U.S. Customs and Border Protection

Single Transaction Bond Centralization Project and eBond Update

Presentation to the Chicago Customs Brokers & Forwarders Association (CCBFA)

March 20, 2014
Discussion Topics

Presentation Purpose

*Single Transaction Bonds Centralization Project*

- STB: Why Centralize and Automate
- Key Meetings and Activities to Date
- “As-Is” State
  - High Level “As-Is” STB Process
  - “As-Is” Challenges Noted to Date
- “To-Be” State
  - STB Centralization Concept
  - High-Level “To-Be” Data Flow Concept (Initial Entry and Replacement scenario)
  - Additional “To-Be” Considerations
- STB Project Timeline
- STB Centralization: Update and Next Steps
- Desired Outcomes and Impacts

*eBond Project Update and Next Steps*

Points of Contact
Presentation Purpose

• **The purpose of this presentation is to:**
  
  – Share the status of CBP’s STB Centralization and eBond development projects with CCBFA members—particularly those who could not attend the Trade Support Network (TSN) meeting in September.
  
  – Share CBP’s vision for developing an eSTB system solution and centralizing STB within the OA Revenue Division.
  
  – Provide the Trade Community the opportunity to provide input and establish shared goals and vision for STB centralization and eBond.
  
  – Raise any anticipated challenges in achieving successful STB centralization and eBond solution.
  
  – Inform CCBFA members of planned next steps for STB centralization and eBond development.
Single Transaction Bonds Centralization
STB: Why Centralize and Automate

- A June 2011 DHS OIG report cited bond execution errors, deficiencies in bond retention, and other issues that challenge CBP’s ability to collect on STBs.
- CBP has limited ability to report to Congress or Treasury on key inquiries regarding bonds.
- Enables CBP Officers to focus on trade and law enforcement mission and reduces the burden on Entry and Import personnel.
- Protects CBP by informing CBP Officers that a valid bond has been secured before cargo is released into commerce.

Trade Community Focus
- Brokers are restricted to normal business hours to submit bonds and process entries
- Broker and Surety systems and processes are more modern and advanced than CBP’s systems, which leads to inefficiencies in accepting and processing STBs
- Standardizes the way CBP interacts with the Trade across ports
Key Meetings and Activities to Date

**Initial HQ-level Planning Meetings (March – May)**
- Key stakeholders from OA, OT, OFO, and OCA met to discuss current STB processes, risks/challenges, vision for future solution, and actionable next steps.
  
  **Output:** High-level STB “As-Is” process flow and considerations for “To-Be” solution.

**Educational Port Site Visits w/ CBP & Trade (June – Sept.)**
- Site visits to document feedback from CBP Officers, Import/Entry personnel, and Trade.
- Vision for utilizing e-STB was shared with OFO and the Trade for their feedback.
  
  **Output:** Documented process flow highlighting variations across locations and detailed notes identifying current STB processes, challenges, and considerations for future processes and eBond.

**Additional Trade Outreach Activities (Ongoing)**
- OA is engaging the Trade Community through several venues: COAC, CSEC, TSN, NCBFAA Webinar, etc. to share the vision for e-STB and eBond and collect feedback.
- Planning surety visits to understand system capabilities and interface requirements
  
  **Output:** Additional information to feed user requirements for e-STB solution.

**eSTB Development and eBond Planning (Ongoing)**
- OA and OT (ACE Business Office) are refining the scope of the planned eSTB solution to develop user stories and plan development. Development is slated to begin Feb. 2014.
- Engaging Trade and CBP stakeholders on requirements for eBond solution to lead into development scheduled for May 2014.
  
  **Output:** User stories and design requirements for solution development on ACE platform.
High Level “As-Is” STB Process

- CBP currently does not have a centralized office responsible for overseeing and administering the STB program.

- Port Directors and other OFO personnel are responsible for setting bond amounts and validating their accuracy and completeness without a centralized body to coordinate activities and policy enforcement across the ports.
High Level “As-Is” STB Process

**Path Drivers:**
- Entry Method
- Location
- Commodity Type
- Operational Priorities

**Lower Risk**
- importer/filer files an Entry
- port personnel review entry but do **NOT** review STB
- port returns entry package with STB to the filer
- CBP officer releases cargo into U.S. Commerce.
- importer re-submits STB with the package at Entry Summary.

**Slower Release**
- port returns the bond to the filer to be re-submitted at Entry Summary
- CBP officer releases cargo into U.S. Commerce.
- importer re-submits STB with the package at Entry Summary.
- CBP Import/Entry Personnel review STB at E/S and Accept or Reject

**Higher Risk**
- CBP officer releases cargo into U.S. Commerce.
- importer submits paper CBP Form 301 for **first time** at Entry Summary
- CBP Import/Entry Personnel review STB for **first time** at Entry Summary

**Expedited Release**
- CBP officer releases cargo into U.S. Commerce.
- importer re-submits STB with the package at Entry Summary.
- CBP Import/Entry Personnel review STB at E/S and Accept or Reject

**Differentiators:**
1. Best practice, validates STB before release but could slow trade
2. Port may have difficulty locating and matching STB to Entry Summary filed
3. STB submitted but not reviewed at Entry; may note existence but no validation occurs
4. Highest risk, no leverage to require new or revised STB after release but helps expedite trade
“As-Is” Challenges Noted to Date

1. **Processing Time:** Paper-dependent environment and physical document examination can lead to system backlogs and potential cargo delays.

2. **Lost Revenue:** Decentralized STB processes result in write-offs and delinquencies. The DHS OIG estimated that approximately $8 billion of $12 billion in STB for importer/broker entries accepted by CBP during FY 2009 contained errors that could result in non-collection. Further OIG analysis projects CBP should have required an additional $1.5 billion in FY 2009 to cover risk of imports subject to other government agency requirements.

3. **Manual Bond Errors:** Brokers or importers submit inaccurate and/or incomplete bonds leading to unplanned administrative burdens and delays in cargo release.
## STB Centralization Concept

<table>
<thead>
<tr>
<th>Current Operations</th>
<th>STB Centralization Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some ports release cargo without receiving a STB.</td>
<td>CBP protects revenue by enforcing the requirement to submit and validate an STB prior to cargo release.</td>
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<tr>
<td>CBP receives and reviews paper STBs (CBP Form 301) and Ports use a combination of ACS and ACE.</td>
<td>E-STB will be an electronic system for receiving, processing, reviewing, and maintaining STB data across all Ports in a single ACE platform.</td>
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<tr>
<td>Brokers submit a majority of STBs with limited surety involvement.</td>
<td>The eSTB concept will limit who can push STB data electronically to CBP. Brokers will not be able to push bonds to CBP unless the sureties or surety agents grant that authority to the brokers through the surety system.</td>
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<tr>
<td>CBP is involved with litigation cases over inaccurate STBs due to execution errors.</td>
<td>CBP regulations will be revised to reflect that the individual who pushes the bond (i.e. the surety) is responsible for the accuracy of the inputs. CBP will “accept” the STB after automated data validations.</td>
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<tr>
<td>CBP spends valuable time correcting erroneous STBs, utilizing valuable Officer and staff resources.</td>
<td>CBP will “accept” STBs after automated bond validation; CBP ports will no longer manually review and approve the STB. OA staff will shift from administrative activity to more analytical functions.</td>
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<tr>
<td>Surety systems do not interface with CBP systems to push STB data, yielding risks for manual data errors.</td>
<td>The eSTB concept will enable sureties’ financial systems to interface directly with CBP systems to push STB data electronically to CBP, which eliminates duplication of effort and risks for manual data entry errors in creating and submitting paper STBs.</td>
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</table>
High-Level “To-Be” Data Flow Concept

1. If the Broker/Filer opts to continue the eSTB process, the process would start again from “Request an STB for Entry”.

2. If the rejection of the entry filed is due to the inability to match an Entry and Bond, the filer should contact the surety to determine what corrective actions should be taken.

Diagram:

- Request an STB for Entry
  - Broker/Filer notified
  - Notified of eSTB in ACE
  - Submit Entry/Entry Summary to ACE
  - Broker/ Filer Receives Acceptance

- Uses data to determine if to accept liability for Entry
  - Accept
  - No STB
  - Submit eSTB (CF801) to ACE
  - Validate eSTB
  - Accept
  - Validate E/ES (eSTB data included)
  - eSTB stored in ACE

- Correct Bond Data
  - Correctible?
  - Yes
  - No
  - Notify Surety/Surety Agent eSTB on file in ACE (with unique identifier)

- Notice of Entry-Bond Match
  - Entry Processing Eligible

- Reject
  - Entry

- Decline
Additional “To Be” Considerations

1. **Centralized and Standardized Procedures:** Consistent operating procedures will improve accuracy of STB information and minimize cargo delays. Ports will consistently enforce requirement for receiving bond information at the time of entry and verifying existence and accuracy prior to release.

2. **Bond Monitoring:** Updated systems will create uniform procedures at all ports, cracking down on port shopping and enabling more consistent monitoring by CBP.

3. **Expanded Electronic Entry:** e-STB will permit 24/7 bond filing while performing completeness checks on STBs and integrating with existing systems. Potential for ACE interface with proprietary broker/surety systems could further streamline data entry. This will also eliminate instances where documents are required because of the STB, which frees up resources for both the trade and CBP.

4. **Bond Accountability:** Updated systems and policies will clarify who is accountable for STBs throughout entry process by shifting ownership from CBP to the broker and surety communities.
STB Project Timeline

<table>
<thead>
<tr>
<th>Initiation</th>
<th>Definition</th>
<th>Design</th>
<th>Construction</th>
<th>Acceptance</th>
<th>Readiness</th>
<th>Deploy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Funding</td>
<td>• Finalize Scope</td>
<td>• Verify Scope</td>
<td>• Configure System</td>
<td>• Training</td>
<td>• Cutover</td>
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<tr>
<td>• Business Requirements</td>
<td>• Convert Requirements to AGILE Stories</td>
<td>• Plan AGILE Sprints</td>
<td>• Create Interfaces</td>
<td>• Policy</td>
<td>• Go-live</td>
<td></td>
</tr>
<tr>
<td>• Preliminary Scope</td>
<td>• Validate Timeline</td>
<td>• Design system processes</td>
<td>• Integration Tests</td>
<td>• Procedure</td>
<td>• Managed Transition</td>
<td></td>
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<td>• Preliminary Timeline</td>
<td>• Market Acceptance</td>
<td>• Design Interfaces</td>
<td>• Prepare training</td>
<td>• Resource realignment</td>
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<tr>
<td>• Communication</td>
<td></td>
<td>• Technical requirement</td>
<td>• User Acceptance Testing</td>
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<tr>
<td>• Charter</td>
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FY 2013
- QTR 3
- Complete Stakeholder Coordination

FY 2014
- QTR 1
- Finalize Requirements/AGILE Stories for e-STB and eBond
- 2/5/14 – Begin Development of e-STB
- 5/6/14 - Complete System Development of e-STB
- 8/5/14 – Complete Development of eBond

FY 2015
- QTR 4
- 1/3/15 – Deployment to Production e-STB and eBond GO-live

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Increment 5 Scope (eBond part 1)

- Develop Bond Intake System
  - Provide capability to receive a bond submission via EDI
  - Provide capability to validate the information received in the bond submission.
  - Provide capability to store bond information received for use in additional processes.
  - Provide capability to return a positive or negative response to the surety via EDI.

- Begin building ACE Portal Functionality for Bonds
  - Provide a Bond search screen for Trade
  - Provide a Bond view screen for Trade
  - Provide a Bond search screen for CBP
  - Provide a Bond view screen for CBP
Desired Outcomes and Impacts

**Save Time and Expedit Trade**

**Dedicated Resources with Specialized Knowledge and Expertise** – Smaller group of dedicated resources focused primarily on the STB program promotes faster processing and responsiveness to issues and questions raised by the Trade.

**Faster STB Processing for the Trade** – Brokers and sureties will not have to duplicate efforts to complete paper STBs for data already in their own systems.

**Expanded Entry Capabilities for the Trade** – Automated STB submission and validation will permit 24/7 bond filing so the Trade does not have to wait for ports to open for business.

**Automates Labor-Intensive STB Validation by CBP** – Electronic submission and validation can expedite cargo release without increasing risk and free up resources in the field. Based on annual STB volumes (300,000 – 750,000) and avg. manual processing times (6.5 minutes per bond), could save estimated 32,500 – 81,250 man hours (15-39 FTEs) per year.

**Improve Collections for CBP**

**Reducing Protests, Write-offs, and Rejections** – Improved consistency in the application of STB policies and procedures will drive down potential revenue losses. CBP will have perfected STBs in-hand in all cases prior to cargo release.
eSTB Project: Update and Next Steps

• Further identify impact points as we develop the technology solution for STB centralization.

• Continue trade outreach initiatives to share the e-STB vision and incorporate additional feedback from the Trade.

• Continued coordination with ACE and OIT to determine functionality requirements and develop user stories for the eSTB solution design.

• Continue data gathering effort to answer further questions required to finalize eSTB and eBond design.
eBond Project Update
eBond Project: Update and Next Steps

- CBP organized and hosted an e-STB and eBond working group meeting on December 2; utilized majority of time to work through e-STB concept with limited discussion and update on eBond. The next meeting is scheduled for April 2, 2014.

- Key anticipated dates for eBond:
  - May 7, 2014 – Begin development of eBond (ACE Increment 6)
  - August 5, 2014 – Complete system development of eBond
  - January 3, 2015 – Planned deployment of e-STB and eBond

- OA and ACE Business Office will continue to engage CBP and Trade stakeholders to refine user requirements gathered over the last several years and prepare for development of user stories to inform system development.

- Process under eBond will remain largely the same; eBond submissions will not be tied to an individual entry and brokers will still have to request from the Surety before the Surety submits to CBP.
Points of Contact

- Office of Administration, Financial Operations, Revenue Division
  - Bruce Ingalls - Director, 317-298-1107
  - Kara Welty - Chief, Debt Management Branch, 317-614-4614

- Office of Trade, ACE Business Office
  - Monica Crockett – Director, Entry Summary Accounts and Revenue, 571-468-5375
  - John Everett – Cargo Control and Release Division, 571-468-5339