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IMPORT PROCESSING OF DOD CARGO ARRIVING
IN THE REPUBLIC OF KOREA

Report No. D-2002-004

October 4, 2001

Office of the Inspector General
Department of Defense

Report Documentation Page

Report Date 04Oct2001	Report Type N/A	Dates Covered (from... to) -
Title and Subtitle Import Processing of DOD Cargo Arriving in the Republic of Korea	Contract Number	
	Grant Number	
	Program Element Number	
Author(s)	Project Number	
	Task Number	
	Work Unit Number	
Performing Organization Name(s) and Address(es) OAIG-AUD (ATTN: AFTS Audit Suggestions) Inspector General Department of Defense 400 Army Navy Drive (Room 801) Arlington, VA 22202-2884	Performing Organization Report Number D-2002-004	
	Sponsoring/Monitoring Agency Name(s) and Address(es)	
		Sponsor/Monitor's Acronym(s)
		Sponsor/Monitor's Report Number(s)
Distribution/Availability Statement Approved for public release, distribution unlimited		
Supplementary Notes The original document contains color images.		
Abstract This is the second in a series of reports being issued by the Inspector General, DoD, to address the effectiveness of the DoD supply and distribution system. The Deputy Under Secretary of Defense (Supply Chain Integration) expressed concern about whether the supply and distribution system was effective in delivering cargo to customers overseas. This report discusses import processing by U.S. Forces Korea of DoD cargo arriving in the Republic of Korea.		
Subject Terms		
Report Classification unclassified	Classification of this page unclassified	
Classification of Abstract unclassified	Limitation of Abstract UU	
Number of Pages 21		

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Acronyms

CBL	Commercial Bill of Lading
GBL	Government Bill of Lading
ROK	Republic of Korea
SOFA	Status of Forces Agreement
UMMIPS	Uniform Materiel Movement and Issue Priority System
USFK	U.S. Forces Korea



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

October 4, 2001

MEMORANDUM FOR COMMANDER, U.S. FORCES KOREA

SUBJECT: Audit Report on Import Processing of DoD Cargo Arriving In the Republic of Korea (Report No. D-2002-004)

We are providing this report for review and comment. This is the second in a series of reports being issued by the Inspector General, DoD, to address the effectiveness of the DoD supply and distribution system. This report discusses the import processing of DoD cargo arriving in the Republic of Korea by U.S. Forces Korea.

Comments on the draft report were received too late to be considered in preparing this final report. DoD Directive 7650.3 requires that all recommendations be resolved promptly. Therefore, if the Commander, U.S. Forces Korea, does not submit additional comments by November 5, 2001, we will consider the comments received as the response to the final report.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Robert M. Murrell at (703) 604-9180 (DSN 664-9180) (rmurrell@dodig.osd.mil) or Mr. Keith A. Yancey at (703) 604-8774 (DSN 664-8774) (kyancey@dodig.osd.mil). See Appendix B for the report distribution. The audit team members are listed inside the back cover

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Report No. D-2002-004

October 4, 2001

(Project No. D2000LH-0131.001)

Import Processing of DoD Cargo Arriving In the Republic of Korea

Executive Summary

Introduction. This is the second in a series of reports being issued by the Inspector General, DoD, to address the effectiveness of the DoD supply and distribution system. The Deputy Under Secretary of Defense (Supply Chain Integration) expressed concern about whether the supply and distribution system was effective in delivering cargo to customers overseas. This report discusses import processing by U.S. Forces Korea of DoD cargo arriving in the Republic of Korea.

Objectives. Our overall objective was to assess the effectiveness of the DoD distribution and transportation system in supporting the DoD strategic goal of reducing logistics response time, as it relates to customers located outside the continental United States. The specific objective for this portion of the review was to assess the import processing of DoD cargo arriving into the theater at commercial ports of entry. We issued our first report, Inspector General, DoD, Report No. D-2001-149, "Coordinating and Tracking of Commercial Containers in Korea," on June 22, 2001. The specific objective in that report was to assess the movement of commercial containers in the theater.

Results. DoD cargo arriving at Kimpo International Airport with commercial bills of lading during a recent 30-day period averaged more than 4 days for import processing. Of the 784 customs forms we reviewed, 674 (86 percent) of the forms exceeded Uniform Materiel Movement and Issue Priority System delivery requirements by as much as 34 days. Further, for 16 of the 22 customs forms we reviewed for cargo arriving in the Port of Pusan with commercial bills of lading between February and December 2000, import processing time exceeded Uniform Materiel Movement and Issue Priority System requirements by as much as 176 days. As a result, import processing time unnecessarily delayed delivery of DoD cargo valued at more than \$4.1 million to U.S. Forces Korea customers. In addition, import processing time exceeded the Uniform Materiel Movement and Issue Priority System requirements for both processing inbound cargo at a port of debarkation and in-transit shipment to the consignee. Further, U.S. Forces Korea and Defense contractor personnel may have unnecessarily expended U.S. Forces Korea resources by driving to Kimpo International Airport to deliver customs clearance documentation, picking up cargo, and incurring customs storage charges. For details of the audit results, see the Finding section of the report. See Appendix A for details on the management control program as it relates to import processing by U.S. Forces Korea of DoD cargo arriving into the Republic of Korea using commercial bills of lading.

Summary of Recommendations. We recommend that the Commander, U.S. Forces Korea, revise United Nations Command/U.S. Forces Korea Regulation 55-72 to require U.S. forces and Defense contractors to process customs clearance forms and other shipping documents the same day as received; provide advance notification of the incoming cargo to customs clearance personnel; maintain current addresses, locations or contact points with customs clearance personnel; change procedures to preclude consignees from driving to Kimpo International Airport to process customs forms unless commercial delivery is unavailable; and establish procedures for payment of storage charges to the Republic of Korea Customs House. Further, we recommend implementation of a cost-effective, efficient, and reliable system for automated processing of customs forms using an electronic data interchange.

Management Comments. We provided a draft of this report on June 22, 2001. Comments on the draft report were received too late to be considered in preparing this final report. If the Commander, U.S. Forces Korea, does not submit additional comments by November 5, 2001, we will consider the comments received as the response to the final report.

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Background

This report is the second in a series resulting from our audit of the effectiveness of the supply and distribution system. The Deputy Under Secretary of Defense (Supply Chain Integration) expressed concern about whether the supply and distribution system was effective in delivering cargo to customers overseas. We examined import processing procedures for DoD cargo that arrived in the Republic of Korea (ROK) from the time of cargo arrival at the port of debarkation through the time cargo was cleared through customs by the U.S. Forces Korea (USFK) Customs Clearance Office. This report discusses import processing by USFK of DoD cargo in-bound to the ROK.

Management Reform Memorandum No. 15. In 1997, the Secretary of Defense called for fundamental changes in transportation processes. The result was Management Reform Memorandum No. 15, "Reengineering Defense Transportation Documentation and Financial Processes." Management Reform Memorandum No. 15 directed not only complete reengineering, through automation, of DoD transportation documentation and financial processes, but also outlined methods to streamline movement of DoD cargo to save money.

One of the goals of the reengineering effort was to eliminate use of Government/DoD-unique transportation documentation, such as the Government bill of lading (GBL), and replace it with a commercial bill of lading (CBL). A GBL is a Government document used to procure transportation and related services from commercial carriers. A CBL is a commercial carrier document used for transportation of shipments and includes the commercial procedures related to the use of such documentation.

U.S. Transportation Command, USFK, and the Defense Logistics Agency have efforts underway to eliminate the need for GBLs on international shipments, to identify impediments for clearing foreign customs using CBLs, and to identify procedures, processes, or agreements that solve or eliminate those impediments. Initial efforts are focused on customs clearing in the ROK. If effective, the new procedures will eventually allow shipments to be cleared using only appropriately marked CBLs transferred electronically to the Korea Customs Service. Initial tests will be limited to cargo shipped from the Defense Logistics Agency, Defense Distribution Depot, San Joaquin, California. However, those tests will not encompass cargo ordered by USFK organizations directly from commercial vendors.

Defense Transportation Regulation. DoD Regulation 4500.9-R, Defense Transportation Regulation, "Customs and Border Clearance Processes," Part V, January 2001, establishes policy and serves as the single authoritative source for customs and border clearance processes and procedures for U.S. forces located in foreign countries such as the ROK. The regulation defines DoD responsibilities and identifies custom clearance requirements for DoD cargo entering and exiting selected countries in support of U.S. forces. Normally, U.S. Government military shipments are not subject to duties and taxes. In foreign countries, procedures outlined in DoD Regulation 4500.9-R should allow U.S. forces' cargo to enter duty free.

Uniform Materiel Movement and Issue Priority System. The Uniform Materiel Movement and Issue Priority System (UMMIPS) provides a basis for managing movements of materiel throughout the DoD distribution system. UMMIPS ensures that materiel requirements are processed according to mission importance of the requiring organization, an urgency of need, and specific management considerations. The system establishes time standards for maximum requisition processing and materiel movement for DoD organizations.

For nonexpress air deliveries (Transportation Priority 1) of cargo to an overseas theater, UMMIPS allows .5 days for port of debarkation processing and 1 day of in-transit time to the customer, for a total delivery time of 1.5 days. However, for commercial express deliveries (Transportation Priority 1) to an overseas theater, UMMIPS does not allow any time for port of debarkation processing but does provide 1 day of in-transit time to the customer, for a total delivery time of 1 day.

Commercial express delivery service is an alternative service that may be used for time-sensitive cargo when commercial routine delivery service or Air Mobility Command service is not available or adequate. Commercial express service is available for shipments that have a high transportation priority, an expedited Required Delivery Date, and a maximum weight of up to 150 pounds.

Generally, surface deliveries (Transportation Priority 3) are used for less time-sensitive cargo. For Transportation Priority 3 deliveries, UMMIPS allows 3 days for processing cargo at a port of debarkation and 5 days for in-transit shipment to the consignee.

Objective

The audit objective was to assess the effectiveness of the DoD distribution and transportation system to support the DoD strategic goal of reducing logistics response time, as it relates to customers located outside the continental United States. The specific objective for this portion of the review was to assess import processing at commercial ports of entry in the ROK. We issued our first report, Inspector General, DoD, Report No. D-2001-149, "Coordinating and Tracking of Commercial Containers in Korea," on June 22, 2001. The specific objective in that report was to assess the movement of commercial containers in the theater. See Appendix A for discussion of the audit scope and methodology, review of the management control program, and prior coverage.

Import Processing

DoD cargo arriving at Kimpo International Airport with CBLs during a recent 30-day period averaged more than 4 days for import processing. Of the 784 customs forms we reviewed, 674 (86 percent) of the forms exceeded UMMIPS delivery requirements by as much as 34 days. Further, for 16 of the 22 customs forms we reviewed for cargo arriving in the Port of Pusan with CBLs between February and December 2000, import processing time exceeded UMMIPS requirements by as much as 176 days. Those conditions occurred because:

- USFK organizations did not immediately complete and return customs clearance forms and other required supporting documentation to customs clearance offices to obtain customs clearance certification, and
- USFK guidance did not specify up-to-date procedures concerning ongoing import processing activity at ports of debarkation within the ROK.

As a result, import processing time unnecessarily delayed delivery of cargo valued at more than \$4.1 million to USFK customers. Specifically, import processing time exceeded UMMIPS requirements for the total time allowed of both processing inbound cargo at a port of debarkation and the in-transit shipment time from the port of debarkation to the consignee. Further, USFK and Defense contractor personnel may have unnecessarily expended USFK resources by driving to Kimpo International Airport to deliver customs clearance documentation, picking up cargo, and incurring customs storage charges.

Command Guidance and Responsibilities

Command guidance and responsibilities concerning import processing for shipments using GBLs and CBLs is provided by the U.S.-ROK Status of Forces Agreement (SOFA) and United Nations Command/USFK regulations.

U.S.-ROK Status of Forces Agreement. According to the Defense Transportation Regulation, the U.S.-ROK SOFA states that all materials, supplies, and equipment imported by U.S. forces, for official use of U.S. forces, shall be permitted entry into the ROK. The SOFA also states that such entry shall be free from customs duties and other such charges, and that appropriate certification shall be made that such materials, supplies, and equipment are being imported by U.S. forces for the exclusive use of U.S. forces. Further, the U.S. and ROK Governments agreed that “it is expressly understood that USFK imports which enter the ROK on U.S. GBLs shipments require no additional certification since these shipments are, by nature of their shipment, expressly for the use of USFK.”

United Nations Command/USFK Regulation 55-72. The United Nations Command/USFK Regulation 55-72, “Transportation and Travel: Customs Clearance of the United Nations Command and USFK Imports and Exports,” February 11, 1983, establishes the procedures for carrying out the provisions of the SOFA, including certification of duty-free customs clearance.

USFK Provost Marshal. The USFK Provost Marshal is the lead customs clearance officer and has oversight over the SOFA Support Division, SOFA Customs Clearance Office, and is responsible for establishing USFK customs clearance procedures in accordance with United Nations Command/USFK Regulation 55-72. The SOFA Customs Clearance Office is responsible for performing customs clearance duties and establishing duty-free certifications for DoD shipments that arrive at ROK ports of entry. SOFA Customs Clearance Officers are appointed by the Provost Marshal.

Bills of Lading. As a result of the SOFA, USFK cargo arriving in the ROK by Military Sealift Command vessels, Air Mobility Command aircraft, and by way of commercial air and surface carriers using GBLs for payment require no additional certification, stamps, or signatures from SOFA Customs Clearance Officers. Major commercial air and surface carriers routinely process those shipments through customs and deliver the cargo to its destination in accordance with the terms of the contracts.

USFK cargo arriving in the ROK by way of commercial air and surface carriers using a CBL for payment requires a customs clearance certification (the procedures are described below) from a SOFA Customs Clearance Officer.

Import Processing Procedures for Commercial Air Shipments with CBLs

Import processing procedures for commercial air shipments with CBLs involved coordination among the commercial air carrier, the USFK consignee, the SOFA Customs Clearance Office, and the ROK customs office. At the time of the audit, commercial air cargo shipments to the ROK normally arrived at Kimpo International Airport¹ located in Seoul, Korea. USFK import processing at Kimpo International Airport begins when a commercial carrier establishes the cargo date of entry and ends when the SOFA Customs Clearance Office certifies that the cargo has cleared customs. We were unable to measure the ROK customs processing time.

Commercial Air Carrier and Consignee. The air cargo shipments arriving at Kimpo International Airport are delivered immediately to the commercial air carrier warehouse for storage. The carrier prepares a USFK Customs Form 95 EK, “Import Declaration Certification,” (customs form) and other shipping documents, and faxes those documents to the consignee for completion.

¹In March 2001, international air traffic, including shipments of DoD cargo, was permanently rerouted from Kimpo International Airport to Incheon International Airport located in Incheon, Korea.

The consignee reviews the documents for accuracy, and an authorized consignee signs the customs form to validate the air cargo as official USFK cargo. When those steps are complete, the consignee faxes or hand carries the customs form, along with related shipping documents, to the SOFA Customs Clearance Office at Kimpo International Airport.

SOFA Customs Clearance Office. Once the documentation for the shipment is received from the consignee, the SOFA Customs Clearance Officer verifies that the documentation is in proper order, checks the identity and Government orders of the consignee, checks the consignee signature against a signature card file (personnel who routinely sign for shipments as a designated agent), affixes an original signature to the custom form, and certifies the custom form as “customs cleared.”

ROK Customs Office and Commercial Air Carrier. At Kimpo International Airport, commercial air carrier personnel pick up daily from the SOFA Customs Clearance Office the customs cleared forms for their own company. Commercial air carrier personnel deliver those customs forms to the ROK customs office to obtain an authorization of duty-free clearance. Upon completion of the ROK customs office processing, the cargo is released from the commercial air carrier for delivery to the consignee. For surface transportation, the commercial air carrier normally contracts with a local carrier for the final delivery of the cargo to the consignee.

Import Processing

DoD cargo arriving at Kimpo International Airport with CBLs averaged more than 4 days for import processing. Of the 784 customs forms we reviewed, 674 (86 percent) of the forms exceeded UMMIPS delivery requirements by as much as 34 days. Further, for 16 of the 22 customs forms we reviewed for cargo arriving at the Port of Pusan with CBLs, the import processing time exceeded UMMIPS requirements by as much as 176 days.

Cargo Processed at Kimpo International Airport. At Kimpo International Airport, the SOFA Customs Clearance Office processed during calendar year 2000 about 13,000 customs forms for DoD cargo entering the airport. The customs forms processed had a declared value estimated at about \$126 million and included cargo such as aircraft parts, computer equipment, and medical supplies.

Import Processing at Kimpo International Airport. We reviewed a universe of 784 customs forms processed at Kimpo International Airport for the 30-day period ending February 9, 2001. Those customs forms had a declared value estimated at about \$5.3 million. The table below shows the range of values for DoD cargo processed through the SOFA Customs Clearance Office for the period reviewed.

Table 1. Range of DoD Cargo Processed by Declared Value (January 10 through February 9, 2001)		
<u>Declared Value</u>	<u>Number of Customs Forms Processed</u>	<u>Approximate Percent</u>
> \$100,000	7	.9
\$50,001-\$100,000	16	2.0
\$10,001-\$50,000	83	10.6
\$ 1,000-10,000	294	37.5
< \$ 1,000	<u>384</u>	<u>49.0</u>
Total	784	100.0

For the 30-day period ending February 9, 2001, DoD cargo arriving at Kimpo International Airport with a CBL averaged more than 4 days for import processing. According to UMMIPS standards, the cargo should have been processed and delivered in no more than 1.5 days. Our review showed that 674 (86 percent) of the 784 customs forms reviewed, valued at about \$3.8 million, took 2 or more days to process. The review also showed that the processing days for the 784 customs forms ranged between 1 and 34 days. The table below shows the range of days for DoD cargo processed through the SOFA Customs Clearance Office for the period reviewed.

Table 2. Range of DoD Cargo Processed by Days for Import Processing (January 10 through February 9, 2001)			
<u>Number of Days to Process Customs Forms</u>	<u>Number of Customs Forms Processed</u>	<u>Approximate Percent</u>	<u>Declared Value</u>
1	110	14.0	\$1,527,582
2-5	521	66.5	3,022,736
6-10	114	14.5	623,748
11-15	22	2.8	104,531
16-20	12	1.5	47,854
>20	<u>5</u>	<u>0.7</u>	<u>3,439</u>
Total	784	100	\$5,329,890

Import Processing at the Port of Pusan. In addition to the 784 customs forms for cargo delivered through Kimpo International Airport, we reviewed 22 customs forms processed from February through December 2000 that arrived by surface shipment at the Port of Pusan. The 22 forms were provided by Military Traffic Management Command customs clearance personnel at the Port of Pusan who stated that the items were delayed because of import processing. The 22 items were commercially shipped with a CBL and had a declared value estimated at about \$8 million.

Usually, cargo that arrives at the Port of Pusan has a low transportation priority (Transportation Priority 3). We were unable to determine the transportation priority of the cargo that required customs clearance at the Port of Pusan. However, for cargo with a Transportation Priority 3, UMMIPS allows 3 days for processing cargo at a port of debarkation and 5 days for in-transit shipment to the consignee. The results of our audit showed that 6 of the customs forms were processed between 1 and 3 days. The processing time for the remaining 16 customs forms, valued at \$300,000, exceeded UMMIPS standards by as much as 176 days, with a median processing time of 11 days. Additional review of those customs forms showed that:

- 16 of the forms took 4 or more days to process, in which 3 took more than 100 days to process, and
- 11 of the forms exceeded UMMIPS standards for processing and delivering cargo from the port of debarkation to consignee.

Impact of Import Processing Times

The import processing time unnecessarily delayed delivery of cargo valued at more than \$4.1 million to USFK customers. Specifically, import processing time exceeded UMMIPS requirements for the total time allowed for processing both the inbound cargo at a port of debarkation and the in-transit shipment time from the port of debarkation to the consignee. Further, USFK and Defense contractor personnel may have unnecessarily expended USFK resources by driving to Kimpo International Airport to deliver customs clearance documentation, picking up cargo, and incurring customs storage charges.

According to SOFA Customs Clearance Office officials, many of the consignees who picked up cargo at Kimpo International Airport were unaware of the requirements for customs processing. Those consignees allowed cargo to be held at the airport until the consignee could pick it up. We identified 82 instances during an 8-month period in which consignees drove to Kimpo International Airport to have customs forms certified, hand carried the customs forms to the ROK Customs House, and picked up their cargo.

Further, the consignees were required to pay storage charges to the ROK Customs House for cargo held for more than 24 hours. The ROK Customs House required payment in cash with ROK currency rather than by Government credit card or in cash using U.S. dollars. According to SOFA Customs Clearance Office officials, many of the consignees were unaware of the requirement to pay the storage charges.

Completion of Customs Forms

USFK organizations did not immediately complete and return customs clearance forms and other required supporting documentation to customs clearance offices

to obtain customs clearance certification. Customs forms were not completed daily nor were they immediately forwarded upon completion to the SOFA Customs Clearance Office.

A total of 18 USFK organizations and Defense contractors were responsible for delays in processing 530 (69 percent) of the 784 customs forms that we reviewed. Processing times for the 18 organizations and Defense contractors averaged from between 2 and 10 days. For example, the 3rd Maintenance Company, 1-43rd Air Defense Artillery, Suwon Air Base, Korea, took an average of 10 days to process 11 customs forms. A Defense contractor at the 751st Military Intelligence Battalion, Camp Humphreys, Korea, took an average of about 4 days to process 44 customs forms. The reasons provided by consignees for not timely completing the customs forms included topics such as personnel were in training, in the field, on leave, or too busy.

At the Port of Pusan, the 22 customs forms averaged about 35 days for import processing at the Military Transportation Management Command Customs Clearance Office. For each of the 22 items, personnel at the Customs Clearance Office had to locate the consignee to initiate the customs clearance process. Personnel at the Customs Clearance Office stated that delays in the customs clearance process occurred when consignees are not known or cannot be located upon the arrival of cargo at the port.

USFK Guidance

USFK guidance did not specify up-to-date procedures concerning ongoing import processing activity at ports of debarkation within the ROK. USFK guidance for import processing was not updated to emphasize ongoing import processing problems.

The United Nations Command/USFK Regulation 55-72 did not specify the need for USFK organizations and Defense contractors to immediately complete and return customs clearance forms and other required shipping documents to the customs clearance offices. In addition, the guidance did not require consignees purchasing materiel with Government credit cards or purchase orders (with shipments to be made using CBLs) to provide advance notification through their transportation offices of the incoming cargo to USFK customs clearance personnel at ports of debarkation. Further, the guidance did not require consignees to maintain up-to-date addresses, locations, or contact points with USFK customs clearance personnel at ports of debarkation. Those procedures are necessary to ensure immediate processing of customs forms.

Finally, current USFK guidance emphasizes, to the maximum extent possible, in light of manpower constraints, mission requirements, and physical location, that consignees drive to Kimpo International Airport to process customs forms at the customs clearance office and pick up cargo. We disagree with the guidance, as it encourages unnecessary use of USFK resources. Rather, the guidance should require procedures for processing customs clearance forms that are efficient, through electronic means if possible, to make it unnecessary for consignees to drive to ports of debarkation.

At the time of our visit, the office of the Provost Marshal was in the process of implementing a system that would automate processing customs forms through an electronic data interchange. The system was expected to enhance the existing import process that relies heavily on manual processing and facsimile machines, although some potential customers we talked with had concerns about the cost to use the system. However, USFK has not conducted an analysis of the cost effectiveness of using the system, and we believe such analysis would be prudent before full implementation of the system. Because the system was undergoing implementation, we were unable to assess the efficiency, reliability, or potential costs of the system for improving the import process.

Conclusion

We reviewed 806 customs forms for shipments with CBLs at Kimpo International Airport and at the Port of Pusan. Of those 806 customs forms, the import processing time for 690 of the forms exceeded UMMIPS requirements for the total time allowed for both processing inbound cargo at a port of debarkation and the in-transit shipment time from the port of debarkation to the consignee. The import processing times exceeding UMMIPS requirements and unnecessarily delayed delivery of cargo valued at more than \$4.1 million to USFK customers. Although we did not project the results of our review, we believe that a significant number of the customs forms annually processed for shipments using CBLs at Kimpo International Airport and at the Port of Pusan may have taken more days than UMMIPS requirements allow and the cargo delayed may also be of significantly greater value. We concluded that an automated import process that uses an electronic data interchange would help expedite the processing of customs clearance forms as well as moving cargo to its final destination.

We did not determine the cost incurred by USFK for unnecessarily driving to Kimpo International Airport to deliver customs clearance documentation, picking up cargo, and incurring customs storage charges. Although the majority of DoD cargo arrived into Kimpo International Airport using commercial express delivery door-to-door service, the local guidance encourages consignees to drive to Kimpo International Airport to pick up cargo. In addition, the new Incheon International Airport is about 15 miles farther from Seoul than is Kimpo International Airport. We believe that the driving time and expense may significantly increase during trips made to Incheon International Airport and that USFK could reduce command expenses and lost personnel time by curtailing those practices.

Recommendations

We recommend that the Commander, U.S. Forces Korea:

1. Revise United Nations Command/U.S. Forces Korea Regulation 55-72 to require U.S. Forces Korea organizations and Defense contractors to:
 - a. Process customs clearance forms and other shipping documents and return to the customs clearance offices using electronic means (such as facsimile machines) the same day as received, if feasible.
 - b. Provide advance notification of the incoming cargo through servicing transportation offices to customs clearance personnel at ports of debarkation when purchasing materiel with Government credit cards or purchase orders (with shipments using commercial bills of lading).
 - c. Maintain up-to-date addresses, locations, or contact points with customs clearance personnel at ports of debarkation to facilitate customs processing and onward movement of cargo.
 - d. Modify procedures to preclude consignees from driving to Incheon International Airport to process customs forms at the customs clearance office and pick up cargo unless commercial carrier delivery is not available.
and
 - e. Establish procedures for payment of storage charges in ROK currency to the Republic of Korea Customs House.
2. Implement a cost-effective, efficient, and reliable system for the automated processing of customs forms using an electronic data interchange.

Management Comments Required

Comments on the draft report were received too late to be considered in preparing this final report. If the Commander, U.S. Forces Korea, does not submit additional comments, we will consider the comments received as the response to the final report.

Appendix A. Audit Process

Scope and Methodology

Work Performed. We reviewed DoD and United Nations Command/USFK regulations concerning policies, responsibilities, and procedures for import processing by USFK of DoD cargo arriving in the ROK using a CBL. We performed our audit work at Kimpo International Airport and at the Port of Pusan. For this segment of the overall audit, our effort concentrated on import processing by USFK of DoD cargo arriving in Korea with CBLs. We reviewed 784 customs clearance forms and supporting documents for cargo arriving at Kimpo International Airport for a 30-day period ending February 9, 2001, to assess the processing times. Further, we reviewed 22 customs clearance forms and supporting documents for cargo arriving at the Port of Pusan from February through December 2000. We examined customs clearance office records to review DoD cargo arriving at Kimpo International Airport and the Port of Pusan from January through December 2000. We did only limited testing of the customs clearance records to assess the import process with CBLs.

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following objectives and goals in the Logistics Functional Area:

Objective: Reduce logistics cycle times. **Goal:** Implement Total Asset Visibility. (LOG-1.2)

Audit Type, Dates, and Standards. We performed this economy and efficiency audit from April 2000 through June 2001 in accordance with generally accepted Government auditing standards except that we were unable to obtain in opinion on our system of quality control. The most recent external control review was withdrawn March 15, 2001, and we will undergo a new review. We did not use computer-processed data to perform this audit.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

Management Control Program Review

DoD Directive 5010.38, "Management Control Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Adequacy of Management Controls. The conditions identified in this report are attributed to the lack of management controls over import processing of

DoD cargo arriving in the ROK with CBLs. Recommendations 1. and 2. in the finding for the Commander, USFK, to revise United Nations Command/USFK Regulation 55-72 and implement a cost-effective, efficient, and reliable systems for automated processing of customs forms will correct the conditions cited in the report and help ensure that unnecessary delays in import processing are reduced significantly.

We identified material management control weaknesses for the USFK as defined by DoD Directive 5010.40. The USFK management controls for import processing of DoD cargo arriving in the ROK using a CBL were not adequate because USFK organizations did not immediately complete and return customs clearance forms and other supporting documentation to customs clearance offices to obtain customs clearance certification. Also, United Nations Command/USFK guidance did not specify up-to-date procedures concerning ongoing import processing activity at ports of debarkation within the ROK. A copy of the report will be provided to the senior officials responsible for management controls within the Army.

Adequacy of Management's Self-Evaluation. No assessment was made of the USFK import processing of DoD cargo arriving into the ROK using CBLs as an assessable unit. Therefore, we cannot reach a conclusion on management's self-evaluation of that area.

Prior Coverage

During the last 5 years, the Inspector General, DoD, has issued one report that discusses transportation issues in the ROK. Unrestricted Inspector General, DoD, reports can be accessed over the Internet at <http://www.dodig.osd.mil>.

Inspector General

Inspector General, DoD, Report No. D-2001-149, "Coordinating and Tracking of Commercial Containers in Korea," June 22, 2001

Appendix B. Report Distribution

Office of the Secretary of Defense

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