
Office of Inspector General

Audit Report

Container Inspection Program

U.S. Coast Guard

Report Number: MA-1998-200
Date Issued: September 8, 1998





Memorandum

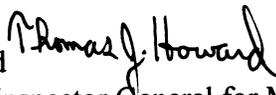
**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Subject: ACTION: Report on Container Inspection
Program, United States Coast Guard
MA-1998-200

Date: September 8, 1998

From: Thomas J. Howard 
Deputy Assistant Inspector General for Maritime
and Departmental Programs

Reply to
Attn. of: JA-40

To: Chief of Staff
United States Coast Guard

This report presents the results of our audit of the United States Coast Guard's (Coast Guard) Container Inspection Program. Our objectives were to determine 1) the effectiveness of the Coast Guard's system for selecting hazardous material containers for inspection and 2) whether penalties for noncompliance with regulations were assessed in accordance with Coast Guard policy.

BACKGROUND

The Department of Transportation and Related Agencies Appropriations Act for Fiscal Year 1994 provided specific funding to establish the Container Inspection Program. Congress provided these funds in response to several major commercial transportation incidents including the loss of four hazardous material containers overboard during a 1992 storm. Pursuant to the Act, Coast Guard, in 1994, established 51 hazardous material container inspector positions at 26 designated Marine Safety Offices nationwide. Under the Container Inspection Program, Coast Guard personnel visit shipping terminals located in coastal ports, and selectively inspect containers transporting hazardous materials to ensure that the contents are properly packaged and labeled. When shippers, consolidators, and other entities in the shipping industry do not package or label containers in accordance with Coast Guard regulations, they are subject to civil penalties.

Annually, over 24 million containers past through U.S ports. The number of containers moving through these ports has increased an average of 5.7 percent annually since 1992. It is estimated that 10 percent of these containers carry hazardous materials. During 1997, nearly 2.4 million containers identified as containing hazardous materials moved through U.S. ports and Coast Guard inspected approximately 8,800 (0.4 percent) nationwide. During this same period, the Coast Guard assessed the shipping industry over \$926,000 in civil penalties for container regulation violations.

To ensure effective use of its resources, the Coast Guard has developed a system that targets high-risk containers for inspection. The intent is to focus inspection resources on those containers posing the greatest threat to human life, the safety of port areas, or the environment such as an incident that occurred in 1995. Specifically, on March 27, 1995 in Bayonne, New Jersey a container released poisonous gas into the environment. As a result, one longshoreman was hospitalized and several other containers were contaminated. The responsible party was cited for numerous violations including offering hazardous materials for transportation that was not in condition for shipment.

The Coast Guard's targeting system uses information on container source, contents, and the shippers' violation history to help inspectors select high-risk containers for inspection. Inspectors generally obtain information about the container source and contents through the Dangerous Cargo Manifest, while shipper violation history is obtained from the Coast Guard's Marine Safety Information System.

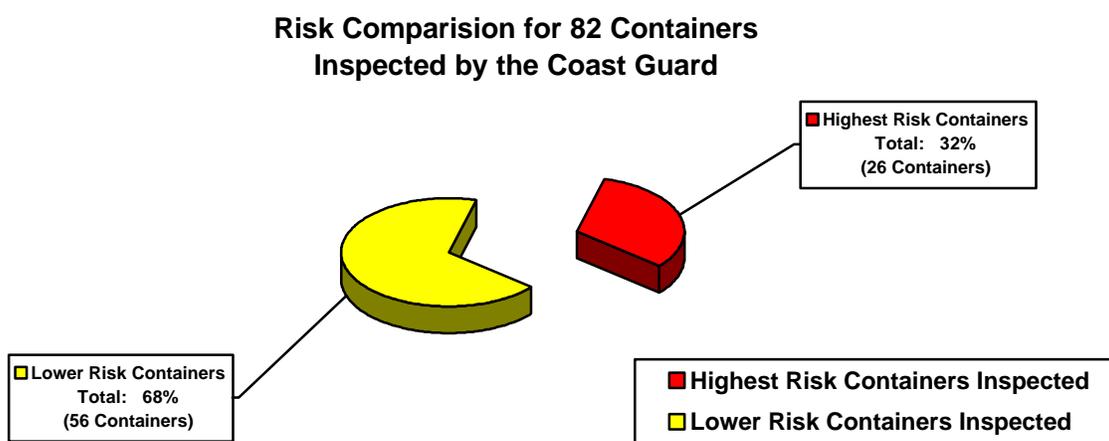
RESULTS-IN-BRIEF

Inspectors are not using the Coast Guard's targeting system to select hazardous material containers for inspection. At the 10 shipping terminals where we performed our audit, Coast Guard inspectors generally told us they were not using the system because the required data could not be obtained easily and timely. Our work confirmed that some data is not readily available at the terminal but also showed that enough information is available to apply the targeting system and determine the relative risk of containers.

Rather than use the targeting system, we found inspectors were using alternative methods that did not identify containers posing the highest risk to human life, the safety of port areas, or the environment. In most cases, inspectors made their selections by driving through storage areas looking for containers with hazardous material placards, without regard to the degree of risk associated with

the container. In other cases, Coast Guard inspectors allowed shipping terminal representatives to select containers for inspection without any Coast Guard input, thereby compromising the objectivity of the container selection process.

At the 10 shipping terminals reviewed, we compared the containers that inspectors actually selected for inspection with those they would have selected using the targeting system. We found that 68-percent of the containers that were inspected were low risk and would not have been selected if the targeting system had been used, as illustrated by the following graph.



Overall, of the 82 containers inspected, only 26 would have been selected using the Coast Guard’s targeting system. By inspecting lower risk containers at the expense of high-risk containers, inspection resources are not being used effectively.

The Coast Guard’s targeting system does not include steps to randomly select and inspect containers not identified as carrying hazardous materials. In its initial container inspection directive, the Coast Guard advised its container inspectors that they did not have the authority to inspect containers not identified as carrying hazardous materials. Although the Coast Guard re-evaluated its position and now believes they have the authority to inspect any container, the targeting system has not been revised. Without assurance that all hazardous material containers are properly identified, the Coast Guard’s basis for limiting inspections is questionable.

We also reviewed 38 civil penalty case files and concluded that, for these 38 cases, Coast Guard followed their procedures for assessing penalties for noncompliance with Coast Guard regulations.

SCOPE AND METHODOLOGY

We performed fieldwork from February through May 1998 at:

- Coast Guard Headquarters in Washington, D.C.;
- Marine Safety or Activity Offices in Norfolk, VA; Los Angeles/Long Beach, CA; Boston, MA; San Francisco, CA; and New York/Staten Island, NY; and
- Atlantic North Hearing Office, Boston, MA.

We observed Coast Guard inspections at 10 terminals and discussed the methods used to select containers for inspection and document inspection results. To assess the effectiveness of the methods used to select containers for inspection, we applied the targeting system to 10 days of inspection activity in 1998. We then compared the containers actually inspected with those that would have been selected using the Coast Guard's targeting system. We did not determine if inspections of the higher risk containers identified in our review would have resulted in additional enforcement action.

To determine if enforcement actions were consistent with Coast Guard policy, we reviewed all 32 finalized or pending civil penalty case files and six judgmentally selected-closed case files at the Atlantic North Hearing Office in Boston, MA. To better understand the container inspection process, we attended a one-week container inspection training class conducted by the Coast Guard in Baltimore, MD.

We conducted the audit in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States.

Targeting System is Not Being Used

Each year approximately 2 million containers identified as containing hazardous materials move through U.S. ports, and currently dedicated Coast Guard resources are sufficient to inspect only about 8,800, or less than one-half percent. To help ensure its inspection resources are effectively used; the Coast Guard developed a system to target high-risk hazardous material containers for inspection.

This targeting system requires an inspector to obtain a list of containers at the shipping terminal site, determine the container source (import, export, or domestic), its contents, and the violation history of the shipper. Container source and contents can generally be obtained from the Dangerous Cargo Manifest and shipper violation history can be obtained from the Coast Guard's Marine Safety Information System. Using this information and a targeting matrix, the inspector is supposed to assign a point value for each factor and arrive at a total point value for each container. For example, a shipper with one violation over the past 24 months, importing a container carrying corrosive material, would be assigned a risk rating of 22 if the targeting matrix were used.

According to targeting matrix, the inspector would assign one point for the shipper violation history; six points because the container is an import and 15 points because it contains a corrosive material. As the total points increase, the risk factor for a container rises, so the inspector is supposed to inspect containers with higher point totals first. This helps to ensure that those containers posing the greatest threat to human life, the safety of port areas, or the environment, receive the highest inspection priority.

To determine if the Coast Guard used its targeting system, we accompanied Coast Guard inspectors to 10 shipping terminals. None of the inspectors we accompanied used the targeting system to select hazardous material containers for inspection. Instead, inspectors generally drove through the container storage area and selected containers from those displaying hazardous material placards without regard to the degree of risk associated with the container. At one terminal, Coast Guard inspectors allowed terminal representatives to select containers for inspection without any inspector input, thereby compromising the objectivity of the container selection process.

Most inspectors we interviewed stated that data required to use the targeting system was difficult to obtain timely. For example, the shipper's name, which is required to determine shipper violation history, is available at the shipping terminal while information concerning the shipper violation history is not. It is only available at the local Coast Guard field office. Consequently, the inspector would have to contact the Coast Guard field office to obtain the shipper violation history. However, as discussed below, even without the shipper violation history, enough information is available at the terminal for the Coast Guard to use its targeting system to distinguish between high-risk containers that should be inspected, and the lower risk containers it currently inspects.

High Risk Containers Should be Inspected Before Lower Risk Containers

To compare the effectiveness of the Coast Guard's targeting process with the various container selection processes used by inspectors, we applied Coast Guard's targeting system to 10 days of inspection activity in 1998. Using the criteria prescribed by the targeting system we were able to relatively rank the containers and determine which ones posed the highest risk.¹ We then compared our results with what the Coast Guard actually inspected during the same 10 days. We found that 68-percent of the containers the Coast Guard inspected were not ranked sufficiently high to have been selected for inspection had the targeting system been applied.

The Exhibit to this report shows the high and lower risk containers actually inspected at 10 terminal facilities selected for review. By inspecting lower risk containers at the expense of higher risk containers, inspection resources are not being used effectively. For example:

- On May 5, 1998, Coast Guard inspectors conducted container inspections at the Global terminal in Bayonne, New Jersey. On the day of inspection, there were 42 identified hazardous material containers at the terminal. The Coast Guard inspector stated he did not use the targeting process to select the nine hazardous material containers he inspected. Our application of the Coast Guard's targeting system to the universe of hazardous material containers showed that the Coast Guard only inspected three of the nine highest risk containers.
- On April 14, 1998, Coast Guard inspectors in Los Angeles conducted container inspections at the Hanjin terminal. There were 110 hazardous material containers at the terminal that day. The Coast Guard inspected 12 of them. Our application of Coast Guard's targeting system to the universe of containers carrying hazardous materials showed that Coast Guard only inspected one of the 12 highest risk containers.

¹ In making this comparison, we excluded data pertaining to shipper violation history because it was not available at the terminal. To determine whether excluding this information affects the validity of the comparison, we included shipper violation history when applying the Coast Guard's targeting system for two of the ten days reviewed. The results of our comparison did not change because of the small number of points assigned to the shipper violation history. However, research into shipper violation history, which can be accomplished by the inspector contacting the local Coast Guard field office, could provide information to the inspector regarding shippers who have a history of violations.

- On May 12, 1998, Coast Guard inspectors in San Francisco conducted container inspections at the Matson terminal. There were 81 hazardous material containers at the terminal that day. The Coast Guard inspected three. We applied Coast Guard's targeting system and found that the Coast Guard did not inspect any of the highest risk containers. The highest risk container inspected by the Coast Guard ranked 26th according to their targeting system.

After our fieldwork was completed, the National Coordinator for the Container Inspection Program advised us the Coast Guard was considering alternative sources to obtain timely data easier and facilitate the use of its targeting process. In the interim, the Coast Guard will continue to obtain information from shipping terminal operators, and utilize Dangerous Cargo Manifests to identify containers with hazardous materials and to identify those posing the most risk. Information from these sources, and violation information from the Marine Safety Information System, will permit the Coast Guard to utilize its targeting system until easier and more timely sources of data are accessible. For example, access to the Research and Special Programs Administration's UNISHIP database is being explored as a method of easily obtaining data for the Coast Guard targeting system, as is access to U.S. Customs ACS interactive cargo database. Once more efficient data sources have been developed, the Coast Guard will still need to establish controls for ensuring that the targeting system is implemented at its field locations and is accomplishing program goals.

In addition, the Department Of Transportation will conduct an agency-wide program evaluation of the hazardous materials transportation program. We will participate in the evaluation, which will allow the Department to determine the effectiveness of the current program structure, including the division of responsibilities and the allocation of resources across and within the operating administrations. This evaluation could identify additional opportunities to increase the level of safety and environmental protection when hazardous materials are in commerce.

Unidentified Hazardous Material Containers Not Included in Targeting System

The Coast Guard's current targeting system does not include steps to randomly select containers that are not identified as containing hazardous materials. This system therefore excludes from inspection consideration containers not identified as containing hazardous materials. Consequently, there is a risk that shippers

could avoid inspection scrutiny by failing to label or disclose the existence of hazardous materials in shipping containers.

The Coast Guard's current targeting system reflects internal legal direction it received when the program was established. Coast Guard officials advised its inspectors they lacked the general authority to inspect containers not specifically identified as containing hazardous materials. Coast Guard directives currently state that inspectors can inspect unidentified containers only if there is reasonable suspicion that undeclared hazardous materials may be present. In these cases, consensual or search warrant authorization has to be obtained.

The Coast Guard recently re-evaluated its position and now believes they have the authority to inspect any container in the port area without obtaining consensual or search warrant authorization. However, the Coast Guard has not revised its targeting system to consider containers not identified as carrying hazardous materials.

Assessment of Penalties for Noncompliance with Coast Guard Regulations

We reviewed 38 civil penalty assessment cases processed at one of the Coast Guard's three hearing offices. In all but three cases, the hearing officers assessed the recommended penalty. In these three cases however, there was sufficient documentation to support the rationale for the hearing officers' decision. We therefore concluded that the actions taken by the hearing officers in these 38 cases were appropriate for the circumstances.

RECOMMENDATIONS

We recommend that the Chief of Staff, United States Coast Guard:

1. Direct field inspectors to use the Coast Guard targeting system unless deviations are documented and approved by Headquarters management.
2. Revise its targeting system to include steps to randomly select and inspect containers not identified as containing hazardous materials.
3. Provide sufficient management oversight to ensure that problems in implementing priority inspection systems are identified and addressed to assure Headquarters management that the targeting system is functioning as intended.

MANAGEMENT COMMENTS

We discussed this report with the Office of Compliance, Marine Safety and Environmental Protection, on September 3, 1998. The Office Chief concurred with the recommendations and stated that his office would develop a corrective action plan and provide milestone completion dates within 30 days.

We appreciate the courtesy and cooperation extended by Coast Guard staff. Please call me at (202) 493-0331 or Ronald H. Hoogenboom at (312) 353-0104, if you have any questions.

Exhibit

**Relative Risk of Containers Available and
Selected for Inspection**

Ten Selected Dates in 1998

Terminal	Date (1998)	Containers Available	Containers Selected	High-Risk Containers Inspected	Lower Risk Containers Inspected
Evergreen	February 24	187	7	2	5
Global	May 5	42	9	3	6
Hanjin	April 14	110	12	1	11
Howland Hook	May 7	39	12	5	7
Maersk	May 5	108	11	1	10
Matson	May 12	81	3	0	3
Sealand	May 6	73	13	6	7
Transbay	February 24	34	5	5	0
Trapact	May 7	35	4	2	2
Yusen	May 12	19	6	1	5
Totals		728	82	26	56