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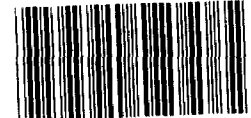
GENERAL GOVERNMENT
DIVISION

MAY 15 1981

B-203065

The Honorable John Heinz
Chairman, Subcommittee on
International Finance
and Monetary Policy
Senate Committee on Banking,
Housing and Urban Affairs
United States Senate

SENCO 704



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Dear Mr. Chairman:

Subject: [Customs Collection of Additional
Import Duties On Mushrooms]
(GGD-81-77)

AGC00166

The Customs Service correctly implemented the Presidential Proclamation for import relief, in the form of additional duties, for the domestic mushroom industry. As a result, the additional duties for certain mushroom imports are being collected by Customs.

Under Presidential Proclamation 4801 of October 29, 1980, the duty on imports of canned and other prepared mushrooms was increased for a period of 3 years. In addition to the permanent duty rate of 3.2 cents per pound plus 10 percent ad valorem (a percentage of unit value), the import relief provided for an additional 20 percent ad valorem effective November 1, 1980--to be reduced to 15 percent effective November 1, 1981, and 10 percent November 1, 1982.

We have, as you requested on March 5, 1981, assessed whether there was a mistaken Customs directive, implementing the Presidential Proclamation, that may have resulted in the additional duties not being collected. Our conclusion that the duties are being properly collected is based on discussions with Customs import specialists and an examination of import entry documents. Our examination of entry documents was limited to the entries identified by the Census Bureau as being processed by Customs from November 1, 1980, through January 31, 1981--the latest available information at the time of our inquiry.

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Correct duties were paid on the mushroom entries we examined. We examined all 40 entries that were processed by Customs' Chicago (11) and Philadelphia (29) districts (the two areas noted in your letter) from November 1, 1980, through January 31, 1981. We also selected and examined 52 of 144 entries that were processed by Customs' New York area office (the largest mushroom importing area on the east coast) during this period.

In all but 11 cases we found that the duties submitted by the importers or their brokers with their entries were at the increased rate of duty. For the 11 entries, Customs officials advised us that the importers were unaware of the increased duties when the entry documentation was submitted to Customs. We found, however, that in each case Customs had notified the importer of the error and that the additional duties had been collected at the time of our visits. Because all the entries were correctly dutied, no further examinations were conducted.

Concerns about the collection of the additional duties for the mushroom imports may have been caused by incorrect data published by the Census Bureau. Programming errors resulted in Census reporting the wrong duty for mushrooms for November 1980 through March 1981.

Census' computer is programmed to automatically compute Customs duties on the basis of the quantity and the unit value data taken from the statistical copies of the Customs entry. Initially, Census officials inadvertently failed to program the November 1980 increased duty rate into their computer until January 1981. When the initial computer error was corrected in January 1981, 15 percent--the additional duties for mushrooms effective on November 1, 1981, rather than the 20 percent effective November 1, 1980--was inadvertently used as the revised duty rate.

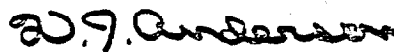
Census officials told us that the programming errors have been corrected and that all mushroom transactions during April and subsequent periods will reflect the correct data. However, anyone relying on Census' November 1980 through March 1981 import data would assume that Customs was not using the correct duty rate for calculating duties on mushroom imports.

Although we did not take the time to obtain written comments, we discussed this letter with Customs and Census officials who generally concur with its contents. Unrestricted distribution of

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this report will be made 30 days after the date of the report or at the time of public release of the report's contents by your office.

Sincerely yours,

A handwritten signature in black ink, appearing to read "W. J. Anderson". The signature is written in a cursive style with some flourishes.

William J. Anderson
Director