are usually articles that are subject to quantitative limitations and may be denied entry if the quota is filled, or products that must be held by Customs pending certification by other Government agencies such as the Department of Agriculture or the Food and Drug Administration.

One result of the increased use of the ID procedure has been that for 80 percent of all commercial shipments only the Customs inspector and not the import specialist has the opportunity to see the merchandise before its release, and then usually only a limited number of items in the shipment are actually examined closely. By the time the entry documents are filed, the shipment may have already been distributed by the importer to his customers. This procedure results in the import specialist's reliance on the preparation of accurate and detailed invoices, a selective sampling of shipments, and improved communication with importers, instead of physical examination of shipments still in Customs custody.

Regular procedures.--When the immediate delivery procedure is not used, a regular entry must be filed within 5 working days of the date of importation. 1/ Under this provision, all entry documents must be filed and accepted by Customs and estimated duty must be paid before the merchandise is released from Customs custody. Because the merchandise is released only after the entry documents have been reviewed and accepted,

1/ Sec. 484(a), Tariff Act of 1930 (19 U.S.C. 1484 (a)).

Customs officers have a greater opportunity to inspect the merchandise and verify almost all information on the entry documents.

Preparation and filing of entry documents

As stated previously, it is the responsibility of the importer or his agent, the customs broker, to prepare and file in timely fashion a proper entry with Customs for each import shipment. There are several types of entries, depending on what is to be done with the imported articles, but most of the entries filed with Customs are so-called consumption entries, meaning that the goods in these shipments are going to enter the commerce of the United States immediately. Statistics gathered from these entries and from entries of articles withdrawn from customs bonded warehouses for consumption constitute the source of official statistics of imported articles entered for consumption into the United States. 1/

Every entry requires specific Customs documents for the type of entry being filed, a commercial invoice, and in many cases additional supporting documents such as a Special Customs Invoice, a packing list, invoice detail forms, or a certificate of origin. For consumption entries, the importer must prepare several copies of Customs Form (CF) 7501, including the statistical copy that is used by Census to compile U.S. import statistics. The CF #7501 is designed to contain all the information necessary for complete and correct tabulation and publication of the numerous types of detailed reports on imports. The importer must fill in

1/ Estimated statistics on shipments valued at less than \$251, mail entries, and entry line items valued at less than \$251 are also included based on Census' 1 percent sample of those documents, but total trade in those items is less than one-half of 1 percent of the value of imports.

more than 30 categories of information just for a one-line entry, and both Customs and Census add additional information and control numbers. Also, for the entry to be accepted, an invoice is necessary. Since an invoice is supposed to contain the true details of a transaction, certain basic information must be contained in that document, such as the identification of the seller, the shipper, the buyer, and the importer, the date of sale, a complete description of the article, the quantity, the unit price, the currency, and the conditions of the sale. For many articles additional details or information may be required for a complete entry. If the additional data are not available at the time of entry, Customs may accept the entry but compel the importer to produce a bond for the production of the missing document. Normally, an importer has 6 months to deliver the document and cancel the bond.

Customs entry acceptance and preliminary processing

Once an importer has prepared and filed an entry, it is Customs' responsibility to determine the acceptability of the entry package and to process the entry quickly and accurately. The statutory time limit for the filing of an entry is not satisfied until the entry is formally accepted and initially processed. The requirements for acceptable entry include complete and accurate entry documents (CF #7501, CF #5101, invoice, and any other necessary information), 1/ correct calculation of estimated duties, and the payment of those duties. During this preliminary

1/ See app. B for copies of entry documents.

review stage Customs verifies the statistical copy of the entry and makes virtually all corrections or changes for statistical reporting purposes. Since this is the last time that the invoice will be verified against the statistical copy, this operation is critical to the accuracy of the statistical process.

Currently, Customs employs several different methods for the preliminary processing of entries, and has under consideration a number of proposals for additional new systems. All systems affect the statistical reporting process, either in accuracy or timeliness or both.

Standard procedures.--Since Customs is responsible for the accuracy, completeness, and sufficiency of all the information on the entry, not just the factors subject to the Statistical Verification Program, the first step in Customs' entry processing is a clerical entry review, in which the entry package is checked for completeness, format, right to entry, bond sufficiency, and clerical accuracy in addition to other checks. If omissions or errors are recognized, the corrections are made or the entry is returned to the importer for correction, depending on the type and extent of error, and, in many Customs ports, the degree that the current workload permits corrections by Customs personnel. Once the entry has passed this "ministerial" review, the entry is delivered to the import specialist teams. Each team is assigned specific commodities from the tariff schedules and the team members become specialists in the importation of those articles. It is the responsibility of the import specialists, then, to determine the correct

classification, the Customs appraised value, and the correct duty. These professional specialists also do the statistical verification. This means that the information supplied by the importer/broker on the statistical copy of the entry with respect to country of origin, quantity, TSUSA classification, value, and f.o.b./c.i.f. information must be substantiated by the import specialist by commercial documents in the entry, by examination of the merchandise, or from additional information on hand from previous importations of similar articles. The specialist denotes verification by underlining the verified factors on the statistical copy of the CF #7501, so that any oversight by or bypass of the import specialist can be recognized immediately. Some ports have clerical personnel review outgoing statistical copies to insure complete verification.

On entries for which all the necessary commercial documents and information have been supplied and the importer has correctly filled out the entry documents, statistical verification is a relatively easy process for the import specialist. When there is an obvious error that affects the amount of duty, or when there is an omission of data that cannot be filled in by Customs, the entry is returned to the importer/broker for correction.

The problem area lies between the two extremes; when should Customs return an entry for correction of statistical errors or clerical mistakes that have no effect on duty calculations, and when should Customs personnel make the corrections without returning the entry? Most

importers and brokers take the position that if the duty is correct, Customs should accept the entry and make whatever other corrections are warranted. In many Customs ports, it is an unwritten policy not to reject an entry for simple statistical errors, especially if the entry is nearing the statutory deadline for filing.

Although there is no general guideline for what is, unfortunately, a very common situation, import specialists throughout the country have in general devised a common-sense, fairly uniform approach to statistical errors. For entries with only one or two isolated errors, Customs will accept the entry, correct the statistical copy, and note the importer's copy for future reference, but on entries with multiple errors, or obvious, flagrant repeat errors on successive shipments, Customs will reject the entry for correction regardless of the time factor. The issue in these cases centers around control by Customs over the preparation of the entry by the importer/broker. It is less work for the person making the entry to be concerned only with the correctness of the entry for duty purposes. However, if Customs rejects entries for statistical errors, the importer would save time and money by initially preparing such entries correctly for statistical as well as duty purposes. Also, workload factors prevent the import specialist from correcting all statistical errors.

Customs estimates that it rejects approximately 25 percent of the entries filed, and more than one-half of these rejects are made during clerical entry review. Survey of Customs field personnel also indicate that

numerous entries are corrected by Customs without being returned to importers. The most recent Census figures indicate that Customs changes over 2 percent of all line items processed by Census. The foregoing figures indicate a relatively high overall percentage of errors and omissions on the part of the importer and broker. However, even those high figures overlook two important areas of potential inaccuracy:

(1) errors overlooked by Customs, and (2) errors which result from insufficient information being supplied by the importer. It is difficult to establish the extent of "compound errors," that is, errors verified by Customs as correct, but a number of statistical documents are verified that contain obsolete or nonexistent TSUSA numbers or TSUSA numbers dependent on value and quantity that conflict with the entered value and quantity. On entries where there is not enough information for the import specialist to determine statistical correctness, Customs procedures do not provide for rejection of the entry. Instead the specialist is expected to accept what is entered or use his "best guess." To denote the uncertainty of the verification the import specialist is supposed to flag the statistical copy. That practice, however, is not commonly followed.

Some Customs ports use a bypass procedure for repetitive shipments of low-risk merchandise. 1/ Entries so designated are diverted from review by the commodity specialist teams and instead are processed by

1/ Low-risk merchandise is usually defined as low-value shipments, duty-free merchandise, specific-rate merchandise, and articles with a low ad valorem duty.

clerical personnel, except for periodic team review of the bypass entries for accuracy and correctness. Ports participating in this type of procedure estimate that the rate of bypass is approximately 10 percent of entries filed.

When Customs has completed its preliminary review, the entry is given a Customs entry number and entry date, the statistical copy is removed, the estimated duty is collected, and the entry is either sent to be liquidated or returned to the specialist's office for further processing.

New entry procedures; automated processing.--Of all the proposed or implemented Customs entry procedures, the most complex and ambitious program is the Customs Concept for Merchandise and Revenue Processing. This program was initiated in an attempt to use automation for improving Customs entry processing. The Concept, developed by the Automated Merchandise Processing System Division of Customs, involves new clearance, control, and processing features which mark a substantial change from current Customs practice, including computer input of entry data for import statistics, possible periodic payment of duties at a commercial bank, and a number of other procedures.

Although legislation is required in order to implement many of the features of the Concept, Customs has developed and partially implemented the first stage of the Concept, entitled the Early Implementation System (EIS). The first port to apply the program, Philadelphia, began the operation in January 1975, and currently EIS is operational in seven ports

with five additional ports scheduled for implementation by the end of 1977. Combined, those 12 ports account for more than 25 percent of the entries handled by Customs and more than 30 percent of the duty collected. Thus, the effect of this program on customs procedures for verifying import statistics will be substantial.

The EIS procedure involves three major areas of processing that are a significant departure from previously described operations: entry screening, routine review determination, and duty collection.

Entry screening involves a computer input of the information contained on the Customs entry forms. The computer is programmed to make a number of checks for such things as completeness of the data, the legitimacy or probability of the data (e.g., does such a TSUSA number exist?), the accuracy of certain items, and the existence and sufficiency of the importer's bond. Any errors or omissions are noted for return of the entry to the importer for correction. Under the entry screening procedure, then, the clerical review becomes automated.

In addition to screening the entry, the computer, at the same time, determines whether the entry is a "low risk" entry on the basis of criteria established by the commodity specialist team responsible for that entry. The low-risk entries are then identified as "routine review" entries and are set up in the computer for immediate liquidation upon payment of duty. A routing clerk then processes the entry; that is, the clerk underlines the necessary statistical information and makes other notations on the entry that would normally be made by the import specialist. The entry is then forwarded to the cashier and becomes automatically liquidated when the correct duty is collected.

For duty collection purposes, the computer calculates the duty on the basis of the information entered with respect to classification, value, quantity, and country of origin. At the time of payment, the amount collected must correspond to the amount calculated by the computer or the system will not accept the entry. This eliminates much of the clerical error in duty collection and makes it easier for the cashier to balance the amount actually collected with the amount shown on the machine tape.

The most significant aspect of the system with respect to the statistical verification program is the routine review procedure. Routine review entries do not go to the import specialist teams, the underlining on the statistical copy is not done by professional employees, and there is no substantive verification, i.e., there is no comparison of the information contained on the invoice with that submitted on the statistical copy. Of the ports using the EIS procedure, approximately 40 percent of the entries are subject to routine review, and on occasion ports have reported a 50-percent routine review rate.

Proponents of the system claim a 60-percent rate is attainable if the system is used properly. Others in Customs feel that 30 percent is a more realistic figure. Even at that figure, Customs may be challenged on its position that 30 percent of all shipments entering the United States are low risk and therefore require minimal document examination and analysis.

The Customs definition of low risk is different for each port and for each commodity team within a port. Generally, a low-risk entry is

one that (1) will not be likely to require a change in duty by Customs and (2) will probably not be in violation of any U.S. laws or requirements. In other words, low-risk appears to be defined in terms of Customs' original mission: to protect the revenue and enforce the laws. Statistical accuracy is supposed to be accounted for by the entry screening process, which verifies that only existing and probable statistical data are being reported and guarantees that such data will be complete, given the historical pattern of a particular importer.

There are several checks on routine review entries. First, the routine review clerk does a preliminary check for entries that may have been accidentally referred for routine review. Then 5 percent of all routine review entries are regularly sent to the commodity specialist teams for review. Finally, a list is prepared for the import specialists that records significant data elements on all routine review entries so that the specialist knows exactly what bypassed his office. He can then change his routine review criteria if necessary.

Consolidated entry procedures.--Currently, customs regulations require that one entry be filed for each importation and that the entry be filed within specific time limits. One area of customs simplification or modernization that has been studied extensively is a program which would permit the filing of consolidated entries. Two programs, Duty Assessment by Account and Consolidated Monthly (CM), have been proposed, but neither has been implemented. Both programs rely on existing duty assessment procedures, changing only the manner and timing for

the filing of entries and the payment of duties. 1/ To insure statistical accuracy under either procedure, the import specialist would be required to rely even more heavily on the commercial documents, because the time delay between importation and the filing of entries would preclude most sampling and examinations at importers' premises. Also, since the statistical data would not be furnished to Census until after the entry is filed, the timeliness of Census reports and accuracy with respect to dates of import could be affected.

Transmittal of statistical data to Census Bureau

Upon completion of the required entry procedures on formal importations, the statistical copies are detached from the document packages by the reviewing customs officials and transmitted on a flow basis to the Bureau of the Census' Jeffersonville, Ind., processing center. 2/ Statistical documents are forwarded on a daily basis in the large ports and on a weekly basis in the small ports. The statistical documents filed by Customs for imports during any particular calendar month are required

1/ There is already a limited special program in effect that is similar to the CM procedure. Shipments of Canadian automotive products entitled to duty-free treatment under the United States-Canadian automotive products trade agreement and entered through the Port of Detroit are allowed to file monthly consolidated entries. This was arranged because of the high volume of shipments and the fact that no duty is involved. In fiscal year 1976, U.S. importers of these products were able to consolidate over 100,000 shipments.

2/ Import brokers with computerized operations may now, by special arrangement between Census and Customs, qualify for the direct transmittal of statistical data by means of magnetic tape to Census. The direct automated data input eliminates the required filing of statistical copies of entry documents and in 1973 reduced the number of statistical documents handled by Census by approximately 250,000, or 7 percent.

to be transmitted to Census by no later than the 10th calendar day of the following month.

If an import specialist discovers an error in the data verified by Customs after the statistical copy has left Customs, he can send a corrected statistical copy to Census providing the changes meet certain criteria. The criteria call for a minimum level or degree of change in value (\$10,000) or quantity (10 percent) before Census will process the correction. Also, changes must be submitted to Census before the monthly data cutoff date. In order for Census to change data after the monthly figures are tabulated, the criteria are even more stringent, and the corrections are published only as an errata sheet. Customs has no estimate of the number of corrected statistical copies sent to Census, but discussions with Census and Customs field personnel indicate that the program is not used extensively.

Census edit and reverification procedures

Screening and sorting of entries.--When the statistical copies of import documents are received by Census they are first logged in under prescribed document-control procedures, and then those documents which contain items valued at \$1 million or more are separated from the document universe and sent to Suitland, Md., for special processing.

At the same time, formal documents which are composed entirely of line items of \$250 or less are set aside. The remaining documents are further subdivided according to type of entry and method of transportation.

A number of operations are involved in the preparation for keying of data prior to the screening and editing process. Included in the operations are (1) the extraction of items for special handling; (2) the coding of document information, such as customs district/port of entry, district/port of unloading, vessel name, air carrier, country of origin, and foreign port of lading; (3) a clerical edit and screening of detailed line-item information to verify the completeness and accuracy of the seven-digit TSUSA classification number, value, net quantity, country of origin, and shipping weight information; and (4) an assignment of identification file numbers to all documents which reflect the type of entry, method of transportation, and value category. During this entire clerical screening and coding operation specified quality-control procedures are utilized to assure process control. With clerical processing and verification completed, all documents are transferred to the Entrex keying unit.

Keying

The Entrex key operator utilizes three sequential key entry edits to check the validity of the data entered into computer memory from each document. At each of these key entry states or levels an electronic readout indicates to the operator whether the entry has been made correctly and is consistent with established machine parameters. Rejects at any stage in the keying process which do not result from correctable keying errors require the recycling of the document back through the clerical edit. In the event that the problem cannot be resolved, reverification by Customs is required.

The final product of a successfully keyed entry item is the detail input file, which contains all the pertinent information about each TSUSA line item under which articles were imported and is the basis from which all statistical output is derived. Keyed data is transmitted by telephone link from the Jeffersonville, Ind., processing center to Suitland, Md., where it enters as input to the computer on a flow basis.

Edit

A separate commodity edit master is maintained in computer memory for each of the approximately 10,000 TSUSA item numbers. The edit master contains parameters characteristic of the commodity involved, and is developed by commodity analysts at Census from historical data and through other research. The parameters in the edit masters include a range established for commodity unit value and unit shipping weight; duty rates by countries or groups of countries; and the average unit weight as determined by the most recent historical data. Corrections, additions, or deletions on edit masters may be made once a month as part of a special edit master computer correction program.

Upon completion of the import edit, a limited output is generated for analytical purposes. Additional processing is temporarily suspended pending a manual review of these analytical outputs. If the review reveals no significant errors, machine processing is resumed and allowed to continue to the completion of the import tabulation run. The tabulation run may be interrupted, however, for entry of any necessary additional corrections.

Import line items which fail to pass all import edit tests are assigned to one of two groups, depending upon the factor causing edit failure. These items are referred to either as (1) miscellaneous reject items or (2) out-of-range reject items.

The file of acceptable line items which have successfully passed all import edit tests is processed to derive all output tables and files. Control summaries, which provide an analytical tool for rapid detection of unusual output data, facilitate the implementation of corrective action prior to the release of statistics. A listing of individual line items valued at \$1 million or more is also generated and analyzed to insure the accurate inclusion of these high-value items into the statistics. Those documents from prior months which are received too late for inclusion in the statistics for the proper month are displayed individually and summarized according to district and port of entry and by country.

Reverification

Post-computer processing of data begins with a clerical review of computer output tables. A second operation involves the clerical processing of computer rejects. The average percentage of computer-rejected TSUSA line items for the period 1970-76 was 5.2 percent. This reject percentage represents that portion of a particular month's data input which the computer edit intercepts for review and correction. An approximate breakdown of rejected items indicates that 10 percent of these items are returned to Customs for reverification, 50 percent

are corrected by the Census clerical staff, and the remaining 40 percent are reinstated by Census without correction. Clerical key entry errors account on the average for only about 0.5 percent of the reject errors entering the system, and this percentage is expected to decrease further with the planned introduction of additional edits on the Entrex key entry equipment.

The final stage of post-computer processing involves the correction of errors present in published statistics, which takes place semiannually. Statistical errors are weighed against established criteria to determine if the errors are serious enough to warrant correction; a "substantial" error would be a 5-percent change in the annual total value or quantity for any seven-digit classification from a single country.

Publications and tabulations

The import statistics compiled by the Bureau of the Census have been designed to serve the requirements of both Government and non-Government users, whose ranges of interest and need are diverse. In an effort to satisfy these needs, the import statistics are published in the form of trade reports and are also available in special tabulations.

Reports containing summary statistics are released monthly or as otherwise indicated, with some monthly reports including both monthly and cumulative monthly data for the current calendar year. Detailed reports are published on a monthly (cumulative and noncumulative) and an annual basis.

Import tabulations are reference materials available to the public which generally present data in even finer detail than that found in published reports. The additional detail items which are included in selected tabulations include such information as dutiable value and calculated duty, customs district of entry (and unloading), type of service for waterborne trade, and the volume of trade handled by U.S. and foreign flag carriers. Certain other information which is compiled by Census is, generally, not made available to the public. For a partial list of import publications and tabulations, see appendix C.

Customs final review and liquidation of entry

After an entry has been made (with estimated duties paid) and the statistical copy has been transmitted to Census, errors may be discovered by the customs officer in the course of liquidating the entry (i.e., the final determination by Customs of the importer's liability for a specific entry). In the course of liquidation Customs will change entries only when there is a duty difference of \$3 or more between the entered estimated duties and the final assessed or liquidated duty. Thus, (1) country-of-origin changes are recorded only if the change affects the rate of duty (e.g., from col. 1 to col. 2, or col. 1 to GSP treatment, or vice versa); (2) quantity changes are made only if the merchandise is subject to a specific or a compound rate of duty; (3) classification is changed only if there is a duty-rate difference involved; and (4) value errors are changed only when the article is subject to an ad valorem rate of duty. Even with all these qualifications the number of entries which

are changed ranges from 4 to 10 percent of the formal entries filed, with the national average being over 6 percent. This amounts to more than 200,000 entries a year.

Once Customs has accepted an entry and collected estimated duties, there is no time limit for Customs' final processing of the entry, the liquidation process. The absence of a time restraint enables Customs to handle dumping and countervailing duty investigations, as well as investigations under section 592 of the Tariff Act of 1930 (19 U.S.C. 1592). However, this latitude leads to a proliferation of unliquidated entries, many of which may be changed with respect to classification or valuation when the entry is finally liquidated. Currently, Customs offices throughout the country are holding unliquidated entries covering over 2 million invoices, some dating back to the late 1960's. Because statistical data are compiled from entered documents rather than from documents reviewed by Customs in the course of liquidation, no published data, not even those on an annual basis, are corrected to conform with final Customs decisions.

Part 2. Timeliness

In considering the timeliness of published import statistics, it is relevant to begin with the date of importation, which is the day the importing carrier enters the customs territory of the United States. A regular Customs entry must be filed or the merchandise must be released under the ID procedure within 5 days after this date, exclusive of Sundays and holidays. If the ID procedure is used, a Customs entry must be filed within 10 working days after the release of the merchandise.

The date of entry is the date Customs completes preliminary processing and accepts the entry. It is also usually the date on which the verified statistical copy is detached from the entry and ready to be sent to Census.

The Bureau of the Census monthly document-processing cycle generally begins during the fourth full week of the month for which statistics are being compiled. At that point Census will have received 40 to 50 percent of the statistical documents processed by Customs on entries received during the current month.

The availability of Census tabulations and publications for public release varies. ^{1/} Generally certain tabulations are available approximately 2 weeks following completion of the processing operation (i.e., 5 weeks following the month in question). Many publications experience a delay in release of up to 6 months from the end of the

^{1/} Rejects undergoing reverification and documents received late from Customs account for a monthly carryover of less than 5 percent of the line items processed.

reporting period; that delay is an improvement over delays in previous years.

On an elapsed-time basis, the "best" record would be a shipment for which (1) the importer prepares the entry correctly and files the entry immediately; (2) Customs accepts and processes the entry quickly; (3) the statistical copy is mailed to Census the day it is detached from the entry; and (4) the entry is accepted by Census. Under these circumstances, it is possible for a shipment to be imported as late as the 28th of a month and still be recorded in that month's import statistics, which would be published by the last week of the following month. Going through the same process on the opposite end of the time range could easily yield an elapsed time of up to 2 months if the entry is not reverified by Customs and up to 4 months if reverification is required.

Part 3. Emphasis Placed by the Customs Service on Statistical Collection and Verification Function

Personnel and funding

With respect to standard entry procedures, statistical verification is done by import specialists working in two- or three-person teams (in New York there are four persons on a team) specializing in specific imported commodities. The junior member of the team usually performs the statistical verification function under the general direction of the team leader. An office will usually spend 4 to 8 hours a day doing the preentry review, which includes statistical verification. The average grade level for import specialists nationally is GS-11. As previously mentioned, under the Early Implementation System the statistical verification function is done by clerical personnel on low-risk entries and by import specialist teams on other entries.

It has been the practice in many ports to rotate the junior team members into different commodity lines in order to give them exposure to different types of Customs problems. The effect of this practice has been to somewhat dilute the level of product expertise of the commodity team. Also, commodity expertise may vary greatly from port to port. For example, many ports have fewer than 10 commodity teams, and, with over 10,000 line items in the tariff schedules, a team must be qualified in the classification and appraisal of over 1,000 product categories. On the other hand, an import specialist team in one port is responsible for only one five-digit classification, with fewer than 20 statistical subdivisions.

When the Examiner Verification Program was initiated in 1962, Customs received additional funding for 157 positions to administer the program. In 1973 and 1974 a total of 144 additional positions were allocated in order to collect and verify the f.o.b./c.i.f data. However, it is unclear exactly how the funding for the f.o.b./c.i.f. program resulted in increased employment levels of the professionals that actually administer the program. Although Customs received the funding for those 144 positions, there are only about 1,150 import specialists today compared with 1,250 in 1973. Customs headquarters did apportion the addition 144 positions among the nine Customs regions, but under existing personnel procedures the use of job positions so provided is at the discretion of each Regional Commissioner. It appears that some of the positions originally intended for the expanded statistical program were administratively reassigned to clerical support and administrative positions and enforcement-related positions. Also, various agencywide work-force reductions and hiring freezes have had the effect of canceling potential import specialist positions created by the special funding.

Supervision

The first line of supervision of statistical verification is the commodity team leader. A team leader will periodically review the verification work of a junior member for completeness and accuracy. Some team leaders occasionally like to do the verification themselves. The degree of participation of the team leader in the preentry review

usually depends on the complexity of the particular commodity line and the degree of experience of his aide.

Beyond the supervision done by the team leader, most ports confine their supervision of statistical accuracy to detailed followups on statistical documents rejected by Census. Those documents are sent to Customs headquarters, which forwards the statistical copies to the appropriate regions for corrections and reports on problem areas. This procedure is helpful in reducing errors detected by Census. There does not appear to be a uniform, nationwide Customs policy for supervising or auditing the verification of statistical copies other than the ones returned from Census. Some ports do have periodic supervisory checks for statistical accuracy before the documents are sent to Census, but other ports confine their evaluation of import specialist performance to liquidated entries.

Formal and informal training programs

All import specialists receive extensive training from both Customs headquarters and their local districts in all aspects of their jobs, including statistical verification. Formal training is provided by headquarters through the Customs Academy, located in Washington, D.C., where all import specialists are given an intensive 7-week course during their first year with Customs. Previously, the concentration in training classes was on the laws of appraisement, but now there is an increasing emphasis on classification, statistical verification, GSP, and other areas of responsibility that are currently taking up more of the import

specialist's office time. There are also review classes for team leaders in which the importance of statistical verification is stressed. Customs headquarters also administers a yearly import specialist proficiency test as a training device for new or less experienced import specialists. The emphasis of the test, like that of the training class, is being shifted away from appraisement-only problems to all aspects that are reflective of job proficiency. Successful completion of the test used to be one of the major criteria for promotion and eventual selection as a team leader, but today it is used strictly as a training device to pinpoint individual problem areas and nationwide training weaknesses.

Formal training is supplemented by additional classes given at the district or port level. These classes are usually conducted by either supervisory import specialists or team leaders, and the sessions cover much of the academy material plus any exceptional port practices. Each individual team leader is responsible for training his import specialist aide in office practices and procedures, commodity expertise in that particular line, and the special problems associated with the importation of specific commodities.

Other customs programs

Ruling, regulations, and other publications.--Customs headquarters continuously issues formal rulings and advice as a means of advising both the public and customs field officers of decisions and other matters affecting the administration of the laws under Customs' jurisdiction.

In addition, Customs has been undertaking for a number of years a complete revision of the customs regulations.

In regard to the Statistical Verification Program, Customs publishes a statistical manual designed to provide a comprehensive guide on specific statistical verification requirements and regularly issues a publication, entitled Statistical Circular, which contains information designed to help the import specialists classify specific problem merchandise. These circulars are usually issued to correct past errors brought to Customs' attention, to advise field offices of new statistical reporting requirements, or to report on the results of internal statistical studies. Local regions and districts also issue instructions and information bulletins for importers, brokers, and customs officers on specific detailed port practices dealing with statistical reporting requirements.

The Customs Information Exchange.--One of the most effective tools import specialists have for correctly classifying and appraising merchandise is the Customs Information Exchange, located at the Port of New York. Using this communications center, import specialists from ports other than the New York Seaport report significant shipments, giving a complete description of the transaction including classification, valuation, and country of origin. These reports are reviewed by the import specialists at New York who prepare replies, stating whether they agree with the classification and value and also whether there have been previous shipments of similar merchandise through any other Customs port. The CIE will circulate the report and the reply to other

ports which may be involved. As a clearinghouse for national import information and as a method for using the special expertise of the New York specialist, the CIE is an important factor in insuring uniformity in the collection of duty. However, the CIE is not used with respect to statistical reporting except with respect to textile articles.

Technical facilities.--Customs regions and Customs headquarters have laboratory facilities which are equipped with sophisticated testing apparatus. Laboratory services are used extensively in the drug enforcement program, for performing tests necessary in determining tariff and quota classification questions, and in certain cases for duty calculations. Import specialists do not refer matters to the laboratories solely for purposes of verifying the correct statistical classification.

Part 4: Conclusions and Recommendations

The Commission has carefully studied the procedures involved in the collection, verification, and timely publication of import statistics and has found that they are, of necessity, varied, time consuming, and complex. There are a number of stages involved in the process, and each stage is susceptible to clerical or substantive error. This section focuses on major problem areas which were identified in this investigation and offers specific recommendations with respect to each of them.

Each of these recommendations could be implemented with little disturbance to existing Customs operations and procedures, and the implementation of such recommendations should substantially improve the timeliness and accuracy of import statistics. However, the full potential of the Import Statistics Verification Program can only be realized when all of the parties involved with the program begin to fully appreciate the importance of accurate and timely statistical data. The verification and timely reporting of accurate and complete statistical data should be considered as important a function of the Customs Service as the collection of tariff revenues, and the enforcement of other customs laws.

Preimportation conferences, advice and rulings

(1) It is recommended that prior to the arrival of an initial shipment of merchandise, an extensive importer/Customs import specialist

interview be required as a condition to granting blanket immediate delivery privileges.

Since a substantial majority of shipments are released under ID procedures, whereby entries are filed with Customs after the release of the imported merchandise, it is important for the importer to initiate communications with Customs prior to the arrival of an initial shipment to obtain classification and value information not only for duty and quota purposes but for statistical purposes as well. At the importer/import specialist interview, the importer would present any orders or contracts, samples, and additional information that would enable the specialist to determine and record for office use the classification (including statistical classification) and value of those articles. On the basis of that determination, an importer could then prepare subsequent entries with the knowledge of prior Customs approval and, therefore, with less likelihood of rejection or unanticipated changes.

Similar interviews are presently conducted by Customs on a periodic basis with major importers. Requiring such an interview as a prerequisite for obtaining ID privileges would not be unreasonable. The granting of permission to an importer for the release of merchandise under the ID procedures is a privilege and carries with it certain responsibilities for the importer, including meeting statutory entry requirements with respect to statistical accuracy and sufficiency.

(2) In response to requests for information or rulings concerning the classification of merchandise, Customs headquarters should provide

such information on a seven-digit basis, thereby advising interested parties of not only the tariff, but also the statistical classification.

(3) Since commercial invoices frequently lack sufficient information to enable customs officers to classify imported merchandise accurately, importers should be encouraged to instruct their foreign shippers to prepare invoices with as much information as necessary to permit proper classification and, although it is not required, to prepare invoices in English.

Because entry documents rather than liquidated documents are the basis for compiling import statistics, it is extremely important to the success of the program that importers file complete and accurate entry documents in a timely fashion. The three foregoing recommendations would serve to improve the accuracy and completeness of entry documents and would also facilitate processing of the entries by Customs.

Entry processing

It is recommended that Customs not accept an entry with either statistical errors or insufficient information for verification, regardless of the possibility that the importer may not meet the deadline for filing the entry.

Under the law and applicable customs regulations, the Customs Service has the authority to compel importers to provide the information needed for statistical purposes.

When an importer claims he cannot provide the necessary statistical data, ID privileges should be removed so that Customs can perform the

necessary statistical examination, sampling, testing, and analysis prior to the release of the merchandise.

Customs staffing and utilization of resources

(1) *It is recommended that the Customs Service make increased use of available resources to carry out the verification program--*

- (a) by requiring reports to the Customs Information Exchange to contain all the statistical information, including the seven-digit TSUSA classification number;*
- (b) by making greater use of the Customs laboratory facilities in determining statistical classification;*
- (c) by expanding the current Statistical Circular programs to provide a classification guide for all complex annotation schemes;*
- (d) by expanding the current programs for conducting commodity seminars for Import Specialists to include special statistical seminars which emphasize the importance of import statistics; and*
- (e) by requiring all Customs ports to adopt a policy similar to that in effect at the Port of New York for auditing or surveying the performance of Import Specialists whereby selected statistical copies are verified before being sent to Census, rather than simply checking those documents which are rejected by Census.*

The import specialist plays the key role in insuring substantive statistical accuracy and completeness. However, while greater emphasis is being placed on the statistical program, many of Customs' internal procedures for insuring the accuracy of the import specialist's actions are still geared almost exclusively to the duty-collection function. While statistical verification may be stressed by Customs headquarters in formal training sessions, the emphasis for customs field officers, in terms of their performance evaluation, their level of supervision, and the training and communications tools at their disposal, is still on how they protect the revenue and enforce the laws. It is believed that the adoption of the foregoing suggestions would improve the import specialists' ability to perform their function and would also lead to more uniform statistical reporting practices nationwide.

(2) It is recommended that the development and implementation of automated processing techniques be carefully reviewed in terms of their impact on statistical accuracy and on the needs of other governmental agencies.

As indicated in this report, the Customs Service in recent years has undertaken to make use of automated procedures in order to meet its growing responsibilities, the most notable being the EIS procedure. It is clear that many of Customs' functions lend themselves to the use of automated processing techniques, not only in statistical verification and duty collection but in other areas as well. These automated techniques may well strengthen Customs' ability to facilitate the processing of import transactions and permit the agency to operate with

greater efficiency. However, while efficiency is certainly a desirable goal, efficiency of administration is not an end in itself but rather a means for accomplishing the ultimate end of the effective discharge of Customs' legal responsibilities, one of which is the administration of the statistical verification program.

Although EIS is still considered to be in its developmental stage, several aspects of its current and planned operation could have a significant impact on the Statistical Verification Program. Because of the routine review procedure for low-risk entries, it appears that the role of the import specialist in the verification process is being deemphasized for a significant number of entries. However, the process of entry screening when data is entered into the EIS system appears to be an effective method for reducing the number of statistical errors or omissions. Customs is presently conducting tests which involve transmitting the data entered at the Customs computer terminals directly to Census to be utilized in compiling and publishing data. When implemented, this system would reduce much of the present duplication in processing by Customs and Census and would result in cost savings to Census. Such a system would eliminate the statistical copy of the CF 7501, which is currently transmitted to Census for every entry. Because the statistical copy is currently used for correcting Census edit rejects and is used by Census and other Government agencies for analytical purposes, an alternate method should be developed in connection with this program to meet these needs.

Post-entry processing

It is recommended that Customs, during the process of liquidation, undertake to correct entries to reflect statistical changes, not just duty changes, and that Census undertake to correct annual published data to reflect final Customs decisions.

One of the major weaknesses in the statistical verification program stems from the practice of using entry documents rather than liquidated documents as the basis for compiling import data. Upon liquidation, Customs changes over 200,000 entries per year, entries with a total value of approximately \$5 billion, and these are only changes which affect duty. "Mere" statistical changes are ignored.

The Commission recognizes that it would be impractical to gather monthly statistical data on the basis of liquidated documents because of the resulting loss of timeliness in data reporting. Thus, the practice of using entered documents as the source for compiling such information should continue. However, the criteria for a Customs change to an entry during the liquidation process should be expanded to include "statistical" changes, not just duty changes, with copies of the corrected entry documents forwarded to Census as soon as an error in the data is discovered to enable annual data to be corrected.

Census edit criteria

The Commission recommends a review be undertaken of the Census edit criteria under the auspices of the 484(e) Committee.

The Bureau of the Census has established extensive computer checks

and edits to reduce clerical or obvious errors to a minimum, but in many cases Census changes critical data elements with no other information than that contained on the statistical copy of the entry (Customs retains the invoices and other relevant commercial documents). This often leads to arbitrary changes without the benefit of complete information.

Detailed input from Customs specialists, USITC analysts and Census trade analysts would make the edits done by Census more valuable and meaningful.

APPENDIX A

19 U.S.C. 1481(a)

§ 1481. Invoice; contents--In general

(a) All invoices of merchandise to be imported into the United States shall set forth--

- (1) The port of entry to which the merchandise is destined;
- (2) The time when, the place where, and the person by whom and the person to whom the merchandise is sold or agreed to be sold, or if to be imported otherwise than in pursuance of a purchase, the place from which shipped, the time when and the person to whom and the person by whom it is shipped;
- (3) A detailed description of the merchandise, including the name by which each item is known, the grade or quality, and the marks, numbers, or symbols under which sold by the seller or manufacturer to the trade in the country of exportation, together with the marks and numbers of the packages in which the merchandise is packed;
- (4) The quantities in the weights and measures of the country or place from which the merchandise is shipped, or in the weights and measure of the United States;
- (5) The purchase price of each item in the currency of the purchase, if the merchandise is shipped in pursuance of a purchase or an agreement to purchase;
- (6) If the merchandise is shipped otherwise than in pursuance of a purchase or an agreement to purchase, the value for each item, in the currency in which the transactions are usually made, or, in the absence of such value, the price in such currency that the manufacturer, seller, shipper, or owner would have received, or was willing to receive, for such merchandise if sold in the ordinary course of trade and in the usual wholesale quantities in the country of exportation;
- (7) The kind of currency, whether gold, silver, or paper;
- (8) All charges upon the merchandise, itemized by name and amount when known to the seller or shipper; or all charges by name (including commissions, insurance, freight, cases, containers, coverings, and cost of packing) included in the invoice prices when the amounts for such charges are unknown to the seller or shipper;

(9) All rebates, drawbacks, and bounties, separately itemized, allowed upon the exportation of the merchandise; and

(10) Any other facts deemed necessary to a proper appraisement, examination, and classification of the merchandise that the Secretary of the Treasury may require.

APPENDIX B
CUSTOMS ENTRY FORMS



Department of the Treasury
U. S. Customs Service
Customs Form 5101 (8-1-74)

ENTRY RECORD

FORM APPROVED
O.M.B. No. 48-R0255

1. ENTRY CODE		2. BOND CODE	
3. IMPORTER OF RECORD NUMBER * Importer Number of Individual or firm whose name appears as Importer of Record on entry.		BOND CODES— 1. Consumption Dutiable 2. Vessel Repair 3. Appraisalment 4. Warehouse 5. Drawback 6. Bonded A/C Fuel 7. Consumption Free	
4. ULTIMATE CONSIGNEE NUMBER * Importer Number of Individual or firm whose name appears as the Ultimate Consignee on entry. If more than one owner of merchandise enter word "consolidated".		BOND CODES— 1. Single Entry (any type) 2. CF 7553 (Consump. Term) 3. CF 7563-A (Temp. Imp.) 4. CF 7569 (Vessel Term) 5. CF 7595 (General Term) 6. CF 7611 (Drawback Term)	
6. REFERENCE NUMBER * Importer Number of Individual or firm to whom Refund, Bills or Notices of Liquidation are to be sent if other than Importer of Record.		5a. DATE OF ENTRY 5b. ENTRY NUMBER	
7. DUTY \$		8. I.R. TAX \$	
* (Show hyphens as appropriate.) 9. SURETY CODE		10. DESCRIPTION OF MERCHANDISE	
11. PORT CODE		12. MISSING DOCUMENTS	
LIQUIDATOR CODE (Customs Use Only)		I HEREBY make application to make entry prior to production of missing document(s) named above.	
SIGNATURE			

☆ GPO: 1975 — 563 — 545

(Original)



54
DEPARTMENT OF THE TREASURY
U. S. CUSTOMS SERVICE

Form Approved
O.M.B. No. 48-R0284

CONTROL NO.

APPLICATION AND SPECIAL PERMIT
FOR IMMEDIATE DELIVERY

PORT OF	DATE	COUNTRY OF EXPORTATION
VESSEL OR CARRIER	(EXPECTED) DATE OF ARRIVAL	PERIOD (From-To)
TO BE ENTERED IN THE NAME OF (Consignee)	PORT OF LADING	B/I NO.

QUANTITY	DESCRIPTION	VALUE	FOR CUSTOMS USE ONLY WEIGH, GAUGE, OR MEASURE AS NECESSARY
			(1) Packages to be examined (marks and numbers), or: (2) Not less than required by Sec. 499, Tariff Act of 1930, and Sec. 14.1 of the Customs Regulations.

I hereby make application for a special permit for the immediate delivery of the articles described above.

I declare that unusual loss or inconvenience as described below* will result from delay in delivering the merchandise described above, the quantity and value of which, to the best of my knowledge, information and belief, are truly set forth above, and that immediate entry thereof cannot be made for the following reasons:

*Give a full and explicit statement of the facts in the case.	SIGNATURE OF OWNER, CONSIGNEE, OR AGENT
---	---

PERMIT

Permission is hereby given to release the articles described above after due examination has been made, or samples taken.

AMOUNT OF DEPOSIT REQUIRED	CASHIER'S STAMP	BOND NO.	SIGNATURE OF (ACTING) CUSTOMS OFFICER
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INSPECTOR'S REPORT

The articles described above have been released except as noted below:

STATION NO.	DATE OF RELEASE	SIGNATURE OF INSPECTOR
-------------	-----------------	------------------------

Not being in possession of a special or commercial seller's or shipper's invoice I request that you accept the statement of value or the price paid in the form of an invoice submitted below:

Name of shipper	address
Name of seller	address
Name of consignee	address
Name of purchaser	address

The merchandise (has)(has not) been purchased or agreed to be purchased by me. The prices, or in the case of consigned goods the values, given below are true and correct to the best of my knowledge and belief, and are based upon:
(check basis with an "X")

- (a) The price paid or agreed to be paid () as per order dated _____
 (b) Advices from exporter by letter () by cable () dated _____
 (c) Comparative values of shipments previously received () dated _____
 (d) Knowledge of the market in the country of exportation () _____
 (e) Knowledge of the market in the U.S. (if U.S. Value) () _____
 (f) Advices of the District Director of Customs () _____
 (g) _____

Check which of the charges below are and which are not included in the prices listed in columns "D" and "E":

	:Amount:	Incl:	Not Incl:		:Amount:	Incl:	Not Incl:
Packing	:	:	:	Lighterage	:	:	:
Cartage	:	:	:	Ocean Freight	:	:	:
Inland Freight	:	:	:	U. S. Duties	:	:	:
Wharfage &	:	:	:	Total	:	:	:
Loading Abroad	:	:	:				

[illegible]

Country of Origin

If any other invoice is received, I will immediately file it with the Port or District Director of Customs.

Title and Firm Name:

APPENDIX C

CENSUS PUBLICATIONS AND TABULATIONS

Summary Reports

- FT 900 Export and Import Merchandise. Seasonally Adjusted and Unadjusted Data.
- FT 985 Waterborne Exports and General Imports. Trade Area, District, Port, Type Service and U.S. Flag.
- FT 986 Airborne Exports and General Imports. Shipping Weight and Value, Customs District and Continent.
- FT 990 Highlights of Exports and Imports. Seasonally Adjusted and Unadjusted Data, Commodity, Country, Customs District, Method of Transportation.

Monthly Reports

- FT 135 General Imports, Customs, f.a.s. and c.i.f. values, Schedule A Commodity by Country.
- FT 800 Puerto Rico and U.S. Possessions. Monthly issues contain current monthly data only. Annual data published separately.

Annual Reports

- FT 150 General Imports. Schedule A Commodity Groupings, World Area, Country, and Method of Transportation.
- FT 246 Imports for Consumption and General Imports. TSUSA Commodity and Country.

Monthly Tabulations

- IM 145 TSUSA Schedule by TSUSA commodity by unit control by country of origin by Customs district by rate provision by type by economic class and method of transportation. Current month. Annual data in IA 245, Part 1.
- IM 145-X (Customs, f.a.s., and c.i.f. Import Values) U.S. Imports for Consumption and General Imports. TSUSA Schedule by TSUSA Number by Unit Control by Country of Origin by Customs District by Rate provision by Type by Economic Class for All Methods of Transportation Combined. Annual Data in IA 245-X.

Monthly Tabulations Continued--

- IM 145-Y (F.a.s. Import Value and Charges) - U.S. General Imports. TSUSA Schedule by TSUSA Number by Unit Control by Country of Origin by Customs District by Rate Provision by Type by Economic Class and Method of Transportation. Annual data in IA 245-Y.
- IM 145-A TSUSA Schedule by TSUSA commodity by unit control by country of origin. Data in terms of TSUSA Schedules 1 through 7 commodity numbers for metal articles manufactured in the United States, exported for further processing abroad, and returned to the United States for further processing (TSUSA No. 806.3000) and articles assembled abroad from components produced in the United States (TSUSA No. 807.0000). All methods of transportation combined. Current month. Annual data in IA 245 A.
- IM 145 UC-2 TSUSA Schedule by TSUSA commodity by unit control (unit control 2 only) by country of origin by rate provision by customs district of entry by type by economic class, all methods of transportation combined. Current month. Annual data in IA 245 UC-2.
- IM 145-V Imports for consumption and general imports into the Virgin Islands from foreign countries--TSUSA Schedule by TSUSA commodity by unit control by country of origin by customs district by rate provision by type, and method of transportation. Current month. Annual data in IA 245-V.
- IM 146 TSUSA Schedule by TSUSA commodity by unit control by country of origin, all methods of transportation combined. Imports for consumption only. Also shows dutiable value, calculated duty, and average ad valorem rate of duty. Current month and cumulative year-to-date.
- IM 150/155 Schedule A commodity groupings, world area, country of origin and method of transportation. General imports only. Current month and cumulative year-to-date. Tables 1 through 5.
- IM 154 Customs district by country of origin by TSUSA commodity by unit control and method of transportation. Current month. Annual data in IA 254.
- IM 160 General imports into the United States from Midway Islands, Wake Island, Guam, Canton and Enderbury Islands, and American Samoa. Country of origin by TSUSA commodity by unit control by customs district of entry by type, all methods of transportation combined. Current month.

- IM 161 General imports into the United States from the Virgin Islands--Country of origin by TSUSA commodity by unit control by customs district of entry by type, all methods of transportation combined. Current month.
- IM 171 "End-use" commodity categories by area or country arrangement and vice-versa, all methods of transportation combined. General imports only. Current month, cumulative year-to-date, and individual quarters of the year. Eleven parts.
- SM 305 Waterborne general imports--Type of vessel service by customs district and port of unloading by foreign port of lading by Schedule A subgroup by country of origin. Current month. Annual data in SA 305.
- SM 305-IT Waterborne inbound in-transit shipments. Same arrangement as SM 305, above. Annual data in SA 305-IT.
- SM 311 Waterborne general imports--Type of vessel service by trade area of lading by coastal district of unloading by country of lading by customs district of unloading. Current month. Annual data in SA 311.
- SM 311-IT Waterborne inbound in-transit shipments. Same arrangement as SM 311, above. Annual data in SA 311-IT.
- AE 350 Listing of vessel entrances, released in two parts.
- (1) By name of vessel, in alphabetic order. Current month.
 - (2) By name of vessel, in customs district, port, and manifest number arrangement. Current month.

Annual Tabulations (For additional sources of annual data, see the preceding list for those monthly tabulations which contain cumulative information).

- IA 236 Released in two parts:
- (1) Continent by country of origin by TSUSA Schedule by TSUSA commodity by unit control by customs district and method of transportation.
 - (2) Continent by country of origin by TSUSA Schedule by TSUSA commodity by unit control by customs district; all methods of transportation combined. Also shows dutiable value and calculated duty for imports for consumption.

- IA 236-A Country of origin by TSUSA commodity by unit control. Data in terms of TSUS Schedules 1 through 7 commodity number for metal articles manufactured in the United States, exported for further processing abroad, and returned to the United States for further processing (TSUSA No. 806.3000) and articles assembled abroad from components produced in the United States (TSUSA No. 807.0000). All methods of transportation combined.
- IA 236-V Imports for consumption and general imports into the Virgin Islands from foreign countries--Continent by country of origin by TSUSA commodity by unit control, all methods of transportation combined.
- IA 245 Released in two parts:
- (1) TSUSA Schedule by TSUSA commodity by unit control by country of origin by customs district by rate provision by type by economic class and method of transportation.
 - (2) TSUSA Schedule by TSUSA by commodity by unit control by country of origin by customs district by rate provision by type by economic class, all methods of transportation combined. Also shows dutiable value and calculated duty for imports for consumption. Issued semiannually.
- IA 245-X Customs, f.a.s. and c.i.f. Import Values-U.S. Imports for Consumption and General Imports. TSUSA Schedule by TSUSA Number by Unit Control by Country of Origin by Customs District by Rate Provision by Type of Economic Class for All Methods of Transportation Combined.
- IA 245-Y (F.a.s. Import Value and Charges) - U.S. General Imports. TSUSA Schedule by TSUSA Number by Unit Control by Country of Origin by Customs District by Rate Provision by Type by Economic Class and Method of Transportation.
- IA 245 A TSUSA Schedule by TSUSA commodity by unit control by country of origin. Data in terms of TSUSA Schedules 1 through 7, commodity numbers for metal articles manufactured in the United States, exported for further processing abroad, and returned to the United States for further processing (TSUSA No. 806.3000) and articles assembled abroad from components produced in the United States (TSUSA No. 807.0000), all methods of transportation combined.
- IA 245-UC-2 TSUSA Schedule by TSUSA commodity by unit control (unit control 2 only) by country of origin by rate provision by customs district by type by economic class, all methods of transportation combined.

A P P E N D I X D

GLOSSARY

Glossary

TSUSA. Tariff Schedules of the United States Annotated - a document containing the classification, rates of duty, and statistical reporting requirements for imported articles.

F.O.B. Free on Board - the value of the merchandise packed and loaded aboard the exporting vessel.

C.I.F. Cost, insurance, freight - the value of the merchandise as imported; i.e., the F.O.B. value plus any charges, insurance, and freight required to ship the merchandise from the point of export to the point of import.

ID Immediate delivery - the release of imported merchandise from Customs custody prior to the payment of duty.

CF 7501 Customs Form: Consumption Entry.

CF 5101 Customs Form: Entry Record.

CF 3461 Customs Form: Application and Special Permit for Immediate Delivery.

Examiner Verification Program. Initial accuracy improvement program begun in 1962, involving verification of data by Customs Examiners.

Import Statistics Verification Program. Successor to Examiner Verification Program brought about by Customs reorganization that changed job titles of Customs Examiners to Import Specialists.

AMPS. Automated Merchandise Processing System.

EIS. Early Implementation System - an automated system for Customs entry processing.

DABA. Duty Assessment by Account - a proposed system for consolidation of entries.

CM. Consolidated Monthly - a proposed system for consolidation of entries.

Column 1. Most-favored nation rates of duty.

Column 2. Original statutory rates of duty.

GSP. Generalized System of Preferences.

C.I.E. Customs Information Exchange, U.S. Customs Service, New York Seaport.

Library Cataloging Data

U.S. International Trade Commission.

The administration and operation of the Customs laws: Customs procedures with respect to the verification of import statistics. Report on investigation no.332-83 under section 332 (a) of the Tariff act of 1930. Washington, 1977.

61 p. illus. 27 cm. (USITC Publication 820)

1. Customs administration--U.S. 2. Import quotas. 3. U.S. Bureau of Customs. I. Title

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

OFFICIAL BUSINESS

ADDRESS CORRECTION REQUESTED

PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE, \$300



ADDRESS CHANGE

- ☐ Remove from List
- ☐ Change as Shown
Please detach address
label and mail to address
shown above.