



Report in Brief

March 2, 2020

Background

Within the Department of Commerce, the Bureau of Industry and Security (BIS) administers and enforces the Export Administration Regulations (EAR), which apply to dual-use items and technology, as well as various military items, in support of U.S. national interests. Export Administration and Export Enforcement handle BIS' two primary functions of licensing and enforcement, respectively. Within Export Enforcement, the Office of Enforcement Analysis (OEA) evaluates publicly available and government-privileged information to help adjudicate export control license applications; prevent the diversion or misuse of export controlled items abroad through end-use checks, outreach, and cooperation with foreign governments; and support law enforcement actions against violators of export control laws.

BIS conducts pre-license checks and post-shipment verifications—collectively known as *end-use checks*, or *EUCs*—on foreign end users for individual export transactions. Each EUC involves collecting relevant information about the export, a physical visit to the foreign end-user(s) by BIS or other U.S. government personnel, and a recommendation about the foreign end user following the visit. Once a recommendation is received, the OEA export compliance specialist provides a preliminary rating (favorable, unfavorable, or unverified) based on all available information, and the EUC undergoes a final supervisory review.

Why We Did This Review

The objective of this audit was to assess the effectiveness of BIS' efforts to ensure foreign end users are suitable to receive and use controlled U.S. exports in accordance with the EAR. As a result of audit planning, we decided to focus on assessing BIS' plan to target EUCs. Specifically, we sought to identify whether BIS had criteria to target EUCs and assess how well it adhered to them in fiscal years 2015–2017.

BUREAU OF INDUSTRY AND SECURITY

Lack of Defined Processes and Procedures Impede Efforts to Monitor End-Use Check Performance

OIG-20-019-A

WHAT WE FOUND

Overall, we found that BIS needs to improve its efforts to effectively track and monitor EUC performance to ensure the appropriate foreign end users receive and use controlled U.S. exports in accordance with the EAR.

Specifically, we found the following:

1. BIS is unable to adequately determine whether EUCs met its targeting criteria.
 - Specialists used different methodologies for selecting export transactions for EUCs.
 - Data for some EUCs did not align with targeting criteria, were inaccurate, or were not entered timely.
 - Lack of a supervisory final rating left some EUCs open for years.
 - Regular screening for proscribed parties of unlicensed exports is not performed.
2. BIS did not fully screen export transactions that used the Strategic Trade Authorization license exception.

WHAT WE RECOMMEND

We recommend that the Under Secretary of Commerce for Industry and Security do the following:

1. Develop standard operating procedures for staff responsible for selecting and reviewing EUCs to ensure that (a) data are entered accurately, consistently, completely, and in a timely manner, and (b) EUCs are selected per targeting criteria.
2. Develop a process that ensures that reasons for selecting EUCs align with the criteria and that the reasons are recorded consistently and accurately in the Investigative Management System Redesign.
3. Develop a contingency plan to (a) conduct enhanced monitoring of certain export filings, should Automated Export System controls fail in the future, and (b) reinforce guidance for screening export transactions that used the Strategic Trade Authorization license exception whose consignees were associated with ineligible countries.