



# Report In Brief

SEPTEMBER 4, 2014

## Background

The U.S. export control system is distributed among several different licensing and enforcement agencies. The two primary export licensing agencies are the Department of Commerce's Bureau of Industry and Security (BIS), which historically has licensed exports of dual-use items, and the Department of State, which has historically licensed munitions, satellites, and spacecraft items.

The Export Control Reform (ECR) Initiative, launched in April 2010, is a three-phase effort to streamline the nation's export control system by ultimately consolidating the export efforts of multiple federal agencies. It aims to create a single licensing agency, a single list of controlled items, a single information technology (IT) platform, and a single export enforcement coordination agency.

## Why We Did This Review

We conducted this audit in response to a Congressional request and in conjunction with the Office of Inspector General's *Top Management Challenges* report for fiscal year (FY) 2013. We focused our analysis on areas of BIS most affected by ECR, namely its licensing divisions, outreach office, and enforcement offices (excluding antiboycott compliance).

Our objectives were to (1) review the adequacy of BIS' program plans and budget requests to address the increased workloads for licensing, outreach, and enforcement activities in FY 2014 through FY 2016 and (2) evaluate existing BIS licensing, outreach, and enforcement activities and identify any areas for increased efficiencies.

## BUREAU OF INDUSTRY AND SECURITY

### BIS' Implementation of Export Control Reform, Requires Several Improvements to Address Challenges

OIG-14-028-A

## WHAT WE FOUND

Our audit found that

- *BIS currently has adequate licensing resources to handle the gradually increasing licensing workload for new munitions items, including satellite items, that is coming as a result of ECR. Because we were unable to verify BIS' initial staffing requirements, however, it is unclear whether BIS will require more or less staff once the transition of items from the U.S. Munitions List (USML, administered by the Department of State) to the Commerce Control List (CCL, administered by BIS) is completed.*
- *Average license determination processing times could not be fully calculated due to data errors. We found weaknesses in the way BIS tracks the receipt and delivery of license determination requests from other U.S. government export enforcement agencies. According to the Department of Homeland Security, license determinations referred to BIS in calendar year 2013 had longer average processing times than those sent to either the Departments of State or Treasury. Our examination of spreadsheets found that, in FY 2013, 218 cases (or more than 10 percent of all cases) were missing data; 28 cases listed completion dates that occurred before the date of receipt*
- *Delays in migrating to a new IT system, USXPORTS, now in its third year, may cost BIS \$1.3 million per quarter in FY 2015 to continue operating its current antiquated system. The migration to USXPORTS, the IT system used by the Departments of Defense and State to process export license applications, requires continued management attention and oversight.*
- *BIS' plans for increasing enforcement capabilities and resources are reasonable, but end-use check training for commercial officers from the International Trade Administration's U.S. and Foreign Commercial Service (USFCS) could be enhanced. BIS' plans for increasing its enforcement capabilities and resources are reasonable and in line with increased performance goals, but training of USFCS commercial officers on how to conduct end-use checks could be enhanced. Providing them with more robust, up-to-date online training materials would assist them in performing these enforcement activities.*

## WHAT WE RECOMMEND

We recommend that the Under Secretary for Industry and Security take the following actions:

1. Verify the appropriateness of staffing levels after the transfer of all USML items to the CCL is complete.
2. Improve the tracking of license determinations to ensure they are processed within established timeframes.
3. Develop a contingency plan for completing the migration to USXPORTS that includes any additional incurred costs and how BIS will absorb those costs.
4. Enhance end-use check training for USFCS officers.