United States General Accounting Office

GAO

Report to the Honorable
Mark O. Hatfield, U.S. Senate

December 1991

U.S. CUSTOMS SERVICE

Limitations in Collecting Harbor Maintenance Fees

145684

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GAO

United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-245948

December 23, 1991

The Honorable Mark O. Hatfield
United States Senate

Dear Senator Hatfield:

In response to your request, we reviewed the U.S. Customs Service's efforts to collect the fee for use of harbors and ports—the harbor maintenance fee (HMF). Cargo importers, exporters, domestic shippers of cargo between ports in the United States, foreign trade zone (FTZ) users,[1] and passenger vessel operators are to pay the HMF on the basis of the value (ad valorem) of cargo and passenger fares. Collections from the fee are primarily used to pay the U.S. Army Corps of Engineers' costs for improving and maintaining ports and harbors. You believed that importers may be correctly paying the fee but expressed concerns that the other parties were not. You also believed that such an inequity would raise questions about the consistency of compliance and the adequacy of HMF collections. We agreed with your office to (1) obtain information on collections and (2) review Customs' internal controls over collections.

To address these issues, we reviewed documents and procedures, interviewed officials, and observed the processes that were used in collecting the HMF. However, we did not test the controls for collecting the HMF. Our work was done from February 1991 through September 1991 using generally accepted government auditing standards. A detailed discussion of our objectives, scope, and methodology is presented in appendix I.

Results in Brief

From April 1, 1987, when collections began, through September 30, 1991, Customs reported HMF collections of just over $916 million. Imports accounted for about 67 percent of this amount ($616 million).

Customs has more controls over HMF collections from importers than it does over payments from exporters, domestic shippers, FTZ users, and passenger vessel operators. Collecting the HMF on imports was incorporated into Customs' existing import process, which also collects import duties and other fees. Customs' import process has controls to track imported goods from the time they come into the country so it can identify whether import duties have been paid. Importers paid Customs over

[1]Foreign or "free" trade zones are secured areas within the United States that have been established to encourage U.S. participation in international trade.

$17 billion in import duties and fees, including over $258 million in HMFS, during fiscal year 1991.

Exporters, domestic shippers, FTZ users, and passenger vessel operators are not subject to comparable duties and fees that importers pay, except for HMFS. As a result, their HMFS cannot be collected with other collections as is the case with imported goods. During fiscal year 1991, these parties made HMF payments totaling about $124 million. Controls have not been fully effective. Customs' controls consist primarily of matching the payment data to the available shipment data to identify potential nonpayers and then auditing those parties who may not have paid. Due to limited resources devoted to HMF collections, Customs has done a minimal amount of matching and auditing. Further, shipment data are not always complete or accurate. Consequently, nonpayers have stood little chance of being detected. Customs and the Corps have estimated that losses resulting from nonpayment of the HMF from exporters and domestic shippers could total about $23 million annually.

Customs recognizes that better enforcement of HMF collection requirements could potentially result in increased collections and has scheduled audits. For example, Customs identified from a sample of about 100 exporters 19 exporters who may not have paid the HMF. Customs is pursuing audits of these exporters who during calendar year 1990 reported exporting $5.7 billion worth of cargo. In addition to these audits, Customs also plans to hire additional staff to do more matching and auditing, and to improve its systems for detecting and billing nonpayers. However, according to agency officials, the implementation of these actions is dependent upon funding.

The law currently restricts Customs from using HMF revenue to pay for activities associated with collecting the fee. Legislation has been introduced to change the law to provide money from HMF revenue to help pay for collecting the fee. We believe that HMF funds should be made available to pay the costs associated with collecting the fee.

Background

The Corps' costs for developing, operating, and maintaining harbors and ports were once paid from general tax revenue. However, Congress passed the Water Resources Development Act of 1986 (P.L. 99-662), which authorized Customs, starting on April 1, 1987, to collect a .04 percent HMF on the value of waterborne cargo and passenger fares to help pay for the Corps' costs.[2] This act authorized Customs to pay for its HMF collection activities from a merchandise processing fee (import fee), which was established by another law. The Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509) established the import fee and authorized Customs to only charge the fee to importers.[3] As long as Customs collects the import fee, the Water Resources Development Act restricts Customs from using HMF revenue to pay for HMF collection activities.[4] Customs is currently collecting the import fee.

However, U.S. trading partners have questioned the appropriateness of using the import fee to pay for expenses not directly related to processing imports. As a result, Customs has been reluctant to use the fee to ensure it is receiving HMF payments from the other parties (e.g., exporters and domestic shippers).

From April 1, 1987, to September 30, 1991, Customs collected just over $916 million in HMFs. Imports accounted for about 67 percent of the total, or $616 million, and exports for nearly 25 percent, or $226 million; collections from domestic shippers, FTZ users, and passenger vessel operators made up 8 percent, or about $74 million (see app. II).

The Water Resources Development Act gives Customs the responsibility to collect the HMF because of its experience in appraising imported cargo and its presence at ports nationwide. Customs' regulations establish penalties for nonpayment of the HMF. According to a Customs penalty assessment official, depending on the circumstances in the case, Customs may assess penalties for up to the value of the merchandise or a multiple of the unpaid fees.

Amounts equal to the HMF collections and other revenue are to be deposited into a harbor maintenance trust fund, which the Water Resources Development Act established. The funds are to be made available primarily to pay the Corps' authorized costs. Initially, the Corps was authorized to recover up to 40 percent of its operation and maintenance

[2]Public Law 99-662 was enacted on November 17, 1986.

[3]The import fee includes assessments based on the value of imported merchandise. Public Law 99-509 was enacted on October 21, 1986.

[4]The legislative history is silent concerning the rationale for the funding restriction contained in the Water Resources Development Act.

costs from the trust fund.[5] The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) increased the fee, starting in January 1991, from .04 percent to .125 percent of the value of cargo and passenger fares.[6] The primary reason for the change was to make it possible for the Corps to recover 100 percent of its authorized operation and maintenance costs. The Water Resources Development Act of 1990 (P.L. 101-640) authorized the Corps to use the increased revenue to pay 100 percent of only its costs (not those of any other agency).[7] Appendix III contains estimated collections and costs for fiscal year 1992.

More Collection Controls Exist for Imports Than Others

Compared to imports, where collecting the HMF was incorporated into an existing system of controls, we found that Customs had devoted limited resources to implementing controls over collecting the HMF from exporters, domestic shippers, FTZ users, and passenger vessel operators. In addition, exporter and domestic shipper data are not always complete or accurate, which prevents Customs from fully verifying HMF payments from these parties. As a result, there is a potential risk that the government could be losing millions of dollars annually.

Controls Available Over HMF Payments From Importers

Customs assesses and collects the HMF on imports as part of the import process, which also collects duties and other fees. During fiscal year 1991, Customs collected over $17 billion in duties and fees, including over $258 million in HMFS. The import process is funded totally by Customs charging importers the import fee. Customs' Automated Commercial System is the primary mechanism that is used to account for and collect duties and other fees, including the HMF. This system is being developed to automate all of the operations that are associated with processing imported merchandise and collecting revenue.[8] Some of the key controls available for collecting the HMF in the import process are discussed in the following paragraphs.

[5]Other revenues that are to be deposited into the fund include toll collections made by the Saint Lawrence Seaway Development Corporation (SLSDC) and interest on investments of any cash balance. In addition to paying for the Corps' costs, the law authorized that the amounts in the trust fund could pay for (1) 100 percent of the SLSDC operation and maintenance costs and (2) Department of the Treasury rebates to payers concerning Saint Lawrence Seaway tolls.

[6]Public Law 101-508 was enacted on November 5, 1990.

[7]Public Law 101-640 was enacted on November 28, 1990.

[8]Automated Commercial System enhancements and actions to improve upon them are discussed in our report entitled Customs Automation: Observations on Selected Automated Commercial System Modules (GAO/IMTEC-89-4BR, Dec. 21, 1988).

When a cargo-carrying ship enters the United States, the carrier is to report its arrival to Customs and submit a report, called a manifest, listing the cargo aboard the vessel. This cargo information serves as an inventory record. If the quantity of goods reported by the carrier on the manifest differs from the quantity reported by the importer or its representative (broker) on the documents filed with Customs for collection purposes, the system is to produce a discrepancy report for reconciliation.

After the importer or broker submits documentation on the cargo and Customs allows the cargo to leave the port for use in the United States, the system is to establish payment dates, giving the importer or broker 10 days from the date that the cargo leaves the port to pay the duties and fees, including the HMF. HMF payments, along with import duties, are to be made to cashiers located at port facilities. If payments are not received by the payment dates, the system is to generate late reports for follow-up. Once collections are received at the port facilities, they are to be deposited to the United States Treasury.

At the same time importers or brokers submit payments, they are also required to submit documents describing the shipment, declaring its value, and showing how duties and fees were calculated on individual shipments. The information is to be subjected to automated system edits to detect possible problems such as valuation problems that could affect the amount of HMF owed. Customs' import specialists, who are knowledgeable of specific commodity groups and merchandise values, are to further review shipment information selected by the system for accuracy.

The controls available for imports were designed to enable Customs to (1) track cargo to ensure that payments are received and (2) assess the reasonableness of the cargo values. According to Customs officials, because resources are primarily devoted to the import process, Customs chose to adopt different controls over other HMF payments.

Controls Over HMF Payments From Exporters and Domestic Shippers Are Not Being Fully Used

Customs receives HMF payments from exporters and domestic shippers quarterly. These parties are to complete each quarter an HMF payment form summarizing the value of their shipments. The parties calculate the HMF due on the value they claimed and submit the HMF form along with payments to a lockbox. The lockbox is a postal rental box serviced by a commercial bank that processes HMF payments and deposits them to the United States Treasury. During fiscal year 1991, HMF payments from exporters and domestic shippers totaled nearly $113 million. HMF payments are the major shipping-related fee payment that these parties make to Customs.

To ensure that HMF payments are received from exporters and domestic shippers, Customs is to match available shipment data to payment data to detect payment problems. When it finds problems, Customs is to do follow-up audits. However, Customs has done limited matching and few audits.

Customs relies on the Bureau of the Census and the Corps for shipment information on export and domestic shipments. According to Census and Corps officials, as part of their foreign trade and domestic statistics programs, they collect shipment information on about 130,000 exporters and 600 domestic shippers, respectively. Census collects export shipment information from several sources, including exporters, freight forwarders (agents of exporters), and carriers, who either file the information with Customs at its ports or submit the information directly to Census. The Corps collects domestic shipment information from carriers who submit the information directly to it. Census and Corps shipment information is to include export value and domestic tonnage shipped, respectively, and a unique identification number, such as the exporter's or domestic shipper's social security or Internal Revenue Service (IRS) taxpayer identification number.

According to Customs regulations, Customs is to use the shipment information in detecting whether exporters and domestic shippers have submitted their HMF payments to Customs. For example, to determine whether exporters and domestic shippers paid the HMF, Customs is to match the Census and Corps exporter and domestic shipper identification numbers to the quarterly payment information that it received from its lockbox receipts. Customs' payment information is also to include the exporter's or domestic shipper's identification number. This matching procedure should enable Customs to identify possible nonpayers so it can target for audit selected exporters and domestic shippers.

At the time our review began, Customs did not (1) use available export shipment information from Census or (2) receive any domestic shipment information from the Corps in order to match or audit. According to Customs and Corps officials, the major reason for these problems is that limited resources have been devoted to collecting the fee. No audits were done of domestic shippers, but Customs did two audits of exporters. The auditors found that the two exporters did not pay a total of $5,000 in

HMFs. One audit was done on an anonymous tip, and the other was done as a part of an import audit after the auditors found that the importer also exported cargo.

In May 1991, the Corps started sending domestic shipment information to Customs. Also during our review, Customs' program, enforcement, and accounting units began matching export shipment information to payment information for some exporters. Customs sampled about 100 exporters on the basis of the cargo's value. During calendar year 1990, these exporters reported exports worth nearly $48 billion to Census. Customs matched these reports to payment records and found no payment records for 19 exporters. These 19 exporters reported exporting about $5.7 billion worth of cargo. Using the .04 percent rate that was in effect during calendar year 1990, the possible HMF revenue from these exports would have totaled about $2.3 million. According to a Customs audit official, 8 of the 19 exporters have been referred to its field offices for audit. Concerning the remaining 11 exporters, this official told us that they are still pursuing their initial audits.

Minimal Audits Over HMF Payments From FTZ Users and Passenger Vessel Operators

Customs requires FTZ users and passenger vessel operators to use the same quarterly payment procedure that exporters and domestic shippers use. During fiscal year 1991, HMF payments from FTZ users and passenger vessel operators totaled just over $11 million. These payments are also the major shipping-related fee payments that FTZ users and passenger vessel operators make to Customs.

The matching process for exporters and domestic shippers could not be used to identify FTZ users or passenger vessel operators who potentially did not pay the HMF. FTZ user identification numbers are not required on the shipment forms that are to be manually filed at each FTZ. Recognizing that these numbers would be useful for HMF collection purposes, Customs officials said that as part of a project to automate FTZ shipment information, they plan to require FTZ user identification numbers. According to Customs officials, because of higher priority work, they have not established a completion date for this project. Concerning passenger vessel operators, the operators or their agents file vessel reports at each port that list the number of passengers but not any value information. According to Customs port officials, while the reports contain identification information, they do not always contain information on the vessel operator who is required to pay the HMF. Customs auditors told us that they can identify passenger vessel operators and can target for audit those companies with large operations. To do this targeting they review trade publications, which show the size of the companies' operations.

As part of their audits of FTZs and passenger vessel operators, Customs auditors ask the FTZ users and passenger vessel operators to submit proof of payment. In addition, Customs auditors can check lockbox payment records to ensure payments were received and check company shipment and accounting records to determine that the values claimed are correct. Customs did six audits at FTZs, which identified FTZ users who did not pay about $460,000 in HMFs. Customs audit officials told us that they had not completed any audits of passenger vessel companies. During our review, Customs was doing audits of two passenger vessel companies with large operations and, as a result of our review, they included audit steps to detect HMF payment problems. Customs auditors told us that they preliminarily found that the two companies may owe a combined total of several hundred thousand dollars because they either did not pay or did not fully pay the HMF. Because of the potential revenue loss from these two companies, Customs auditors are planning to audit about 10 other passenger vessel companies that may not have paid HMFs.

Shipment Information Is Not Always Complete or Accurate

Customs' matching procedure will not always be effective in detecting HMF nonpayment because export and domestic shipment data that identify the exporter and domestic shipper are not always complete. In addition, the matching procedure may not be effective for detecting whether full HMF payments were received because the required export documents are not always filed and value information may not always be accurate.

Concerning exports, Census and Customs officials told us that exporters, freight forwarders, and carriers filed approximately 8 million documents with Census in calendar year 1990. Identification numbers were either missing or incomplete in about 20 percent of the documents. Without these numbers, Customs has no means of identifying whether exporters paid the HMF. An earlier GAO study raised questions about whether all exporters file the required export documents and whether the value information is accurate.[9] Customs' officials in New Orleans and Los Angeles said that because of a lack of staff, they do not check to make sure that they receive all export documents. The National Academy of Sciences is completing a study for Census that analyzes the

[9] Federal Statistics: Merchandise Trade Statistics: Some Observations (GAO/OCE-89-1BR, Apr. 21, 1989).

adequacy of the nation's foreign trade statistics system. According to a Census official involved in this project, preliminary observations are that significant underreporting of U.S. exports (shipments and values) may be occurring because of the lack of an adequate mechanism to collect export data accurately. A National Academy of Sciences official told us that the study should be completed by the end of January 1992.

According to a Census official, Census has developed a program plan to improve trade statistics. Under the plan, Census actions include (1) identifying exporters who do not provide complete or accurate data and educating them about data problems and (2) establishing a tracking mechanism to follow up on repeated data problems. This official said that Census will spend about $300,000 annually on this program.

Concerning domestic shipments, the Corps provided us information showing that during calendar year 1990 nearly 353 million tons of domestic cargo was subject to the HMF. While carriers are required to provide shipper identification information, they only provided this information on 279 million tons. These data mean that the Corps could possibly not identify the shipper on 21 percent of the cargo that was shipped. Corps officials said that if resources become available, the Corps plans to improve its automated systems to detect shipments that are subject to the fee.

Limited Resources Devoted to HMF Collections

According to Customs officials, limited resources have precluded them from evaluating export and domestic shipment data for possible HMF payment problems and from doing follow-up audits on HMF payments. Corps officials said that they did not provide domestic shipment information promptly to Customs because they lacked resources. These officials also said that carriers have been slow in providing statistics. According to a Corps official, the Corps recently assigned one staff person to follow up with carriers to ensure that complete shipping data are filed.

Under the Water Resources Development Act, Customs is not authorized to use HMF revenue to pay for costs associated with collecting the fee. Further, the law authorizes Customs to use revenue from its import fee, which can only be charged to importers, to pay for HMF collection costs. The import fee has been the subject of much controversy from foreign trading partners. In February 1988, the General Agreement on Tariffs and Trade (GATT) adopted a November 1987 GATT panel report challenging the import fee.[10] The panel heard complaints from member nations that the import fee did not relate to Customs' costs of services provided to importers. The panel agreed with member nation complaints, finding that the import fee was inconsistent with U.S. obligations under international trade agreements that address import fees, in part because it was used to pay for expenses not directly related to Customs' expenses for processing imports.[11] Because of this controversy, Customs officials said the agency has limited using the import fee to pay only for its HMF collection activities associated with verifying and auditing payments from other parties (e.g., exporters and domestic shippers).

Customs estimated that HMF nonpayment losses from exporters totaled $13 million in fiscal year 1990. The Corps estimated that HMF nonpayment losses from domestic shippers totaled just over $10 million in calendar year 1990.[12] Officials from both agencies pointed out that these estimates have limitations but said that they provide an indication of the lack of compliance among exporters and domestic shippers in paying the HMF. Furthermore, officials from both agencies said that because the HMF was increased from .04 to .125 percent, they believe larger losses could occur.

Plans to Address Enforcement Issues

To address these nonpayment problems, Customs, the Corps, and Census plan to spend about $5 million. Customs plans to use $2.5 million for (1) staff to periodically match shipment and payment data and to audit HMF payments and (2) improvements to Customs' HMF accounting system.[13] Concerning periodic matching, Customs officials said that if accuracy and completeness of shipment data improve, they believe it will be possible to send notices directly to parties for which the matching process indicates HMF nonpayment. We support the use of such matching

[10]The GATT is an organization comprising about 100 member nations that oversees world trade and issues findings on and mediates trade disputes.

[11]U.S. Customs Service: Merchandise Processing Fee: Examination of Costs and Alternatives (GAO/GGD-90-91BR, June 15, 1990) provides a full discussion of the international challenges against the import fee.

[12]The estimated losses were the most recent information available. Customs was not able to provide us estimated losses for calendar year 1990.

[13]This accounting system is a part of Customs' Automated Commercial System.

because it could be an effective way of increasing collections. Concerning audits, Customs plans to hire 19 auditors who would be dedicated to enforcing HMF collections. Customs' accounting system improvements would be designed to generate management reports to identify those payers who may have missed current or previous payments so that Customs could send notices to the parties. In 1989, Customs determined that these improvements were necessary. If resources become available, Customs officials said that the accounting system improvements could be completed in about 9 months.

In the fall of 1990, Customs began efforts to develop a plan to automate its manual export system. One of the system's goals is to automate HMF billing and establish controls to ensure complete and accurate HMF payments. If funding becomes available, Customs anticipates fully implementing this system by about fiscal year 1996. According to a Census official, Census would need about $1 million to assist Customs in developing its automated export system. The Corps estimated it would need about $1.5 million for staff to monitor the HMF program and pursue nonreporting by carriers, and to improve its system's capability to accurately identify shipments that are liable for the HMF.

Legislative Proposal to Provide Funding

Since 1989, Customs and the Corps have worked jointly on proposed legislation that would remove the Water Resources Development Act's restrictions on using HMF revenue to pay for the costs associated with collecting the fee. This proposal was contained in section 303(a) of the Customs Modernization Act of 1991 (H.R. 2589), which was introduced on June 7, 1991. The proposal would authorize up to a total of $5 million annually from the harbor maintenance trust fund to help pay for the collection and administrative costs incurred by Customs, the Corps, and Census.

In commenting on the proposed legislation, we supported the use of HMF revenue to help pay for the activities associated with controlling HMF collections. The additional funds could contribute to improving collection controls (e.g., additional auditors to do HMF audits). We commented on this provision before it was introduced and supported it as long as it was amended to require assurance that reimbursements from HMF revenue were justified.[14] We continue to support this proposal so that the

[14]Comments on Customs' Legislative Proposals to the Chairman and Ranking Republican Member of the Subcommittee on Trade, Committee on Ways and Means, House of Representatives (B-243759, June 5, 1991).

agencies can receive reimbursements from HMF revenue to pay for the costs directly associated with collecting the HMF. Further, using HMF revenues to pay for the costs incurred in collecting the fee would be more equitable because all the liable parties who use the nation's waterways would share in paying for collection costs. Under the current restrictions in the Water Resources Development Act, Customs is to rely solely on importers to pay for all HMF collection activities.

During fiscal year 1991, the Department of the Treasury reported that authorized costs reimbursed from the harbor maintenance trust fund totaled about $353 million. The Corps estimated that, at the .125 percent rate, HMF collections for fiscal year 1992 could reach about $580 million. According to information provided by the Corps, these collections should be sufficient to cover authorized costs as well as the proposed $5 million contained in H.R. 2589 (see app. III for fiscal year 1992 estimated collections and costs to be recovered through the HMF).[15]

Conclusion

More controls exist to prevent nonpayment from importers than from exporters, domestic shippers, FTZ users, and passenger vessel operators because collecting the HMF from importers was incorporated into the import process. Further, Customs has a source of funds, the import fee, to pay for the collection of import duties. While Customs is authorized to use the import fee to pay all HMF collection costs, it has been reluctant to use the import fee to collect the HMF from exporters, domestic shippers, FTZ users, and passenger vessel operators because U.S. trading partners challenged the appropriateness of using the import fee for activities not directly related to processing imports.

Our review showed that Customs' controls over collecting the HMF from exporters, domestic shippers, FTZ users, and passenger vessel operators have not been fully effective and that the data needed for controlling collections are deficient. If these parties do not pay the HMF, their nonpayment stands little chance of being detected, and a risk of substantial revenue loss exists.

Customs, the Corps, and Census are planning actions to improve controls and data that would provide greater assurance that the parties who owe the HMF pay the full and proper amount. For example, Customs

[15]The estimated collections should be sufficient to pay for other costs. Legislation is also being proposed to use estimated additional collections to pay about $45.5 million of the commercial navigation costs of the National Oceanic and Atmospheric Administration (NOAA).

is planning to periodically match shipment and payment data and to hire auditors to enforce HMF collections. In addition, Customs is planning to develop a system for controlling HMF collections on exports. While we recognize that opportunities exist to increase HMF collections, such as ensuring that data are complete so that matching shipment and payment data could identify HMF nonpayers, limited resources devoted to this effort have precluded Customs from taking more aggressive actions. In addition, we concur with Customs that HMF revenue should be available to pay for HMF collection costs. Therefore, we continue to favor amending the law to allow Customs to use HMF revenue to pay for the costs associated with collecting the fee as long as reimbursements are made on the basis of its collection costs.

Recommendation to Congress

To permit Customs, the Corps, and Census to be reimbursed for costs directly associated with collecting the HMF, Congress should amend the Water Resources Development Act, as proposed in H.R. 2589, with one change. Congress should change H.R. 2589 to require a justification of costs before expenses are reimbursed.

We provided officials from Customs, the Corps, and Census with a statement of facts on this report. These officials generally agreed with the facts presented, and we have included their comments where appropriate. Officials stated that if the Water Resources Development Act were amended, the additional revenue would be used to improve HMF collection controls, and this would result in increased collections.

As agreed with your office, we plan no further distribution of this report until 30 days after its issuance date, unless you publicly release its contents earlier. After 30 days, we will send copies of this report to the Secretary of the Treasury, the Commissioner of Customs, the Secretary of the Army, the Secretary of Commerce, and other interested parties.

Major contributors to this report are listed in appendix IV. Should you need additional information on the contents of this report, please contact me on (202) 275-8389.

Sincerely yours,

Lowell Dodge

Lowell Dodge
Director, Administration
of Justice Issues

Objectives, Scope, and Methodology

Our objectives were to (1) obtain information on HMF collections and (2) review Customs' internal controls over HMF collections.

To collect information on these issues at Customs, we contacted its headquarters offices responsible for HMF program oversight, systems development, and audit. In addition, we contacted Customs' National Finance Center, located in Indianapolis, which is responsible for HMF accounting. We also visited five Customs district offices located in Seattle, Los Angeles, New Orleans, New York City, and Norfolk. At the Corps, we contacted the headquarters offices that were responsible for developing data on recoverable costs and its Waterborne Commerce Statistics Center in New Orleans, which is responsible for collecting data on domestic shippers who are liable for the HMF. At Census, we contacted the headquarters offices that were responsible for collecting trade and shipping data on exporters.

We selected the Customs districts we visited as a result of our consultations with Customs and Corps officials, who said that these districts would handle all types of commerce that were subject to the HMF. Furthermore, concerning exports, these districts are among the largest. During calendar year 1990, these districts accounted for nearly $75 billion, or about 50 percent, of the vessel exports nationwide. During these contacts we

- reviewed Customs' accounting reports on collections and documents reporting HMF collection problems;
- obtained information on estimated HMF losses and reviewed Customs' audit reports on HMF losses detected;
- interviewed Customs officials to learn about the methods and processes used for collecting the HMF from importers, exporters, domestic shippers, FTZ users, and passenger vessel operators; and inquired as to any improvements they believed were needed;
- observed operations involved in collecting the HMF and processing data, focusing primarily on exports, domestic shipments, FTZ shipments, and passenger vessel operations (because GAO had other ongoing work focusing on the import and duty collection process, we did not verify compliance with available controls);
- obtained examples from Customs, the Corps, and Census on the completeness and accuracy of shipment information; and
- reviewed available plans and schedules for correcting HMF problems.

Harbor Maintenance Fee Collections, April 1, 1987, Through September 30, 1991

Dollars in millions

	Fiscal year						
	1987[a]	1988	1989	1990	1991[b]	Total	Percent
Importers	$43.2	$99.8	$105.9	$109.2	$258.3	$616.4	67.3
Exporters	6.8	35.9	44.6	45.8	93.2	226.3	24.7
Domestic shippers	2.4	9.2	8.6	9.1	19.5	48.8	5.3
FTZ users	.7	3.1	3.9	4.0	9.2	20.9	2.3
Passenger vessel operators	.1	.6	.7	.6	2.0	4.0	.4
Total	**$53.2**	**$148.6**	**$163.7**	**$168.7**	**$382.2**	**$916.4**	**100.0**

[a]Collections were for the last two quarters of fiscal year 1987.

[b]Collections for the first quarter of fiscal year 1991 (Oct. 1990 through Dec. 1990) were at the .04 percent rate. Collections from January 1991 through September 1991 were at the .125 percent rate.

Source: U.S. Customs Service.

Fiscal Year 1992 Estimated Collections and Costs to Be Recovered Through the HMF

Dollars in millions

HMF costs		HMF collections
Port and harbor improvement and maintenance (Corps)	$518.0	
Operation and maintenance (SLSDC)	11.2[a]	
Commercial navigation - NOAA	45.5[b]	
Administrative and collection (Customs, Corps, and Census)	5.0[b]	
Total	**$579.7[c]**	**$580.0**

[a]This figure includes about $300,000 to administer the rebate of Saint Lawrence Seaway tolls. During fiscal year 1992, Saint Lawrence Seaway toll collections that should be deposited to the trust fund are expected to reach $10.4 million. Fiscal year 1992 Department of the Treasury toll rebates from the trust fund are expected to total $10.4 million.

[b]Legislation authorizing payments for these costs from HMF collections is pending.

[c]If there is a $300,000 difference at the end of fiscal year 1992, such surpluses would remain in the harbor maintenance trust fund.

Source: U.S. Army Corps of Engineers.

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