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United States General Accounting Office

GAO

Report to the Chairman, Permanent Subcommittee on Investigations, Committee on Governmental Affairs, U.S. Senate

MONEY LAUNDERING

U.S. Efforts to Fight It Are Threatened By Currency Smuggling

149601

U.S. Department of Justice
National Institute of Justice

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

General Government Division

B-256098

March 9, 1994

The Honorable Sam Nunn
Chairman, Permanent Subcommittee
on Investigations
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This report was prepared in response to your request to assess the extent to which currency and monetary instruments are being smuggled out of the United States in order to avoid reporting requirements. The report identifies what efforts are being taken to prevent the smuggling and discusses how efforts to combat money laundering are affected.

As arranged with the Subcommittee, unless you announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send it to other congressional committees, various bureaus and offices within the Department of the Treasury, and other interested parties. Copies will be made available to others upon request.

The major contributors to this report are listed in appendix III. Please contact me on (202) 512-8777 if you or your staff have any questions concerning this report.

Sincerely yours,

Laurie E. Ekstrand

Laurie E. Ekstrand
Associate Director, Administration
of Justice Issues

Executive Summary

Purpose

A major weapon in this country's efforts to combat money laundering are banking and tax laws that require the reporting of large cash transactions. To avoid these requirements, currency and other negotiable instruments are being smuggled out of the country. The Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs, asked GAO to assess the extent of currency smuggling and determine what the Customs Service is doing to curtail it.

Background

Money laundering is the process of disguising illicit income to make it appear legitimate. In 1970 Congress enacted the Bank Secrecy Act as a major step in fighting money laundering. The act's implementing regulations require that several types of reports be filed, such as the Currency Transaction Report, which banks and other financial institutions are to file on currency transactions exceeding $10,000. Another report is required from anyone transporting more than $10,000 in currency or monetary instruments into or out of the country. In 1984, the Internal Revenue Code was revised to require an additional report. Persons engaged in a trade or business who receive more than $10,000 in cash payments in a single transaction or series of related transactions must file a report with the Internal Revenue Service.

Requirements to report large cash transactions have made it increasingly difficult to disguise and conceal the huge amounts of cash that criminal activity such as drug trafficking can generate. According to law enforcement officials, one increasingly popular method of circumventing the reporting requirements is to smuggle the currency out of the country. Once the funds are deposited in a foreign financial institution, they are much more difficult to trace and can be spent or transferred back to the United States with less risk of exposure.

Results in Brief

Treasury and Customs officials said that the amount of currency being smuggled out of the country cannot be determined. Moreover, because of the clandestine nature of smuggling, a sound basis for estimates is difficult to establish. While estimates vary, law enforcement officials GAO interviewed agreed the amount is substantial and could be billions of dollars a year.

Smugglers use a variety of techniques and conveyances. For example, bulk shipments are sometimes driven across the border or hidden in air or ocean cargo shipments. Individuals have been stopped attempting to board aircraft with several hundred thousand dollars in cash hidden on their bodies. Some have even swallowed rolls of bills wrapped in condoms. The U.S. mail is also being used to ship currency out of the country without reports being filed.

Smuggling currency out of the country is relatively easy. The nation has thousands of miles of unguarded borders; where ports do exist, the inspection of outbound cargo and passengers is not given the same emphasis as inbound inspection. Although comparative data are not available, the Customs Service acknowledges that most of its resources are devoted to inspecting passengers and cargo entering the country. Nonetheless, in the 4-year period ending September 30, 1992, the Customs Service interdicted and seized $171 million in currency and negotiable instruments that was being taken out of the country without being reported.

The level of effort given outbound inspections is generally determined at the local level, and resource allocations are constrained by the necessity of maintaining an adequate level of inbound interdiction efforts. However, Customs has recently increased the Service-wide oversight of and emphasis on its efforts to interdict unreported currency leaving the country.

GAO's Analysis

Currency Smuggling Circumvents Reporting Requirements

Faced with the difficulties of laundering money domestically, many individuals take currency and other negotiable instruments to other countries, where it can be put into the flow of commerce and returned to this country under an air of legitimacy. The extent of the outbound currency problem is unknown, although some estimates are available. The 1984 President's Commission on Organized Crime estimated that as much as $5 billion a year in currency generated by the illegal drug trade was being taken out of the country. More recently, an Arizona law enforcement official has estimated that as much as $3 billion is being smuggled into Mexico or elsewhere every year just through that state's border. Although these are not analytically based estimates, they are experts' assessments of the magnitude of the problem. (See pp. 16 and 17.)

Foreign and U.S. currencies are brought into and taken out of the country on a routine basis and for legitimate reasons. In fiscal year 1992 businesses and individuals filed over 32,000 reports with Customs of almost $30 billion in currency and negotiable instruments leaving the country. These reports can be used to trace the funds. Consequently, currency is being smuggled out of the country to avoid any record that would associate individuals or businesses with large amounts of funds. (See pp. 15 and 16.)

A number of methods are being employed to smuggle currency out of the country. Law enforcement officials GAO interviewed described them as ranging from simple to complex. The variety of concealment techniques makes smuggling extremely difficult to detect. For example, currency has been found hidden on passengers and in luggage, commercial cargo, false compartments, vehicles, vessels, mail, and commercial aircraft. As with drugs, there have even been instances where individuals have swallowed currency or taped it to various parts of their bodies. (See pp. 17 through 28.)

Individuals caught smuggling currency represent many nationalities and are stopped en route to a number of destinations. Consequently, no typical profile or country of destination exists. (See pp. 36 and 37.)

Customs Has Had Some Success in Combatting Currency Smuggling

The Customs Service has traditionally emphasized those programs directed at inspecting the flow of persons and cargo into the country. Enforcement efforts to interdict illegal exports do exist, however, and include one program, "Operation Buckstop," specifically aimed at selectively inspecting passengers and cargo leaving the country to ensure that currency being transported outside the United States is reported. (See pp. 29 and 30.)

Customs does not collect data on a nationwide basis that can be used to compare the resources used on inbound and outbound inspections. Outbound inspections, however, are the exception rather than the rule. Only 85 of the 338 Customs ports have staff performing outbound inspections on a full-time basis. These staff total 130 of the 6,228 inspectors in Customs. (See p. 29.)

GAO visited 28 ports in 11 Customs districts and found a wide variation in how and when Operation Buckstop inspections were done. Resource constraints were a major factor in making these decisions. Other considerations included the perceived threat of currency smuggling at particular ports, the adequacy of facilities to accommodate outbound inspections, and the availability of specialized equipment for examining bulk cargo. (See pp. 29 through 32.)

Customs efforts to combat currency smuggling have resulted in substantial amounts of currency being interdicted. However, Customs officials acknowledged that the seizures represent only a fraction of the amount that is probably taken out of the country unreported. In the 4-year period ending on September 30, 1992, $171 million was seized by Customs inspectors as it was being smuggled out of the country. (See p. 34.) Fifty-two of Customs' 338 ports reported 862 seizures totalling $42.4 million in fiscal year 1992. (See app. II.) Most of the currency seized (71 percent) was being smuggled on commercial aircraft, while 17 percent of the seized currency was found on commercial ocean vessels. (See p. 38.) Eighty-six percent of the currency was seized at 10 ports, and more than a third was seized at 1 port, New York's JFK airport.

In the first 11 months of fiscal year 1993 seizures had increased to 913 for a total of $39.2 million. (See pp. 44 and 45.) Increases over the number of seizures in fiscal year 1992 could be related to an increase in smuggling activity, an increase in Customs outbound inspection activity, or both.

Customs Efforts to Improve and Increase Outbound Currency Inspections

Customs has increased the oversight and emphasis given currency interdiction efforts on a nationwide basis. These efforts include the preparation of an Inspector's handbook to ensure uniform procedures during Operation Buckstop inspections and special initiatives, such as testing the use of specially trained dogs to detect U.S. currency. In addition, certain geographical areas and means of conveyance have been targeted for special attention. (See pp. 43 through 45.)

The primary factor limiting any increase in Operation Buckstop initiatives is scarce resources. Any personnel, equipment, and funds directed to outbound interdiction efforts are generally at the expense of those Customs programs directed at inbound interdiction. Because its overall level of resources is not increasing, the Customs Service is faced with the challenge of determining the appropriate balance between inbound and outbound interdiction efforts. (See pp. 44 and 45.)

Recommendations

GAO is not making any recommendations in this report.

Agency Comments

Customs officials provided GAO with oral comments on a draft of this report. (See p. 45.) They said the report was factually correct and an objective presentation of the problems faced by Customs in combatting currency smuggling.

Contents

Figures

Abbreviations

BSA	Bank Secrecy Act
CMIR	Report of International Transportation of Currency or Monetary Instruments
CTR	Currency Transaction Report
FinCEN	Financial Crimes Enforcement Network
IRS	Internal Revenue Service

Introduction

Money laundering is the disguising or concealing of illicit income in order to make it appear legitimate. Recognizing that money leaves a trail that can be traced to an underlying crime, Congress has enacted legislation to make money laundering more difficult to conceal and easier to prosecute. These efforts have been rewarded in that laundering money through U.S. financial institutions and businesses is now considered to pose an increased threat to those seeking to disguise illicit cash.

Law enforcement officials believe that successes in combatting money laundering have caused criminals to avoid stringent U.S. reporting requirements by smuggling the cash out of the country. Once across the border the money is much more difficult to trace and can be more easily hidden under the guise of normal business transactions. This report describes the known extent to which currency and other monetary instruments are being smuggled out of the country, the methods used, and what Customs Service efforts are under way to interdict these funds.

Criminals Face Problems in Dealing in Large Amounts of Cash

Criminal enterprises such as drug trafficking generate enormous amounts of cash. It is estimated that the sale of illegal drugs in this country could be as much as $100 billion each year. Although the preferred medium of exchange is cash, the transactions often are small and drug traffickers must contend with a large volume of small-denomination bills.

Although the process of money laundering has been broken down into a number of steps, it is generally agreed by law enforcement and regulatory officials that the point at which criminals are most vulnerable to detection is "placement." Placement is the concealing of illicit proceeds by

- converting the cash to another medium that is more convenient or less suspicious for purposes of exchange, such as property, cashier's checks, or money orders; or
- depositing the funds into a financial institution account for subsequent disbursement.

Because of the problems associated with converting and concealing large amounts of cash—about 450 paper bills weigh 1 pound, so that $1 billion in $100 bills would weigh over 11 tons—placement is perhaps the most difficult part of money laundering and is currently the primary focus of U.S. law enforcement, legislative, and regulatory efforts to attack money laundering.

Reporting Requirements Have Increased the Risks of Laundering Money

Federal efforts to detect placement and track the international movement of money and monetary instruments across the nation's borders were significantly enhanced with the passage of the Bank Secrecy Act (BSA) in 1970. The act requires individuals as well as banks and other financial institutions to report large foreign and domestic financial transactions to the Department of the Treasury. The implementing regulations of the act require the following reports:

- Currency Transaction Report (IRS Form 4789): this report must be filed by financial institutions[1] for each deposit, withdrawal, exchange of currency, or other payment or transfer, by, through, or to such financial institutions that involves a transaction in currency of more than $10,000.
- Currency Transaction Report by Casino (IRS Form 8362): this report must be filed for each currency transaction in excess of $10,000 by any licensed casino operating in the United States with gross annual gaming revenues in excess of $1 million.
- Report of International Transportation of Currency or Monetary Instruments (Customs Form 4790): this report must be filed when currency or monetary instruments over $10,000 are transported from or into the United States.
- Report of Foreign Bank and Financial Accounts (Treasury Form TDF 90-22.1): this report must be filed annually by U.S. persons who have a financial interest in or signature authority over bank accounts, securities accounts, or other financial accounts in a foreign country that have a combined value in excess of $10,000.

The act has been amended to provide substantial criminal and civil penalties for institutions that fail to file the required reports and for individuals who deliberately evade certain reporting requirements.

In addition to the BSA reports, Section 6050I was added to the Internal Revenue Code in 1984 requiring any person engaged in a trade or business (other than financial institutions required to report under the Bank Secrecy Act) who receives more than $10,000 in cash payments in a single transaction or series of related transactions to file a report with the Internal Revenue Service (IRS). The Secretary of the Treasury requires the report be filed on an IRS Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business.

[1]As defined by Treasury, "financial institutions" include banks, federally regulated security brokers, currency exchange houses, funds transmitters, check cashing businesses, and persons subject to supervision by state or federal bank supervisory authority.

Data from the BSA reports and the Forms 8300 are maintained on two computer databases. One is used by IRS in investigations involving tax fraud and evasion. The other is used by law enforcement agencies at the state and federal level in criminal investigations, not only of money laundering, but also in

- identifying suspicious transactions that might indicate other possible criminal activity;
- evaluating the merits of any potential criminal cases; and
- tracing, analyzing, or identifying the disposition of proceeds from any illegal activity.

By far, the report most frequently filed has been the Currency Transaction Report (CTR). In May 1993, we testified before the House Banking Committee[2] that over 95 percent of the BSA reports filed up to that time were CTRS and that since 1987 the annual filings of CTRS had increased at an average rate of 12.7 percent. We also pointed out that Treasury and law enforcement officials generally believe that in the past, traditional banks and other financial institutions were the primary means used by money launderers. The officials also believe that increased efforts by federal regulatory and law enforcement agencies, as well as enhanced cooperation by the banks themselves, have significantly improved bank compliance with the reporting requirements, making it much more difficult for banks to be used for money laundering purposes.

Given the increased level of risk, criminals must now pursue money laundering methods less susceptible to detection. One such method is to take the cash out of the country, after which it is not subject to U.S. reporting requirements and can be reintroduced into the financial system with the appearance of legitimacy.

Objectives, Scope, and Methodology

The Chairman of the Permanent Subcommittee on Investigations, Senate Governmental Affairs Committee, asked us to assess the extent to which currency is being smuggled out of the U.S. and identify what efforts the Customs Service is taking to prevent the smuggling. Rather than attempt to provide a quantified estimate of how much smuggling is occuring, it was agreed that we would present the estimates of knowlegeable law enforcement officials.

[2]Money Laundering: The Use of Bank Secrecy Act Reports by Law Enforcement Could Be Increased (GAO/T-GGD-93-31, May 26, 1993).

To address these objectives, we reviewed pertinent laws and regulations and an extensive body of published material, including congressional hearings and reports; academic and periodical literature; and reports prepared by federal and state agencies, private research associations, and other experts. We also met with knowledgeable officials and reviewed records within the Customs Service and the Financial Crimes Enforcement Network (FinCEN).

To review ongoing interdiction efforts by Customs we obtained Service records and held discussions with knowledgeable Customs officials at the headquarters, district, and port levels. To the extent possible, we verified the statistical information we obtained through a review of the source records and observations.

We also visited Customs ports and district offices that were judgmentally selected based on the locations having a high degree of outbound interdiction activity. Overall, the Customs districts we visited were responsible for 87.4 percent of all the outbound currency seizures during fiscal year 1992. We ensured that our visits included land border crossings with both Canada and Mexico, seaports on both the Atlantic and Pacific coasts, and major airports throughout the country. To provide a basis for comparison, we visited some smaller ports as well as ports that had no outbound currency seizures.

As shown in appendix I, we visited 11 districts and 28 ports. Since the sites were selected judgmentally as described above, the results of our work cannot be projected nationwide. At each of the ports visited, we met with Customs officials and observed inspection activities. Where available, we analyzed documentation on outbound currency inspections and seizures. We attempted to identify all the currency smuggling schemes that Customs had detected and to determine the rationale for local differences in interdiction efforts.

To determine the status of efforts to combat outbound currency through the U.S. mail, we met with officials in both the Customs Service and the Postal Service in Washington, D.C. We reviewed the current status of proposed interagency agreements and discussed the status of current inspection efforts.

We provided the Customs Service with a draft of this report and received oral comments from agency officials.

We did our work between February 1992 and November 1993 and in accordance with generally accepted governmental auditing standards.

Currency Smuggling Is Being Used to Evade Reporting Requirements

Transporting large amounts of foreign and domestic currency into or out of the U.S. is legal and a relatively common occurrence. However, Treasury regulations require that the destination, method of transport, and owner of the funds be identified. Individuals attempting to remove large amounts of illicit cash out of the country prefer to remain anonymous and that the shipment be unrecorded. Consequently, they often resort to smuggling.

The exact amount of money being smuggled out of the country is unknown. Because of our open borders and the priority given inbound interdiction efforts, billions of dollars in U.S. currency could be leaving the country each year unreported.

Reporting Requirements for Transporting Currency Into or Out of the Country

Businesses and individuals transport currency into or out of the country for a number of legitimate reasons. For example, financial institutions and exchange houses operating on the border may need to take currency back into the country. Also, businesses and individuals may find they can negotiate better deals in foreign markets by having currency on hand.

As discussed earlier (see ch. 1), any individual or business that transports more than $10,000 in currency or monetary instruments[3] into or out of the country must file a Report of International Transportation of Currency or Monetary Instruments (CMIR) or face a fine or imprisonment. Generally, this filing is made at the Customs port where the funds cross the border although some CMIRs can be mailed to Customs headquarters in Washington, D.C. The information to be reported on the CMIR includes

- the name and other identifying information of the individual transporting the funds,
- the method being used to transport the funds,
- the amount being transported,
- the owner of the funds, and
- the destination of the funds.

In fiscal year 1992, more than 200,000 CMIRs were filed to report about $61 billion in currency entering or leaving the country. The amounts being transported can be quite large. In fiscal year 1992, 43 percent of the outbound CMIRs filed by businesses and 6.5 percent of the outbound CMIRs filed by individuals were for amounts of at least $100,000. The largest

[3]As defined by Treasury regulations, "monetary instruments" include forms of payment that are bearer negotiable, such as traveler's checks and money orders. For clarification purposes, the word "currency" as used in this report will also refer to monetary instruments.

outbound business CMIR was for $72,852,579, while the largest outbound individual filing was for $23,800,000. Overall, the average business CMIR was for $1,124,111, while the average individual CMIR was for $61,680. Table 2.1 provides a breakdown of the CMIRs filed by amounts reported, type of filer, and whether the funds were entering or leaving the country.

Table 2.1: Distribution of CMIRs Filed in Fiscal Year 1992

	Individuals		Businesses	
Direction	Number	Amount (billions)	Number	Amount (billions)
Inbound	124,786	$6.836	50,537	$24.057
Outbound	6,348	$0.389	26,123	$29.365

Source: U.S. Customs Service.

Customs officials told us that there is no reason to assume that the number of CMIRs being filed should be relatively equal for inbound and outbound traffic and, as table 2.1 shows, they are not. Since we do not know how many outbound CMIRs should have been filed, we cannot draw any conclusions about compliance with the reporting requirements from the disparity between inbound and outbound filings.

The Amount of Currency Being Smuggled Out of the Country Is Unknown

Despite the fact that U.S. currency is routinely taken out of the country for legitimate purposes, Customs officials said that criminals are anxious to avoid the paper trail created by filing a CMIR. Thus, they resort to currency smuggling by carrying money out of the country in some surreptitious or concealed manner.

Treasury and Customs officials told us that it is not possible to measure accurately how much currency is being smuggled out of the country. Moreover, because of the inherent clandestine nature of the activity, it is very difficult to establish a sound basis for estimates. These officials believe, however, that the millions of dollars in currency being interdicted (see ch. 3) represent only a small fraction of the total amount being smuggled.

Currency smuggling has been recognized as a problem since at least 1984, when the President's Commission on Organized Crime reported that as much as $15 billion of the $50 to $75 billion in illegal drug money then being earned in the United States moved into international financial channels each year. Of the $15 billion, as much as $5 billion was thought to be transported in the form of currency, with the remainder being wired abroad after deposit in the U.S. banking system.

A 1987 Customs Service report on money laundering methods reported that the currency flow between two countries, Colombia and Panama, and the United States indicated that approximately $1 billion a year in U.S. currency was being returned to this country, but a corresponding flow of U.S. currency was not being reported as sent to those countries.

Treasury's Financial Crimes Enforcement Network (FinCEN) reported in July 1992 that currency smuggling was extensive and appeared to be increasing. Nonetheless, the report concluded that "The extent of currency smuggling is subject to a great deal of conjecture."

In February 1992 hearings before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs, federal as well as state law enforcement officials expressed their concerns with the emerging trend of currency being smuggled into Mexico. An Arizona Assistant Attorney General testified that law enforcement personnel were aware of the export of cash drug proceeds and estimated that as much as $3 billion in U.S. currency a year was being smuggled out of the country from Arizona into Mexico or elsewhere. A Deputy Attorney General for California testified that individuals had been caught walking across the California border into Mexico with shopping bags containing as much as $500,000 in currency. However, as discussed below, Mexico is not the only destination of U.S. currency being smuggled out of the country.

Currency Smuggling Methods Vary Considerably

Smuggling currency out of this country is relatively simple because of the nation's border characteristics and because of our historic treatment of exports and outbound passengers. Geographically, the contiguous United States has approximately 11,323 miles on two oceans and the gulf coast, 3,987 miles of shared border with Canada, and 1,933 miles of shared border with Mexico. While Customs maintains over 300 ports where vehicles and cargo can leave the country by air, land, or sea, there is little to prevent a person leaving the country by simply crossing the border at other locations.

Smugglers use a variety of techniques to take money out of the country. The remainder of this chapter presents some examples of methods used by currency smugglers, sorted by type of conveyance used.

Air

Customs officials believe that smuggling currency by commercial airlines has long been a preferred method, since (1) the passenger can stay close to his money during the transport, (2) so many destinations can be reached easily and quickly, and (3) so little preplanning is required. Passengers on commercial air carriers can smuggle currency concealed on their persons, in hand-carried baggage, or in the checked luggage compartments of the aircraft. Commercial flights can be direct routes to foreign destinations or may connect with other domestic flights prior to overseas departure. Customs provided us with several examples of how currency is smuggled out of the country on commercial airlines.

In March 1988 Customs seized $402,334 from a passenger departing from Los Angeles International Airport en route to Colombia. While performing a search for outbound currency violations, an inspector found a duffel bag with two 5-quart cooker/fryers packed in boxes. The unusual weight of the boxes caused the inspector to examine their contents, whereupon he noticed that the screws holding the bottoms of the appliances had been tampered with. Upon removing the screws, the inspector found bundles of U.S. currency stuffed into the bottoms of the appliances.

In November 1988 Customs seized $1,017,832 being transported in checked baggage from Miami to Colombia. The currency consisted primarily of $20 bills stacked in groups of 100 and bound by rubber bands. The currency was packed among the wiring in electric space heaters and in suitcases. A follow-up investigation resulted in the seizure of an additional $2,400,000 from a garage at the residence of one of the violators identified in the investigation. This currency was wrapped in foil and concealed in microwave ovens and heaters awaiting shipment.

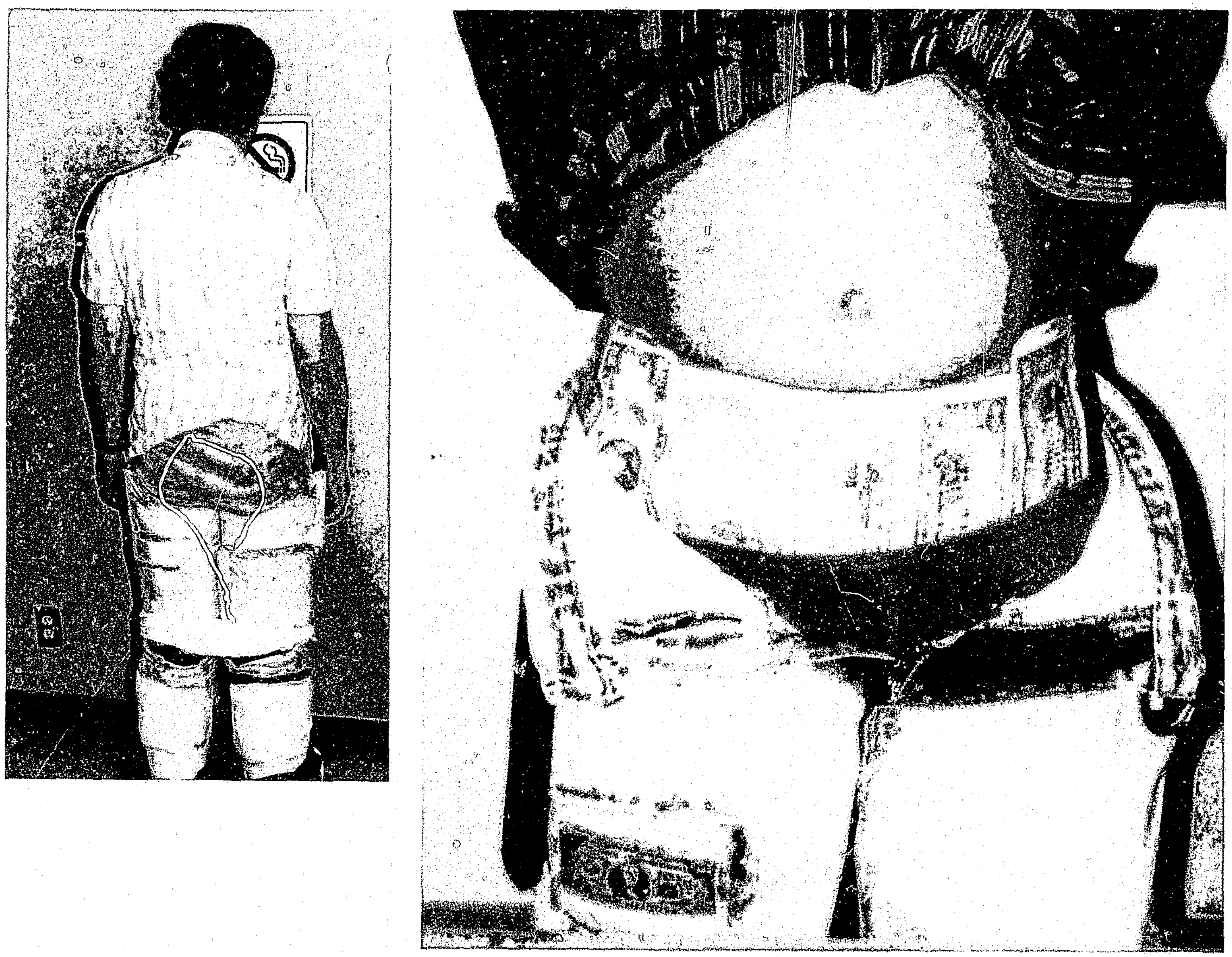
In January 1991 a Chicago O'Hare security guard at the X-ray security point observed a large amount of currency hidden in a false-bottom briefcase. The guard notified Customs officials, who responded by performing a search of passengers boarding the flight to Paris, which had a connection to Hong Kong. The CMIR requirement was announced over the intercom prior to passengers boarding the flight. The suspected violator approached an inspector and declared $9,650. He was told that he had to declare currency only if it exceeded $10,000. While boarding the aircraft, the suspect was stopped in the jetway and advised again of the currency requirement. He orally declared $100,000 but then completed a CMIR for $105,000. He again was afforded an opportunity to amend his declaration and did so for $170,000. Customs' inspection disclosed the suspect was carrying $184,200, which was then seized.

In September 1992 federal and state authorities performed an outbound currency search of a commercial carrier's crew members departing from New York-JFK with final destination to Colombia. A flight attendant was stopped and informed of the currency reporting requirement. She declared a total of $1,000. Upon examination of her hand-carried crew bag, a Customs inspector found $2,600 in a roll of toilet paper, $12,400 in an envelope, $20,000 in a wooden box, $1,627 in her wallet, $5,000 in a carry-on garment bag, $40,000 in a box of laundry detergent, and $13,300 in her jacket pocket. In total, she was carrying $95,541. The money was seized and the flight attendant was arrested.

Currency smugglers have become more sophisticated in their concealment methods as Customs has targeted international flights for outbound searches. One such technique is concealment on or within the body itself. Figure 2.1, for example, shows an individual who had strapped money to his waist and another individual with money taped to his lower body. Customs documented one case at New York-JFK where a woman had swallowed $7,500 in 15 condoms, hidden $3,500 in 7 condoms in a body cavity, and concealed $47,894 in her baggage.

Figure 2.2 shows examples of money being extracted from a lotion bottle and currency secreted in a false-bottom briefcase.

Figure 2.1: Examples of Individuals Attempting to Smuggle Currency by Concealment on the Body



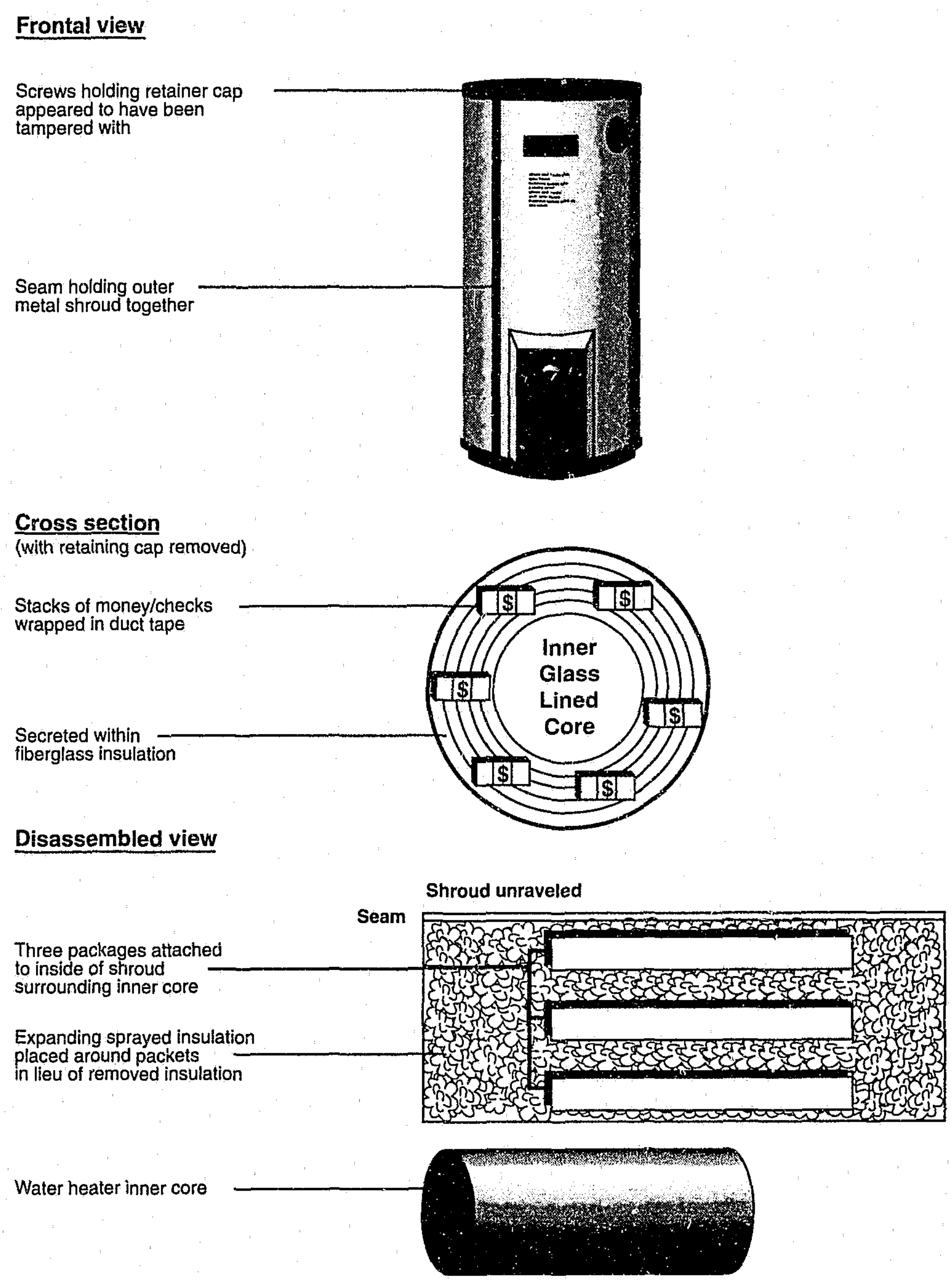
Source: U.S. Customs Service.

Figure 2.2: Examples of Attempts to Smuggle Currency in Personal Baggage

Source: U.S. Customs Service.

Currency smuggling by air is not limited to passengers but also may include air cargo. In the largest such detected case, inspectors at New York-JFK found $6,469,024 in 26 sealed metal containers. In another case, inspectors found $1,752,106 in cash and money orders in a water heater. Figure 2.3 is a Customs diagram of how this money was concealed. In still another case, airline employees accidentally pierced the support railing on a pallet containing empty fruit boxes, eventually leading to the discovery of $989,915 hidden in hollowed-out portions of the wood.

Figure 2.3: Diagram of Hot-Water Heater Used to Conceal $1,752,106 in Currency



Source: U.S. Customs Service.

Land

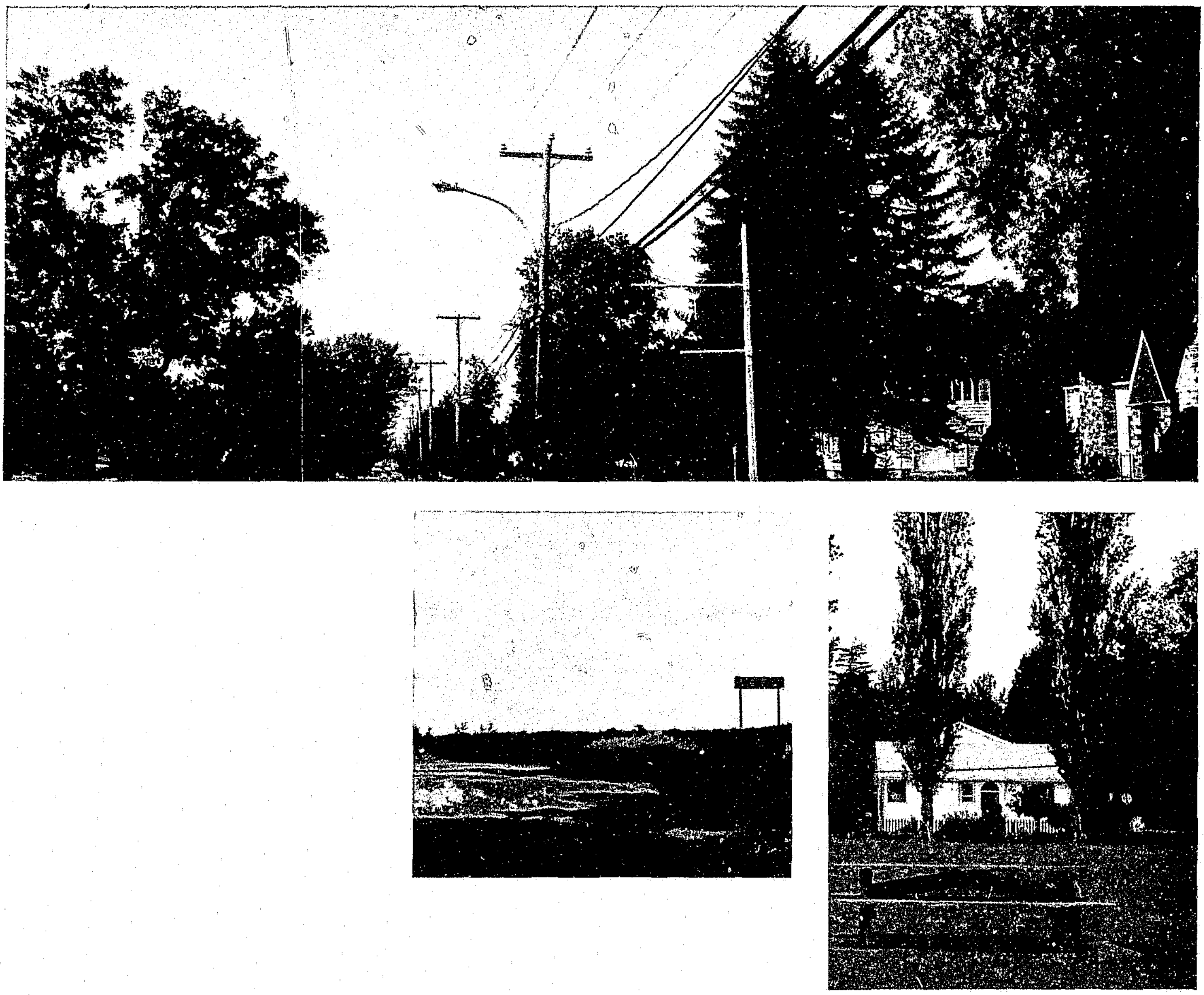
Smuggling currency across land border crossings lacks some of the advantages of using air carriers. First, there are only two countries—Mexico and Canada—that border the United States. If the actual currency is bound for some other country, it still has to be converted or shipped again from the intermediate stop. Also, the smuggler must physically go to the border rather than simply board an international flight.

At the same time, border crossings offer advantages for smugglers. Customs presence tends to be less at the outbound stations, and inspections are infrequent because they create massive traffic jams. Even if outbound searches are being performed, the individual still can wait until the last minute to turn around, seek another crossing, or prepare a CMIR. If the smuggler wishes to exit at an official crossing, Customs maintains 98 ports on the Canadian border and 36 on the Mexican border. Also, the smuggler can easily carry the currency across the border at some point where it is not patrolled.

Another advantage of land border crossings is that the smuggler often has a vehicle in which to conceal currency. Customs agents have found currency in obvious locations, such as on the seat and in the trunk, as well as in concealed locations, such as false compartments, dashboards, and door panels. Customs officials said that unless they have some evidence that these unusual concealment methods are being used, they are not likely to perform the detailed searches necessary to disclose the hidden funds during routine inspections.

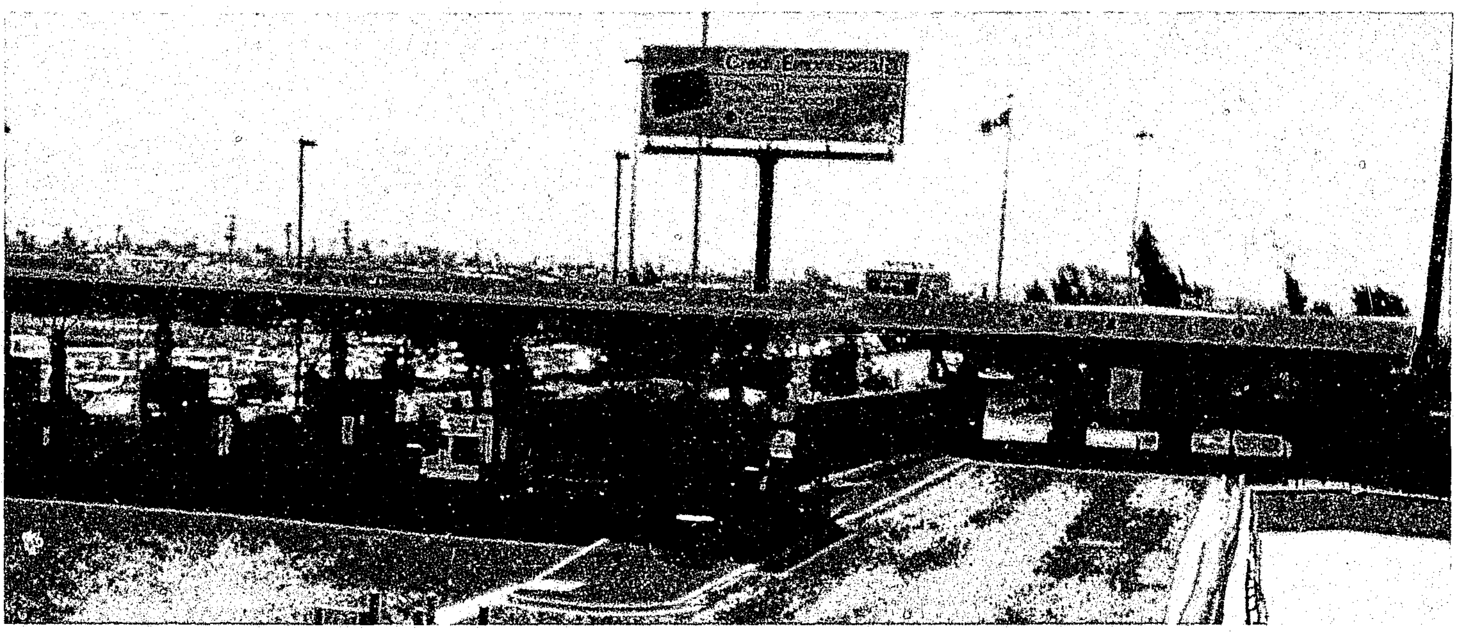
Figure 2.4 shows some of the problems associated with preventing currency smuggling at land border crossings. In many locations on the Canadian border there is no Customs presence at all, and individuals and vehicles can cross the border at will. For example, one picture shows a crossing on an isolated country road in Vermont while another shows a crossing on a residential street in a Vermont town. Another picture shows the unpatrolled nature of the border in a Washington town, where an individual can enter Canada simply by walking across a park.

Figure 2.4: Typical Unpatrolled Crossing Points on the U.S.-Canadian Border



Even where Customs does have a checkpoint, the emphasis is generally on inbound traffic. Figure 2.5 graphically illustrates the differences in control of inbound and outbound traffic on the Mexican border. In this typical crossing at San Ysidro, California, there is a considerable backup on the Mexican side, while cars and pedestrians from the United States cross into Mexico unimpeded.

Figure 2.5: U.S.-Mexican Border Crossing at Otay Mesa, California (Inbound on Left, Outbound on Right)



In another example of currency being smuggled across a land border, Customs stopped an individual crossing into Mexico as a pedestrian at Otay Mesa, California. When asked if he had currency to declare and informed of the CMIR requirement, the individual told the Customs agents he was carrying \$9,000. A search of the individual disclosed \$14,010 in a portfolio, \$2,126 in his pants pockets, and \$200 in his wallet. After he refused once more to complete a CMIR, Customs seized the currency—except for \$200 he was allowed to keep in order to continue on to his stated destination—and allowed the individual to leave the country. A follow-up investigation revealed that this individual had submitted CMIRs during previous crossings, proving that he was aware of the reporting requirement.

In another case, four individuals were crossing the border at Hidalgo, Texas, in a van. Asked by Customs if they had currency to declare, they responded that they did not. After a search located two suspicious envelopes, they again were asked and again responded that they had nothing to declare. A search of the envelopes led to the seizure of $18,657 and the arrest of two of the occupants.

In November 1990, Customs inspectors and Border Patrol agents located in Holland, Vermont, seized $1,289,700 destined for Canada. The violators were arrested for attempting to transport unreported currency out of the United States using heavy-duty all-terrain vehicles on a back road.

Sea

Smuggling money by commercial shipping is even more cumbersome than by land, since (1) it may require the use of other parties such as exporters or ship personnel and (2) the smuggler may be physically separated from the currency for long periods. At the same time, however, shipping offers certain advantages for smuggling. Ships leave U.S. harbors bound for countries around the world, and ship cargo typically involves such large containers that currency is very easy to conceal and difficult to detect.

Customs recently has begun to target sea shipments for outbound inspections, and several large dollar value seizures have been made. In September 1989, for example, Customs inspectors in Newark seized $763,240 that had been concealed beneath the floor of a refrigeration unit in a ship bound for Colombia.

In July 1992, Customs inspectors at the Newark seaport seized $7,175,161 from two 20-foot containers loaded with dried peas on board a vessel destined for Colombia. The violator, a packing and shipping company, had freshly painted each container in order to conceal the false front walls. A subsequent investigation led to the seizure of an additional $4,000,000 when a suspect was apprehended at his residence, bringing the total seizure amount to over $11 million. According to Customs, the violator said the seizure represented approximately 1 month's drug profits.

In March 1992 the press reported that Panamanian authorities had seized $7.1 million from two containers on a ship inbound from Miami. The money had been scheduled for deposit in a Spanish bank in Panama. The money launderer was believed to have been using a U.S. paper company as a front for his operations.

A report prepared by Customs Office of Intelligence in January 1989 noted that smugglers were likely to continue their use of commercial shipping due to the minimal risk involved.

Mail

Federal law enforcement agencies agree that a significant amount of currency is being sent out of the country through the U.S. mail and commercial carriers without being reported. Officials at Customs, the U.S. Postal Inspection Service, and FinCEN said that although the extent of the problem could not be measured, the U.S. mail and private mail couriers are being used to send currency (primarily money orders) out of the country without the required CMIR being filed. The volume of mail and packages leaving the country each day—as well as the large amount of currency that a single package can hold—makes this a relatively easy and safe means of smuggling money out of the country.

An intelligence report issued by Customs in January of 1989 cited several cases that lend credibility to the belief that smugglers use mail and international air courier companies to smuggle currency overseas. In March 1988, for example, Customs officials in Los Angeles reported that they were working a joint investigation with Newark, New Jersey, involving the shipment of cashier's checks for amounts under $10,000 to Panama in which the smuggler used three private delivery services and the U.S. Postal Service.

More recently, a Customs inspection at a private carrier's hub in Memphis found large amounts of currency in packages supposedly carrying business documents. One of the packages contained $30,000 in money orders, the second $30,000 in traveler's checks, and the third $16,800 in money orders. Although the packages were sent by two separate entities, all were bound for Colombia.

Similarly, the Postal Inspection Service has seized currency being mailed to overseas locations during its own money laundering investigations. Specific data on the number and dollar amount of seizures made by the Inspection Service are unavailable, but the Service estimates that as many as 25 separate criminal organizations are involved in sending unreported currency and money orders out of the country through 1 major airport on the East Coast alone.

Customs Has Had Some Success in Combatting Currency Smuggling

In order to collect revenues and interdict illegal imports, most Customs resources are dedicated to inspecting passengers and cargo entering the country. Even so, the Service does have a nationwide effort under way to interdict illegal exports. Included in this initiative is one program specifically aimed at the interdiction of currency being smuggled out of the country.

In the 4-year period ending in September 1992 Customs seized over $170 million in unreported currency. Although this is a substantial amount, Customs officials acknowledge that it is small in comparison to the amount that is probably leaving the country undetected. Recent Customs initiatives have increased the direction and emphasis given to efforts to curb currency smuggling. Given a limited pool of resources, however, any increase in outbound inspection programs is generally at the expense of Customs' inbound interdiction efforts.

Outbound Inspections for Unreported Currency and Other Illegal Exports

The Customs Service has traditionally emphasized those programs directed at inspecting the flow of persons and cargo into the country. Relatively few resources have been devoted to outbound inspections. Customs performs its outbound currency interdiction program as a part of an overall outbound enforcement effort that includes other contraband items, such as precursor chemicals for the manufacture of illegal drugs, stolen vehicles, high-technology equipment, guns and weapons, and any material being exported to embargoed nations.

Customs does not collect data for measuring how much time and effort are spent on outbound inspection efforts as opposed to inbound inspections. Based on the following statistics, however, outbound inspections appear to receive less emphasis than inbound inspections:

- Only 85 of the more than 300 ports have dedicated outbound enforcement teams. However, these 85 ports include many of the major ports, including international airports.
- Of the 6,228 Customs inspectors nationwide, only 130 have been assigned to outbound inspections on a full-time basis as of fiscal year 1993.
- Although no records are available on the level of outbound inspections, Customs officials said the rate was much lower than for inbound traffic, where about 8 percent of cargo is subject to inspection.

Of the various Customs programs targeting illegal exports, one program—"Operation Buckstop"—is specifically intended to prevent the unreported export of currency from the United States. Historically, outbound inspections for the purpose of interdicting currency were done at only a few locations and as special operations. The locations chosen for the inspections were limited to suspected routes of unreported currency destined for narcotic-producing and bank-haven countries. Operation Buckstop was initiated as a nationwide special operation in February 1986, and between 1988 and 1991 it was expanded and incorporated with other national outbound enforcement programs.

Today, Operation Buckstop is the generic term for all Customs Service efforts to inspect outgoing passengers and cargo to interdict currency being smuggled out of the country. In general, these efforts mirror inbound inspections. Individuals and cargo shipments are screened and some are chosen for more detailed examination based on the judgment of the Customs inspector. Because of limited resources and the emphasis on inbound inspections, however, outbound inspections are the exception rather than the rule. Consequently, Customs is very selective when targeting ports for implementing a Buckstop operation.

According to Customs officials, there is no typical Operation Buckstop inspection effort. Participation and specific operating procedures are left to the discretion of individual Customs district offices and ports. Some Operation Buckstop efforts are port initiatives, while others are coordinated at the district level. Some districts and ports have inspectors specifically dedicated to Buckstop inspections on a full-time basis. Others have a cadre of inspectors dedicated to outbound inspections, some of whom participate in Buckstop efforts. Finally, some locations use whatever inspectors are available at the time.

Districts and ports also vary in the number of inspectors involved and the frequency with which they perform Buckstop inspections. For example:

- The San Diego district has a designated team of inspectors for Buckstop operations that rotates among the seven ports within the district. One day the team may be at the San Ysidro land border crossing, the next at the international airport, and the next at the seaport.
- Some large airports, such as Los Angeles International (LAX) and New York-JFK, have dedicated teams of Buckstop inspectors that work selected flights but differ on the frequency of inspections. Inspections at LAX are performed 8 hours a day, while outbound inspections at New York's JFK are performed from 6 a.m. to midnight. Only a limited number

of flights can be targeted for inspections, based on the workload and the availability of the dedicated inspectors.

- In the St. Albans, Vermont, district, an outbound inspection that includes Buckstop efforts is performed at land border crossings for a 24-hour period once every 6 months. There are no full-time outbound or Buckstop teams; rather, the inspectors available at the time perform the inspections.

To augment these efforts, Customs headquarters and some of the ports involved in Operation Buckstop have developed special initiatives from time to time. For example, we identified the following during our site visits:

- Operation Million Air. This effort specifically targeted private aircraft. In San Diego, it included Customs' Office of Enforcement agents, personnel from Customs' Command Communication Intelligence Unit, and special agents from the Federal Aviation Administration. The first operation resulted in five seizures, two of them involving a total of $223,786 in currency.
- Operation Pistachio. In this effort, Chicago O'Hare inspectors specifically targeted weekend flights, because Operation Buckstop normally is restricted to the regular work week. Currency seizures totalling over $350,000 from previous inspections prompted this initiative.
- Operation Backdoor. The Nogales, Arizona, district targeted two land border crossings and seized nearly $400,000 from motorists over an 8-month period. This effort was similar to one known as "Operation Pipeline" in Blaine, Washington.
- Operation Cyclops II. This initiative resulted in the seizure of over $1 million in negotiable monetary instruments passing through Los Angeles International Airport. Five arrests were also made.

As with all inbound or outbound inspections, Operation Buckstop inspections are performed by port personnel working under the authority of Customs' Office of Inspection and Control. If the inspectors determine that an individual is in violation of the reporting requirements during their examinations, the individual is detained and the local Office of the U.S. Attorney is contacted to determine the likelihood the case will be prosecuted and what action to take. For various reasons—including an extensive caseload of higher priority offenses—the U.S. Attorney may decline to prosecute. In this event, Customs can still seize the currency and seek civil forfeiture of the funds. If the amount in question is less than $500,000, the forfeiture may be pursued administratively.

Resource constraints contribute significantly to determining when and where Buckstop inspections are performed. At the ports visited, we found that the staffing on outbound enforcement teams ranged from a minimum of 3 to a maximum of 20 persons. To supplement their staffing, some districts and ports obtain assistance from the National Guard, state and local authorities, and special task force operations. However, the extent to which these resources were used varied, and no records were kept to determine the level of effort expended.

Customs officials said the lack of resources was not merely a matter of personnel. They noted that much of the traffic leaving the country is bulk cargo, which is difficult to inspect without large and sophisticated equipment. Customs has a shortage of such equipment and the equipment it does have—like the personnel—tends to be devoted to inbound inspections.

To illustrate the level of Buckstop inspections, we obtained statistics from Chicago O'Hare, one of the country's busiest international airports. As of September 1992, an average of 1,888 flights a month left O'Hare for foreign destinations. The number of flights inspected each month averaged 64, from a low of 18 to a high of 135. An average of 32.17 percent of the passengers on these flights was interviewed or otherwise subjected to inspections. These inspections resulted in 59 seizures of outbound currency totaling $1,759,328.

Table 3.1: Operation Buckstop Inspections at Chicago O'Hare Airport, Calendar Year 1992

Month	Number of flights targeted	Number of passengers departing	Number of passengers interviewed	Number of checked bags examined
January	18	2,095	1,087	1,090
February	27	3,281	1,455	2,414
March	21	3,160	1,413	427
April	33	5,120	1,570	458
May	104	19,127	10,712	1,011
June	57	11,152	1,976	638
July	92	14,443	3,716	5,418
August	87	14,199	4,498	2,802
September	135	22,490	7,864	2,451
October	57	9,124	2,199	1,393
November	72	10,962	2,098	536
December	65	10,397	1,806	1,648
Totals	**768**	**125,550**	**40,394**	**20,286**

Source: U.S. Customs Service.

In June 1992 Customs dedicated 10 full-time inspector positions to outbound inspections at O'Hare. While this has increased coverage, the team typically works overlapping shifts through the regular work week. These shifts result in coverage for 13-1/2 hours daily. At the time of our visit, almost no inspections were made at other hours during the day or on Sundays, except for special operations.

Seizures of Currency Being Smuggled Out of the Country

In fiscal year 1989 Customs began to accumulate statistics for all seizures of currency resulting from all outbound interdiction efforts, including those seized as a result from Operation Buckstop inspections. From fiscal year 1989 through fiscal year 1992, Customs made 2,940 outbound currency seizures totaling $171.3 million. Customs officials said that this figure represents only that amount that can be attributed to the direct interdiction of currency being smuggled out of the country. We were also told that on a number of occasions currency has been seized during an investigation and it was later determined that an attempt to smuggle it out of the country had been planned. In these cases, however, the seized currency is not counted as resulting from interdiction efforts.

Table 3.2 shows the number and dollar values of outbound seizures since fiscal year 1989 compared to all currency seizures made by Customs over the same period.

Table 3.2: Outbound and Total Currency Seizures, Fiscal Years 1989 Through 1992

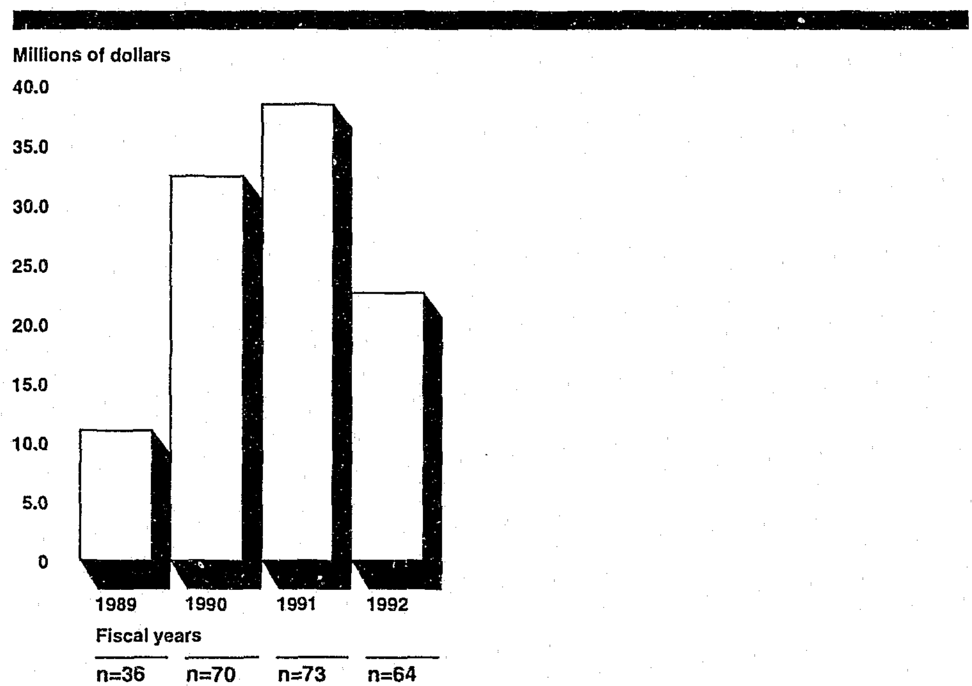
Fiscal year	Outbound seizures	Amount (million)	All seizures[a]	Amount (million)	Percentage of seized currency attributable to outbound seizures
1989	595	$ 22.0	4,102	$ 225.0	9.78
1990	821	52.5	4,222	446.0	11.77
1991	662	54.4	3,600	272.2	19.99
1992	862	42.4	3,507	220.6	19.22
Total	**2,940**	**$171.3**	**15,431**	**$1,163.8**	**14.72**

[a]Includes all seizures of currency by Customs including seizures resulting from inbound, outbound, and other enforcement programs

Source: GAO analysis of Customs data.

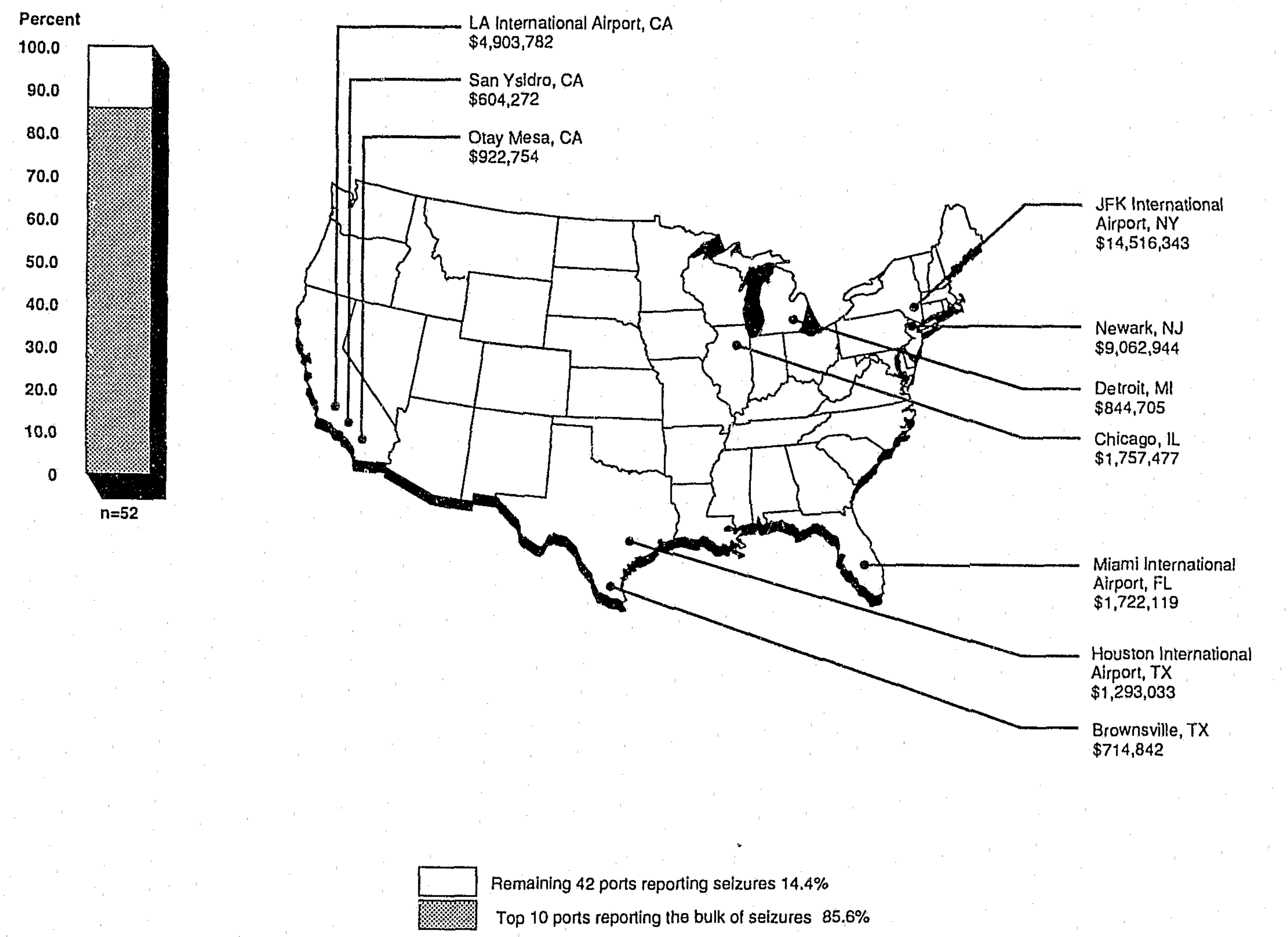
Due to the lengthy forfeiture process and the methods used to maintain statistics, we were unable to determine the percentage of the above seizures actually resulting in forfeitures to the government. Customs officials said that many of the smaller seizures are returned during the administrative adjudications after a fine has been levied. However, most of the seizures exceeding $100,000 are eventually forfeited. Figure 3.1 describes the number and value of seizures of $100,000 or more made since 1989.

Figure 3.1: Number and Dollar Amount of Outbound Seizures of $100,000 or More



A relatively small number of ports account for the bulk of currency seizures. However, as shown in figure 3.2, 10 of these ports accounted for about 85 percent of the $42.4 million seized during the year. New York-JFK alone accounted for more than a third of the seizures. (See app. II for a list of the 52 ports that reported seizures in fiscal year 1992.)

Figure 3.2: 10 Ports Accounted for Most of the Outbound Currency Seizures in Fiscal Year 1992



Customs does not maintain overall statistics on the number of outbound inspections made, so there is no readily available way to determine the frequency with which violations are identified during a Buckstop inspection. Customs officials at the ports we visited told us that most outbound currency seizures result from labor-intensive "cold hit" examinations rather than long-term investigative actions. They also said that seizures come from individuals of varying nationalities and headed for destinations around the world, which makes it even more difficult to profile any particular suspects or target specific flights. Table 3.3 summarizes Customs' outbound currency seizures as determined by the violators' nationalities for fiscal years 1991 and 1992.

Table 3.3: Outbound Currency Seizures by Violator Nationality, Fiscal Years 1991 and 1992

Violator nationality	Number of seizures FY 1991	Dollar amount FY 1991	Number of seizures FY 1992	Dollar amount FY 1992
North America	163	$10,460,140	267	$11,895,274
Central America	11	344,645	18	491,229
South America	99	10,194,256	185	9,620,764
Caribbean	16	394,262	51	1,092,771
Europe/Russia	27	1,828,738	56	1,537,783
Middle East	45	1,698,771	70	1,910,750
Far East	107	3,229,151	112	3,856,227
Africa	153	5,369,641	81	2,662,549
Unknown	41	20,860,193	22	9,371,172
Totals	**662**	**$54,379,797**	**862**	**$42,438,519**

Source: U.S. Customs Service.

For fiscal years 1991 and 1992, smuggling attempts on commercial airlines yielded the most seizures by dollar value. As discussed in chapter 2, Customs officials believe that commercial air travel is a favored means for smuggling currency because the travel time is short, the individual stays close to the money, and almost any destination is readily accessible. For this reason, Customs tends to perform more outbound inspections at airports. Customs officials were not sure whether the large volume of seizures on commercial airlines was due to this being the most prevalent type of conveyance or to this being the area where Customs devoted more resources. Table 3.4 shows the seizures for fiscal years 1991 and 1992 by method of conveyance.

Table 3.4: Outbound Currency Seizures by Method of Conveyance, Fiscal Years 1991 and 1992

Type of transport	FY 1991 dollar value	FY 1991 percent of dollar value	FY 1992 dollar value	FY 1992 percent of dollar value
Commercial aircraft	$34,352,835	63.17	$30,109,431	70.95
Land vehicles	3,895,267	7.16	3,822,489	9.01
Commercial vessels	•	•	7,372,766	17.37
Pedestrians	48,824	0.09	371,699	0.88
Private vessels	•	•	20,000	0.05
Bicycle	•	•	18,871	0.04
Unknown	7,765,299	14.28	•	•
Other	8,317,572	15.30	723,263	1.70
Totals	**$ 54,379,797**	**100.00**	**$42,438,519**	**100.00**

Source: GAO analysis of Customs data.

Customs officials believe that the impact of Operation Buckstop is much greater than the actual seizures appear to show. They said that the program is also resulting in additional compliance with CMIR requirements. They pointed out that in performing the inspections, the inspectors often require travelers to complete a CMIR on the spot rather than seizing the currency. For example, Chicago-O'Hare made 59 seizures of outbound currency totaling $1,759,328 during calendar year 1992. Customs officials told us that during this same period, they caused an additional $4,747,288 to be reported on CMIRS.

Port Facilities Make Outbound Inspections Difficult

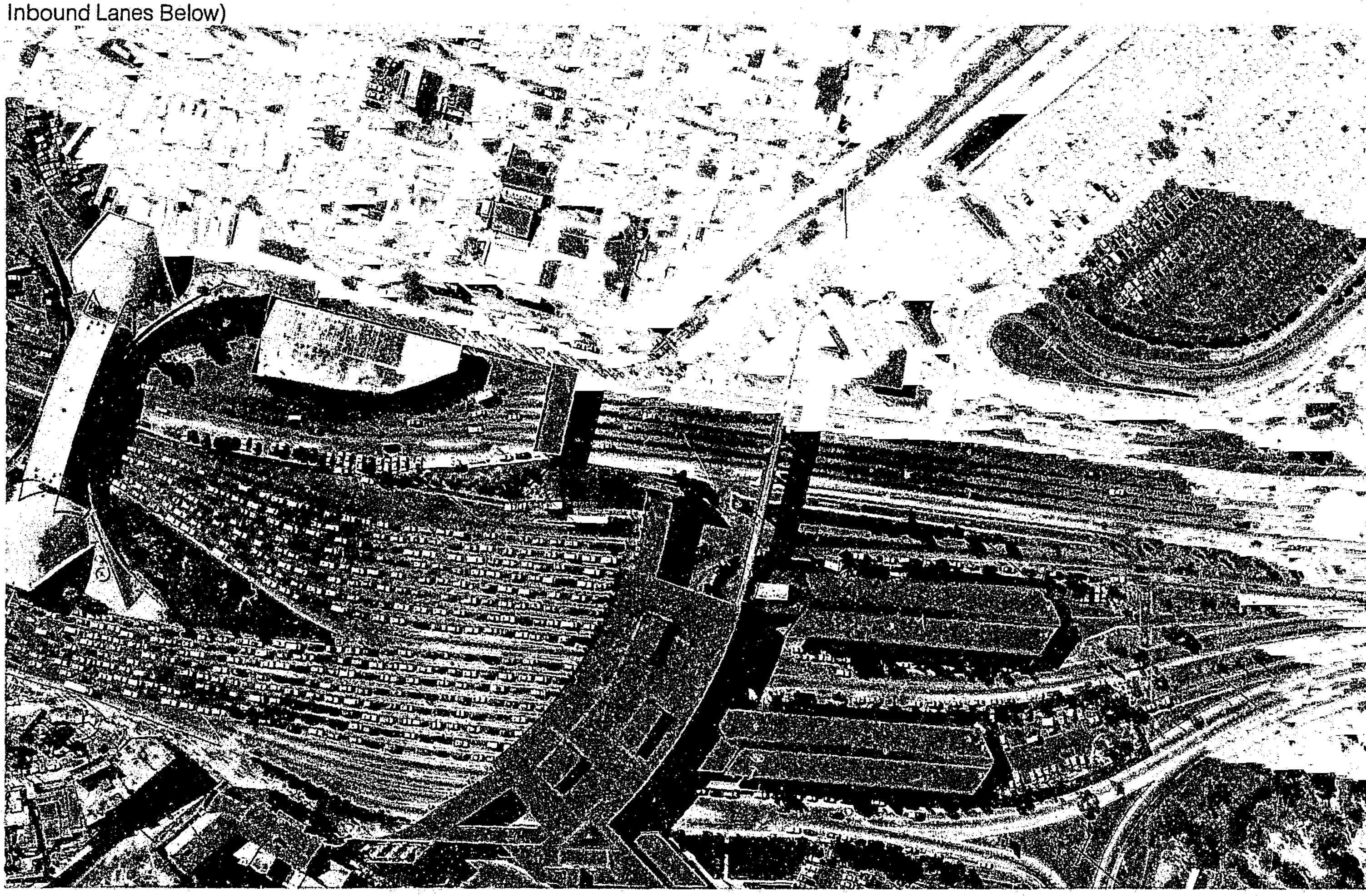
The physical location of outbound inspections can pose a problem for Operation Buckstop that has no parallel for inbound inspections. When performing inbound inspections, Customs can keep individuals or goods from being released until Customs officials have conducted the necessary examinations. At each port, Customs maintains a facility for these purposes.

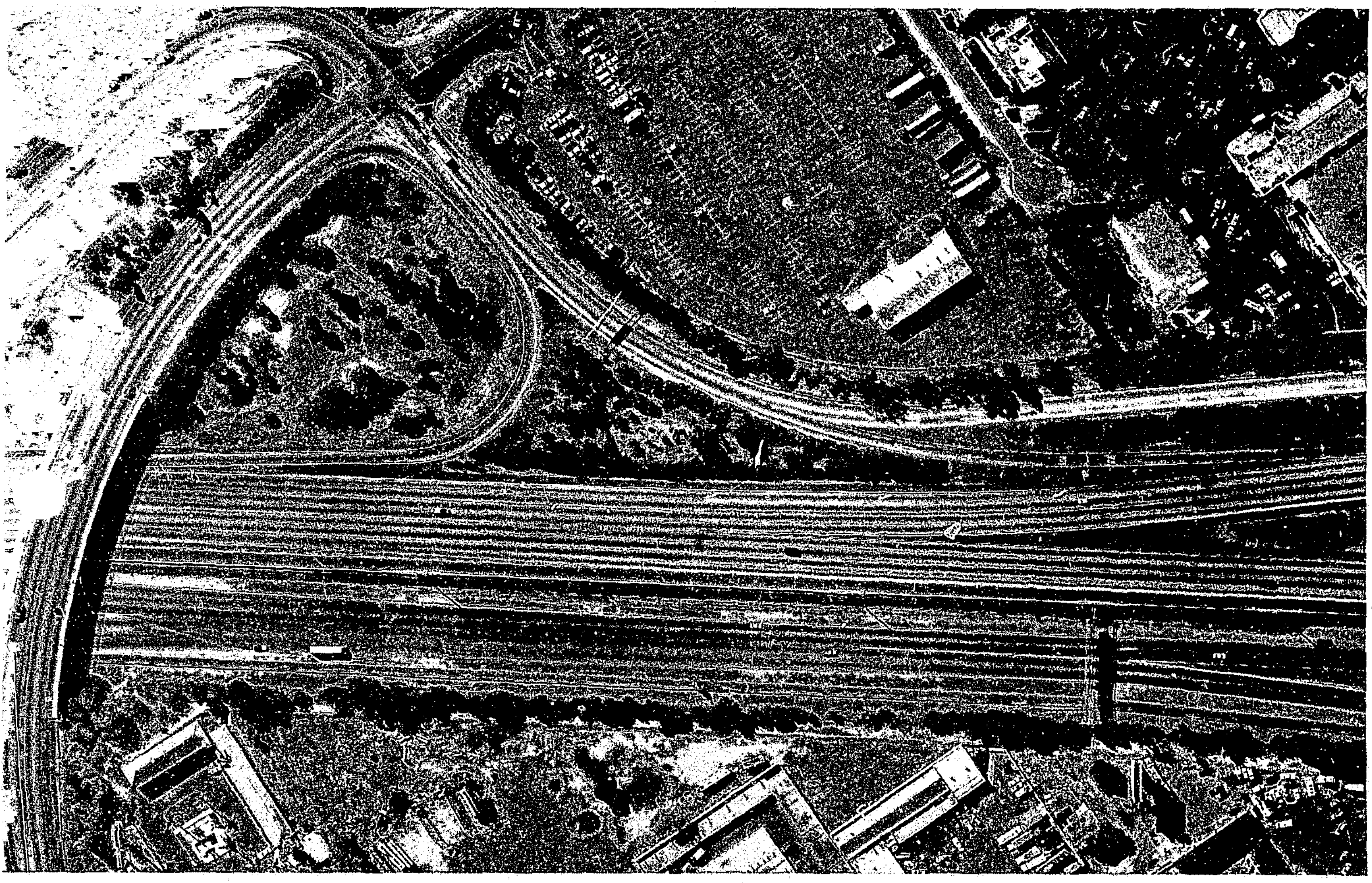
Outbound inspections are much harder to perform. One reason is that individuals and businesses traditionally have been allowed to leave the country without having to be inspected and are resistant to the delays and inconvenience involved in outbound inspections. This difference is obvious in the aerial photograph of the border crossing at San Ysidro, as shown in Figure 3.3. Note the backup on the inbound (Mexican) side compared to the no traffic backup on the outbound (U.S.) side. During

Operation Buckstop inspections, the same type of backup would take place on the outbound side.

While conditions at seaports and airports are somewhat different, the principle is the same. Outbound searches add to the departure time. Customs officials said that even if they had sufficient resources to perform the same level of outbound searches they perform for inbound traffic, the resistance from industry and international passengers would be another factor that would have to be considered.

Figure 3.3: Aerial Photograph of the U.S.-Mexican Border Crossing at San Ysidro, California (Outbound Lanes at Top, Inbound Lanes Below)





Source: U.S. Customs Service.

Outgoing U.S. Mail Is Precluded From Operation Buckstop Inspections

As we noted in chapter 2, federal law enforcement agencies agree that a significant amount of currency is being sent out of the country through the U.S. mail and commercial carriers without being reported. Customs performs warrantless searches of parcels being sent out of the country by commercial carriers, but the legal authority of Customs to inspect outgoing U.S. mail without a search warrant is a matter of dispute between Customs and the Postal Service.[4] Consequently, Customs inspects

[4]The authority of Customs to perform certain warrantless searches of mail coming into the country was upheld in a 1977 Supreme Court decision (United States v. Ramsey, 431 U.S. 606 (1977).

outbound mail only after it has determined through an investigation that there is probable cause for obtaining a search warrant.

As discussed in a previous report,[5] the Postal Service believes that Customs does not have the statutory authority to inspect outgoing mail without a search warrant. As a result, the Postal Service has precluded Customs from initiating routine and random inspection efforts such as Operation Buckstop for U.S. mail being sent out of the country.

Without the ability to perform warrantless searches, Customs cannot conduct outbound inspection programs such as Operation Buckstop when the U.S mail is involved. Customs officials told us they believe that if there were Operation Buckstop searches done on the U.S. mail—even on the limited basis as done at other border crossings—millions of dollars in unreported currency would be seized as well as the country's borders made more secure against other types of illegal exports.

Customs and the Postal Service are aware of this problem and have been working toward a solution. In July 1992, the agencies began drafting proposed amendments to the Bank Secrecy Act and Title 39 statutes governing postal operations under which Customs would perform warrantless searches of outbound mail. They also began working on an agreement to implement warrantless search procedures should the amendments be enacted. However, as of November 1993, Customs and the Postal Service had been unable to reach an agreement on either the proposed amendments or the working arrangements.

Customs Is Increasing the Emphasis Given Outbound Inspections

The Customs Service is aware of the impact of currency smuggling on efforts to combat money laundering and has implemented several initiatives to emphasize the importance of outbound inspections to interdict unreported currency. These efforts are also designed to increase and improve management of outbound inspections on a nationwide basis.

In its 1991 U.S. Customs National Financial Enforcement Strategy and Implementation Plan, Customs cited as a key objective the need to continue exploring and developing new and innovative outbound operations in the private aircraft, cargo, passenger, land border, and courier areas. This directive also instructed the district directors to

[5]Export Controls: Use of the Mail to Illegally Export Sensitive Technology (GAO/C-NSIAD-90-31, May 18, 1990).

integrate outbound currency interdiction initiatives into their district drug strategies.

In an effort to increase the overall effectiveness of outbound currency searches through greater uniformity and coordination, a Customs' survey team of headquarters and regional staff visited seven major airport locations participating in the Operation Buckstop initiative during 1991. The survey team's objective was to determine whether the success experienced in outbound currency interdiction at Miami and New York-JFK was attributable to a greater incidence of smuggling or to personnel, procedures, or strategies in place at these locations.

In its report, the survey team acknowledged that each location was facing increased pressures on inbound processing as the number of flights and arriving passengers and cargo workload continued to rise. This workload, coupled with the ever-present narcotics threat, had caused Customs headquarters to direct local ports to allocate resources accordingly. Fewer and less-intensive Operation Buckstop operations resulted. The survey team made the following conclusions and recommendations in order to increase the overall effectiveness of Operation Buckstop:

- The outbound currency threat is "as great as ever" and Customs is not addressing the problem on a continuing basis. The ports should establish dedicated outbound teams that would concentrate on Operation Buckstop.
- Resources are available that are not being fully used in support of Operation Buckstop. Ports need to increase their use of such resources as the National Guard, state and local law enforcement authorities, and joint task forces. Also, ports should conduct special outbound initiatives using asset forfeiture funds when appropriate.
- The use of specialized equipment such as X-ray vans for outbound currency interdiction under Operation Buckstop has received lower priority than for incoming cargo. Customs needs to purchase more of this equipment.
- There are no national directives on training, procedures, intensity, or regularity of inspections required under Operation Buckstop. Program standards, such as a national directive, are needed to resolve inconsistencies and reemphasize the importance of Operation Buckstop.

As a result of the airport survey report, Customs is developing a national directive and establishing a National Task Force to develop a handbook to ensure that minimum uniform standards are adhered to during Buckstop operations. The drafts of these documents emphasize the factors management feels are crucial for a successful outbound program, including effective targeting and thorough port threat assessments and good working relationships with Customs' Office of Enforcement. Customs districts were informed of these plans in May 1992, but, as of November 1993, the directive and handbook had not yet been issued in final form.

On March 1, 1993, Customs initiated a joint operation involving the Service's Office of Inspection and Control and Office of Enforcement. "Operation Outlook" is a sustained outbound enforcement operation that emphasizes currency interdiction. Its purpose is to assess the threat of outbound contraband, including unreported currency, on a district-by-district basis and determine the resources required to address the threat. Under Operation Outlook, Customs has taken several steps designed to enhance its ability to combat currency smuggling. These include the following:

- Several dogs have been specially trained to detect concealed U.S. currency and are on duty at several ports on a test basis. These dogs have also been used to assist other ports in special outbound enforcement efforts.
- Certain conveyances, such as commercial parcel shipments, have been targeted and certain areas of the borders have been "blitzed" with additional staff and equipment resources temporarily assigned.
- Several efforts have begun to explore the feasibility of increasing the use of intelligence sources, both in Customs and other agencies, to better target specific cargo shipments and carriers for outbound inspections.

On the basis of the results of the first 6 months of Operation Outlook, Customs is optimistic about the operation. A total of 599 outbound currency seizures were made from March through August of 1993, a substantial increase from the 499 seizures made during the same time period in 1992. The 599 seizures represented $26.6 million in currency. In the 5-month period prior to Operation Outlook, October 1992 through February 1993, 314 seizures totaling $12.6 million had been made.

The Customs Service has also increased the significance of currency smuggling in its strategic plan. The Customs 5-year plan, released in September 1993, identified four goals that must be addressed in order for the Service to achieve its mission: Trade, narcotics, money laundering, and outbound enforcement. The interdiction of unreported currency is specifically highlighted under both the money laundering and outbound enforcement goals.

Conclusions

Certain criminal activities, such as illegal drug sales, produce a tremendous amount of currency that would be regarded as suspicious unless it is disguised as legitimate. Consequently, U.S. efforts to combat money laundering rely heavily upon the reporting of transactions involving large amounts of cash. To avoid these requirements, individuals have resorted to smuggling the currency out of the country to spend or deposit it.

The Customs Service is responding to the growing threat posed by currency smuggling by increasing national oversight of and emphasis on its outbound inspection programs. In general, however, any increase in outbound inspections reduces the level of effort given inbound inspections. Determining the appropriate balance between inbound and outbound interdiction efforts is an extremely difficult task. Moreover, the solution is unlikely to remain constant and will require periodic adjustments to reflect changing circumstances. The Customs Service has demonstrated that it is aware of the overall problem and the constraints it must deal with to address it.

Agency Comments

We provided a draft of this report to the Customs Service to review and asked for oral comments. On January 14, 1994, we met with the Assistant Commissioner, Inspection and Control, and his staff, who told us that they agreed with the data and information in the report. They also said that the report was an objective and balanced presentation of the problems Customs faced in combatting currency smuggling and accurately described the agency's plans to increase these efforts in the future. They offered several editorial suggestions to clarify certain information, and we made these changes where appropriate.

Districts and Ports Visited by GAO

Regions	Districts	Ports	Type
Pacific	Seattle, WA	Seattle/Tacoma International	Air
		Blaine	Land
		Seattle Harbor	Sea
	Los Angeles, CA	Los Angeles International	Air
		Los Angeles Seaport	Sea
		Long Beach	Sea
	San Diego, CA	Brownfield	Air
		San Diego International	Air
		San Diego	Sea
		San Ysidro	Land
		Otay Mesa	Land
North Central	Chicago, IL	O'Hare International	Air
	Detroit, MI	Detroit Metropolitan	Air
		Canadian Tunnel	Land
		Ambassador Bridge	Land
Northeast	St. Albans, VT	St. Albans	Rail
		Burlington	Air
		Derby Line	Land
		Norton	Land
		Highgate Springs	Land
		Alburg	Land
New York	Newark, NJ	Newark International	Air
	New York, NY	JFK International	Air
Southeast	Washington, DC	Dulles International	Air
	Miami, FL	Miami International	Air
		Miami Seaport	Sea
Southwest	Nogales, AZ	Nogales	Land
		Tucson International	Air
Totals 6	**11**	**28**	

Customs Outbound Currency and Monetary Instrument Seizures by Reporting Location Fiscal Year 1992

Number of reporting locations	District name	Reporting location	Domestic dollar value	Total by district
01	JFK Airport, NY	JFK	$14,516,343	$14,516,343
02	Newark, NJ	Newark	9,062,944	9,062,944
03	Los Angeles, CA	LAX International Airport	4,903,782	4,903,782
04	Miami, FL	Miami	385,748	2,153,462
05		Fort Pierce	45,595	
06		Miami International Airport	1,722,119	
07	San Diego, CA	San Diego	88,430	1,898,889
08		Calexico	283,433	
09		San Ysidro	604,272	
10		Otay Mesa	922,754	
11	Chicago, IL	Chicago	1,757,477	1,757,477
12	Laredo, TX	Brownsville	714,842	1,355,631
13		Laredo	209,550	
14		Hidalgo	340,221	
15		Rio Grande City	79,900	
16		Roma	11,118	
17	Houston - Galveston, TX	Houston International Airport	1,293,033	1,293,033
18	Nogales, AZ	Naco	51,600	933,456
19		Nogales	535,983	
20		San Luis	20,000	
21		Tucson	325,873	
22	Detroit, MI	Detroit	844,705	896,272
23		Sault St. Marie	51,567	
24	Seattle, WA	Sea-Tac International Airport	538,481	538,481
25	Honolulu, HI	Honolulu	52,000	468,523
26		Honolulu International Airport	416,523	
27	San Francisco, CA	San Francisco	390,885	390,885
28	Washington, DC	Washington	314,687	314,687
29	Ogdensburg, NY	Massena	141,908	298,513
30		Alexandria Bay	12,220	
31		Champlain/ Rouses Pt.	144,385	
32	Boston, MA	Logan Airport	281,337	281,337
33	San Juan, PR	Mayaguez	19,432	257,150
34		San Juan International Airport	237,718	
35	Portland, OR	Portland	197,140	197,140

(continued)

Number of reporting locations	District name	Reporting location	Domestic dollar value	Total by district
36 37	Dallas-Fort Worth, TX	Dallas-Ft. Worth San Antonio	77,269 111,519	188,788
38	Tampa, FL	Port Canaveral	165,000	165,000
39	Baltimore, MD	Baltimore, MD	133,676	133,676
40	St. Albans, VT	Highgate Springs/ Alburg	116,000	116,000
41	Buffalo-Niagara Falls, NY	Buffalo-Niagara Falls, NY	84,824	84,824
42 43	Philadelphia, PA	Philadelphia Pittsburgh	34,141 14,128	48,269
44	El Paso, TX	El Paso	47,694	47,694
45	New York, NY	New York Seaport	26,915	26,915
46	Anchorage, AK	Anchorage	24,977	24,977
47	Minneapolis - St. Paul, MN	Minneapolis - St. Paul	24,451	24,451
48	Great Falls, MT	Salt Lake City, UT	12,752	12,75[illegible]
49	Pembina, ND	Dunseith	12,592	12,592
50	Savannah, GA	Atlanta, GA	12,475	12,475
51	Portland, ME	Bangor	$11,801	11,801
52	Cleveland, OH	Louisville, KY	10,300	10,300
Total				**$42,438,519**

Source: U.S. Customs Service.

Major Contributors to This Report

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Ordering Information

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