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Audit Report



Immigration and Naturalization Service Collection of Fees at Air Ports of Entry

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IMMIGRATION AND NATURALIZATION SERVICE COLLECTION OF FEES AT AIR PORTS OF ENTRY

EXECUTIVE SUMMARY

The Immigration and Naturalization Service collects user fees for processing various types of applications and petitions for immigration benefits. The fees, usually in the form of cash, are deposited into the Immigration Examinations Fee Account.

The Office of the Inspector General (OIG) previously identified weaknesses in the INS's fee collections in an audit issued in February 2000, Report Number 00-05, *Immigration and Naturalization Service Collection of Fees at Land Border Ports of Entry*. After our audit, the INS revised its procedures in July 2000 to strengthen controls at air, land, and sea ports of entry (POEs). Although these revisions addressed both the cash register and the manual receipts fee collection procedures, the primary focus of the revisions was on cash register procedures. However, few air POEs use cash registers. Most use the manual receipt system or some version of the Forms Integration Management System, an automated system designed to provide an efficient method to collect and arrange port-specific administrative data into a usable format.

In this audit, we reviewed the fee collections process at air ports of entry to determine if the INS's new procedures and controls over the process were adequate to ensure that the fees collected were properly accounted for and deposited timely. We also reviewed selected fee collection workload statistics to determine if the fees collected reconciled with the deposits made.

Our audit work included observing the process and reviewing accounting records at a sample of eight air POEs and the INS's Debt Management Center. The eight air POEs had deposits totaling approximately \$2.5 million during the period of October 1, 2000, through June 30, 2001.

Fees collected at air POEs are usually in the form of cash and are highly vulnerable to loss or theft. We concluded that with the manual receipt procedures currently in place, air POEs do not have adequate controls to reduce the inherent risks of error and misappropriation. Further, until each POE makes its own deposits and reports deposits separately to the Debt Management Center, INS managers cannot determine the total amount

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of fees collected or validate the accuracy of some of their monthly workload statistics.

We concluded that the INS has no assurance that material losses have not occurred because:

- The cash collected and supporting accounting records were not adequately safeguarded and preserved.
- Management oversight throughout the collection and deposit process was inadequate.
- Segregation of duties was not adequate.
- There were no thorough reconciliations of the cash collected, the individual receipts, and the applications adjudicated.

Our audit also found that neither we nor INS managers are assured of the accuracy or completeness of either the financial data in the Financial Accounting and Control System or the statistical data in the Performance Analysis System. We also concluded that there is substantial opportunity for funds to be lost or stolen with little or no chance of detection.

We make several recommendations in this report to improve the safeguards over the collection of fees at air POEs including that the INS:

- Revise the manual receipt and deposit processes.
- Design a manual receipt system to ensure strict accountability of the receipts (G-711).
- Discontinue the use of the Forms Integration Management System.
- Develop and issue a standard form or checklist for Trade NAFTA adjudications.¹
- Provide additional training to POE staff.
- Develop sufficient criteria and comparative reports for the periodic review and reconciliation of fee collection data.

¹ Under the North American Free Trade Agreement (NAFTA), certain aliens are admitted into the U.S. for employment in specialized professions.

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- Assign a unique code for each POE district office and suboffice and use the same code in both the accounting system and the workload statistics system at each location.

We also recommend that managers at the POEs strengthen controls in fee collections by ensuring adequate segregation of duties, maintaining close supervision over the entire process, restricting access to the cash collected and the associated accounting records, and performing adequate reconciliations of the cash, receipts, and applications processed. For the most part, the INS concurred with our recommendations and proposed corrective action to take place over the next year. However, INS's responses to our recommendations on discontinuing the use of FIMS, developing sufficient criteria and comparative reports for periodic review and reconciliation between the accounting system and the Performance Analysis System, and modifying the Inspection Summary Report (G.22); did not propose sufficient corrective action or a timetable for implementation. Therefore, this report is currently unresolved.

The audit results and our recommendations are discussed in greater detail in the Findings and Recommendations section of this report. Our audit objectives, scope, and methodology appear in Appendix I. A list of forms used during the fee collection and deposit process and a brief description of each is in Appendix II.

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INTRODUCTION

The 1989 Department of Justice Appropriation Act, Public Law 100-459, established the Immigration Examinations Fee Account. This account contains revenues from the fees the INS collects for processing various types of applications and petitions for immigration benefits.

Audit reports issued by the General Accounting Office and the Office of the Inspector General (OIG) as early as fiscal year 1991 found weaknesses in the INS's fee collections. In February 2000, the OIG issued *INS Collection of Fees at Land Border Ports of Entry*, Report Number 00-05, which identified serious control weaknesses in the collection of fees at land border POEs. In response, in July 2000 the INS issued new fee collection procedures applicable to all POEs (air, land, and sea).

During a visit to the INS's Debt Management Center² in Williston, Vermont, we learned that many air POEs used manual (handwritten) receipts for fee collections rather than the cash registers we found at the land border POEs.

Our objectives for this audit were to determine whether the controls in place over the fee collection process were adequate at air POEs to ensure that:

- the fees collected were properly accounted for and deposited timely, and
- selected statistics related to fee collections could be reconciled with deposits made.

During our audit, we requested that the INS provide a universe of airports and related fee collections. However, INS management provided a listing of only 14 airports collecting fees. Because much of the airport fee data was commingled with the district offices' fee collections, there was no way to extrapolate any data that would generate an accurate estimate or the total amount collected. Therefore, from listings of international airports maintained by the Federal Aviation Administration, the U.S. Customs Service, and the INS, we identified at least 185 air POEs where the INS might collect fees.

² INS field offices normally submit deposit information to the Debt Management Center. Some suboffices and POEs route their deposits through a larger field office or a district office.

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From that list of 185 airports, we judgmentally selected the following eight major airports to review: John F. Kennedy International (JFK), New York, New York; Hartsfield International, Atlanta, Georgia; Miami International, Miami, Florida; O'Hare International, Chicago, Illinois; Detroit Metropolitan, Detroit, Michigan; Los Angeles International, Los Angeles, California; San Francisco International, San Francisco, California; and Pearson International, Toronto, Canada.³ Fieldwork was conducted during July and August 2001.

Air POEs collect fees, usually in the form of cash, primarily for processing Form I-193, Application for Waiver of Passport and/or Visa.⁴ The fee for one person is \$170. Other applications that were processed at the air POEs in our sample were:

- Trade NAFTA applications. Certain aliens are admitted into the U.S. for employment in specialized professions. The fee is \$50.
- FD-258, Applicant Fingerprint Card. A card used to obtain an alien's fingerprints. The fee is \$25.
- Form I-68, Application for Canadian Border Boat Landing Permit. The fee is \$16 for an individual permit and \$32 for a family permit.
- Form I-90, Application to Replace Alien Registration Card. Aliens that lose their Permanent Resident Card may obtain a replacement card using the Form I-90. The fee is \$110.
- Form I-129, Petition for a Nonimmigrant Worker. A petition filed by a petitioner to hire an alien as a temporary worker. The fee is \$110.
- Form I-131, Application for a Travel Document. An application for a re-entry permit, refugee travel document, or advance parole document. In Miami, the form was used to allow entry of inadmissible aliens into the U.S. for emergency medical treatment. The fee is \$95.

³ The INS conducts preclearance operations at Pearson International Airport in Toronto, Canada. Preclearance is the full inspection at foreign ports of U.S.-bound travelers and their luggage for immigration, customs, public health, and agriculture purposes.

⁴ Aliens arriving in the United States with an expired visa, passport, or Permanent Resident Card or without a Permanent Resident Card or valid reentry permit may obtain entry into the U.S. by applying for a waiver and showing good cause.

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- Form I-192, Application for Advance Permission to Enter as a Nonimmigrant. The fee is \$170.
- Form I-765, Application for Employment Authorization. An application for employment used by applicants awaiting approval of their claim for asylum. The fee is \$100.

The eight air POEs we reviewed deposited approximately \$2.5 million into the Examinations Fee Account during the period of October 1, 2000, through June 30, 2001, as shown in the table below.

Deposits by POE

Airport	Deposits October 1, 2000 Through June 30, 2001
Atlanta	\$96,250
Chicago	88,084
Detroit	44,335
JFK	229,750
Los Angeles	328,930
Miami	731,962
San Francisco	103,575
Toronto	833,750
Total	\$2,456,636

Source: Deposit data maintained by the POEs.

FINDINGS AND RECOMMENDATIONS

1. WEAKNESSES IN THE FEE COLLECTION AND DEPOSIT PROCESSES

At the eight air POEs we tested, management did not ensure fee collections were adequately safeguarded. Inadequate supervision of the fee collection and deposit processes, inadequate segregation of key duties, and inadequate reconciliations between the applications processed and the fees collected created an environment highly vulnerable to loss or theft. Furthermore, management did not ensure that only one person had exclusive access to the fees collected. Combined, these conditions made it virtually impossible for managers to identify any losses or shortages or to determine personal liability by the cashier in the event that a loss was discovered.

Sufficient criteria exist to guide federal agencies concerning the proper accountability of resources, such as cash. The Comptroller General's *Standards for Internal Controls in the Federal Government* (CG Standards), issued in 1999, contain the internal control standards to be followed by federal agencies in establishing and maintaining systems of internal control. In addition, the Office of Management and Budget Circular A-123, *Management Accountability and Control* (OMB Circular A-123), provides guidelines for improving accountability and establishing management control. Based on the requirements of these criteria, we identified four major controls (described in the following four paragraphs) that should be in place for the fee collection and deposit processes.

Supervision of the Processes. According to the CG Standards, managers must continuously review and approve the work of their staff. OMB Circular A-123 requires managers to exercise appropriate oversight to ensure that individuals do not exceed or abuse their assigned authorities. The INS Fee Collection Procedures manual⁵ (the Manual) outlines supervisors' responsibilities for the oversight of the fee collection and deposit processes.

⁵ Guidance titled *Fee Collection Procedures at Ports of Entry* was issued by the INS Headquarters in July 2000. These guidelines are the basic fee collection criteria used at POEs.

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Segregation of Duties. OMB Circular A-123 requires that key cash handling duties and responsibilities for authorizing, processing, and recording transactions be separated among individuals. The Manual states that if adjudicating applications, the INS employee must not accept fee payments or perform cashier duties, except when only one INS employee is assigned to a POE.

Reconciliations. The CG Standards recommend that periodic reconciliations be made between resources and records and that the frequency of such comparisons be determined by the vulnerability of the asset, with cash being one of the most vulnerable assets. The Manual requires that at the end of each shift, in the presence of a supervisor or a person designated by the supervisor, the cashier must perform a prompt and thorough reconciliation of the fees collected. The Manual specifically states that the following items must be reconciled:

- The fee collected
- Individual manual receipts (Form G-211 or Form G-711)
- The totals from the end-of-shift Daily Register of Receipts (Form G-253)
- Applications processed

Furthermore, the Manual directs that the reconciliation must be documented on a locally generated worksheet and have the concurrence of a second person. If a shortage is discovered, the cashier must assume personal liability for the loss and submit a memorandum to the port director acknowledging the discrepancy and explaining the circumstances.

Restricted Access to Resources. The CG Standards also require managers to restrict access to cash to authorized individuals so that the risk of loss is reduced. According to OMB Circular A-123, accountability for the custody of cash should be assigned and maintained. The Manual requires that each employee who collects fees maintain a cash box, separate from the applications processed, and safeguard keys, if issued. The Manual also requires inspectors to keep originals or photocopies of applications in a locked box until the end of the work shift. The Manual further states, "These documents [applications] will form a transaction record independent from the Cashier and will be counted to establish the proper amount of fees collected that should be produced by the Cashier."

Responsibilities and Duties

The Manual states that port directors must appoint a principal officer whose primary responsibilities are to oversee the fee collection process, to train and manage the staff engaged in fee collections, and to ensure the security and accountability of funds received by INS employees. The Manual outlines numerous duties for the principal officer.

A single person designated as principal officer at each POE is important, especially at POEs with several fee collection points, such as multiple-terminal airports. Having one person to oversee the process can improve controls and help ensure that fee collections are conducted consistently among multiple locations. Of the eight air POEs we tested, however, only four (Chicago, JFK, Los Angeles, and Miami) designated a principal officer, as the Manual requires. Moreover, even the designated principal officers at those four air POEs were not fulfilling all applicable duties listed in the Manual.

In addition to the guidelines already discussed, the Manual includes the following duties and responsibilities for cashiers and supervisors to safeguard cash during the fee collection process:

Cashier

- Sign in on the cashier's log and record all instances where a relief cashier collects fees using the same cash box during that time. When a relief cashier is necessary, the cash is counted by both cashiers and noted on the log to ensure accountability.
- Restrictively endorse checks and money orders immediately, using a rubber stamp that includes certain endorsement information.
- Safeguard the individual receipts in use.
- Issue an individual receipt and log the required information on the Daily Register.
- If a receipt must be voided, immediately call the supervisor to initial the void. The Manual states that voided receipts must be submitted to the Debt Management Center.

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Supervisor

- Immediately review and document concurrence of cashier errors by initialing the Daily Register and other forms (e.g., individual receipts) as necessary.
- Conduct unannounced cash counts.
- Certify the accuracy of the fees collected at the end of each shift.
- Sign, date, and provide on the application a clear explanation for any fees waived.

Overview of the Manual Receipt System

The eight air POEs we reviewed used manually prepared receipts or a nonintegrated, stand-alone computer system to collect and record fees. As a result, the entire fee collection process used handwritten or computer-generated receipts and other support documents instead of cash registers. When applicants paid a fee, they received a receipt from an immigration inspector or supervisor who functioned as the cashier. Currently, the INS uses two types of individual receipts: (1) the G-211, which provides an original receipt for the applicant and one copy for the accounting records and (2) the G-711, which provides an original receipt for the applicant and two copies for the accounting records. The G-711 is a prenumbered form. Some of the G-211 receipts we observed were prenumbered and some were not. Even if prenumbered, both types of receipts were unaccountable forms.

The next step in the process is the completion of the Daily Register. Its purpose is to manually record and account for fees received and accepted by the POE. Most of the information contained on the Daily Register is duplicative of the information on the individual receipts. The Daily Register is neither prenumbered nor accountable. A supervisor, or a person designated by the supervisor, manually numbers the Daily Register. According to the Manual, the Daily Register numbers should include the office location code, the last two digits of the fiscal year, and a consecutively assigned number.

The Manual states that at the end of each shift employees shall reconcile the fees collected with the entries on the Daily Register, and the collections and supporting documents shall be deposited in a drop safe or transferred to another employee for safekeeping. To maintain accountability

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for the fees collected, the transfer must be documented on a Receipt for Funds and Valuables Transferred (Form G-714).

Manual cash collection systems are especially vulnerable to manipulation and, thus, require more supervisory involvement and oversight. In our judgment, the current design of the INS's manual receipt system is cumbersome and labor-intensive. Furthermore, controls over the process are weakened because:

- None of the forms used in the process are accountable.
- The POEs are allowed to use two types of individual receipts.
- The G-211 receipt, although meant to serve the same purpose as the G-711, does not capture all the necessary information to provide an adequate audit trail and does not have enough copies to maintain complete accounting records.
- An increased risk of errors occurs when information from the individual receipt must be re-entered on the Daily Register.
- An increased risk of lost or missing Daily Registers and gaps in their sequential numbers occurs because the forms and entries on the forms are numbered manually.
- Immigration inspectors or supervisors performed the cashier function along with the responsibility of adjudicating applications rather than being assigned as a dedicated cashier.
- The overlapping shifts of the inspectors performing cashier duties and supervisors at the air POEs make it difficult to perform a true end-of-shift reconciliation and appropriately transfer accountability for the fees collected.

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OIG Observations

Our audit testing focused on evaluating the air POEs’ compliance with the guidelines for safeguarding fees. We observed the process and reviewed accounting records at the eight air POEs in our sample. The following table shows a comparison by POE of the discrepancies we found. An “X” indicates an observed weakness.

Weaknesses in Receipt Procedures Used by the POEs

Weaknesses	Atlanta	Chicago	Detroit	JFK	Los Angeles	Miami	San Francisco	Toronto
Inadequate supervision of fee collections.	X	X	X	X	X	X	X	X
Applications processed not adequately secured.	X	X	X	X	X	X	X	X
Inadequate segregation of duties.	X	X	X	X	X	X	X	X
Inadequate reconciliations.	X	X	X	X	X	X	X	X
Reconciliations not adequately documented.		X	X	X	X	X	X	X
[SENSITIVE INFORMATION DELETED]	X	X	X	X	X	X		X
Transfer of fees not adequately documented.			X	X	X	X	X	X
Multiple persons with access to the drop safe.		X		X	X	X		X
Did not designate a Principal Officer.	X		X				X	X
Cashier’s log not being used or not used properly.	X	X	X	X	X	X	X	X
Checks, etc., not immediately endorsed with restrictive endorsement.	X	X	X		X	X	X	X
Individual receipts not adequately safeguarded.	X	X	X	X	X	X	X	X
Daily Register not adequately safeguarded.	X	X	X	X	X	X	X	X
Voided receipts not sent to the Debt Management Center.	X		X	X		X	X	X
Lack of evidence of supervisory concurrence with cashier errors on Daily Register and other documents.			X		X	X		X
No evidence of unannounced cash counts.	X	X	X	X	X	X	X	X
Inadequate certification of accuracy of the fees collected.	X	X	X	X	X	X	X	X
Lack of evidence of supervisory concurrence for fees waived. ^a	X		UTD	X	UTD	X	UTD	X

Source: Data based on OIG observations.

^a Four air POEs (Detroit, JFK, Los Angeles, and San Francisco) did not maintain copies of applications at the POE. For those POEs, we were unable to determine (UTD) supervisory approval of fee waivers, or the results in the table are based on POE-processed applications found at another office, such as a district office.

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As demonstrated in the table, we found a large number of significant control weaknesses at the air POEs. As a result, we believe the risk is very high that loss or theft of fees could occur with little or no chance of being discovered.

Forms Integration Management System

When the Forms Integration Management System (FIMS) was designed by the INS Buffalo District Office in the early 1990s, the goal was to provide an efficient method for the POEs to collect and arrange administrative and enforcement data into a usable format. The FIMS system is a nonintegrated, stand-alone computer system that has a number of optional features. The data stored is port-specific; that is, the system stores data specific to each POE, but the information is not shared among POEs or other INS systems.

During our review of our eight sample ports, we found that Atlanta and Toronto routinely used the Forms Integration Management System to print applications and generate the G-211 receipts and the Daily Register. The Toronto POE is by far the most extensive user of the FIMS. In Los Angeles and San Francisco, some inspectors occasionally used the FIMS just to print applications and generate a G-211 receipt. Chicago and Detroit only used the FIMS to print readable versions of the applications but did not use the system for receipt generation or as a log of receipts issued. Miami and New York did not have a copy of the FIMS at their POEs. We also found different versions of the FIMS in use at the air POEs that used the system.

At Chicago, one INS official told us that the Buffalo District no longer provides adequate technical support for the Forms Integration Management System. Another official at INS Headquarters told us that the FIMS was not approved for use with INS fee collections. Furthermore, a request from the Assistant Attorney General for Administration, dated September 8, 1999, directed all DOJ components to submit to the Department's Information Management and Security Staff a plan for certification of each information technology system in use. As of January 2002, the FIMS was not on the INS's accredited and certified information systems list, nor was the system recognized in the Manual.

We found that the FIMS can be easily compromised.

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When combined with inadequate separation of duties where an inspector adjudicates the application, collects the fee, and generates a G-211 receipt, there is a high risk of thefts of fees occurring without detection. Inadequate end-of-shift reconciliations further increases the risk. Therefore, in our judgment, the POEs should not use this system for fee collections.

Facilities and Supplies

During our testing, we observed situations where controls on INS fee collecting at air POEs were weakened by facilities constraints. For example,

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In our judgment, port directors and principal officers should be cognizant of such risks and take steps to minimize these weaknesses at their POEs, as delineated in the Manual.

Our observations also raised concerns with regard to rubber stamps used during the fee collection process, specifically the restrictive endorsement stamp for checks and the "fee paid" stamp.

Restrictive Endorsement Stamp. Placing a restrictive endorsement on a check or money order immediately upon receipt is crucial to reducing the risk of misappropriation. The Manual states that every POE should have a rubber stamp for endorsing checks. During our observations, however, we found that the POEs either did not have the required stamp or the stamp was available only to the deposit preparer and not the cashiers.

As shown in our preceding table, we credit only one of the eight POEs in our sample, JFK, with immediately endorsing checks upon receipt. Although we did not observe any checks received for fees during our site visit, the Deputy Area Port Director at JFK told us that they endorse checks by hand upon receipt because they did not have an endorsement stamp at the airport.

Atlanta, Los Angeles, Miami, and San Francisco did not have endorsement stamps nor make endorsements upon receipt of checks. In Los Angeles, the endorsement was typed on the check when the deposit was prepared. In Atlanta, Miami, and San Francisco, checks were not endorsed

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until they reached the district offices and then were endorsed as part of the deposit process.

Fee Paid Stamp. Some of the air POEs we reviewed used a fee paid stamp to show fee payment information on the application. Much of the information on the rubber stamp was duplicative of the information on the individual receipt, such as receipt number, amount paid, and the name or inspector number of the cashier. Further, where used, we observed that the fee paid stamps were not specifically assigned to those performing cashier duties and the stamps were not secured when not in use. Furthermore, the Manual does not address the use of fee paid stamps in conjunction with the manual receipt process.

We agree that POEs using the manual receipt system need some method to annotate the application with fee payment information. However, a rubber fee paid stamp is easily compromised. If air POEs had operated with a cash register system, the applications would be validated by the INS cash register to reflect payment information rather than using a rubber stamp.

In our judgment, if rubber stamps are to be used in the fee collection process, the use and control of fee paid stamps should be similar to access to a cash register. That is, managers must maintain segregation of duties, and fee paid stamps must be secured when not in use so that cashiers can be held accountable in the event of a loss or shortage. And, at the same time, managers must ensure an adequate audit trail exists.

We believe it is incumbent on the port directors and principal officers to ensure cashiers have the necessary supplies readily available to adequately perform their cashier duties. Further, those officials should ensure that all rubber stamps used during the manual receipt process are appropriately secured to prevent abuse or unauthorized use.

Retention of Applications

To ensure that all fees collected are accounted for and deposited, a system of management controls must be in place that identifies when and where a collection has occurred and what type of application was processed. Further, the records should be available for audit trail purposes to show that a fee was collected when an applicable INS service was provided. The air POEs in Detroit, JFK, Los Angeles, Miami, San Francisco, and Toronto did not

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have documentation readily available that supported the fees collected or the reported workload statistics because they forwarded the adjudicated applications to another office.

In our judgment, INS’s processed applications are accounting records and the National Archives and Records Administration requires accounting records to be maintained for six years, three months. Therefore, at a minimum, copies of the applications should be maintained at the POEs so that POE management can reconcile the number of applications adjudicated with the number and amount of fees collected and waived, thereby being assured that the fees deposited were the amounts actually collected.

The following table shows a comparison by air POE of the applications retained and forwarded to other offices.

Application Retention Locations

Application	Atlanta	Chicago	Detroit	JFK	Los Angeles	Miami	San Francisco	Toronto
I-193	A	A	F	F	F	A	F	A
Trade NAFTA	N	A	F	F	N	A	F	A
I-90	A	—	F	F	F	—	—	F
I-131	—	—	F	—	F	A	F	A
EAD	—	—	—	—	—	F	—	—
Other	—	A	—	—	—	—	—	A

Source: Based on OIG observations.

A - Filed at airport

F - Forwarded to another office

N - No copy kept

— - Application not processed

We also found that the INS does not use a standard form or application to document Trade NAFTA adjudications. Instead, some of the ports kept copies of letters from employers. At Miami, for instance, we observed 4 of 17 Trade NAFTAs processed during three sample months without a letter of request from an employer. At Atlanta and Los Angeles, no documents of Trade NAFTA adjudications were kept; only the G-211 receipt was available to support that a Trade NAFTA was processed. From the results, we believe the INS should develop a standard form, such as the local form developed by staff at the San Francisco air POE, to document all Trade NAFTA fee collections.

Overview of the Deposit Process

Safeguarding fee collections during the deposit process requires strong management controls because the cash must be properly accounted for as it is transferred from one individual to another. According to the Manual, the following two principles apply at every stage of the fee collection process:

- Fee collections and applications are never to be counted alone, with the exception of situations at POEs where there is only one INS staff member on duty.
- At every point at which fee collections are transferred from the custody of one individual to another, the transfer is to be recorded on a Receipt for Funds and Valuables Transferred (G-714).

The Manual also specifies procedures and responsibilities for the principal officer and supervisors that are applicable to the deposit process. The principal officer must ensure that neither the money nor the applications processed are counted by one person alone. Supervisors' responsibilities include certification of the completeness and accuracy of the deposit amount and deposit documentation.

In addition to the guidelines and responsibilities stated above, the Manual includes other procedures to safeguard cash during the verification, final preparation, and delivery of deposits. Key procedures include:

- Remittances are to be counted and verified against supporting documents by two employees, one of whom is the employee who prepared the deposit.
- Two signatures on the Summary of Fees (G-712) are required to certify that the amount for deposit agrees with the amounts reconciled at the end of each shift.
- When the deposit is delivered by messenger or by mail, it is to be sealed in an appropriately labeled envelope. This envelope is then placed in another sealed envelope and addressed appropriately.⁶

⁶ The Fee Collection Procedures manual provides specific instructions for the preparation of these envelopes.

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- When delivered by an INS employee to a district office, another port, or a bank, the deposit must be secured in an appropriate manner, such as a locked bank bag.
- The person making the delivery must be escorted if the deposit is more than \$300 in cash or negotiable securities.
- A record of the shipment of deposits is to be maintained on the Schedule of Valuables Shipped (G-221).

In accordance with Department of Treasury regulations, the Manual requires that receipts totaling \$5,000 or more be deposited on the same day. The Manual allows collections totaling less than \$5,000 to be accumulated and deposited when the total reaches \$5,000. However, deposits must be made by Thursday of each week, regardless of the amount accumulated, except in extremely remote locations with little collection activity. None of the air POEs we reviewed was considered a remote location.

OIG Observations

Our audit testing focused on evaluating the POEs' compliance with the above procedures and requirements. We observed the deposit process and reviewed the accounting records at each of the eight air POEs in our sample. The following table shows a comparison by POE of the discrepancies we found in the deposit process. An "X" in the table indicates an observed weakness.

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Weaknesses in Deposit Procedures Used by POEs

Weaknesses	Atlanta	Chicago	Detroit	JFK	Los Angeles	Miami	San Francisco	Toronto
Cash prepared for deposit was not counted and verified by two persons.		X	X	X		X	X	
Two persons did not verify cash with support documents.		X	X	X	X	X	X	
Form G-712 was not prepared and the amounts certified by two persons. ^a	X	X	X	X			X	X
Cash was not properly transferred between persons using the Form G-714.	X		X	X	X		X	X
[SENSITIVE INFORMATION DELETED]	X	X				X	X	X
[SENSITIVE INFORMATION DELETED]		X			X			
Cash was not deposited in a timely manner.	X		X	X	X		X	X
POE did not maintain a Form G-221. ^b	N/A	N/A				N/A	N/A	X

Source: Data based on OIG observations.

^aThe July 2000 version of the Manual requires that Form G-712 be completed for deposits. However, in December 2001, officials at the Debt Management Center told us they did not require the form for deposits pending a revision of the process.

^b Only POEs that prepared and packaged their own deposits and used the Deposit Ticket (SF-215) would have the Form G-221 as part of their accounting records.

We found that the deposit procedures used were not consistent among the eight air POEs. At the time of our fieldwork, Atlanta,⁷ Chicago, Miami, and San Francisco did not prepare their own deposits. Instead, they transferred the fees collected to their respective district office, and the air POEs' cash and checks were commingled with district office monies in preparation for the district office's deposit. JFK, Los Angeles, and Toronto prepared their deposits and made their deposits at a bank. Detroit prepared the deposit, but then transferred the fees and deposit documents in a sealed bank bag to a major land POE. The frequency with which the POEs prepared and made deposits also varied, ranging from every few days to once a month, regardless of the amount collected.

⁷ Soon after our fieldwork in August 2001, the Atlanta POE began preparing its own deposit and delivering it directly to a bank.

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The weaknesses we identified are evidence that INS management did not have adequate controls in place to safeguard fees during the deposit process. INS staff were permitted unmonitored access to the cash and accounting records, staff did not adequately maintain accountability when fees were transferred between individuals, and supervisors did not always ensure the accuracy of the fees being deposited.

In our judgment, each air POE should prepare its own deposits using a unique POE identifier on the Deposit Ticket (SF-215). This procedure strengthens controls, improves accountability at the ports, and increases the accuracy of workload statistical reporting. The fees and applicable supporting documentation should be sealed in a bag at the POE, ready for delivery to the bank, before being transferred to an onward office, such as a district office.

Officials at the Debt Management Center told us in January 2002 that they eliminated the requirement to complete the Summary of Fees (G-712) in favor of using the more detailed Daily Register (G-253). We believe that completion of the G-712 form would strengthen controls because air POEs would have to account for all individual receipts and thus improve the Center's oversight of the fee collection process at air POEs.

Recommendations

We recommend that the INS:

1. Revise the manual receipt and deposit process and, subsequently, the Fee Collection Procedures manual. At a minimum, the revisions should include the following:
 - a. Destroy all unused 2-part G-211 receipts and require that POEs use only the 3-part, prenumbered G-711s as the individual receipt.
 - b. Eliminate use of the Daily Register of Receipts (G-253).
 - c. Require that air POEs use the Summary of Fees (G-712) to verify and certify the accuracy of the fees collected.
 - d. Require that each air POE prepare its own deposit, including the Deposit Ticket (SF-215), and secure the

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deposit in a sealed bank bag for delivery to a bank or to transfer to another INS office.

- e. Require that each air POE directly submit copies of individual receipts (G-711), the Summary of Fees (G-712), and the Deposit Ticket (SF-215) to the Debt Management Center.
 - f. Establish guidance and controls for use of fee paid stamps in lieu of cash register validations.
 - g. Develop guidance and controls to ensure a thorough end-of-shift or end-of-day reconciliation of fees collected and the applications processed.
 - h. Require that INS applications be adequately annotated with fee paid or fee waived information.
 - i. Require that applications and fee collection and deposit documentation be retained as the source documents for the accounting records for the necessary retention period (currently six years, three months).
2. Design a manual receipt process for issuing G-711 receipts. The system should designate a control point for issuing G-711s to field offices, require use of manual receipts, and require that all manual receipts be accounted for and issued in strict sequential order.
 3. Discontinue use of the Forms Integration Management System for fee collections at air POEs and other ports of entry.
 4. Develop and issue a standard form or checklist for the Trade NAFTA adjudications.
 5. Provide training to POE staff who will use the manual receipt process to ensure that the new procedures are sufficiently implemented, and require that each port director certify implementation of the new procedures.

2. ACCURACY OF FEE COLLECTION DATA

We found that fee collection data in the INS's Financial Accounting and Control System and the Performance Analysis System did not agree for any of the eight air POEs in our sample. Furthermore, the data from both systems seldom agreed with the source documents, such as the applications processed. The lack of unique location codes in each system made it virtually impossible to reconcile the fee collection data found in the two systems. As a result, INS managers have no assurance of the accuracy or completeness of financial data and statistical data related to fee collections.

The Government Performance and Results Act of 1993 requires federal agencies to set goals, develop strategic plans, and measure the results of program performance based on whether the goals have been achieved. To determine how well the INS was meeting its goals, our audit included testing to see how the fee collection data reported in the INS's Financial Accounting and Control System compared with correlating fee-related statistics reported in the INS's Performance Analysis System.

Fee Collection Data in the Financial Accounting and Control System

Field offices must submit fee collection data and supporting documentation to the Debt Management Center (the Center) on a regular basis. In turn, personnel at the Center enter the fee information into the INS's Financial Accounting and Control System.

At the start of our audit, we requested fee collection data for the period October 1, 2000, through March 31, 2001, for all air POEs where fees were collected. The Center provided a list of only 14 locations with deposits totaling approximately \$1.6 million for that 6-month period.

Analyzing the results, we found that the Center could not identify the amount of fees collected for every airport where the INS performs inspections and collects fees. In addition, the fee collection data that was available from the Financial Accounting and Control System was commingled between multiple locations in some instances. In our judgment, this occurred because not all air POEs had a unique location code in the system. For example, deposits for O'Hare International Airport in Chicago are combined with deposits from the INS District Office in Chicago using the

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same deposit code (CHI) in the Financial Accounting and Control System. Likewise, deposits for the Miami International Airport are combined with deposits from the Miami District Office using the same code (MIA).

Fee Collection Statistics in the Performance Analysis System

The Performance Analysis System is the INS's Service-wide system to summarize and report workload statistics. Beginning in October 2000, the Inspections Summary Report generated from the Performance Analysis System included workload statistics for the various INS applications processed.

Our fieldwork confirmed that the POEs we tested were manually inputting statistics into the Performance Analysis System on a monthly basis. However, the methods for tracking and compiling application and fee data differed among the eight air POEs we reviewed.

As with the Financial Accounting and Control System, not all air POEs had a unique location code in the Performance Analysis System. In that system, source statistics for an air POE can be distinguished from district office statistics by coding the Inspection Summary Report for port type "A" (for air). However, the Performance Analysis System could not provide statistics for individual air POEs if there was more than one airport reporting under the same location code.

Accuracy of Deposit and Statistical Data

To test the accuracy of the financial and statistical data related to fee collections, we obtained financial data from the records maintained at the air POEs because the Center could not provide the information. For comparative purposes, we requested and obtained from INS Headquarters the monthly Inspection Summary Reports for the eight air POEs in our sample for the period October 2000 through June 2001. In the Inspection Summary Report, workload data is reported in the form of the number of applications processed, by type of application. When multiplying the number of applications processed by the amount of the fee, a comparison can be made with the fee amounts deposited.

Next, we attempted to perform two separate reconciliations. First, we compared the fees deposited to the workload statistics reported in the Performance Analysis System, by month, for the period October 2000

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through June 2001. Second, we selected one month from each of the three quarters and tried to compare both the financial and statistical data to the individual source documents, i.e., the applications.

Only six of the nine types of applications we encountered at the eight air POEs in our sample were reported on the Inspection Summary Report. Therefore, our comparison of statistical and financial data was limited to the following applications:

- I-193, Application for Waiver of Passport and/or Visa
- TNs, Trade NAFTA applications
- I-90, Application to Replace Alien Registration Card
- I-68, Application for Canadian Border Boat Landing Permit (found in Chicago and Toronto only)
- I-765, Application for Employment Authorization (found in Miami only)
- I-129, Petition for a Nonimmigrant Worker (found in Toronto only)

The results of our testing indicate that the fee collection data in the INS's statistical and financial systems need improvement. The following table reflects the results of our comparison between the financial data and the workload statistical data for the 9-month period of October 2000 through June 2001. The numbers shown are the number of months for the nine months tested where the data did **not** agree.

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Number of Months (Out of Nine) Where Data Did Not Agree

Airport	I-193	TN	I-90	I-68	I-765	I-129
Atlanta	5	1	5	N/A	N/A	N/A
Chicago	9	3	0	2	N/A	N/A
Detroit	8	5	6	N/A	N/A	N/A
JFK	9	6	7	N/A	N/A	N/A
Los Angeles ^a	—	—	—	—	—	—
Miami	9	8	N/A	N/A	6	N/A
San Francisco	9	3	2	N/A	N/A	N/A
Toronto	2	8	3	6	N/A	7

Source: OIG analysis of financial records maintained at the POEs and statistical data in PAS.

N/A, not applicable, indicates that there were no forms processed at the POE.

^a Los Angeles did not report these statistics in PAS.

As the table shows, overall, data for the 9-month audit period did not agree, and we could not conclusively determine the reasons for the differences at any of the air POEs tested. Generally, the difference per month, by type of application, was minimal (less than 15). However, when reviewed in the aggregate for the 9-month period, the following major discrepancies surfaced:

- At JFK, the Performance Analysis System data showed 344 *more* I-193s processed than associated fees that were deposited.
- At JFK, the Performance Analysis System data showed 46 *fewer* Trade NAFTA applications processed than the deposits.
- At Miami, the Performance Analysis System data showed 357 *fewer* I-765s processed than the fees deposited. In the Performance Analysis System, the applications where fees were collected were combined with those where fees were waived.
- At Toronto, the Performance Analysis System data showed 294 *more* TNs processed than the fees deposited.
- At Toronto, the Performance Analysis System data showed 295 *more* I-129s processed than the fees deposited.

Furthermore, we found that staff at the Los Angeles air POE did not compile or report the statistics that we obtained for our testing from the Performance Analysis System. INS POE officials told us that nobody from INS Headquarters had ever questioned why they were not reporting.

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Our comparison of financial and performance systems data to the applications processed provided further evidence that INS managers cannot rely on either the financial or statistical data related to fee collections. We could not perform the comparison at three of the airports—Detroit Metropolitan, JFK, and Los Angeles International—because they did not maintain any processed applications at those POEs. Thus, we believe it would be impossible for staff at those air POEs to determine the reasons for any discrepancies in the event that questions arose from either the Center about the fees collected or the INS Statistics Branch about the applications processed. The volume of applications processed, the manner in which they were filed, and the difficulty in determining whether a fee was paid at Pearson International Airport in Toronto prohibited us from completing the comparison at that POE.

At the remaining four air POEs in our sample—Hartsfield in Atlanta, O’Hare in Chicago, Miami International, and San Francisco International—we selected one month from each of the three quarters during the period October 2000 through June 2001 and compared the applications processed to the systems data. The following table shows the results, consolidated for the three months of our testing.

Comparison of Applications to Systems Data

Airport	I-193			TN			I-90			I-765		
	POE	PAS	FACS	POE	PAS	FACS	POE	PAS	FACS	POE	PAS	FACS
Atlanta	208	204	207	6	7	7	28	30	30	N/A	N/A	N/A
Chicago	207	214	217	4	8	5	N/A	N/A	N/A	N/A	N/A	N/A
Miami	415	394	378	17	9	17	N/A	N/A	N/A	1,802	2,141	1,802
San Francisco ^a	121	108	163	24	18	27	0	0	1	N/A	N/A	N/A

Source: OIG analysis of records maintained at the POEs and statistical data in PAS.

N/A, not applicable, indicates that there were no forms processed at the POE.

^a Records were maintained at the San Francisco District Office.

Our more detailed testing indicates that, with only a few exceptions, the source documents maintained at the POEs did not reconcile to either the statistical data or the fees deposit data. As a result, INS managers are not assured of the accuracy or completeness of either the financial data in the Financial Accounting and Control System or the statistical data in the Performance Analysis System. When source data does not reconcile, either errors were made or some transactions were not recorded, thereby increasing the vulnerability to loss or theft.

The Performance Analysis System captures separate statistics for the Visa Waiver (I-193) applications to reflect whether the fee was collected or waived. Our 3-month period for comparison of financial and statistical data

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to the applications processed included testing fee waivers at the four air POEs where the applications were available. We also found waivers of the fee for some Employment Authorization (I-765) applications at the Miami airport. Although the Performance Analysis System does not separately report fee waivers for that application, we also included that application in our testing at Miami.

Fee waivers for the Visa Waiver (I-193) applications ranged from approximately 5 percent to 16 percent. Fee waivers for the Employment Authorizations (I-765) applications were approximately 14 percent, based on the applications maintained at the POE. The following table shows the results in more detail.

Fee Waivers

Airport	I-193						I-765 ^a		
	Total	PAS		Applications			Total	Applications	
		Waived	Percent	Total	Waived	Percent		Waived	Percent
Atlanta	215	11	5.1	223	15	6.7	N/A	N/A	N/A
Chicago	256	42	16.4	254	47	18.5	N/A	N/A	N/A
Miami	443	49	11.1	438	23	5.3	2,103	301	14.3
SF	127	19	15.0	126	5	4.0	N/A	N/A	N/A

Source: OIG analysis of records maintained at the POEs and statistical data in PAS.

N/A, not applicable, indicates that there were no forms processed at the POE.

^a The Performance Analysis System does not report waivers of Employment Authorizations (I-765s) separately.

The table above shows an example of how INS managers or other decision-makers could be misled, depending on the source of their information. For the three months we tested, the Performance Analysis System statistics showed that waivers of fees for the Visa Waiver (I-193) applications at the Miami and San Francisco airports were approximately 11 percent and 15 percent, respectively. However, when the applications are reviewed, those percentages drop to approximately 5 percent and 4 percent.

In our judgment, waivers of fees should be closely monitored and approved by supervisors to prevent abuse and to ensure that revenues lost due to fees being waived are minimal. We also believe that the INS should modify the Performance Analysis System to individually report, by application type, the waiver data for all fee-processed applications. Individually reporting applications processed and fee-waived applications would provide sufficient data to allow for monthly or quarterly reconciliations of workload statistics with the associated fees collected by each POE.

As evidenced by our various testing previously described, the deficiencies observed in the collection, validation, and limitations of the Performance Analysis System data are substantial. We found that:

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- The methods for data collection at the air POEs sampled were not sufficient to ensure the accuracy and completeness of the statistics reported. Furthermore, three of the air POEs sampled (Detroit, JFK, and Los Angeles) did not maintain the support documentation necessary to reconstruct the data.
- Data validation at the INS Headquarters level is inadequate, as shown by the fact that, as of our fieldwork, the Los Angeles air POE had not reported any statistics related to fee collections for FY 2001. Yet, nobody in INS Headquarters had questioned the lack of reporting.
- The INS cannot be assured of the accuracy, completeness, or timeliness of the Performance Analysis System data related to fee collections because those data cannot be compared to data from other INS systems, such as the Financial Accounting and Control System, because waivers of fees are not separately reported. Further, our testing also showed that the fee collection data in the Financial Accounting and Control System are not useful for reconciliation purposes because the POEs and other field offices do not have unique location codes. Therefore, INS managers have no assurance that all fees collected are deposited and reported in the Financial Accounting and Control System.

Support of the Debt Management Center

The Debt Management Center is responsible for (1) ensuring the accuracy of the fee collection data entered into the Financial Accounting and Control System and (2) providing appropriate guidance to the POEs with regard to accurate reporting of fees collected. In our judgment, the Center cannot totally fulfill those duties until there is some method in place to compare the automated financial data to the data from other Service-wide automated systems. We believe the most logical system would be the Performance Analysis System. However, valid comparisons cannot be accomplished until both systems have the same unique location code for each field office, regardless of the size or type (e.g., air POE, land POE, district office, suboffice, or service center). Further, valid comparisons require consistent reporting in the Performance Analysis System of fees waived for all fee-processed applications.

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In our judgment, if the INS is to achieve its goal to maintain timely and efficient administrative support of the Center, INS managers must first make improvements to the Financial Accounting and Control System and the Performance Analysis System and, thus, improve the quality of the data in those systems. Only then can the INS claim the Center is being adequately supported and the INS is working toward achieving Departmental goals so that it can fulfill its oversight responsibilities.

Recommendations

We recommend that the INS:

6. Establish unique location codes for each port of entry, subport, district office, suboffice, and service center. Once established, the same location code should be used consistently in all of the INS's Service-wide systems, such as the Financial Accounting and Control System and the Performance Analysis System.
7. Develop sufficient criteria and comparative reports for the periodic review and reconciliation of fee collection data in the Financial Accounting and Control System and the fee-related statistics in the Performance Analysis System to determine whether the INS is meeting its data integrity performance goals.
8. Assess and modify accordingly, the Inspection Summary Report (G-22) to consistently report fee collections and waivers of fees separately for applications requiring a fee.

OTHER MATTERS

The purpose of this section is to bring to the attention of INS management other matters that we noted during the audit. These matters are not part of our audit report's Findings and Recommendations section because, although significant, these matters were not directly related to our audit objectives.

Multiple Versions of Standardized INS Forms

During our audit, we found that field offices were using different versions of standard INS forms. Specifically, at Chicago we saw two versions of the Receipt for Funds and Valuables Transferred (G-714). We observed the Receipt for Funds and Valuables Transferred in use at two different points during the fee collection process at the airport. However, when we observed the transfer of fees from the POE to the Chicago District Office, we noted that a different version of the form was used to transfer the cash from the messenger to the deposit preparer.

The primary difference between the two versions is that the one used by the Chicago District Office required only one signature—that of the deposit preparer receiving the cash. That form did not contain a second signature block. We noted that the messenger did sign in one of the other columns on the form. In our judgment, the version of the form used by the district office is not adequate to ensure accountability. While the messenger did sign the form for fees transferred from the airport, we observed entries with only the deposit preparer's signature.

Because procedures at district offices are outside the scope of this audit, we did not pursue the matter. We believe, however, that INS management should ensure that all field offices use the proper forms to ensure accountability for collections and provide consistency INS-wide.

The INS's Proposed Purchase of Cash Registers

In January 2002, we met with officials from the INS's Office of Field Operations and Office of Finance to discuss the results of our audit. They told us that the INS intends to eventually purchase cash registers for all POEs. The official from Field Operations told us that the equipment ranged in price from approximately \$3,000 for a cash register with the minimum

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capabilities the INS wanted to approximately \$3,600 for one that included video capabilities. He said that until the events of September 11, 2001, the purchase of 450 of these cash registers was fully funded.

The INS intended a major purchase of cash registers as one of the corrective actions for an OIG audit report issued March 1995, *Cash Collections at Districts and Ports in the Immigration and Naturalization Service*, Report Number 95-10. However, the purchase of that cash register system never materialized, also due to lack of funding.

We agree that equipment which gives INS management real-time information would be a significant improvement and provide additional controls over fee collections. Nonetheless, based on the work from our recent audit at land border POEs and our work on this current audit, we do not believe that 450 cash registers are sufficient to equip all land and air POEs that collect fees. Therefore, the INS's current efforts to improve controls at the land border POEs and the corrective actions needed to tighten controls at the air POEs using the handwritten receipt system should continue.

As the INS pursues the purchase of a new cash register system, we believe it is incumbent on INS management to complete an adequate assessment prior to its implementation so that the benefits are maximized. A comprehensive plan is necessary to ensure that:

- the INS has identified all POEs (land, air, and sea) where fees are collected;
- the new equipment is placed at POEs with the highest volume of collections or those where management determines the strongest controls are needed; and
- the usable cash registers being replaced are relocated to POEs that would benefit the most.

In our judgment, the new system will have to be phased in and will be subject to funding and other factors that are outside the INS's control, such as changes in the Department's priorities. We also believe many small, low-volume POEs and POEs that perform remote inspections will continue to need an adequate handwritten receipt system in place until enough equipment is purchased to fully automate the fee collection process.

STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by the Government Auditing Standards, we tested selected transactions and records at eight air POEs to obtain reasonable assurance about the INS's compliance with laws and regulations that, if not complied with, we believe could have a material effect on program operations. Compliance with laws and regulations applicable to the fee collection program at air POEs is the responsibility of INS management. An audit includes examining, on a test basis, evidence about compliance with laws and regulations.

The specific regulations for which we conducted tests are contained in the relevant portions of the following guidance set out by the Treasury Department, the Comptroller General, and the Office of Management and Budget.

- 31 U.S.C. §321 authorizes the Secretary of the Treasury to prescribe regulations via the Treasury Manual to protect the government from fraud and loss, to take steps to discover fraud and attempted fraud involving receipts, and to determine ways to prevent and detect fraud.
- The Comptroller General's *Standards for Internal Control in the Federal Government* contains the standards for establishing and maintaining systems of internal control for federal agencies. (Authorized by 31 U.S.C. §3511, "Prescribing Accounting Requirements and Developing Accounting Systems.")
- Office of Management and Budget Circular A-123, *Management Accountability and Control* (Revised), provides guidelines for improving accountability and establishing management controls. (Authorized by 31 U.S.C. §3512, "Executive Agency Accounting and Other Financial Management Reports and Plans.")

Our tests indicate that INS management did not have the necessary controls in place, as prescribed in the regulations, to adequately safeguard

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fee monies throughout the collection and deposit process. Our findings show that controls at air POEs were deficient in the following areas:

- Managers did not exercise appropriate oversight at key points in the collection and deposit processes. (See Finding 1.)
- Adjudication and fee collection duties and responsibilities were not adequately segregated. (See Finding 1.)
- Transactions for fee collections were not adequately recorded and documented in order to provide timely and reliable financial data and other reports. (See Findings 1 and 2.)
- Access to resources (i.e., cash) and supporting records was not sufficiently restricted. (See Finding 1.)

In addition to management's responsibility to establish adequate controls, 31 U.S.C. §3302 requires that ". . . an official or agent of the United States Government having custody or possession of public money shall keep the money safe . . . [and] shall deposit the money in the Treasury as soon as practicable" Our tests also indicated that individuals involved in the fee collection and deposit process, e.g., cashiers and deposit preparers, were deficient in safeguarding and depositing fees collected as required by this statute. (See Finding 1.)

With respect to those transactions not tested, the level of deficiencies noted in those that were tested cause us to believe that the INS was not in compliance with the regulations cited above.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether the INS's procedures and controls over the fee collection process were adequate to ensure that:

- the fees collected were properly accounted for and deposited timely, and
- selected statistics related to fee collections reconciled with deposits made.

We performed the audit in accordance with generally accepted Government Auditing Standards issued by the Comptroller General of the United States, and included tests necessary to accomplish the objectives.

During the audit, we requested a universe of airports and related fee collections from the INS. However, INS management could not provide sufficient data to identify all the airports where fees were collected nor determine the amount of the fees collected. Therefore, from listings of international airports maintained by the Federal Aviation Administration, the U.S. Customs Service, and the INS, we identified 185 air POEs where INS staff might collect fees. We selected eight large international air POEs for our testing: John F. Kennedy Airport, New York, New York; Hartsfield Airport, Atlanta, Georgia; Miami Airport, Miami, Florida; O'Hare Airport, Chicago, Illinois; Detroit Metropolitan Airport, Detroit, Michigan; Los Angeles Airport, Los Angeles, California; San Francisco Airport, San Francisco, California; and Pearson Airport, Toronto, Canada.

The audit period was October 2000 through June 2001. We conducted site visits during July and August 2001. In performing this audit, we arrived unannounced and observed the fee collection and application processes at the eight sample air POEs. We also reviewed specific documents, performed tests of selected records and transactions, and interviewed INS officials at the air POEs, the Debt Management Center in Williston, Vermont, and INS Headquarters.

FORMS

Form G-22, Inspection Summary Report – A summary of port of entry inspection activity reported on a monthly basis.

Form G-211, Receipt for Cash – A manually completed receipt. It is a prenumbered or unnumbered two-part form that is furnished to an alien when an application requiring a fee is received over the counter.

Form G-221, Schedule of Valuables Shipped - A record of the shipment of remittances to a Federal Reserve Bank or other depository.

Form G-253, Daily Register of Fee Receipts – A form used to record, by line entry, all fees received and receipted on Form G-211 or Form G-711 during a business day.

Form G-711, Individual Fee Register Receipt – A 3-part, prenumbered form used to record fees received and accepted over the counter during a business day.

Form G-712, Summary of Fees – Multi-copy form used to account for the individual receipts issued, total amount of fees collected, and verification of the accuracy of the deposit.

Form G-714, Receipt for Funds and Valuables Transferred – A form used to transfer accountability for fees collected from one employee to another.

Form SF-215, Deposit Ticket – A form used to document deposits credited to the account of the U.S. Treasury.



Received

SEP 17 2002

DOJ/OIG/DRAC

U.S. Department of Justice
Immigration and Naturalization Service

HQOIA 110/8.2-C

Office of the Commissioner

425 I Street NW
Washington, DC 20536

SEP 16 2002

MEMORANDUM FOR GUY K. ZIMMERMAN
ASSISTANT INSPECTOR GENERAL FOR AUDIT
DEPARTMENT OF JUSTICE

FROM: James W. Ziglar 
Commissioner
Immigration and Naturalization Service

SUBJECT: DRAFT AUDIT REPORT: Immigration and Naturalization Service Collection of Fees
at Air Ports of Entry.

I appreciate the opportunity to comment on the subject draft report and solicited input from the senior management officials who are most significantly impacted -- the Executive Associate Commissioner for Field Operations and Executive Associate Commissioner for Management. I reviewed the responses and concur with the corrective actions planned. The responses are attached for your review.

If you have any questions, please contact Kathleen Stanley, Audit Liaison, at (202) 514-8800.

Attachments (2)

cc: Vickie L. Sloan, DOJ Audit Liaison



U.S. Department of Justice
Immigration and Naturalization Service

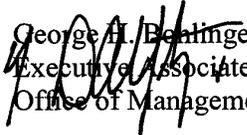
HQINS 80/6.3

Office of the Executive Associate Commissioner

425 I Street NW
Washington, DC 20536

AUG 21 2002

MEMORANDUM FOR THE COMMISSIONER

FROM:  George H. Bealinger, III
Executive Associate Commissioner
Office of Management

SUBJECT: DRAFT AUDIT REPORT: Immigration and Naturalization Service Collection of Fees at Air Ports of Entry

The following is the Immigration and Naturalization Service (INS) response to the subject draft audit report recommendations assigned as the responsibility of the Office of Financial Management. The INS concurs with recommendations 1, 2, and 6 and has provided specific responses addressing each recommendation.

RECOMMENDATION 1: Revise the manual receipt and deposit process and, subsequently, the Fee Collection Procedures Manual. At a minimum, the revisions should include the following:

- a. Destroy all unused 2-part G-211 receipts and require that POEs use only the 3-part, pre-numbered G-711s as the individual receipt.
- b. Eliminate use of the Daily Register of Receipts (G-253).
- c. Require that air POEs use the Summary of Fees (G-712) to verify and certify the accuracy of the fees collected.
- d. Require that each air POE prepare its own deposit, including the Deposit Ticket (SF-215), and secure the deposit in a sealed bank bag for delivery to a bank or to transfer to another INS office.

Memorandum for the Commissioner

Page 2

Subject: DRAFT AUDIT REPORT: Immigration and Naturalization Service
Collection of Fees at Air Ports of Entry

- e. Require that each air POE directly submit copies of individual receipts (G-711), the Summary of Fees (G-712), and the Deposit Ticket (SF-215) to the Debt Management Center.
- f. Establish guidance and controls for use of fee paid stamps in lieu of cash register validations.
- g. Develop guidance and controls to ensure a thorough end-of shift or end-of-day reconciliation of fees collected and the applications processed.
- h. Require that INS applications be adequately annotated with fee paid or fee waived information.
- i. Require that applications and fee collection and deposit documentation be retained as the source documents for the accounting records for the necessary retention period (currently six years, three months).

INS RESPONSE: Concur. The INS Office of Financial Management (OFM) response is as follows:

1a. **Concur.** The OFM will revise the manual fee collections and deposit procedures in the Fee Collection Procedures Manual as recommended. Specifically, we will revise Chapter VI, Management Overview; Chapter VII, Manual Fee Collection Procedures; and Chapter VIII, Manual Fee Deposits, the three chapters impacted by the recommended change to use only the G-711 manual receipt. In the May 2002 revision on CD-ROM, INS required field offices to destroy all unused unnumbered Forms G-211 and use only pre-numbered or serialized G-211s or G-711s. The next revision (Fall 2002) will stipulate that all Forms G-211 must be recalled and destroyed by the Principal Officer at all INS offices collecting fees and that only the 3-part, pre-numbered G-711s may be used as the individual manual receipt. OFM will also instruct the Western Forms Center to destroy all remaining Forms G-211 and to issue only pre-numbered Forms G-711 in the future.

1b. **Concur.** On INSERTS CD-ROM Release III (Fall 2002), the OFM will provide instructions calling for elimination of the use of the Form G-253, Daily Register of Receipts, formerly used with the issuance of G-211 receipts, now eliminated as well.

1c. **Concur.** On INSERTS CD-ROM Release III (Fall 2002), the OFM will provide instructions for the mandatory use of the G-712, Summary of Fees, with the now required G-711 individual receipts. This guidance will be issued in the manual found in the appendices of the Inspector's Field Manual, Appendix 46-1, Port of Entry Cash Management Procedures also on INSERTS, and will apply to all INS offices collecting fees.

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1d. **Concur.** Provisions are currently in place for each Port of Entry (POE) to comply with the requirements of this recommendation concerning preparing their own deposit and securing it. By September 30, 2002, the OFM will add language to the procedures in Appendix 46-1 to make it clear that deposits and deposit tickets being transferred from smaller to larger offices must remain segregated and not rolled up into a single deposit under one deposit ticket. This will ensure the integrity of deposit records by location.

1e. **Concur.** By September 30, 2002, the OFM will revise the Fee Collection Procedures Manual to make it clear that each POE must directly submit copies of the individual manual receipts (G-711), the Summary of Fees (G-712), and the Deposit Ticket (SF-215) to the Debt Management Center.

1f. **Concur.** While procedures are in place for the control of fee paid stamps, the OFM will strengthen and clarify the procedures regarding the safeguarding of this equipment by December 31, 2002. These procedures will follow the guidelines already established to safeguard the use of accountable forms located in Chapter 10, Security Officer's Handbook, located in Inserts.

1g. **Concur.** Procedures are already in place for this recommendation in the Port of Entry Cash Management Procedures on INSERTS. By September 30, 2002, the OFM will reiterate via a broadcast email message that this guidance applies to all INS offices collecting fees.

1h. **Concur.** By September 30, 2002, the OFM will add procedures to the Fee Collection Procedures Manual to ensure that INS applications are adequately annotated with fee paid or fee waived information.

1i. **Concur.** Procedures are already in place to meet compliance with the records retention requirement for journal tapes. By September 30, 2002, the INS will revise the language in the appropriate sections of Appendix 46-1 to ensure that applications and fee collection and deposit documentation be retained as the source documents for the accounting records for the required six year, three month retention period.

RECOMMENDATION 2: Design a manual receipt process for issuing G-711 receipts. The system should designate a control point for issuing G-711s to field offices, require use of manual receipts, and require that all manual receipts be accounted for and issued in strict sequential order.

INS RESPONSE: Concur. The INS has already developed a manual receipt process for issuing G-711 receipts. This process was implemented with the distribution of the Fee Collection Procedures at Ports of Entry Manual in July 2000 and in revisions to the manual on INSERTS CD-ROM in October 2001 and May 2002. The OFM will revise the process by including language in Appendix 46-1 that will designate a control point for issuing G-711s, mandate their use at all ports, and require that these receipts be accounted for and used in strict

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sequential order. These revised procedures will be provided to all field offices, including POEs, preferably in the fall 2002 CD-ROM release. The revised fee collection procedures will also be available on the Intranet via PowerPort.

RECOMMENDATION 6: Establish unique location codes for each port of entry, subport, district office, suboffice, and service center. Once established, the same location code should be used consistently in all of the INS' Service-wide systems, such as the Financial Accounting and Control System and the Performance Analysis System.

INS RESPONSE: Concur. The INS Office of Financial Management (OFM), in cooperation with other system stakeholders, has concluded that further analysis needs to be performed prior to the implementation of the uniform location codes for the Federal Financial Management System (FFMS). The Performance Analysis System (PAS) is in compliance with INS standardized codes and the Financial Accounting and Control System (FACS) will be replaced in the near future, so they do not need any corrective action. In order for the standardized codes to be effective in FFMS, procedural changes will have to be implemented. These procedural changes will have to be analyzed to determine their operational impact. The analysis of these changes should be completed by December 31, 2002. After the analysis, timeframes will be established for implementation of the uniform location codes for FFMS.

If you have any questions, please contact Judy R. Harrison, Assistant Commissioner, Office of Financial Management, at (202) 305-1200.



U.S. Department of Justice
Immigration and Naturalization Service

HQINS 70/5

Office of the Executive Associate Commissioner

425 I Street NW
Washington, DC 20536

SEP 11 2002

MEMORANDUM FOR THE COMMISSIONER

FROM: Johnny N. Williams
Executive Associate Commissioner
Office of Field Operations

SUBJECT: DRAFT AUDIT REPORT: Immigration and Naturalization Service Collection of Fees at Air Ports of Entry

The following is the Immigration and Naturalization Service (INS) response to the subject draft audit report recommendations 3, 4, 5, 7 and 8. The INS concurs with the recommendations and has provided specific responses addressing each recommendation.

RECOMMENDATION 3: Discontinue use of the Forms Integration Management System (FIMS) for fee collections at air POEs and other ports of entry.

INS RESPONSE: Concur in part. For those locations using the Disk Operating System (DOS)-based FIMS, we concur that its use should be discontinued for fee collection, due to the possible attempts to manipulate the database. Air POEs will discontinue the use of the DOS based FIMS for fee collection and will use a manual based system to generate a G-711 or utilize a Service-approved cash register or other system as appropriate. Where feasible, the Port of Entry Office Management System (POMS) will replace the DOS based FIMS at air POEs to track fee collection statistics for input into the monthly G-22. However, at present POMS is DOS based and its database can also be manipulated.

The INS is currently evaluating the viability of an upgraded version of FIMS which is a Windows based program for the office of Inspections. The new version "FIMS 2000" has been utilized throughout the Buffalo District since June 2001. Security gaps in the old FIMS were identified and addressed in the technical upgrade. The new FIMS software precludes the permanent deletion of data entries and passwords conform to the INS standard to include that all entries and changes are tracked by individual sign-on. The G-711 automatically lists or

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identifies the remitter's name, address, the beneficiary's name, the application type, amount, and the I-94 admission or A Number. The receipt number is automatically generated which includes the location, fiscal year, fee day, and the sequence of the fee for that day.

RECOMMENDATION 4: Develop and issue a standard form or checklist for the Trade NAFTA adjudications.

INS RESPONSE: Concur. The North American Free Trade Agreement (NAFTA) Handbook, issued in November 1999, was provided by the Office of Inspections as reference material to assist immigration inspectors in processing applicants for admission under the NAFTA. The NAFTA Handbook contains a summary checklist to assist the inspector in adjudication of both the Canadian and Mexican application. The Canadian NAFTA summary checklist, located on page 159, will be modified to require utilization of the fee receipt G-711 to replace the G-211. The Mexican NAFTA summary checklist, located on page 167, does not require the immigration inspector to collect a fee. The fee is not charged to Mexican citizens when applying for a NAFTA classification at the POE because fees are charged when filing the I-129 petition and for the issuance of the nonimmigrant visa.

RECOMMENDATION 5: Provide training to POE staff who will use the manual receipt process to ensure that the new procedures are sufficiently implemented, and require that each port director certify implementation of the new procedures.

INS RESPONSE: Concur. The INS Office of Financial Management is in the process of updating the Inspector's Field Manual to address the manual receipt process to include instructions. The INS HQ Office of Inspections with the HQ Office of Financial Management, will coordinate selected train-the-trainer instruction to involve members from the Regions and District offices to specifically address implementation of the new procedures. The Port Directors will be afforded a six-month time period to fully implement the new procedures and be required to certify, in writing, implementation of the new procedures.

RECOMMENDATION 7: Develop sufficient criteria and comparative reports for the periodic review and reconciliation of fee collection data in the Financial Accounting and Control System and the fee-related statistics in the Performance Analysis System to determine whether the INS is meeting its data integrity performance goals.

INS RESPONSE: Concur. In October 2000, the Office of Inspections developed a revised G-22.1 Performance Analysis System (PAS) Inspections Summary Report based on the Office of Inspector General recommendations and input from the Office of Financial Management. The Office of Inspections also revised the Inspections Activity Workload Records Report Procedures in October of 2000. The Office of Management's response to recommendation number 1 and number 6 develops guidance and controls to ensure adequate reconciliation of fees collected and applications processed.

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RECOMMENDATION 8: Assess and modify accordingly, the Inspection Summary Report (G-22) to consistently report fee collections and waivers of fees separately for applications requiring a fee.

INS RESPONSE: Concur. As mentioned in recommendation number 7 above, the Office of Inspections revised the G-22.1 Performance Analysis System (PAS) Inspections Summary Report based on the Office of Inspector General recommendations. The fees paid and fees waived statistics are clearly broken out in the revised G-22.1 report.

The Executive Associate Commissioner will issue a memorandum to field managers mandating compliance with the Administrative Manual Policy Statement 3.1.101, Inspections Activity Workload Records, (Forms G-22.1 & G-22.1F) Report Procedures.

If you have any questions, please contact Michael D. Cronin, Assistant Commissioner, Office of Inspections, at (202) 514-8223.

ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE REPORT

A draft report was issued to the INS on July 18, 2002. INS responded on September 17, 2002, with sufficient proposed corrective action to resolve Recommendations 1, 2, and 4 through 6. Responses to Recommendations 3, 7, and 8 were insufficient and remain unresolved. The status of each recommendation follows:

1. **Resolved.** This recommendation was divided into nine subparts. The INS concurred with each of the subparts and detailed individual corrective action to be completed by the end of calendar year 2002. To close this recommendation, please provide us with sufficient documentation to confirm that promised corrective action was taken.
2. **Resolved.** The INS indicated that they will designate a single control point for issuing G-711 receipts, mandate their use at all POEs, require that these receipts be accounted for, and require that manual receipts be used in strict sequential order. The INS further indicated that the revised procedures will be available on their Intranet via PowerPoint. To close this recommendation, please provide us with sufficient documentation to confirm that promised corrective action was taken.
3. **Unresolved.** The INS agreed to discontinue the use of the DOS-based FIMS system for fee receipting purposes. However, while the INS evaluates the FIMS 2000 system used only in the Buffalo District, the issue of being able to alter a receipt in the FIMS 2000 database after the receipt was provided to the alien must be thoroughly analyzed for current security gaps.

SENSITIVE INFORMATION DELETED

This capability and lack of an audit trail was demonstrated by the OIG auditor to INS supervisors. To close this recommendation, INS must clearly demonstrate that the FIMS 2000 system cannot be easily corrupted without detection, and the system must be certified by the Department's Information Management and Security Staff.

4. **Resolved.** The INS agreed to modify the NAFTA checklist. It is important to understand that the Trade NAFTAs being processed did not contain any hard copy form or letter of request to document the

adjudication in two of the eight ports we reviewed. In three others of the eight ports tested, the official copy of the letter was forwarded to another port. Like the Forms I-193, I-90, I-129, I-131, and the I-68, the INS should use a form to document the adjudicated Trade NAFTAs. These forms should be maintained with the receipt for the fee paid for a period of six years and three months. To close this recommendation, please send us a copy of the modified checklist and instructions to all ports to use it or something similar for each Trade NAFTA adjudicated.

5. **Resolved.** The INS intends to update the Inspector's Field Manual and port directors will be afforded six months to implement the new procedures. Subsequently, the port directors will certify in writing they have implemented the new procedures. To close this recommendation, please provide documentation that the Manual has been updated and that the port directors have certified implementation of the new procedures.
6. **Resolved.** The INS indicated that an analysis and timeframes will be established for implementation of uniform location codes. The analysis is expected to be completed by December 31, 2002. To close this recommendation, please provide us with documentation of the establishment and implementation of the uniform codes.
7. **Unresolved.** The INS concurred with our recommendation to develop criteria and comparative reports for periodic review and reconciliation of the fee collection data in the accounting system and the Performance Analysis System. However, INS did not provide any details or a timetable on what or how this is to occur. Since the corrective action on this recommendation will have to be linked to INS's proposed corrective action associated with Recommendations 1 (new procedures for receipts), 6 (unique location codes), and 8 (modified Inspection Summary Report), the INS should reevaluate Recommendation 7 and provide to us specific proposed actions along with a timetable for completion.
8. **Unresolved.** The INS indicated that it revised the G.22 report in October 2000. However, the revised G.22 report allows for the waiver of fees for the I-193 only (lines 118 and 119). The G.22 does not record fee waivers separately for the I-68 (lines 106 and 107), I-765 (line 120), I-131 (not on form), Trade NAFTAs (line 123), and I-90s (lines 125 and 126). Please reevaluate this recommendation and provide a more specific and accurate response.