

GAO

Report to the Regional Commissioner,  
U.S. Customs Service, New York Region

September 1990

# CUSTOMS AUTOMATION

## Weaknesses in Revenue Collection at John F. Kennedy International Airport





United States  
General Accounting Office

New York Regional Office

7 World Trade Center, Floor 25  
New York, New York 10048

B-240920

September 27, 1990

Mr. Anthony M. Liberta  
Regional Commissioner  
U.S. Customs Service  
New York Region  
6 World Trade Center  
New York, New York 10048

Dear Mr. Liberta:

As a result of our recent review of Customs duties and other collections, conducted at three ports of entry, including John F. Kennedy International Airport (JFK), we reported that the lack of internal controls over prenumbered collection documents and the number of unaccounted-for documents provide an enormous potential for fraud and abuse.<sup>1</sup> During that review we found certain other weaknesses at the JFK Area Office in the physical security of revenue, accountability over prenumbered collection documents, and the timeliness of these revenue deposits—weaknesses that deserve your attention.

In fiscal year 1989 the Customs Service reported that almost \$2 billion in duties and other revenue was collected at JFK. Of that \$2 billion, at least \$23 million was collected using prenumbered collection documents—Customs Cash Receipt (CF-5104) and Informal Entry (CF-5119-A) documents. As you know, the cash receipt is used for recording taxes, fees, passenger duties, and any collection where a collection document does not exist. The informal entry is used to record the collection of duties and other amounts due from importers and brokers valued at under \$1,250. Both of these documents are issued to inspectors and other personnel in books of 50.

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## Results in Brief

Physical security weaknesses exist at the cashier's office in the JFK Area Office where revenues are controlled and deposited. Accountability and storage procedures for prenumbered collection documents are lax and deposits of certain revenues are untimely. These three weaknesses, previously reported to your office by Customs' Office of Internal Affairs in March 1989,<sup>2</sup> for the most part still existed at the time of our review.

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<sup>1</sup>Customs Automation: Duties and Other Collections Vulnerable to Fraud and Abuse (GAO/IMTEC-90-29, Feb. 28, 1990).

<sup>2</sup>Final Report of Audit 88-NY 4 National Audit of Collections, New York Region, U.S. Customs Service, Office of Internal Affairs, New York, New York (March 24, 1989).

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by Customs employees' not adhering to stated procedures for control of such documents. To address these problems the JFK Area Office has reduced the number of prenumbered collection documents and the number of employees to whom the documents are assigned. The office also intends to provide locked cabinets as necessary for the storage of these documents.

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## Untimely Deposits of Revenue

Several instances were uncovered in which the JFK Area Office was not depositing revenue it collected using the prenumbered collection documents on time, as required by Treasury and Customs regulations. For example, over half of the \$153,016 in deposits we analyzed were between 1 and 34 days late. As a result, the Treasury is losing interest on these funds. This was also noted in the March 1989 Customs Internal Affairs report. We also found that (1) the Automated Commercial System (ACS), which provides Customs management with deposit information, contained incorrect collection dates for some deposits, making them appear as if they were deposited on time; and (2) some inspectors were not turning their collections in to the cashier's office by the end of the next business day, as required. The Customs Assistant Area Director, Entry Division, agreed with our findings. He said the JFK Area Office plans to increase the cashier's office staff to assure that all revenue is deposited on time and that ACS reflects accurate collection information.

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## Conclusion and Recommendations

The weaknesses we identified at JFK substantially increase the vulnerability of the Customs Area Office to fraud, waste, and abuse. Accordingly, we recommend that you ensure that all corrective actions planned by the Customs Area Office, or underway as described in this report, are carried out.

We also recommend that you ensure that supervisors follow stated policies and procedures and that they reinforce the importance of these directives to their staffs.

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Appendix I contains details on the matters discussed herein. Our objectives, scope, and methodology are described in appendix II. Major contributors to this report are listed in appendix III. Copies of this report are being sent to the Secretary of the Treasury, the Commissioner of Customs, and other interested parties. Copies will also be made available to others upon request. Our review was conducted in accordance with

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area, one could gain access to the cashier's cage by opening the unlocked door. Inside the cashier's cage are two safes where duties and other collections and related documents are stored.

We also observed in the cashier's cage that checks relating to both prenumbered collection documents and formal entries were left out in public view on desktops or in trays. They were not stored in either of the two safes in the cashier's cage while awaiting input into ACS, endorsement, and courier transport to the bank. In October 1989, we witnessed a non-Customs Service person enter the cashier's cage, whereupon the supervisor immediately instructed this person to leave the cage and return to the presentation area. Twice in November 1989 we observed that the two-door, approximately 6-foot-high safe was not locked. This safe contains an authorized \$30,000 imprest fund. Staff other than those authorized to use the safe work in the cashier's cage. We also observed a gap in the ceiling that could permit unauthorized entry into the cashier's cage.

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### Inadequate Separation of Duties

Our review of the cashier's office activities disclosed a separation-of-duties issue. Specifically, we observed that one cashier who received checks also prepared prenumbered collection documents and entered \$57,000 in collections into ACS. We were also told that other cashiers who receive checks also write the prenumbered collection document and record the collections in ACS.

GAO Title 2<sup>4</sup> states that key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals, and no individual should control all key aspects of a transaction or event.

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### Status of Customs' Corrective Actions

We discussed these conditions with the Customs Assistant Area Director, Entry Division, and were told that the physical safeguard weaknesses were caused by a lack of adequate funding for improvements and the failure of Customs employees to follow established procedures; and that the separation-of-duties weakness was the result of staff shortages.

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<sup>4</sup>Title 4, Appendix II, GAO Policy and Procedures Manual for Guidance of Federal Agencies, May 1988.

month period, Customs found 19 of the 25 documents, reported 2 as stolen, and could not account for the remaining 4.

Regional Directive II-2110-05 and JFK Area Office Directive II-K-2110-04 state that if an employee resigns, transfers, or is detailed to another section, unit, or team, it is the supervisor's responsibility to collect and verify the used and unused documents assigned to that employee. This statement is underlined, stressing its importance. Customs supervisors were not, however, following these directives for controlling and accounting for prenumbered documents and therefore could not initially locate or account for any of the 25 documents we selected. Some of the reasons why the JFK Area Office could not immediately locate the 25 documents were that (1) inspectors took their documents with them when they transferred to other ports, (2) employees left or retired from Customs and did not return their documents, and (3) supervisors who signed for documents "had no recollection or records. . . ." In addition, in March 1988, the JFK Area Office issued a directive stating that when a document is lost or stolen, the JFK Area Director must so notify NFC in writing and request that those prenumbered documents be deleted from ACS. This process is not always followed. Although inspectors had reported 2 of the 25 documents as stolen, one as early as 1987, the JFK Area Office took 2 years to report these stolen documents to NFC after the March 1988 local directive was issued.

JFK Area Office Directive II-K-2110-03 and subsequent Directive II-K-2110-04 require all branch chiefs or immediate supervisors to maintain accountability records for documents they distribute to their employees. We interviewed six supervisors, four of whom were selected by Customs, to determine whether they were maintaining logs or other records as required by the JFK directives. None of the six maintained control logs. One supervisor, after much effort, did provide us with an accountability record which he constructed at our request. One of the six stated that recordkeeping requirements are "wide open" at the JFK Area Office, in comparison with the stringent accountability records he was required to keep as a Customs supervisor at another port.

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### Too Many Collection Documents in Circulation

In June 1989, JFK Area Office officials estimated that between 300 and 400 inspectors and other personnel were issued prenumbered collection documents; however, our work showed that some inspectors are not using these documents at all or are using them infrequently, because in some instances they may have assignments where collections of revenue

off time." In addition, section 5314.2c of the Customs Policies and Procedures Manual states that "collection ports shall observe a daily cut-off sufficient to allow collections to be deposited on the day received . . . . Collections received after the cut-off . . . shall be deposited with the following day's collections." In March 1989, Customs' Internal Affairs report noted that, in many instances, collections at JFK were not being deposited in a timely manner.

Examples were also found in which inspectors were not turning their collections in to the cashier's office in the prescribed time allowed. Further, the cashier's office was not making daily deposits of (1) collections from prenumbered collection documents, (2) mixed cash and check payments made by some brokers for formal entries, and (3) cash collections. As a result, the Treasury is losing interest on funds not deposited on time. These conditions also make these funds more susceptible to loss, theft, or misuse. We did not assess the timing of deposits of revenue resulting from formal entries paid only with checks, because we were told by staff of the Treasury Inspector General that the timeliness of these deposits is being reviewed by them. According to Customs officials, deposits paid entirely by check represent about 97 percent of all revenue collected at JFK.

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**Untimely Deposits of  
Revenue From  
Prenumbered Collection  
Documents**

We analyzed all 104 prenumbered collection-document deposits made by the JFK Area Office for two randomly selected days, November 3 and 6, 1989. We found that 87 of the 104 documents (84 percent), accounting for over half of the \$153,016 in revenue collected, were deposited between 1 and 34 days late. The majority of these funds were deposited between 1 and 5 days late, as shown in table 1.



Again, the ACS collection date was in error as it showed the deposit as being made on time. We wanted to use ACS to determine the full extent of lost interest on late prenumbered collection document deposits, but could not do so because of the inaccurate collection dates cited above. Even if only half the approximately \$23 million received in fiscal year 1989 from prenumbered collection documents was not deposited on time, the Treasury would still lose about \$2,500 in interest for each day these deposits were late.

The Assistant Area Director, Entry Division, said that because he is short-handed, he gives priority to processing formal entries and processes all other revenue when there is adequate time. However, after discussing the timeliness issue, he said that he was increasing the cashier's office staff to ensure that all revenue is processed and deposited within 24 hours. He said the incorrect collection date in ACS was a data-entry error, and that this situation would be corrected. While reviewing the timeliness of deposits for prenumbered collection documents, other information affecting the timeliness of deposits from formal entries came to our attention. This is discussed in the section below.

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### Untimely Deposits on Mixed Formal Entries and Cash Deposits

During our review involving prenumbered collection documents, we also noted late deposits involving some formal entries and cash payments. We found that payments by brokers for formal entries containing both cash and checks (mixed formal entries) were held in the cashier's office safe pending the weekly cash count. We were told by the Assistant Area Director, Entry Division, that it is the policy of the area office to hold all cash received for weekly conversion to a cashier's check; when cash and checks cover the same entry, both are held for the weekly cash count. As can be seen in table 2, a few pennies in cash has held up thousands of dollars in deposits.

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**Inspectors Are Not  
Forwarding Revenues on  
Time**

JFK Area Office's Local Operating Procedures II-K-2110-04 state that documents and money collected by Customs inspectors will be transmitted by the end of the next business day to the cashier's office. An audit completed in September 1989 by Customs' Inspection and Control Division showed that this is not being done in all instances. In one case, money was not turned in for over 7 months. To determine whether the problem was corrected, we analyzed all 59 prenumbered collection documents in the November 2, 1989, deposit, and found the same problem still existed. Nineteen of the 59 were between 1 and 6 days late, 38 were on time, and 2 had no collection date so their status could not be determined. While the total dollar amount involved was relatively small (about \$600.00), we believe that all money collected, regardless of amount, should be turned in to the cashier's office within the time limit required by Customs' policies and procedures to reduce the possibility of loss, theft, or misuse. The Assistant Area Director, Entry Division, agreed and said that the area office would reemphasize to its inspectors the importance of turning in revenue when due.

entries with payments containing both cash and a check. These payments were held in the safe pending the weekly cash count. That led us to examine the timeliness of deposits on this type of payment.

We also reviewed cash collected by the JFK Area Office during October and November 1989 to determine the timeliness of these deposits. Regarding the timeliness of deposits, the Treasury Financial Manual states that agencies will deposit receipts of \$1,000 or more on the same day received prior to the depository cutoff time. At the JFK Area Office the depository cutoff time is 12:00 noon each weekday. However, not all collection documents were time-and-date stamped and, as a result, it was not always possible to tell whether they should have been included in that day's deposit. Therefore, we applied a 24-hour or next-day deposit criterion in calculating the number of days a deposit was late. We did not review what occurred with the deposit transaction after it left the JFK Area Office and was delivered to the contract bank depository.

We performed our audit from October 1989 to June 1990, in accordance with generally accepted government auditing standards.

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# Objectives, Scope, and Methodology

Our objectives were to determine the extent of physical security over revenue collected, accountability and controls over the use of prenumbered collection documents, and the timeliness of deposits of prenumbered collection-document revenue at the U.S. Customs Service, John F. Kennedy International Airport. Our work at the Customs Service at JFK resulted from an earlier report, Customs Automation: Duties and Other Collections Vulnerable to Fraud and Abuse (GAO/IMTEC-90-29, Feb. 28, 1990). JFK accounted for almost \$2 billion (about 10 percent) of Customs' \$19.1 billion in total revenue for fiscal year 1989.

To assess physical security over revenue, we reviewed pertinent Customs policies and procedures, toured the collection area, and observed operations on 14 occasions between October 25, 1989, and June 21, 1990.

To address the adequacy of accountability and controls over the use of prenumbered collection documents, we reviewed discrepancy reports issued by Customs following the 1987 and 1988 annual inventories. We randomly selected from over 120,000 discrepancies a sample of 25 documents shown in ACS as assigned to JFK and available for use. In October 1989, we requested that the JFK Area Office locate or otherwise properly account for these 25 documents. In addition, we interviewed Customs supervisors and staff using these documents to determine if they were maintaining logs/accountability records, as required by their operating procedures.

To address the timeliness of deposits, we analyzed deposits for 2 randomly selected days—November 3, and 6, 1989—from the first 7 days in November 1989. To determine if the problem was corrected, we performed a spot check of an additional 2 days—January 16 and 22, 1990. We did not review the timeliness of formal entries because we were told by staff of Treasury's Office of the Inspector General that they are reviewing this matter. Our analysis of the timeliness of deposits was limited to reviewing all the related prenumbered collection documents included in the total deposits with one exception: we did not review the timeliness of prenumbered revenues collected from passengers and crews at JFK international arrival terminals because at the time of our review this activity was also being reviewed by Treasury's Office of the Inspector General. While reviewing the timeliness of deposits for prenumbered collection documents, we noted untimely deposits, including some formal entries and cash payments. Specifically, while observing the weekly cash count on November 1, 1989, we found formal

Appendix I  
Details of Our Findings

**Table 2: Mixed Payments on Formal Entries Included in the Deposit of November 2, 1989, at JFK**

Entry Number	Entry Date <sup>a</sup>	Check Amount	Cash	Total
0003523-7	10/16/89	\$3,031.38	\$ .01	\$3,031.39
0003551-8	10/21/89	3,347.36	.02	3,347.38
0003534-4	10/19/89	2,046.10	.03	2,046.13
0031714-1	10/13/89	434.09	50	434.59
0031672-1	10/15/89	242.52	.17	242.69
		<b>\$9,101.45</b>	<b>\$.73</b>	<b>\$9,102.18</b>

<sup>a</sup>No collection date was on the documents; therefore we could not determine the exact number of days that these mixed payments were held in the safe.

The cashier's office supervisor said that both brokers and importers know that it is the practice of the JFK Area Office to count cash once a week, and that combination check and cash payments do not get deposited until the cash is counted. This could lead to brokers' submitting mixed check and cash payments in order to gain longer use of their funds (free float). Further analysis showed that two of the three brokers who made payments in cash and checks in November 1989 also made payments this way in January 1990. After we brought this matter to his attention, the Assistant Area Director, Entry Division, said that this practice has stopped and that this type of entry is now processed when received.

We also found that the JFK Area Office was accumulating cash in the cashier's office safe and depositing it only once a week. This is contrary to section 8030.30 of the Treasury Financial Manual, which states that, to reduce processing float and improve availability of funds, agencies will deposit receipts of \$1,000 or more on the same day received prior to the depository cutoff time. We found that during October and November 1989, \$36,968 in cash was received at the cashier's office and converted to nine cashier's checks at a local bank. They were deposited generally at weekly intervals in amounts that ranged from \$2,231 to \$7,296. The Assistant Area Director, Entry Division, said that the courier service they use to bring the daily deposits to the bank located in New York City does not transfer cash. Therefore, the area office would convert cash to a cashier's check at a local bank; because the cashier's staff is short-handed, this was done once a week. He said the area office has made arrangements to obtain armed courier service to begin in October 1990. He added that in the interim they have halted the practice of weekly cash deposits and now convert cash to a cashier's check when cash accumulates to \$1,000.



Appendix I  
Details of Our Findings

**Table 1: Analysis of Prenumbered Collection-Document Revenue Deposits for November 3 and 6, 1989, at JFK**

Number of Documents	Amount	Days Late <sup>a</sup>	Cashier's Collection Date	ACS Collection Date	Deposit Date
1	\$48	34	09-29-89	11-02-89	11-03-89
3	1,183	25	10-11-89	11-06-89	11-06-89
2	394	19	10-17-89	11-06-89	11-06-89
1	172	18	10-18-89	11-06-89	11-06-89
3	707	12	10-24-89	11-06-89	11-06-89
1	7	9	10-24-89	11-02-89	11-03-89
6	23,687	5	10-31-89	11-06-89	11-06-89
6	5,410	3	11-02-89	11-06-89	11-06-89
40	46,005	2	10-31-89	11-02-89	11-03-89
24	11,735	1	11-01-89	11-02-89	11-03-89
16	16,598	0	11-02-89	11-02-89	11-03-89
1	47,070	0	11-03-89	11-06-89 <sup>b</sup>	11-06-89
<b>104</b>	<b>\$153,016</b>				

<sup>a</sup>Using a 24-hour lateness criterion

<sup>b</sup>Based on the ACS collection date, this document was deposited on time by the cashier's office since November 4 and 5, 1989, were weekend days

We also found that ACS contained incorrect collection dates for the late deposits, showing them as being deposited on time. For example, ACS showed all the November 3 deposit documents as having a November 2, 1989, collection date, when in fact one was received as early as September 29, 1989. The November 6 deposits show a November 6, 1989, collection date in ACS, even though they were actually received by Customs as early as October 11, 1989.

In addition, during a physical observation on October 30, 1989, we saw collection documents in the cashier's office for which checks in the amount of \$37,107 were received. The collection documents were dated October 26. None of the checks had been endorsed, nor had the collections been recorded in ACS or deposited. We observed that checks for 13 of these 26 collection documents, totaling over \$33,000, were received in the cashier's office as early as October 11, 1989.

We also observed other examples of untimely deposits and incorrect collection dates in January 1990. Almost \$5,000 (25 documents) received on January 8, 1990, was not deposited until January 16, but the ACS collection report incorrectly showed January 16 as the collection date. In addition, \$3,385 (16 documents) received on January 16 was not deposited until January 22; the ACS collection date was shown as January 22.

are not made. One inspector we interviewed was not sure where his documents were because he had not used any in over 2 years. Another inspector told us that she had not used her documents since October 1987. One of the supervisors interviewed said that none of the ten inspectors assigned to her used the documents within a 6-month period.

In November 1988, Customs' Office of Internal Affairs recommended<sup>6</sup> that the Assistant Area Director of Inspection and Control evaluate the number of documents supplied to inspectors to ensure that an adequate number are on hand, commensurate with individual tasks. At that time the regional commissioner disagreed, stating that all the books in use were needed. However, after we presented our findings on the lack of accountability and control over prenumbered collection documents, the area office agreed to reduce the number of documents in use. Specifically, we were told that they had reduced the number of prenumbered documents from 55,000 in March 1990 to 7,500 documents in June 1990; and that the number of inspectors and other personnel assigned collection documents had been reduced from 400 to 70.

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## Storage Problems

Secure storage of prenumbered collection documents, both before issuance and while in use, is essential to prevent loss, theft, or misuse. However, in at least three instances, prenumbered collection documents were stored in unsecured areas. In two cases prenumbered collection documents were stored in unlocked desk drawers, making them vulnerable to theft or misuse and further weakening control and accountability over documents. For example, a supervisor kept 400 documents in a desk that could not be locked. We also found hundreds of unissued documents stored in the supply room—an area that can be entered by unauthorized personnel. After discussing these storage problems with an assistant area director, we were told that (1) locked file cabinets will be provided as needed, and (2) the area office will no longer store unissued documents in the supply room.

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## Untimely Deposits of Revenue

The JFK Area Office was not making daily deposits of some of its collections, which is contrary to Treasury and Customs requirements. Section 8030.30 of the Treasury Financial Manual states, "To reduce processing float and improve availability of funds, agencies . . . will deposit receipts of \$1,000 or more on the same day received prior to the depository cut-

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<sup>6</sup>Statement of Condition and Recommendation Number 8, Customs' Office of Internal Affairs, November 8, 1988.

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By the end of our audit in June 1990, Customs made certain physical security improvements aimed at securing the collection area. These improvements included the installation of drywall and barbed wire to close the gap in the ceiling between the presentation area and the cashier's cage, and a steel roll-up gate door to prevent access outside of normal hours to the presentation area. The Customs Assistant Area Director, Entry Division, told us of additional plans to improve physical security. These include installing countertop-to-ceiling partitions at the presentation counter, adding a closed-circuit camera in the cashier's cage, repositioning certain computer equipment in the cage area so that it is less visible, and reemphasizing to staff the importance of locking access doors and properly safeguarding revenues.

This area director also discussed plans to increase the staff in the cashier's office so that the same Customs employee does not control all aspects of the revenue-collection process

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### **Lax Accountability Over Prenumbered Collection Documents**

Customs' New York Regional Office and the JFK Area Office issued a series of directives to control and account for prenumbered collection documents. We found that these directives were not being followed at the JFK Area Office. We also found too many documents in circulation, and prenumbered collection documents stored in unsecured areas. Collectively, these weaknesses make Customs vulnerable to theft and loss of revenue.

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### **Weak Accountability Over Prenumbered Collection Documents by Supervisors and Inspectors**

We found weak accountability and control over prenumbered collection documents because Customs was not adhering to its stated procedures. As a result, the area office was unable to readily locate documents that ACS showed assigned to JFK and available for use. Further, supervisors were not maintaining accountability records for documents distributed to their employees. This was also reported to you by Customs' Office of Internal Affairs in March 1989.

In fiscal years 1987 and 1988, the National Finance Center (NFC) directed nationwide district inventories of prenumbered collection documents. Resulting discrepancy reports disclosed that the JFK Area Office could neither locate nor otherwise account for over 120,000 collection documents that ACS showed assigned to the JFK Area Office following inventory. We randomly selected 25 of these 120,000 documents and asked Customs to locate them. Initially, Customs could not locate or account for any of these documents. However, during the ensuing 6-

# Details of Our Findings

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## Physical Security Over Collected Revenue and Separation of Duties Are Weak

In fiscal year 1989, Customs reported that almost \$2 billion in duties and other revenue was collected at JFK. However, the JFK Area Office is not properly safeguarding this revenue.

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## Current Configuration of Cashier's Office Causes Physical Security Problems

The current configuration of the cashier's office, together with Customs employees' not following established procedures, contributes to physical security problems for revenue collected by the JFK Area Office.

Sections 5311.3a and 5314.2c of the Customs Policies and Procedures Manual point out that daily collections should be kept from public view during as well as before and after official hours, and that funds on hand should be secured both during and outside of normal work hours. As mentioned, our review discovered that this is not always the case.

During normal business hours, anyone can enter the broker/importer presentation area; no security guards are stationed in this area. The presentation area is where individuals present payments and documentation (referred to as formal entry by Customs) for importing merchandise into the United States.<sup>3</sup> Adjacent to the presentation area is the cashier's work area, where cashier office staff process collections and related documents. Adjacent to the presentation area and the cashier's work area is the cashier's cage. This is an enclosed room that contains two teller windows where other payments are received. A counter approximately 4 feet high separates the presentation area from the cashier's work area. One could climb over this counter and gain access to the cashier's work area, or remove broker/importer documents from the wire baskets left out on the countertop. On several occasions we observed access doors leading from the presentation area to the cashier's work area left open, inviting unauthorized access.

Further, on several occasions while in the cashier's work area, we observed endorsed checks left in public view in wire baskets. These checks were awaiting courier transport to the bank. Thus, anyone entering the cashier's work area could potentially leave with some of these endorsed checks. Moreover, as discussed below, once in the work

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<sup>3</sup>When goods valued at over \$1,250 are imported into the United States, the importer or broker acting on the importer's behalf must file certain documents with Customs at the port of entry. The documents for this filing, called a formal entry, include the application for a permit to immediately deliver cargo, a commercial invoice, and evidence that bond exists to guarantee that duties will be paid.

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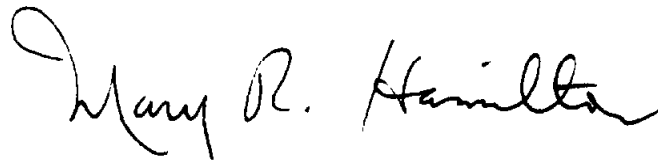
## Abbreviations

ACS	Automated Commercial System
GAO	General Accounting Office
IMTEC	Information Management and Technology Division
JFK	John F. Kennedy International Airport
NFC	National Finance Center

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generally accepted government auditing standards, from October 1989 to June 1990. If you have any questions on the matters discussed in the report, I can be reached at (212) 264-0961.

Sincerely yours,

A handwritten signature in cursive script that reads "Mary R. Hamilton". The signature is written in black ink and is positioned above the typed name.

Mary R. Hamilton  
Regional Manager

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Such weaknesses heighten the area office's vulnerability to lost or stolen collections.

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## **Inadequate Physical Security Over Revenue**

Physical security of revenue was inadequate at the cashier's office at JFK. This office handles all deposits of Customs revenue collected at JFK. We observed checks left out in the open and in public view; an unlocked, improperly secured safe; doors to the cashier's office left open or closed but not locked; and someone other than Customs personnel entering the cashier's cage. Inadequate security over revenues was also cited by Customs' Office of Internal Affairs in its March 1989 report. We also observed a separation-of-duties weaknesses, noting that the same cashier who receives collections also prepares the prenumbered collection document and records the collections. The Customs Assistant Area Director, Entry Division, agreed with our findings and stated that the physical security weaknesses were caused by a lack of funding for improvements and the failure of Customs employees to follow established procedures. The inadequate separation-of-duties, he said, was caused by staff shortages.

During the latter stages of our review, Customs made several improvements in safeguarding revenue. Other improvements are planned, including adding a closed-circuit camera and repositioning certain computer equipment in the cashier's cage, reemphasizing to staff the importance of locking access doors and properly safeguarding revenue, and increasing the number of staff in the cashier's office to address the separation-of-duties weakness.

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## **Lax Accountability Over Prenumbered Collection Documents**

Weaknesses pertaining to accountability, control, and storage of prenumbered collection documents resulted from Customs' not following stated procedures or good management practices. Specifically, (1) Customs supervisors were not keeping track of the collection documents they issued, (2) too many employees had been issued prenumbered documents for effective monitoring, and (3) the documents were being stored in unsecured areas. Customs' Office of Internal Affairs also found a lack of control and accountability in its March 1989 report. This lack of control and accountability has allowed instances in which documents could not be accounted for. These unaccounted-for documents could represent lost or stolen collections.

The Customs Assistant Area Director, Entry Division, said that these conditions are caused by an excessive number of documents in use, and

