

SUPPLEMENTAL REPORT ON CUSTOMS PROCEDURES WITH RESPECT TO THE VERIFICATION OF IMPORT STATISTICS: THE ACCURACY OF IMPORT DATA

**Report on Investigation No. 332-83
(Supplement) Under Section 332(a)
of the Tariff Act of 1930**

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Introduction

This report on the accuracy of import data supplements the United States International Trade Commission report, The Administration and Operation of the Customs Laws: Customs Procedures With Respect to the Verification of Import Statistics (Investigation No. 332-83) initiated March 21, 1977, pursuant to section 332(a) of the Tariff Act of 1930 1/ and published on June 21, 1977, (USITC Publication 820).

The June 21, 1977, report outlined current procedures for the collection, verification, and publication of import data; discussed the timeliness of published data; and examined the relative emphasis placed by the U.S. Customs Service on its statistical verification function. Certain conclusions were drawn with respect to the program, and a number of recommendations for its improvement were made.

At the time of the initiation of investigation No. 332-83, the Commission recognized the desirability of quantifying the degree of error

1/ Section 332(a) of the Tariff Act of 1930 (19 U.S.C. 1332(a)) 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.

in published import statistics and undertook an analysis of a representative sample of import documents to detail the causes and extent of error throughout the statistical collection and publication process. In order to avoid delay in publishing the main report, the Commission decided to publish this accuracy study as a supplement to it upon completion of the time-consuming sample analysis.

This supplemental report is not a review of all the problems in the import statistics program, but it does indicate general trends and identifies problems that need to be addressed.

Summary of Findings

In dealing with the accuracy of import data, the Commission has attempted to identify both the extent and the source of errors in the import data verification process. Our examination isolated specific data elements on the customs entry which are problem areas and identified where in the import data verification process these elements were misreported or incorrectly verified. This approach enabled the Commission to determine the credibility of the data throughout the process rather than simply at the final stage, i.e., the publication of aggregated data.

From this analysis, it was found that Customs maintains a high degree of statistical accuracy on data that affect the collection of duty, but is much less accurate with data that is used only for statistical purposes.

Major problem areas include:

- (a) Classification errors at the seven-digit (statistical annotation) level;
- (b) Lack of accuracy on reported quantities when duty charges do not depend on quantity data;

- (c) Customs' acceptance of entry documents containing sufficient information for duty purposes, but lacking necessary statistical data;
- (d) Failure of the Census edit criteria to detect broker errors; and
- (e) Noncorrection of annual published data to reflect final liquidations.

The Commission examined 7,729 individual entry line items (valued at over \$202 million) contained in more than 6,000 import entries. Mismatches, as defined by this report, 1/ were detected on 1,159 or 15 percent of those line items, with an associated value of more than \$18 million or 9.1 percent of the total value of the sample. The 1,159 mismatched line items contained 2,258 individual mismatches.

With respect to classification, 303 of the 7,729 line items in the sample were entered into published import statistics incorrectly. This 3.9-percent error rate affected imports valued at \$3,636,515 or 1.8 percent of the sample, by value. In addition, 515 line items did not contain sufficient information to make a determination of correctness. These 515 line items amounted to 6.7 percent of the classifications in the sample and had an associated value of \$5,127,596, or 2.5 percent of the total value of the sample.

Errors in quantity that entered into the published statistics numbered 257, or 3.3 percent, with an associated value of \$8,776,461, or 4.3 percent.

1/ For the purposes of this study, a mismatch existed when any of the data categories on the evaluation form used by the Commission for any line item did not agree with the Commission analyst's evaluation at any stage of the import data verification process. The term "mismatches" includes, inter alia, broker errors, verification errors, liquidation changes, and situations where the entry package contained insufficient documentation to permit proper verification of the basic data elements.

With respect to value, the number of clerical errors reflected in the published statistics was 134, or 1.7 percent of the 7,729 line items, with an associated value of \$8,277,120, or 4 percent.

Most of the mismatches were a result of either insufficient information on the commercial shipment documents or incorrect preparation of the customs entry papers by the importer or broker. When the errors of omission by the shipper are combined with the errors of commission by the broker, at least 10 percent of the data provided on entries submitted to Customs is suspect or incorrect.

These mismatches primarily involved incorrect classifications and incorrect reported quantities, especially when the accuracy of those data did not affect the duty calculation. Of the 229 Customs classification verification errors, 32 percent were made at the five-digit (tariff) level while 68 percent occurred at the seven-digit (statistical) level. More mismatches occurred on the lower value shipments in the sample than on the higher value shipments. The analysis shows that Customs is most successful in detecting value errors (duty related), missing 37 percent; ^{1/} but the overall rate for Customs is 60-percent acceptance of broker errors. Of the 60 percent that Customs passes to Census unchanged, Census accepts over 90 percent. That statistic is also significant because the Census edit reject rate is used by Customs as a measure of error in the statistical verification program. Thus, the Census reject rate clearly understates the true error rate in the system.

The recommendations made in the main report for improving the procedures for insuring statistical accuracy are supported by the sample

^{1/} With respect to value errors it should be noted that the Commission's examination was limited to clerical errors only and that the rate of detection is therefore understated.

analysis. In this regard, the Commission notes the relatively poor performance of the program to detect and correct errors in entered data, with over one-half of the entered errors in the sample passing through the system undetected. We believe the program would be strengthened by adopting the Commission's recommendations set forth on pages 39 through 46 of the main report and therefore urge the Customs Service and the Bureau of the Census to implement those recommendations as expeditiously as possible.

In addition, the Commission observes that the relatively higher degree of statistical error involving data elements which do not affect the revenue reflects the emphasis placed by the Customs Service on its revenue collection function. The Commission considers that the accuracy of published data could be significantly improved by the similar enforcement of the law requiring importers to furnish complete and accurate statistical data for all imported merchandise (under section 484(e) of the Tariff Act of 1930, as amended) through the imposition of penalties under section 592 of the Tariff Act of 1930 sufficient to discourage intentional or negligent statistical misreporting.

Sampling Technique

Introduction

As outlined in the Commission's report of June 21, 1977, the collection, verification, and publication of import data involves a number of separate steps which may be summarized as follows:

- (1) Preparation of entry documents (including the statistical document form);
- (2) Customs entry acceptance and statistical verification;
- (3) Census edit and reverification procedures;

(4) Publication of data; and

(5) Customs' final review and liquidation of the entry.

In dealing with the accuracy of import data the Commission has attempted to identify not only the extent of error but also the source of errors in the import data verification process. Our examination isolated specific data elements on the customs entry which are problem areas and identified where in the import data verification process these data elements were misreported or incorrectly verified. This approach enabled the Commission to determine the credibility of the data throughout the process rather than simply at the final stage, i.e., the publication of aggregated data.

Specific measurement of accuracy for any one item number in the Tariff Schedules of the United States Annotated (TSUSA) was not feasible owing to the limited size of the sample and the fact that a certain percentage of errors will be cancelled out by other errors. For example, the published data for one TSUSA item may contain two valuation errors. The total error is the sum of the errors; however, if one error is an undervaluation and the other is an overvaluation the net error may be much less than the total error.

It should also be recognized that for errors in classification and country of origin there is a double distortion of the statistics resulting in an understatement of the data for the correct category and an overstatement of the data for the incorrectly reported category. For the purposes of this report, classification and country-of-origin errors are only counted once, the same as value and quantity errors.

Documents considered

Consumption entries.--The U.S. Customs Service provides the U.S. International Trade Commission with approximately 1 percent of all

liquidated customs entries on a periodic basis, for purposes of analysis and review of selected commodities in connection with the Commission's work. The Commission receives more than 20,000 of these entry packages annually, each containing detailed information concerning a particular importation (generally each entry corresponds to a single shipment). From these data a representative sample was selected for this study using the following criteria:

- (1) The date of entry (a date given by Customs indicating acceptance of the entry package) must have been in calendar year 1976;
- (2) The date of liquidation (another Customs-assigned date signifying final action) must have been in March, June, September, or December of 1976; and
- (3) The entry must have contained line items valued over \$250 and have been classified in schedules 1 through 7 of the TSUSA.

The date criteria were established in order to arrive at a workable, meaningful sample size that would still allow for seasonal variations. Data for 1976 were used since supporting documents for other time periods were unavailable. The value and classification criteria were necessary in order to conform with the criteria used in the current statistical reporting program.

Both the documents themselves and the criteria for sample selection introduce two important limitations and distortions into the sample. First, by using only liquidated entries covering a relatively short time span, many significant importations are excluded from the sample. As was shown in the main report, a large number of entries experience delayed liquidation (more than 30 days after entry) for various reasons, such as ongoing statutory investigations. Further, there is a correlation between the complexity of an entry and the delay in liquidation, as

well as a correlation between the likelihood of a duty-change entry (where the final duty assessment is different than the original duty deposit) and a delay in liquidation. Also, much of the volume of delayed liquidation entries is associated with several major "problem" commodity lines. Therefore, imposing the criterion of timely liquidation on the sample created a bias against complex, high-likelihood-of-change entries and against inclusion of certain commodities prone to problems in the liquidation procedure.

Secondly, since the sample is based on a limited number of entries, the ability to draw conclusions as to the accuracy of the total value of commodities imported for the sample period is limited. The 1-percent sample is, as stated previously, 1 percent of liquidated entries. It is not 1 percent of the value of imports, nor is it 1 percent of either the number or the value of importations of a specific commodity. It is 1 percent of the total number of shipments. This resulted in a bias against single, high-value shipments (such as petroleum imports) being included in the sample and favored inclusion of repetitive shipments of low value (such as lumber from Canada).

Statistical copies.--The Commission obtained, from the Bureau of the Census, the statistical copies of those entries selected for the sample. As explained in the main report, the statistical copy of the customs entry is sent by Customs to Census at the time of entry, and it is from that document that Census compiles the data used in the tabulation and publication of the official U.S. import statistics. Also, the statistical copy shows any changes made by Customs during its verification procedures and by Census in its edit and reverification programs.

IM 115 printout.--With the assistance of the Customs Service, the Commission generated a listing of all the data on the Bureau of the Census' IM 115 printout for the entries in the sample. The IM 115 contains all the detailed information obtained from the statistical copy of the entry, on a commodity line item basis. The IM 115 also shows, by comparison with the statistical copy, changes that take place during data entry by Census.

Document package.--Once the entry, its statistical copy, and the IM 115 printout are matched up, virtually every step in the import statistics program can be traced, from entry to publication. With these documents, it is possible to identify the stage at which changes to the data take place, other than changes that occur prior to acceptance of the entry by Customs. When there are serious errors in the entry, Customs will often return it to the broker or importer for corrections. If the corrections are made on the original entry, that information would appear on the sample documents. However, many times the entire entry is retyped. In those instances, the sample documents will show only correct action by the broker, not an error by the broker that was corrected by Customs. As was stated in the main report, Customs rejects approximately 25 percent of entries filed for various reasons, but there is no information regarding the percentage of rejects that are retyped. The effect of this condition on the sample data is an understatement of both the broker errors and the number of broker errors detected by Customs.

Entry evaluation process

The sample document packages (liquidated entry, statistical copy, and IM 115 printout) were segregated by TSUSA items and distributed to

the appropriate commodity-industry analysts in the Commission's Office of Industries. In examining the sample document packages, the analysts were required to complete an evaluation form for each entry line item. More than 8,000 such forms were completed. The evaluation form recorded basic entry reference data (port of entry, entry number, and analyst) and traced the progression of the statistical data at each major stage of the process--entry, verification, edit, liquidation, and publication. This was done for four of the basic data elements verified in the import statistics program--country of origin, quantity, classification, and value. The resulting grid comprised 5 columns and 5 rows that would indicate both the type and source of any differences that occurred during the reporting process. (See app. B for a sample evaluation form.)

A critical addition to this matrix was a supplemental entry that allowed the Commission analyst to record his or her judgment of the validity and accuracy of the data elements. On the basis of the information contained in the commercial documents of the entry (invoice, packing list, and so forth) and his or her expertise in those commodities, the analyst determined the classification, country of origin, and quantity. Customs' liquidated value was not challenged, except for obvious clerical errors, since the entry package did not contain sufficient information to question valuation. This resulted in an understatement of valuation problems. The analyst's determination of the proper classification, country of origin, and quantity was essential to any measurement of accuracy, for unless the actions taken by Customs and Census could be challenged by personnel knowledgeable in those imported commodities, the study would have become strictly a measurement of change in the system, not accuracy.

The analyst also assessed the sufficiency of the information contained in the commercial documents which came with the entry package in order to quantify the extent to which submitted commercial documents do not contain information sufficient to verify the accuracy of the data elements examined.

Analysis

Sample

The sample consisted of approximately 6,000 customs entries which contained 7,729 line items valued at more than \$202 million. The average value per line item of more than \$26,000 when compared with the median value per line item of \$4,000 indicates a bias toward low-value shipments. The distribution of the sample by customs region closely approximated the distribution of total line items by customs region for FY 1976. The distribution of the sample by TSUSA schedules (table 1) shows that more than 50 percent of the line items were in schedule 6 (Metals and Metal Products) or schedule 7 (Specified Products; Miscellaneous and Nonenumerated Products); but schedule 4 (Chemicals and Related Products) contained 45 percent of the value of the sample, primarily owing to shipments of oil and oil related products.

Mismatches

In evaluating the customs entries in the sample, the Commission analysts recorded on the evaluation form the TSUSA classification, value, country of origin, and quantity at each stage of the entry process (i.e., entry, Customs verification, Census verification, Customs liquidation, and Census publication) as well as his or her assessment of the correct data element concerned. In each instance

where the recorded data for any of the four basic data elements varied from the analyst's assessment of the correct data, a mismatch was said to exist. A mismatch was also tabulated whenever an entry contained insufficient documentataion for the analyst to verify any of the four basic data elements. This latter figure is significant since the validity of published data based on incomplete information is suspect, even though it cannot necessarily be proven to be inaccurate. Therefore, the Commission believes that the aggregation of these mismatches provides a meaningful basis for assessing the effectiveness of the statistical verification program.

From the sample, 1,159 line items (of a total of 7,729) valued at over \$18 million were identified as containing mismatches. That represents 15 percent of the sample by number and 9 percent of the sample by value, indicating closer scrutiny on high-value shipments (the average value of a mismatch was only \$16,000 compared with the average value per line item of \$26,000 in the sample).

Classification.-- Our analysis of the sample disclosed that with respect to classification, 303 of the 7,729 line items in the sample were entered into published import statistics incorrectly. This error rate of 3.9 percent affected importations valued at \$3,636,515, or 1.8 percent of the sample by value. Further, our analysis showed that 184 of the 7,729 line items showed a difference in classification between the published data and the final Customs liquidated data. This difference rate of 2.3 percent had an associated value of \$2,756,978. In addition to these errors and differences, 515 line items were found to contain insufficient information to make a determination of correctness.

These 515 lines items amounted to 6.7 percent of the classifications in the sample and had an associated value of \$5,127,596.

The following tabulation summarizes the action taken and the errors and discrepancies detected with respect to classification, and compares those figures with the total sample base of 7,729 line items:

CLASSIFICATION

Type of error	:	Number	:	Percent of total sample
	:		:	
Errors by broker	:	268	:	3.5
	:		:	
Errors by Customs (verification)	:	229	:	3.0
	:		:	
Errors by Census	:	6	:	.1
	:		:	
Key punch errors	:	36	:	.5
	:		:	
Other errors	:	32	:	.4
	:		:	
Total	:	303	:	3.9
	:		:	
Liquidation changes	:	110	:	1.4
	:		:	
Insufficient documentation	:	515	:	6.7
	:		:	

Quantity.--Errors in quantity that entered into the published statistics numbered 257, or 3.3 percent, with an associated value of \$8,776,461. Differences between the published and liquidated data amounted to 216 line items (2.7 percent) with a value of \$2,352,762. There were also 131 line items (1.7 percent) that contained insufficient information with respect to quantity.

The following tabulation summarizes the Commission's findings with respect to quantity discrepancies as they relate to the total sample base of 7,729 line items:

QUANTITY

Type of error	:	Number	:	Percent of total sample
Errors by broker	:	110	:	1.4
Errors by Customs (verification)	:	141	:	1.8
Errors by Census	:	12	:	.2
Keypunch errors	:	55	:	.7
Other errors	:	49	:	.6
Total	:	257	:	3.3
Liquidation changes	:	100	:	1.3
Insufficient documentation	:	131	:	1.7

Value.---With respect to value, the number of clerical errors reflected in the published statistics was 134, or 1.7 percent of the 7,729 line items, with an associated value of \$8,277,120. Also, 124 of the line items (1.3 percent) showed a difference in value between the published data and the Customs liquidated data. The value associated with these differences was \$2,033,228.

The following tabulation summarizes the Commission's findings with respect to value discrepancies as they relate to the total sample of 7,729 line items:

VALUE

Type of error	Number	Percent of total sample
Errors by broker	71	.9
Errors by Customs (verification)	68	.9
Errors by Census	4	.1
Key punch errors	30	.4
Other errors	32	.4
Total	134	1.7
Liquidation changes	58	.8
Insufficient documentation	5	.1

Country of origin.--For the 7,729 country-of-origin line items, 108, or 1.3 percent, were entered incorrectly into the published statistics, with an associated value of \$1,517,295. The differences between the published data and the Customs liquidated data totaled 88 line items (1.1 percent) with a value of \$1,365,443.

The following tabulation summarizes the Commission's findings with respect to country-of-origin discrepancies as they relate to the total sample of 7,729 line items:

COUNTRY OF ORIGIN

Type of error	:	Number	:	Percent of total sample
Errors by broker	:	35	:	.5
Errors by Customs (verification)	:	65	:	.8
Errors by Census	:	2	:	0
Keypunch errors	:	9	:	.1
Other errors	:	32	:	.4
Total	:	108	:	1.3
Liquidation changes	:	45	:	.6
Insufficient documentation	:	8	:	.1

Mismatches by TSUSA schedule.---The distribution of mismatches by TSUSA schedule shows a high percentage (22 percent) of the mismatches by number of line items in schedule 2 (Wood and Paper; Printed Matter), but a relatively low percentage of the value of the mismatches (12 percent) in that schedule (see table 1). The effects of high-value shipments in schedule 4 also are shown in table 1. Only 2 percent of the mismatched line items were from schedule 4, but 34 percent of the value of the mismatches were from that schedule.

Multiple mismatches.---The 1,159 mismatched line items contained 2,258 individual mismatches. Of the nearly 32,000 data elements analyzed, approximately 7 percent contained mismatches. Many line items contained mismatches in more than one category. Table 2 shows the pattern of these multiple mismatches for each combination of the four basic data elements. The subtotal shows that 95 percent of the line items with multiple mismatches included a classification mismatch. Over 70 percent of the multiple mismatched line items contained a quantity mismatch.

Mismatches by category and source.---Table 3 shows a detailed breakdown of the four types of basic data elements at each of the seven stages where mismatches occur. Over 50 percent of the mismatches involve classification with almost one-half of those involving situations in which the entry package contained insufficient documentation to permit proper verification of the basic data elements. Quantity mismatches accounted for 26 percent of the mismatches in the sample. Insufficient documentation was a major problem, accounting for 29 percent of the number of mismatches. Combined with broker errors they accounted for a full 50 percent of the recorded mismatches. A significant percentage of mismatches, 22 percent,

occurred at the customs verification stage, primarily on classification and quantity.

The distribution of these 2,258 mismatches is also shown by source and type of mismatch by TSUSA schedule (tables 4 and 5) and by customs region (tables 6 and 7).

Detection of broker errors by Customs and Census.--Table 8 shows the rate of detection of broker errors by Customs and Census. Customs is most successful in detecting value errors (duty related), missing 37 percent, but the overall rate for Customs is 60-percent acceptance of broker errors. With respect to value errors, it should be noted again that the Commission's examination was limited to clerical errors only and that the rate of detection is therefore understated. Of the errors that Customs passes to Census unchanged, Census accepts over 90 percent.

Statistical verification changes by Customs and Census.--Table 9 tabulates the number of changes made by Customs and Census as part of the statistical verification program. The table shows that out of the approximately 32,000 data elements examined, 500 items, or less than 2 percent, were changed. Of those 500 changes, Customs was responsible for 88 percent of the changes. Over 70 percent of the changes occurred in the classification and quantity categories.

Value mismatches.--Although the Commission did not challenge customs valuation other than to check for clerical errors, value totals of the mismatched line items were run for comparison. There is a difference of more than \$200,000 between the value verified by the Commission and the Customs liquidated value. This difference reflects the amount of uncorrected

errors on duty-free or specific rate merchandise. As shown in the following tabulation, there is a difference between the published value from the IM 115 and the Commission verified value of over \$700,000, and a difference of \$500,000 between the IM 115 and the liquidated amount, showing the understatement of the published value (IM 115) as opposed to the Customs liquidated value.

VALUE MISMATCHES

Item	:	Total value	:	Difference from ITC
Entered	:	\$18,693,575	:	\$180,148
Liquidated	:	18,647,226	:	226,497
IM 115	:	18,127,484	:	746,239
ITC	:	18,873,723	:	-
Customs verified	:	18,142,617	:	731,106
Census verified	:	18,123,199	:	750,524

Summary

The sample was representative of the type and value of articles imported into the United States, given the limitations previously described. Fifteen percent of the line items examined contained one or more mismatches. Most of the mismatches were a result of either insufficient information on the commercial shipment documents or incorrect preparation of the customs entry papers by the importer or broker. These mismatches primarily involved incorrect classifications and incorrectly reported quantities, especially when the accuracy of the data did not affect the duty calculation. Of the 229 Customs classification verification errors, 32 percent were made at the

five-digit (tariff) level and 68 percent occurred at the seven-digit (statistical) level. Furthermore, more mismatches occurred on the lower value shipments in the sample than on the higher value shipments. Most classification mismatches were found in schedules 2 (Wood and Paper; Printed Matter), 6 (Metals and Metal Products), and 7 (Specified Products; Miscellaneous and Nonenumerated Products), while most of the quantity mismatches were found in schedules 3 (Textile Fibers and Textile Products) and 6. The mismatches in schedules 2 and 3 primarily resulted from insufficient entry information, while mismatches in schedule 6 resulted from a combination of insufficient documentation, incorrect entry preparation, and Customs verification inaccuracies. Most of the mismatches in schedule 7 resulted from incorrect entry preparation and Customs verification errors. The distribution of mismatches by Customs region fairly closely reflected the volume of trade through those regions (for example, the Baltimore region accounts for approximately 6 percent of imports and that region recorded 6 percent of the mismatches in the sample).

The verification program by Customs and Census is shown to make a relatively small number of changes to data entered by the importer or broker, and the program also appears ineffective in detecting even a majority of broker errors.

Conclusions

In the main report certain conclusions were drawn with respect to the import statistical verification program and recommendations were made for its improvement. The results of the sample analysis indicate that many of the problem areas listed in that report are indeed significant weaknesses in the statistical program. The recommendations of the main report are re-

stated in part below, along with the corresponding findings from the sample analysis.

With respect to the commercial documents required for entry, the Commission recommended that--(3) . . . 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 . . . the absence of sufficient information necessary for verification

The sample analysis showed that insufficient documentation was the greatest problem in the statistical verification program; i.e., there was a substantial lack of sufficient information provided by the shipper, information that is necessary to determine the required statistical data. This has always been a problem, yet it is a situation that has seen little concerted enforcement action by Customs in spite of the existence of ample legislative authority to insure completeness of entry data.

The Commission recognized the importance of the importer/broker in the statistical process and the necessity of effective Customs-importer/broker communication in its recommendations that--

- (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; and
- (3) Customs should not accept an entry with statistical errors regardless of the possibility that the importer may not meet the deadline for filing of the entry.

The sample analysis shows that errors made by the importer/broker were a substantial source of the errors detected in the study. When the errors of omission by the shipper are combined with the errors of commission by the importer/broker, at least 10 percent of the data provided on entries submitted to Customs is suspect or incorrect. Unless positive action is taken by Customs, such as rejection of entries for statistical insufficiency, the problem of broker errors will very likely continue.

The Commission recognized certain weaknesses in the Customs verification program and recommended that the program be strengthened--

- (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.

Implied in those recommended operational changes was a more positive attitude by Customs toward its statistical verification responsibilities outside the duty-collection framework. 1/ The errors discovered in the

1/ Vice Chairman Parker notes the information available to the Commission was developed from a statistical basis and there is no information available to the Commission which, in my judgment, would warrant characterizing any of the inaccuracies in the statistical data examined as resulting from a lack of a "positive attitude" on the part of officials of the Treasury Department.

sample analysis at the Customs verification stage show the concentration of effort on the collection of revenue rather than on the verification of import data. Most errors (68 percent) were in the data elements not related to duty collection. The sample analysis also questions the efficiency of the verification program, since a substantial number of the broker errors went undetected at the Customs and Census verification stage.

The Commission also recommended "that 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." As indicated in the main report, the Customs Service changes the duty at liquidation on approximately 6 percent of the formal entries filed. The figures in the sample analysis are somewhat lower, possibly owing to the previously mentioned sample bias against these "change" entries. However, the data does show the substantial value involved in these changes, and that this additional information is not reflected in the official statistics.

The Commission recommendation that "a review be undertaken of the Census edit criteria under the auspices of the 484(e) Committee" is supported by the finding that virtually all broker errors accepted by Customs are also accepted by the Census edit. That statistic is also significant because the Census edit reject rate is used by Customs as a measure of error in the statistical verification program. The analysis

also shows that there is no realistic connection between the Census reject rate and the true error rate in the system.

The recommendations made in the main report for improving the procedures for insuring statistical accuracy are, in the Commission's view, substantiated by the sample analysis. In this regard, the Commission notes the relatively poor performance of the program to detect and correct errors in entered data with more than one-half of the entered errors in the sample passing through the system undetected. We believe the weaknesses of the current system would be strengthened by the implementation of the Commission's recommendations, and we therefore urge the Customs Service and the Bureau of the Census to adopt and implement those recommendations as expeditiously as possible.

In addition, the Commission observes that the relatively higher degree of statistical error involving data elements which do not affect the revenue reflects the emphasis placed by the Customs Service on its revenue collection function. The Commission considers that the accuracy of published data could be significantly improved by the similar enforcement of the law requiring importers to furnish complete and accurate statistical data for all imported merchandise (under section 484(e) of the Tariff Act of 1930, as amended) through the imposition of penalties under section 592 of the Tariff Act of 1930 sufficient to discourage intentional or negligent statistical misreporting.

A P P E N D I X A

STATISTICAL TABLES

Table 1.--Distribution of sample and mismatches by TSUSA schedules

Schedule No.	Sample				Mismatches			
	Number of line items	Percent of total quantity	Value <u>1/</u>	Percent of total value	Number of line items	Percent of total quantity	Value <u>1/</u>	Percent of total value
1.....	1,079	14	\$34,931,660	17	97	8	\$1,707,089	9
2.....	683	9	7,864,667	4	256	22	2,320,343	12
3.....	651	8	8,060,112	4	142	12	1,030,065	6
4.....	411	6	91,168,757	45	26	2	6,342,368	34
5.....	572	7	4,466,674	2	80	7	542,511	3
6.....	2,571	33	43,157,191	21	372	32	5,106,780	27
7.....	1,762	23	13,234,996	7	186	16	1,616,070	9
Total.....	7,729	100	202,884,057	100	1,159	100	18,647,226	100

1/ Customs' liquidated value.

Source: Customs' liquidated entries.

Table 2.--Multiple mismatches

Item	Number of line items	Percent of total	Value <u>1/</u>
Classification and value.....	39	11	\$439,323
Classification and country of origin.....	14	4	223,277
Classification and quantity...	137	38	1,065,320
Classification, value, and country of origin.....	39	11	551,277
Classification, value, and quantity.....	16	4	458,086
Classification, value, country of origin, and quantity.....	95	27	1,012,259
Subtotal.....	340	95	3,749,542
Value and country of origin...	2	1	17,296
Value and quantity.....	9	3	6,258,658
Value, country of origin and quantity.....	1	0	118,840
Country of origin and quantity.....	4	1	68,758
Total.....	356	100	10,213,094

1/ Customs' liquidated value.

Source: Customs' liquidated entries.

Table 3.--Difference table, by categories and by sources

Source	Classification			Value			Country of origin			Quantity			Total		
	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/
Insufficient documentation...	515	78	\$5,127,596	5	1	\$11,814	8	1	\$348,106	131	20	\$852,365	659	100	\$6,339,881
Broker errors....	268	55	2,956,329	71	15	7,321,140	35	7	247,289	110	23	7,480,739	484	100	18,005,497
Customs verification errors.....	229	45	2,562,650	68	14	7,386,273	65	13	808,194	141	28	7,532,272	503	100	18,289,389
Customs liquidation changes.....	110	35	1,684,113	58	19	1,142,381	45	14	656,342	100	32	1,138,573	313	100	4,621,409
Census change errors.....	6	25	66,234	4	17	26,583	2	8	10,169	12	50	90,165	24	100	193,151
Census keypunch errors.....	36	28	368,701	30	23	226,334	9	7	61,002	55	42	555,462	130	100	1,211,499
Other errors.....	32	22	637,930	32	22	637,930	32	22	637,930	49	34	598,562	145	100	2,512,352

1/ Customs' liquidated value.

Source: Customs' liquidated entries.

Table 4.--Mismatch table, by categories and by TSUSA schedules

Schedule No.	Classification			Value			Country of origin			Quantity			Total		
	Number	Percent of total	Value <u>1/</u>	Number	Percent of total	Value <u>1/</u>	Number	Percent of total	Value <u>1/</u>	Number	Percent of total	Value <u>1/</u>	Number	Percent of total	Value <u>1/</u>
1.....	75	3	\$1,405,627	31	1	\$586,512	21	1	\$275,246	73	3	\$1,419,280	200	9	\$3,686,665
2.....	258	11	2,160,143	21	1	66,466	13	1	56,714	71	3	436,089	363	16	2,719,412
3.....	117	5	797,261	29	1	285,788	20	1	130,788	186	8	1,130,096	352	16	2,343,933
4.....	20	1	57,272	7	0	12,398,908	2	0	79,552	25	1	12,412,391	54	2	24,948,123
5.....	82	4	335,865	21	1	100,029	6	0	257,576	44	2	166,631	153	7	860,101
6.....	440	19	5,796,528	87	4	1,904,928	48	2	582,274	121	5	2,155,548	696	31	10,439,278
7.....	204	9	2,850,857	72	3	1,409,824	86	4	1,386,882	78	3	528,103	440	19	6,175,666
Total.....	1,196	53	13,403,553	268	12	16,752,455	196	9	2,769,032	598	26	18,248,138	2,258	100	51,173,178

1/ Customs' liquidated value.

Source: Customs' liquidated entries.

Table 5.--Difference table, by sources and by TSUSA schedules

Schedule No.	Insufficient documentation		Broker errors		Customs verification errors		Customs liquidation changes		Census change errors		Census keypunch errors		Other errors	
	Percent		Percent		Percent		Percent		Percent		Percent		Percent	
	Number	of total	Number	of total	Number	of total	Number	of total	Number	of total	Number	of total	Number	of Total
1.....	40	6	34	7	45	9	37	12	2	8	18	14	24	16
2.....	227	35	43	9	41	8	27	8	4	17	13	10	8	6
3.....	101	15	86	18	70	14	56	18	1	4	29	22	9	6
4.....	6	1	16	3	20	4	8	3	0	0	4	3	0	0
5.....	51	8	38	8	33	6	8	3	7	30	8	6	8	6
6.....	186	28	165	34	169	34	82	26	8	33	44	34	42	29
7.....	48	7	102	21	125	25	95	30	2	8	14	11	54	37
Total.....	659	100	484	100	503	100	313	100	24	100	130	100	145	100

Source: Customs' liquidated entries.

Table 6.--Mismatch table, by categories and by customs regions

Customs Region	Classification			Value			Country of origin			Quantity			Total		
	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/
Boston.....	198	9	\$2,727,012	29	1	\$1,212,534	13	1	\$1,161,694	67	3	\$309,843	307	14	\$5,411,083
New York.....	409	18	5,861,310	114	5	1,340,263	86	4	922,920	233	10	2,536,752	842	37	10,661,245
Baltimore.....	63	3	712,834	18	1	12,515,968	17	1	167,115	36	2	13,031,749	134	6	26,427,666
Miami.....	28	1	175,672	4	0	1,582	4	0	1,582	15	1	119,585	51	2	298,421
New Orleans.....	16	1	134,949	4	0	9,637	5	0	33,688	18	1	221,765	43	2	400,039
Houston.....	47	2	302,406	10	0	166,128	8	0	50,500	31	1	221,490	96	4	740,524
Los Angeles.....	108	5	916,071	40	2	313,561	32	1	308,349	72	3	471,953	252	11	2,009,934
San Francisco.....	70	3	555,188	11	0	942,551	5	0	40,508	25	1	637,185	111	5	2,175,432
Chicago.....	257	11	2,018,111	38	2	250,231	26	1	82,676	101	4	697,816	422	19	3,048,834
Total.....	1,196	53	13,403,553	268	12	16,752,455	196	9	2,769,032	598	26	18,248,138	2,258	100	51,173,178

1/ Customs' liquidated value.

Source: Customs' liquidated entries.

Table 7.--Difference table, by sources and customs regions

Customs Region	Insufficient documentation		Broker errors		Customs verification errors		Customs liquidation changes		Census change errors		Census keypunch errors		Other errors	
	Percent		Percent		Percent		Percent		Percent		Percent		Percent	
	Number	of total	Number	of total	Number	of total	Number	of total	Number	of total	Number	of total	Number	of Total
Boston.....	119	18	62	13	63	13	32	10	3	13	20	16	8	6
New York.....	202	31	220	46	196	39	120	38	6	25	42	32	56	39
Baltimore.....	30	5	25	5	33	7	25	8	1	4	4	3	16	11
Miami.....	14	2	7	1	9	2	11	4	0	0	1	1	9	6
New Orleans.....	7	1	6	1	11	2	11	4	0	0	4	3	4	3
Houston.....	13	2	29	6	27	5	7	2	7	29	8	6	5	3
Los Angeles.....	35	5	45	9	71	14	47	15	4	17	19	15	31	21
San Francisco.....	47	7	23	5	22	4	11	4	1	4	7	5	0	0
Chicago.....	192	29	67	14	71	14	49	15	2	8	25	19	16	11
Total.....	659	100	484	100	503	100	313	100	24	100	130	100	145	100

Source: Customs' liquidated entries.

Table 8.--Acceptance of broker errors by Customs and Census without change

Item	Classification			Value			Country of origin			Quantity			Total		
	Number	Percent of total	Value <u>1/</u>	Number	Percent of total	Value <u>1/</u>	Number	Percent of total	Value <u>1/</u>	Number	Percent of total	Value <u>1/</u>	Number	Percent of total	Value <u>1/</u>
Broker errors.....	268	100	\$2,956,329	71	100	\$7,321,140	35	100	\$247,289	110	100	\$7,480,739	484	100	\$18,005,497
Accepted by Customs with no change....	170	63	1,855,654	26	37	6,645,011	25	71	158,523	67	61	6,811,718	288	60	15,470,906
Accepted by Census with no edit rejection.....	161	60	1,817,106	24	34	6,631,383	25	71	158,523	60	55	6,753,291	270	56	15,360,303

1/ Customs' liquidated value.

Source: Customs' liquidated entries.

Table 9.--Change to statistical copy of entry (CF 7501) by Customs and Census

Item	Classification			Value			Country of origin			Quantity			Total		
	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/	Number	Percent of total	Value 1/
Change to CF 7501 by Customs.....	179	36	\$2,443,357	87	17	\$1,418,107	53	11	\$741,070	122	24	\$1,188,892	441	88	\$5,791,426
Change to CF 7501 by Census.....	24	5	135,867	6	1	40,211	2	0	10,169	27	6	169,297	59	12	355,544
Total.....	203	41	2,579,224	93	18	1,458,318	55	11	751,239	149	30	1,358,189	500	100	6,146,970

1/ Customs' liquidated value.

Source: Customs' liquidated entries.

A P P E N D I X B

SAMPLE EVALUATION FORM

Sample evaluation form

Analyst code _____

Serial number _____

Customs district and port _____

Entry number _____

	I	II	III	IVa	IVb
	TSUSA Classifi- cation	\$ Value	Country of Origin	Quantity 1	2
<u>ENTRY</u>					
Entered					
Liquida- ted					
<u>CUSTOMS</u>					
Verified					
<u>CENSUS</u>					
Verified					
<u>CENSUS</u>					
IM 115					
<u>ITC</u>					
Verify					
Can't Verify					

A P P E N D I X C

DEFINITIONS

Definitions

1. Broker error--the data originally recorded on the Customs entry documents prepared by the broker is incorrect.
2. Customs verification error--the data verified by Customs on the statistical copy of the entry is incorrect.
3. Customs liquidation error--the data verified by Customs on the statistical copy of the entry is changed at Customs liquidation without correcting that data originally furnished to Census.
4. Census change error--data correctly verified by Customs is incorrectly changed by Census edit and reverification procedures.
5. Census keypunch error--data verified by Customs and Census is changed incorrectly at the Census data entry stage.
6. Other error--data is missing from the IM 115 printout. This indicates either a lost or missing statistical copy or a data entry error in either classification or country of origin.

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WASHINGTON, D.C. 20436

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U.S. International Trade Commission



ADDRESS CHANGE

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