

March 2010

# IRAN SANCTIONS

## Complete and Timely Licensing Data Needed to Strengthen Enforcement of Export Restrictions



GAO

Accountability \* Integrity \* Reliability

Highlights of [GAO-10-375](#), a report to congressional requesters

**Why GAO Did This Study**

In 1995, the United States banned exports to Iran of most U.S. goods without a Treasury Department license. In 2008, the U.S. media, citing U.S. government statistics, reported that U.S. firms were exporting numerous goods to Iran. The statistics are maintained by the Census Bureau and are based on data filed by exporters or their agents. The United States has also generally banned unlicensed transshipments of U.S. goods to Iran via other nations. In this report, GAO assesses the extent to which (1) U.S. trade statistics accurately depict exports to Iran, (2) Treasury licenses exports to Iran in accordance with the trade restrictions and provides licensing data to enforcement agencies and Congress, and (3) Iran obtains U.S. military and dual-use goods through transshipment. GAO analyzed Census export data, a randomly selected sample of Treasury export licenses, Treasury licensing information systems, and U.S. government transshipment data. It also interviewed relevant U.S. government officials.

**What GAO Recommends**

GAO recommends that Treasury develop the capability to provide complete and timely information on all licenses for the export of goods to Iran. Treasury commented that it was upgrading its licensing system for agricultural and medical exports, but it did not specify when it would upgrade its licensing system for dual-use items with potential military uses.

[View GAO-10-375 or key components.](#)  
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**IRAN SANCTIONS**

**Complete and Timely Licensing Data Needed to Strengthen Enforcement of Export Restrictions**

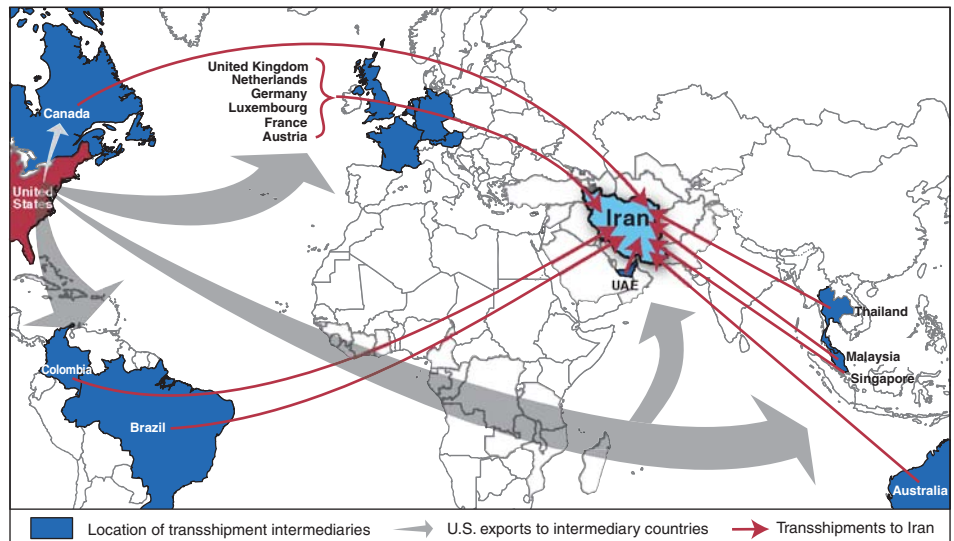
**What GAO Found**

U.S. trade statistics for exports to Iran erroneously include goods that were not exported to Iran. While the statistics indicate that U.S. firms exported 278 types of goods to Iran from 2004 to 2008, 97 of these types of goods were instead exported to Ireland, Iraq, and other countries. The misidentification of Iran as the recipient resulted from errors in export data filings that Census did not detect or correct. As a result of our review, Census officials stated, Census has begun manually checking all new filings of exports to Iran and posting corrections to a Census Web page.

While Treasury is licensing exports to Iran in accordance with export restrictions, it cannot provide complete and timely information about the licenses it has issued. Its paper-based licensing information systems cannot be searched to quickly identify licenses for exports of goods to Iran. For example, Treasury was unable to address a 2009 request from U.S. Customs and Border Protection (CBP) officials for complete and timely licensing data to support CBP inspectors at U.S. ports. Treasury's information systems weaken the ability of the government to assess compliance with Iran sanctions. Treasury plans to upgrade its licensing information system for agricultural and medical exports to Iran. However, the upgrade would not address its inability to readily identify licenses for other goods, including civilian items with potential military uses.

A wide range of U.S. military and dual-use goods are illegally transshipped to Iran through the United Arab Emirates (UAE), Malaysia, Singapore, and other countries, according to U.S. officials. The Justice Department has prosecuted several individuals for efforts to transship military aircraft parts to Iran.

**Illegal Transshipment Routes to Iran**



Sources: GAO analysis of Justice Department data; Map Resources (map).

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## Abbreviations

AECA	Arms Export Control Act
AES	Automated Export System
CBP	Customs and Border Protection
Census	U.S. Census Bureau
CENTCOM	Defense Department Central Command
IEEPA	International Emergency Economic Powers Act
MTCR	Missile Technology Control Regime
OFAC	Office of Foreign Assets Control
TSRA	Trade Sanctions Reform and Export Enhancement Act of 2000
WMD	weapons of mass destruction

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United States Government Accountability Office  
Washington, DC 20548

March 4, 2010

The Honorable Howard Berman  
Chairman  
Committee on Foreign Affairs  
House of Representatives

The Honorable David M. Scott  
House of Representatives

Iran's actions to enrich uranium, conceal its nuclear program, and sponsor international terrorism present significant challenges to U.S. national interests. In response, the United States has banned the export of most U.S. goods to Iran without an export license from the Department of the Treasury. According to Treasury officials, Treasury's general policy is to deny most license applications for Iran with the exception of agricultural and medical goods specified in a 2000 law.<sup>1</sup> Treasury is responsible for maintaining records of its export licensing decisions. In 2008, the U.S. media, citing U.S. government official trade statistics, reported that U.S. firms had exported a wide range of restricted goods to Iran, including military rifles. At that time, Treasury officials questioned the statistics' accuracy and stated that Treasury had licensed exports to Iran in compliance with U.S. law and policy. The statistics, which are maintained by the U.S. Census Bureau (Census), are based on data that exporters or their agents file.<sup>2</sup> In addition to restricting direct exports, the United States has also generally prohibited U.S. firms from knowingly shipping goods to Iran through other nations without a Treasury license.<sup>3</sup> This prohibition includes dual-use goods (civilian goods with potential military applications) that the Department of Commerce has licensed for export to other countries. The Departments of Commerce, Defense, Justice, and Homeland Security are responsible for detecting and prosecuting illegal transshipment of U.S. goods to Iran.

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<sup>1</sup>Trade Sanctions Reform and Export Enhancement Act of 2000, Pub. L. No. 106-387, Title IX, 114 Stat. 1549, 1549A-67 – 1549A-72 (codified as amended at 22 U.S.C. §§ 7201-7211).

<sup>2</sup>The official U.S. trade statistics can be accessed at <http://www.usatradeonline.gov/>.

<sup>3</sup>31 C.F.R. § 560.204.

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In this report, we assess the extent to which (1) U.S. trade statistics accurately depict U.S. exports to Iran, (2) Treasury licenses U.S. exports to Iran in accordance with the trade restrictions and provides complete and timely licensing data to enforcement agencies and Congress, and (3) Iran obtains U.S. military and dual-use items through illegal transshipments. We also present information in appendix II regarding U.S. legal tools for sanctioning foreign firms that export sensitive non-U.S. technologies to Iran.

To assess the extent to which U.S. statistics accurately depict U.S. exports to Iran, we asked Census to review the export statistics for Iran and identify the addresses of the recipients of the exports. We also met with Census officials to determine their methods and policies for assuring the accuracy of the statistics. To assess Treasury's licensing activities, we selected a random sample of Treasury export licenses for agricultural and medical goods and determined if the goods and recipients cited in the licenses were consistent with U.S. law. We also reviewed Treasury documents concerning the systems Treasury uses to record its licensing activities, interviewed Treasury and other executive branch officials, and requested detailed licensing data from Treasury. To review the extent to which U.S. goods are illegally transshipped to Iran, we obtained and analyzed lists of relevant criminal prosecutions from the Department of Justice. We also discussed transshipment issues with officials of the Departments of Commerce, Defense, Homeland Security (including U.S. Customs and Border Protection and U.S. Immigration and Customs Enforcement), Justice, and the Treasury; the Federal Bureau of Investigation; and other government agencies. The Department of Commerce (Commerce) provided us with transshipment-related information that it controls as being "for official use only." We have not included that information in this report but have instead incorporated it into a "For Official Use Only" report that is not publicly available.

We conducted this performance audit from May 2009 to March 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our scope and methodology are described in greater detail in appendix I.

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## Results in Brief

The U.S. government's official statistics for U.S. exports to Iran erroneously include goods that were exported to countries other than Iran. These statistics indicate that U.S. exporters shipped a total of 278 different types of goods to Iran from 2004 to 2008. However, we found that 97 of these types of goods, including military rifles, were shipped not to Iran but to a variety of other nations, including Ireland, Israel, and Iraq. The remaining 181 types of goods consisted primarily of agricultural, medical, humanitarian, and informational items. The misidentification of Iran as the recipient country in the statistics resulted from export data filing errors that Census did not detect or correct because of the low dollar value of the export transactions. Although their dollar value is small relative to the value of all U.S. exports, the accuracy of the Iran export statistics is important because the United States has severely restricted trade with Iran as a state sponsor of terrorism. Census officials stated that, as a result of our review, they have initiated a manual check of new filings of exports to Iran, required filers of export data to select recipient countries from a list instead of allowing them to enter a two-letter international standard country code, and begun posting newly-detected corrections to Iran export data on a Census Web page. According to Census officials, it is too soon to determine whether these actions will improve the accuracy of future U.S. trade statistics for Iran.

Treasury is issuing export licenses for Iran in accordance with export regulations but cannot routinely provide complete and timely information about those licenses. We reviewed a random sample of 58 licenses drawn from 1,833 agricultural and medical export licenses issued from late 2006 to mid-2009 and found that the sampled licenses were consistent with U.S. export regulations related to agricultural and medical items. We also determined that Treasury had complied with legal restrictions applicable to licensing the export of dual-use technology to insure the safety of civil aviation and safe operation of U.S.-origin commercial aircraft. However, we identified weaknesses in Treasury's ability to retrieve and provide complete information about its licensing decisions. Treasury uses two paper-based information systems to record data on all Iran-related licensing decisions. The systems are not integrated with one another, and neither can be searched to specifically identify licenses for the export of goods to Iran. As a result, Treasury has been unable to consistently provide timely responses to requests for complete information on such licenses. For example, Treasury was unable to respond to a 2009 request from U.S. Customs and Border Protection (CBP) officials for complete and timely Iran licensing data. CBP officials stated that they sought the information to help CBP inspectors verify that goods at U.S. ports had been properly licensed for export to Iran. Because Treasury administers

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the U.S. sanctions program on Iran, its inability to provide complete and timely information on export licenses undermines the U.S. government's ability to assess compliance with the sanctions. Treasury is planning to upgrade its system for tracking licenses for agricultural and medical exports to Iran, which are permitted by U.S. law. However, the upgrade would not include the small number of export licenses for other types of goods, such as civilian aircraft safety equipment with potential military uses.

Iran is obtaining U.S. military and dual-use goods that are illegally transshipped through intermediaries in third-party nations, according to U.S. officials. Goods involved in cases of actual or attempted transshipment include parts for Iran's U.S.-built fighter aircraft, military helicopters, and air defense systems; night vision equipment; submachine guns; computers; laboratory equipment; specialized steel; pumps with nuclear applications; and electronic components for missiles. Criminal cases handled by the Justice Department indicate that U.S. goods are often transshipped to Iran through the United Arab Emirates, Malaysia, or Singapore. To address the problem, U.S. agencies have conducted investigations to uncover Iranian procurement networks and prosecuted at least 30 firms and individuals during 2007 through September 2009.

To help ensure that U.S. agencies have timely access to reliable data concerning licensed U.S. exports to Iran, we are recommending that the Secretary of the Treasury ensure that Treasury develop the capability to provide other agencies and Congress with complete and timely information concerning all licenses issued for the export of goods to Iran.

In commenting on a draft of this report, Treasury stated that it was upgrading the licensing system that tracks agricultural and medical exports to Iran. However, it did not specify when similar upgrades would occur for a licensing system that tracks other exports, including dual-use items that have potential military applications. We therefore have not changed our recommendation. Treasury also stated that the title of our draft report implied that its information systems weakened implementation of sanctions on Iran. We therefore modified the title to clarify our message and reinforce our recommendation. Treasury's comments are reproduced in appendix III.

The Department of Commerce provided technical comments in writing, which we have incorporated as appropriate and reproduced in appendix IV. The other agencies cited in this report did not provide formal comments. CBP, U.S. Immigration and Customs Enforcement, and



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Treasury provided technical comments, which we incorporated as appropriate.

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## Background

The U.S. government's official trade statistics are maintained by the U.S. Census Bureau for use as economic indicators and measures of the U.S. balance of trade with other countries. The statistics are based primarily on data filed by exporters and their agents<sup>4</sup> into the electronic Automated Export System (AES) database.<sup>5</sup> Census maintains the AES data on a mainframe computer operated by the Department of Homeland Security's U.S. Customs and Border Protection. While most filers enter data through the Census Bureau's AESDirect or a related Census system, others have developed their own software for this purpose. The data filed into AES includes the recipient country. Until recently, filers of export data designated the recipient country by choosing a two-letter international standard country code. Data filers also designate the type of good being exported from a list of more than 8,000 internationally harmonized commodity codes. According to these statistics, the United States exported worldwide nearly \$1.3 trillion during 2008.

U.S. exports to Iran are severely restricted by U.S. laws and regulations. Before 1979, the United States enjoyed good relations with the Iranian government and exported military equipment to Iran. However, U.S.-Iranian relations deteriorated sharply following the 1979 Iranian revolution and the consequent seizure of U.S. embassy personnel. Iran's subsequent efforts to enrich uranium and support international terrorism prompted the United States to impose numerous sanctions on Iran, including a 1995 ban on almost all U.S. exports to that country.<sup>6</sup> The current ban is administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury, which is also responsible for licensing financial transactions with Iran and imports from Iran.<sup>7</sup> Under the ban, in

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<sup>4</sup>Most data (67 percent) are submitted electronically by exporters and their agents using the Automated Export System, according to Census. The remainder is compiled using data obtained electronically through a U.S. data exchange with Canada.

<sup>5</sup>Section 1404(b) of the Foreign Relations Authorization Act, Fiscal Year 2003 requires the issuance of regulations to require all persons required to file export data to do so through AES. Pub. L. No. 107-228, § 1404(b), 116 Stat. 1350, 1454 (2002).

<sup>6</sup>Exec. Order No. 12,959, 60 Fed. Reg. 24,757 (May 6, 1995). Items exempted from the ban include donations of clothing, food, and medicine to relieve human suffering; and informational materials such as films, posters, and publications.

<sup>7</sup>Iranian Transaction Regulations, 31 C.F.R. part 560.

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general, a U.S. person must obtain a Treasury license before exporting or selling goods to Iran.<sup>8</sup> Congress had already restricted exports to Iran by prohibiting the export of dual-use goods (civilian goods with potential military applications) to Iran.<sup>9</sup> This prohibition can be waived by the President if the President determines that doing so is essential to the national interests of the United States.<sup>10</sup>

According to Treasury officials, Treasury policy is to generally deny license applications for the export of U.S. goods to Iran, with the exception of goods covered by the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA). TSRA requires the President to terminate any unilateral agricultural or medical sanctions against a foreign country or foreign entity.<sup>11</sup> TSRA also states that the export of agricultural commodities, medicine, or medical devices to a designated state sponsor of terrorism, such as Iran,<sup>12</sup> shall only be made pursuant to 1-year licenses.<sup>13</sup> As a result, Treasury licenses the export of agricultural goods, medicines, and medical goods to Iran and other sanctioned countries.<sup>14</sup> Treasury has issued a growing number of licenses for agricultural and medical exports to Iran following passage of TSRA, as shown in figure 1. TSRA licenses may not be granted for exports to entities linked to international terrorism, the proliferation of weapons of mass destruction, or narcotics trafficking.

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<sup>8</sup>In this context, a U.S. person is “any United States citizen, permanent resident alien, entity organized under the laws of the United States (including foreign branches), or any person in the United States.” 31 C.F.R. § 560.314.

<sup>9</sup>The Iran-Iraq Arms Nonproliferation Act applies to Iran specific sanctions established in section 586G of the Iraq Sanctions Act of 1990, as contained in the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991 (Pub. L. No. 101-513, §§ 586-586J, 104 Stat. 1979, 2047-55 (1990)). Pub. L. No. 102-484, § 1603, 106 Stat. 2315, 2571 (codified as amended at 50 U.S.C. § 1701 note). These sanctions prohibit exports of dual-use items. See 50 App. U.S.C. §§ 2401-2420; 15 C.F.R. Pt. 774, Supp. 1.

<sup>10</sup>Pub. L. No. 102-484, § 1606. Commerce is generally responsible for licensing dual-use exports but has deferred to Treasury on licensing the export of such items to Iran. 15 C.F.R. § 746.7.

<sup>11</sup>22 U.S.C. § 7204.

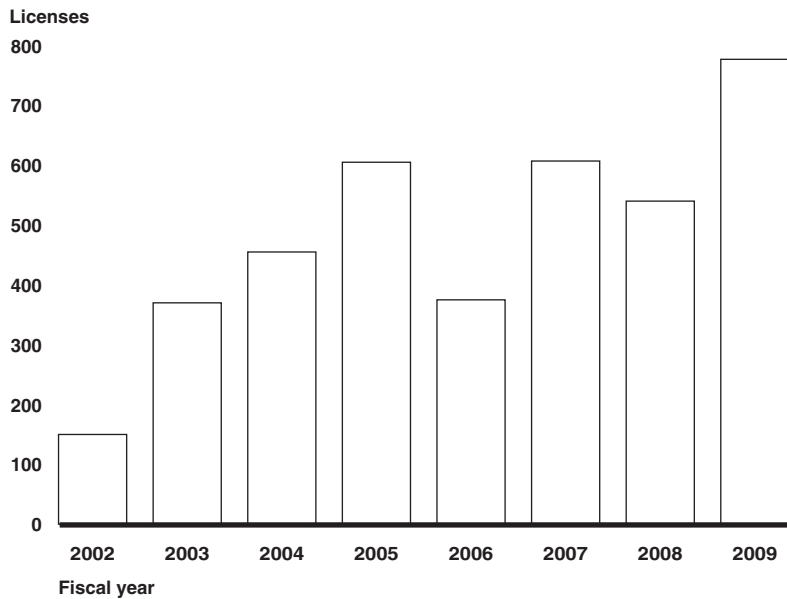
<sup>12</sup>In 1984, the Secretary of State designated Iran as a state sponsor of terrorism. Determination Pursuant to Section 6(i) of the Export Administration Act of 1979 – Iran, 49 Fed. Reg. 2,836 (Jan. 23, 1984).

<sup>13</sup>22 U.S.C. § 7205.

<sup>14</sup>31 C.F.R. §§ 560.530, 560.532, 560.533.

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**Figure 1: TSRA Licenses Issued by Treasury for Exports to Iran, 2002-2009**



Source: GAO analysis of Treasury data.

The trade ban also generally prohibits exports of U.S. goods (including dual-use items) to countries other than Iran without a Treasury license if the exporter has reason to know the goods are specifically intended for transshipment to Iran.<sup>15</sup> Foreign firms are generally prohibited from knowingly reexporting goods on Commerce’s list of controlled dual use goods to Iran even if those goods were originally legally exported from the United States to a third country under a Commerce license.<sup>16</sup> For example, dual-use U.S. goods exported to countries other than Iran under a Commerce license may not be subsequently transshipped to Iran without a Treasury license if the exporter knew or had reason to know that such goods were intended for Iran. The Departments of Commerce, Defense, Homeland Security, Justice, and the Treasury investigate allegations of illegal transshipment of U.S. goods to Iran. Exporters who knowingly ship U.S. goods to Iran via other countries without a Treasury license are subject to prosecution by the Department of Justice. Congress is

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<sup>15</sup>31 C.F.R. §§ 560.204

<sup>16</sup>31 C.F.R. §§ 560.205

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considering new sanctions that would restrict Iran's ability to import goods from other countries.<sup>17</sup>

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## U.S. Export Statistics for Iran Erroneously Include Goods Not Exported to Iran

The U.S. government's official statistics for U.S. exports to Iran erroneously include many types of goods that U.S. firms did not export to Iran. The misidentification of Iran as the recipient country in the statistics is the result of export data filing errors that Census did not detect or correct. Census officials stated that, as a result of our review, Census has begun manually checking new export filings reporting exports to Iran. While Census policy is not to correct errors in the statistics that are older than 1 year, it has begun posting Iran-related corrections on a separate Web page.

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## U.S. Export Statistics Contain Numerous Erroneous Entries for Iran

U.S. export statistics erroneously indicate that U.S. exporters shipped 278 types of goods to Iran from 2004 to 2008. At our request, Census reviewed its records and determined that more than a third (97) of these types of goods had not been exported to Iran. As shown in table 1, the types of goods erroneously included in the Iran export statistics include military rifles exported to Iraq and aircraft parts exported to Ireland, Israel, and Iraq.<sup>18</sup> The remaining types of goods in the export statistics for Iran are primarily agricultural, medical, humanitarian, or informational.

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<sup>17</sup>The U.S. export ban (31 C.F.R. part 560) does not apply to foreign firms that export non-U.S. goods to Iran from abroad. U.S. legal tools for sanctioning foreign firms that export sensitive goods to Iran are described in Appendix II. Some of the bills currently under consideration in Congress include the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2009, S. 2799, 111th Cong. (2009); Iran Sanctions Enabling Act of 2009, S. 1065, 111th Cong. (2009); Iran Refined Petroleum Sanctions Act, S. 908, 111th Cong. (2009); Iran Refined Petroleum Sanctions Act of 2009, H.R. 2194, 111th Cong. (2009); and Iran Sanctions Enabling Act of 2009, H.R. 1327, 111th Cong. (2009).

<sup>18</sup>Similarly, U.S. export statistics for 2002 include aircraft launching gear among the items exported to Iran. At our request, Census reviewed its records and determined that this item had been exported to Italy and not to Iran.

**Table 1: Selected Goods Erroneously Included in Export Statistics for Iran**

Type of Good	Total value shipped (2004-2008)	Actual countries of destination
Civilian aircraft, engines, and parts	\$640,235	Ireland, Israel, Iraq
Military rifles	106,635	Iraq
Military rifle parts	8,760	Iraq
Military equipment	33,197	Iraq, Kyrgyzstan
Specially designed vehicles	21,000	Iraq
Work trucks	60,713	Israel
Cinema cameras	3,000	Iraq
Perfumes and toilet waters	8,938	Israel
String musical instruments	8,123	Ireland

Source: GAO analysis of Census data.

The misidentification of Iran as the recipient country for these and other exports was the result of errors made by filers of export data into the Automated Export System. In checking its records at our request, Census determined the addresses of the recipients to which the shipment were to be delivered. It found many cases of “improbable” addresses, such as “Dublin, Iran.” In these cases, exporters apparently mistook the two-letter country code for Iran (“IR”) for the code for the actual recipient country. For example, exporters shipping goods to Ireland might enter “IR” instead of the correct code for Ireland (“IE”). Table 2 depicts the code for Iran and the codes for several other recipient countries.

**Table 2: Selected Countries and Country Codes**

Country	Standardized country code
Iran	IR
Ireland	IE
Israel	IL
Iraq	IQ
Italy	IT

Source: U.S. Census Bureau.

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## Census Did Not Detect or Correct Errors in Export Data for Iran

Census officials stated that they did not detect or correct all of the Iran-related errors in new exporter filings or in the export statistics for previous years. The officials focused on detecting errors involving high-dollar value transactions because of the statistics' use in determining the U.S. balance of trade rather than the sensitivity of the reported recipient country. The officials stated that they did not focus on detecting errors in the data for exports to Iran because the value of such exports was relatively small. In 2008, the reported value of U.S. exports to Iran was \$683 million, while the total value of all U.S. exports worldwide was nearly \$1.3 trillion.<sup>19</sup> Moreover, the officials stated, the policy of the Census Bureau is not to make changes in trade statistics that are more than a year old. For example, Census officials have not corrected an erroneous entry in the statistics concerning the alleged export of rifles to Iran in 2004, although they learned of the error in 2008. Census officials also stated that Census is not involved in enforcing U.S. export controls on Iran.

Although the dollar value of U.S. exports to Iran is small relative to the value of all U.S. exports, the accuracy of the Census Bureau's Iran export statistics is important. The nature and composition of the U.S. exports to Iran is sensitive because the United States has severely restricted trade with Iran as a state sponsor of terrorism. Also, other U.S. government agencies use these statistics in connection with the trade with Iran. For example, Commerce and Homeland Security enforcement officials use the statistics as part of their enforcement targeting efforts. In addition, officials from the Department of State stated that they employ these statistics in defending U.S. trade policy with Iran in discussion with other governments.

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## Census Has Taken Action in Response to Our Review

In response to our review, Census officials have taken action to improve the accuracy of statistics concerning current U.S. exports to Iran.

- Beginning in August 2009, Census officials began routine accuracy checks of new filings of exports to Iran and other heavily sanctioned countries (Cuba, North Korea, and Sudan), regardless of the dollar value of the exports. Census officials stated that they are now checking recipient addresses to verify that they match the reported country of destination and are calling filers of export data to verify questionable entries.

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<sup>19</sup>According to Census officials, more than 85 percent of the transactions involved in the Iran-related errors were valued at less than \$50,000 and the highest-valued transaction was valued at \$1 million.

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Although they have not formalized the process, Census officials have stated that they intend to continue these accuracy checks.

- Census also clarified the country selection process in AESDirect, the filing system used by most exporters to enter information into the Automated Export System. Because exporters often apparently assumed that “IR” was the code for other countries, Census has changed the data entry process to include a pull-down menu that lists all the countries of the world by their complete names.
- In June 2009, Census began posting an online list of corrections to Iran export data.<sup>20</sup> However, Census officials stated that they will continue their policy of not correcting errors in the trade statistics older than 1 year.<sup>21</sup>

Census officials stated that it is too early to determine the extent to which these recent efforts may improve the accuracy of U.S. statistics concerning exports to Iran.

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## Treasury Is Licensing Exports to Iran in Accordance with Trade Ban but Cannot Provide Complete and Timely Information on Its Licensing Decisions

Treasury is licensing exports to Iran in accordance with the trade ban but cannot provide other agencies or Congress with complete and timely licensing information. It is hindered by paper-based information systems that cannot be searched to identify licenses for the export of goods to Iran. As a result, Treasury has been unable to quickly respond to requests for complete information on such licenses. Treasury is planning to upgrade its system for tracking licenses for agricultural and medical exports to Iran, which are permitted by TSRA. However, the upgrade would not include the small number of export licenses for other types of goods, such as dual-use civilian aviation equipment with potential military uses.

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<sup>20</sup>The Census corrections are at <http://www.census.gov/foreign-trade/statistics/corrections/iran/>. As of December 2009, Census had listed 270 corrections to the Iran export data.

<sup>21</sup>In commenting on a draft of this report in late February 2010, Census officials stated they are “developing new processing systems that will allow corrections to be applied over several years.”

## Treasury Licenses for Exports to Iran Are in Accordance with the Trade Ban

Our review of a sample of TSRA licenses found no evidence that Treasury has issued TSRA licenses for the export of goods other than those covered by TSRA. We also found no evidence that TSRA licenses involved recipients engaged in forbidden activities. We selected a random sample of 58 licenses from 1,833 TSRA export licenses issued by Treasury between October 2006 and August 2009. The licenses selected authorized the export of more than 275 types of goods. None of the licenses in our sample authorized the export of nonagricultural or nonmedical items. Also, none of the end users listed on the licenses in our sample appeared on Treasury’s Specially Designated Nationals and Blocked Persons List, which contains individuals known to be linked to international terrorism, the proliferation of weapons of mass destruction, and narcotics trafficking.

We also reviewed 34 non-TSRA licenses that Treasury issued between January 2008 and July 2009. As shown in table 3, we found that all but one of the licenses involved the return of human remains to Iran; official U.S. government and law enforcement matters; educational, research, and exchange programs; and media-related enterprises for broadcasting or Internet connectivity. The remaining license involved the export of dual-use equipment to help ensure the safety of Iran’s U.S.-built civilian airliners. U.S. law prohibits the export of any dual-use item to Iran and states that the President may waive the prohibition if doing so is essential to the interests of the United States.<sup>22</sup> The President has delegated the authority to issue such waivers to the Secretary of State.<sup>23</sup> We obtained a list of waivers from the Department of State and confirmed that a waiver had been issued for this dual-use export.

**Table 3: Non-TSRA Licenses Issued 2008 to August 2009**

Purpose of licenses	Number of licenses
Transport of human remains to Iran	13
U.S. Government/Law Enforcement	9
Educational/Research/Exchange Programs	8
Media/Broadcasting/Internet Connectivity	3
Aircraft Safety (dual-use)	1
<b>Total</b>	<b>34</b>

Source: GAO analysis of Treasury data.

<sup>22</sup>Iran-Iraq Arms Non-Proliferation Act of 1992, §§ 1603 and 1606.

<sup>23</sup>Memorandum of the President of the United States, 59 Fed. Reg. 50,685 (Sept. 27, 1994).



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## Treasury Information Systems Cannot Provide Complete and Timely Licensing Data to Other Agencies and Congress

Treasury cannot provide other agencies or Congress with complete and timely information concerning the licenses it has issued. It cannot do so because it relies on paper-based information systems that cannot be searched to identify licenses for the export of goods to Iran. Treasury's primary licensing information system for export licenses is based on correspondence tracking software. According to a Treasury official familiar with the system, it contains nonstandardized data for license applications entered before 2007, relies on manual data entry, and requires time-consuming case-by-case review by licensing officials to ensure its reliability and suitability for release. Treasury's secondary information system was created by TSRA licensing personnel to support the licensing of exports of TSRA goods. In January 2009, an internal Treasury budget request characterized the TSRA information system as a "largely paper-based" system that hinders "the speed, efficacy, reliability, and security of [Treasury's] licensing, enforcement and compliance activities." Treasury officials must manually review all TSRA licensing data for Iran to identify licenses that authorize the export of goods. Because the TSRA system is not integrated with Treasury's primary licensing information system, TSRA licensing officials must manually enter the same data into both systems.

Treasury has been unable to consistently provide timely and complete licensing information for Iran to other agencies and Congress. For example, a Treasury official informed U.S. Customs and Border Protection (CBP) officials in 2009 that Treasury's information systems could not provide CBP with complete and timely information on licenses issued for the export of goods to Iran. CBP officials stated that they had sought the information to help CBP officers at U.S. ports quickly determine whether goods slated for export to Iran had been properly licensed by Treasury. CBP officers currently use a more time-consuming process to access limited Treasury data through a third agency. Treasury officials stated in January 2010 that their licensing information systems focus on the exceptions that Treasury grants to the Iran trade embargo, rather than on controls over the export of specific goods.

Similarly, as of March 1, 2010, Treasury had yet to provide Congress with a required biennial report on TSRA licenses issued to Iran from October 1, 2006 to September 30, 2008.<sup>24</sup> Treasury officials noted that Treasury has published quarterly reports that contain the number of TSRA licenses issued during this period. However, the data in the quarterly reports were

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<sup>24</sup>22 U.S.C. § 7205.

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not consistent with data that Treasury provided us during our review. A TSRA official stated that Treasury could not resolve the inconsistencies in a timely manner because of information system limitations. In addition, Treasury required more than 2 months to provide GAO with adequate data concerning its TSRA licenses.

Treasury has begun work to upgrade its system for managing TSRA licensing information. During our review, Treasury hired a contractor in September 2009 to begin designing a system to better manage TSRA licensing information. The stated goal of the project is to provide Treasury with an integrated, largely paperless TSRA database that would allow it to better collect and manage information, conduct analysis, improve efficiency, provide U.S. law enforcement agencies with better information, and improve the timeliness of reports to Congress. Treasury intends to complete the upgrade by September 2010. Treasury officials informed us that they gave priority to upgrading the TSRA database because of the volume of licensing requests.

However, the new TSRA system would not include licenses that Treasury has issued for the export of goods that are not agricultural or medical in nature, including dual-use civilian goods with potential military applications. Congress has prohibited the export of any dual-use item to Iran and has stated that the President may waive the prohibition if doing so is essential to the interests of the United States.<sup>25</sup> Treasury has had difficulty in identifying licenses for dual-use items. For example, Treasury officials informed a Defense Department Central Command (CENTCOM) official in 2009 that they could not provide CENTCOM with a list of Treasury licenses for the export of U.S. dual-use civilian aircraft parts to Iran. According to the CENTCOM official's report, Treasury officials stated they could not do so because of information system limitations.<sup>26</sup> Similarly, Treasury took more than 4 months to provide GAO with adequate data concerning a dual-use export license and 33 other non-TSRA licenses issued during the preceding 18 months (January 1, 2008-July 2009). Treasury officials stated in December 2009 that Treasury had yet to determine when it might upgrade its licensing information system for non-TSRA export licenses.

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<sup>25</sup>Iran-Iraq Arms Non-Proliferation Act of 1992, §§ 1603 and 1606.

<sup>26</sup>Treasury officials stated in January 2010 that they had been unable to develop the list within four hours as requested and that Treasury could have provided the data within a "reasonable" period of time if it had received a written request.

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In 2007, we identified the lack of data concerning U.S. trade sanctions as a governmentwide problem affecting the U.S. government's ability to assess the impact of the sanctions on Iran.<sup>27</sup> Given Treasury's central role in licensing exports to Iran, its inability to provide complete and timely licensing information weakens government efforts to determine whether dual-use and other goods exported to Iran have been properly licensed and to assess compliance with the trade ban.

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## Iran Is Obtaining Illegal Transshipments of U.S. Military and Dual-Use Goods through Other Countries

According to U.S. officials, Iran is obtaining U.S. military and dual-use goods that are being illegally transshipped by firms and individuals through locations in numerous countries, including the United Arab Emirates, Malaysia, and Singapore. The goods include components for U.S.-built fighter aircraft, electronics, and specialized metals. To address the problem, U.S. agencies have conducted undercover investigations to detect Iranian procurement networks, prosecuted criminal cases against at least 30 firms and individuals for transshipping or attempting to transship goods to Iran, and provided export control training and support to the United Arab Emirates and other countries.

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## Wide Range of Military and Dual-Use Goods Involved in Iran Transshipment Cases

Firms and individuals have transshipped or attempted to transship a wide range of U.S. military and dual-use goods to Iran, according to U.S. officials. The Department of Justice reported in September 2009 that individuals and firms were seeking to transship military components to Iran. For example, the department listed nine major criminal prosecutions between 2007 and September 2009 that involved transshipment of components for Iran's U.S.-built fighter aircraft. These aircraft include the F-14 fighter, a highly capable aircraft used by the U.S. Navy until 2006 (see fig. 2); the F-4 fighter-bomber; and the F-5 fighter. The department also reported efforts to transship parts for Iran's U.S.-built military helicopters, military-grade night vision equipment, submachine guns, computers, and specialized laboratory equipment. Immigration and Customs Enforcement officials expressed concern regarding Iranian efforts to acquire through transshipment electronic components for missiles, parts for Iran's U.S.-built Hawk anti-aircraft missiles, specialized steel, and pumps with nuclear applications.

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<sup>27</sup>GAO, *Iran Sanctions: Impact in Furthering U.S. Objectives Is Unclear and Should Be Reviewed*, GAO-08-58 (Washington, D.C.: Dec. 18, 2007).

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**Figure 2: F-14 and F-4 Aircraft**



Sources (left to right): U.S. Navy (F-14) and U.S. Air Force (F-4).

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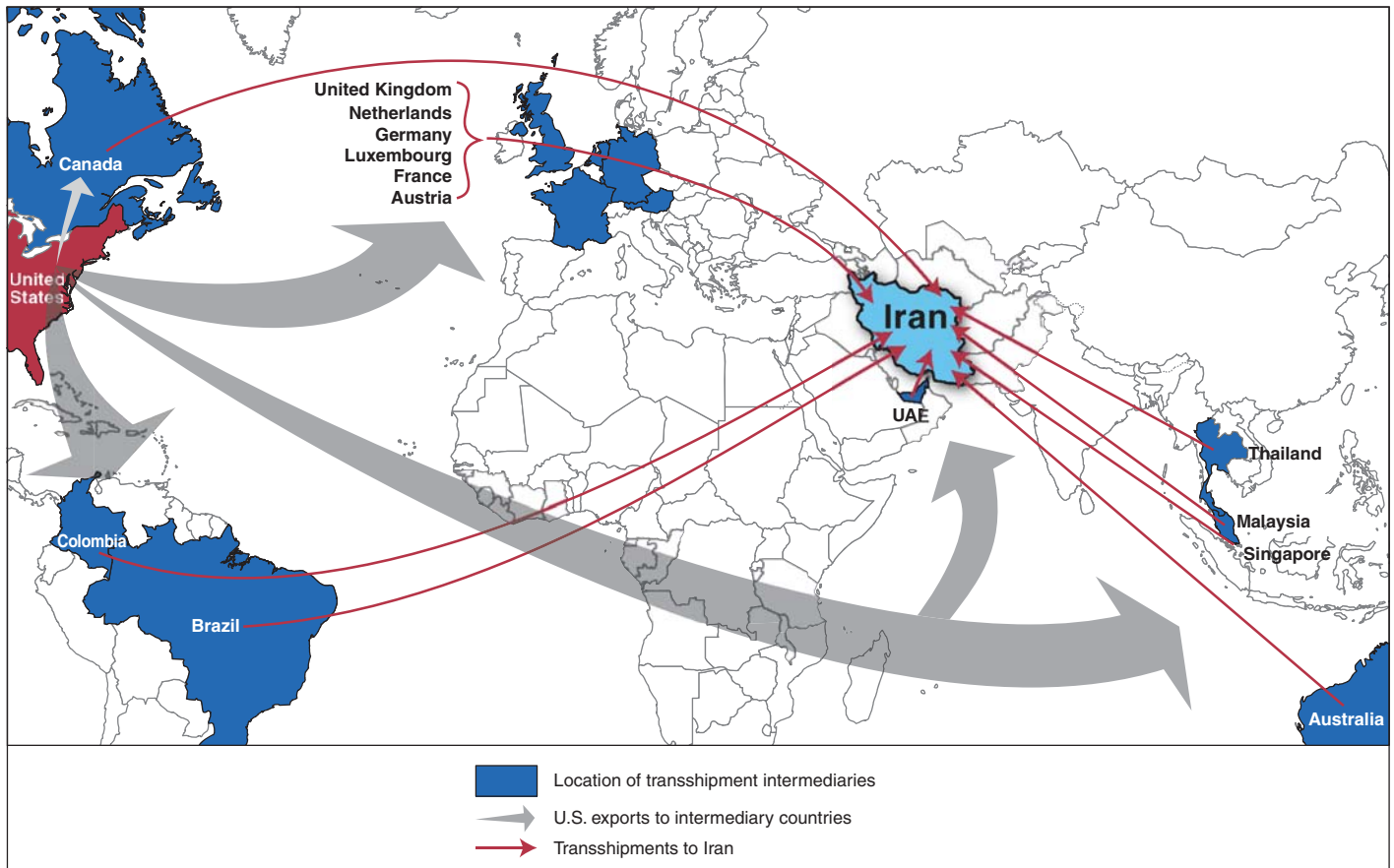
## Goods Are Transshipped through Several Nations

Firms and individuals have transshipped or attempted to transship goods through intermediaries in several countries. A 2009 report by the Justice Department cited 30 cases that involved the use of intermediaries in the United Arab Emirates (UAE), Malaysia, Singapore, Thailand, Australia, Canada, Colombia, Brazil, Austria, France, Germany, Luxembourg, The Netherlands, and the United Kingdom. As shown in figure 3, the cases involved efforts to ship the goods to Iran through the use of intermediaries in these countries. More than 50 percent of the cases listed involved use of intermediaries in the UAE for transshipment. About 20 percent involved the use of Malaysia and Singapore.<sup>28</sup> U.S. goods involved in these cases included U.S. military aircraft components, laboratory equipment, specialty alloy pipes, night vision goggles, and sensitive technologies sent to Iranian missile and nuclear entities.

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<sup>28</sup>The information made public by Justice does not necessarily include all recent prosecutions of efforts to illegally transship U.S. goods to Iran.

**Figure 3: Illegal Transshipment Routes Cited in Cases Prosecuted 2007-2009**



Sources: GAO analysis of Justice Department data; Map Resources (map).

U.S. officials stated that the UAE has taken steps to address the use of its territory for transshipment. They noted that the UAE has increased cooperation with U.S. enforcement entities and enacted new export control legislation in 2007. According to the UAE government, the new law addresses goods subject to import and export control procedures, bans the export or re-export of strategic goods (including arms and military hardware, chemical and biological materials, and dual-use items) without a special license, and specifies penalties of imprisonment of up to a year and fines totaling over \$270,000. U.S. officials met with UAE officials in June 2009 to discuss the implementation of the new law. Commerce officials stated that the law contains the basic elements of an export control regime to combat transshipment. However, some U.S. officials also

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stated that individuals involved in illegal transshipment may shift their operations to other nations, such as Malaysia and Singapore.

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### Actions Are Being Taken by U.S. Agencies to Combat Transshipment

U.S. enforcement officials stated that they pursue allegations of transshipment. For example, Defense Criminal Investigative Services and U.S. Immigration and Customs Enforcement officials stated they conduct undercover investigations to detect efforts by Iranian procurement agents to obtain U.S. goods in response to requests from Iran's military-industrial establishment. To do so, procurement agents may seek to build long-term relationships with suppliers by initially buying small quantities of relatively-innocuous items before seeking more sensitive items. Defense Criminal Investigative Services and U.S. Immigration and Customs Enforcement officials stated that, in one case, a procurement agent with ties to the Iranian military attempted to procure about 700 goods, including aircraft parts and radar components. Most of the goods would have required U.S. government licenses to be exported to their alleged destination in the United Arab Emirates. The individual seeking the parts typically identified himself as a United Arab Emirates businessman in approaching U.S. firms, according to U.S. enforcement officials. The individual provided false documents and attempted to convince the U.S. firms that they did not need to obtain export licenses.

U.S. law provides criminal penalties for the illegal transshipment of goods to Iran.<sup>29</sup> For example, violators of Treasury's Iranian Transactions Regulations may receive sentences of up to 20 years imprisonment and fines of up to \$1 million. The Justice Department has reported that from January 2007 to September 2009 it handled at least 30 criminal prosecutions involving actual or attempted transshipments to Iran. Five individuals convicted in connection with these cases received sentences of imprisonment that ranged from 6 months to more than 5 years.

The Commerce Department is responsible for licensing U.S. exports of dual-use items to the UAE, as well as countries other than Iran. To help detect illegal transshipments of U.S. dual-use goods, Commerce enforcement personnel select a sample of previously shipped goods and

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<sup>29</sup>31 C.F.R. § 560.701.

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attempt to verify they are located and being used in accordance with licensing conditions.<sup>30</sup>

U.S. agencies have provided export control assistance to countries that have been used by intermediaries to transshipment goods to Iran. For example, the UAE has received assistance provided by U.S. agencies, including the Department of Homeland Security and the Department of Energy. The Departments of Commerce and Justice have also worked with the UAE in improving its controls over exports.

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## Conclusions

While the United States government has severely restricted U.S. exports to Iran, it cannot readily determine the extent to which it has issued licenses for such exports or the extent to which goods marked for Iran are leaving U.S. ports. U.S. agencies should have complete, reliable, and timely information concerning these matters to ensure the U.S. government is implementing the ban on exports to Iran. While covert transshipments of U.S. goods through third-party countries are inherently difficult to detect, erroneous reports of overt shipments of U.S. goods to Iran have prompted concerns that the United States is not abiding by its own export ban. The Census Bureau has taken some steps to detect and correct errors in its latest statistics, but the Treasury Department has yet to take action to ensure that it can retrieve complete and timely data on which exports to Iran it has licensed and which it has not.

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## Recommendation for Executive Action

To help ensure that U.S. agencies have timely access to reliable data concerning licensed U.S. exports to Iran, we recommend that the Secretary of the Treasury ensure that the Department of the Treasury develop the capability to provide other agencies and Congress with complete and timely information concerning all licenses issued for the export of goods to Iran.

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<sup>30</sup>Additional information regarding Commerce's verification efforts concerning Iran is included in a For Official Use Only version of this report.

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## Agency Comments and Our Evaluation

Treasury provided written comments regarding a draft of our report, which are reprinted in appendix III. With regard to our recommendation, Treasury stated that it is already able to access, review, and share information relating to TSRA licenses and that it “hopes” to enhance its abilities to process non-TSRA licensing information. It also indicated that it plans to share licensing data with CBP in the future through the Automated Commercial Environment (ACE) system. Treasury acknowledged that its ability to search some parts of its current licensing databases is limited and that its data systems could be improved. Treasury also acknowledged that it “has work to do” before it can provide CBP with the specific data CBP needs to validate licensed exports. While Treasury is able to access and share licensing information, it cannot do so in a complete and timely manner. As noted in our draft report, Treasury required more than 2 months to provide us with complete licensing data for agricultural and medical exports and more than 4 months to access and share 34 recent export licenses for other types of goods, including a dual-use good with potential military applications. The ACE system is still in development and is not ready to receive Treasury’s export data. We therefore have not changed our recommendation that Treasury develop the ability to provide complete and timely information regarding all export licenses for Iran.

Treasury also stated that, contrary to the notion that the administration of the sanctions program had been weakened, nothing in our draft report indicated that enforcement actions regarding exports to Iran, or the implementation of the sanctions, had been impaired by incomplete and untimely licensing data. Treasury’s assertion is in contrast with a 2009 internal Treasury budget request, in which Treasury officials stated that (1) Treasury’s information processes were hampering “the speed, efficacy, reliability and security” of its enforcement and compliance activities and (2) Treasury would be able to provide better information to law enforcement agencies if it upgraded its TSRA information system. Also, as noted in our report, limitations in Treasury’s information systems prevented it from responding to a request from U.S. Customs and Border Protection officials for more complete and timely licensing information to aid CBP agents at U.S. ports.

Treasury also stated that it appreciated the report’s finding that Treasury is licensing the export of goods to Iran in accordance with the laws and regulations imposing sanctions on Iran. However, it expressed concern that our draft report title conveyed an impression that Treasury’s information systems were weakening the implementation of economic



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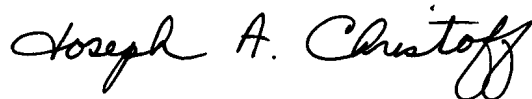
sanctions against Iran. We therefore modified the title of our report to clarify our message and reinforce our recommendation.

The Department of Commerce provided formal written comments concerning the Census Bureau's maintenance of U.S. export statistics. Commerce's comments were technical in nature and did not address our findings or recommendation. We have incorporated Commerce's comments in our text as appropriate and reproduced them in appendix IV. The other agencies cited in this report did not provide formal comments. CBP, U.S. Immigration and Customs Enforcement, and Treasury provided technical comments, which we incorporated as appropriate.

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We are sending copies of this report to the Departments of Commerce, Defense, Energy, Homeland Security, Justice, State, and the Treasury, as well as interested congressional committees. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-8979 or [christoffj@gao.gov](mailto:christoffj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors are listed in appendix V.



Joseph A. Christoff  
Director, International Affairs and Trade

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# Appendix I: Objectives, Scope, and Methodology

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To assess the extent to which U.S. statistics accurately depict U.S. exports to Iran, we analyzed the results of a Census Bureau review of records regarding all types of goods reportedly shipped to Iran from 2004 through 2008 to determine the specific destinations of those goods. In reviewing its records, Census checked the shipping address of the ultimate recipient for each good. Based on the results of its review, Census provided us with the actual country of destination and the total dollar value of each type of good that was sent to a country other than Iran. We used that information to adjust the data found in the U.S. export statistics. We also reviewed a Census Web page listing corrections to U.S. export data concerning Iran to corroborate the posted corrections with those that Census had provided to us. We also met with Census officials to determine their methods and policies for assuring the accuracy of the statistics.

To assess the Treasury Department's licensing activities, we first reviewed U.S. laws and regulations that established sanctions on U.S. exports to Iran, including Treasury's Iranian Transaction Regulations. We then reviewed a random sample of 58 licenses that were issued by Treasury to exporters from October 2006 to August 2009. With this probability sample, each member of the study population had a nonzero probability of being included, and that probability could be computed for any member. The random sample was taken from a list of 1,833 licenses provided to us by Treasury. On the basis of the sample, we estimate no more than 5 percent of the population contained errors, at a 95 percent confidence level,<sup>1</sup> which we judged to be sufficiently reliable for our review. In the digital PDF copies of licenses we obtained, we verified that all licenses were for agricultural goods, medicines, and medical devices allowed under TSRA and the Iranian Transactions Regulations. We also looked at the intended end users in the license to verify that none were sponsors of international terrorism. The names of end users in the licenses were compared with a search of Treasury's Specially Designated Nationals and Blocked Persons list, which is maintained and updated daily on Treasury's Web site.<sup>2</sup> For non-TSRA goods, we reviewed all non-TSRA licenses provided by Treasury for January 2008 to June 2009. For dual-use items, we verified that a

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<sup>1</sup>Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval (e.g., from zero to 5 percent). This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn.

<sup>2</sup><http://www.ustreas.gov/offices/enforcement/ofac/sdn/t11sdn.pdf>.

waiver had been obtained for the export of goods to Iran before a license was granted. We also interviewed officials from the Departments of the Treasury and State on their collaboration and joint decision-making for licenses granted for export to Iran that required a presidential waiver. To assess Treasury's ability to provide complete and timely licensing data to other agencies and Congress, we obtained documents concerning Treasury information systems, including contracting and budget documents for a planned upgrade. We obtained a Treasury presentation on the TSRA Database and Foreign Assets Control Database systems used to store records of its licensing activities. We also obtained and reviewed all of the mandated biennial and quarterly reports for TSRA on Treasury's Web site.<sup>3</sup> We compiled these reports into a comprehensive total of licenses issued by Treasury and then compared it with the list Treasury provided to us for the overlapping time periods. We also interviewed relevant Treasury licensing, information technology, and enforcement officials. We interviewed officials from the Departments of Commerce and Homeland Security and other entities who use Treasury licensing information. In addition, we requested detailed licensing data from Treasury and monitored its ability to comply with our request.

To review the extent to which U.S. goods are being illegally transshipped to Iran, we obtained and analyzed lists of relevant criminal prosecutions from the Department of Justice. We also discussed transshipment issues with officials of the Departments of Commerce, Defense, Homeland Security, Justice, and the Treasury; the Federal Bureau of Investigation; and other government agencies. We relied on secondary sources for descriptions of foreign laws.

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<sup>3</sup><http://www.ustreas.gov/offices/enforcement/ofac/licensing/agmed/index.shtml>.

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# Appendix II: U.S. Legal Tools for Sanctioning Foreign Companies That Transfer Sensitive Technology

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The U.S. government has a number of legal tools to exert pressure on foreign entities that transfer foreign sensitive technologies to Iran.<sup>1</sup> These tools allow the United States to penalize foreign entities by freezing their U.S. properties, limiting their ability to trade with the United States, prohibiting them from obtaining U.S. government procurement contracts, or otherwise impairing their ability to work with U.S. entities. Some of these tools are specifically focused on the transfer of technologies to Iran, while others can be applied to a wider range of actions. The laws presented below are discussed only in the context of non-U.S. entities transferring sensitive non-U.S. technologies to Iran from outside the United States. Please refer to the original text of the laws for the full content.

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## Executive Orders 13382, 12938, and 13094

These executive orders establish criteria for the application of sanctions on foreign firms that provide sensitive technologies to Iran. The orders draw their authority from the International Emergency Economic Powers Act (IEEPA) and several other acts of Congress.

- Executive Order 13382 allows the Secretary of State or the Secretary of the Treasury, in consultation with each other and other relevant agencies, to freeze the assets of persons designated as being engaged in the proliferation of weapons of mass destruction (WMD), as well as members of their support networks.<sup>2</sup> The order also states that frozen assets may not be transferred, paid, exported, withdrawn or otherwise dealt in and prohibits any transactions by a U.S. person or within the United States taken to evade or avoid such prohibitions.<sup>3</sup> Foreign persons can be designated under the order if they have engaged, or attempted to engage, in activities or transactions that have materially contributed to the proliferation of (or pose a risk of doing so) WMD or WMD delivery

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<sup>1</sup>For the purposes of this appendix, sensitive technology includes technology relevant to nuclear and other weapons of mass destruction and advanced conventional weapons (including missiles), as well as any dual-use technologies (civilian technologies that have security applications). Three United Nations Security Council resolutions call on all United Nations member states to prevent transfer of sensitive technology to Iran. UNSCR 1737 declares that member states should prevent dealings that further Iran's nuclear and missile development and includes a list of entities involved in this development. UNSCR 1747 and UNSCR 1803 add to this list. See S.C. Res. 1737, U.N.Doc. S/RES/1737 (Dec. 27, 2006), S.C. Res. 1747, U.N. Doc. S/RES/1747 (Mar. 24, 2007), and S.C. Res. 1803, U.N. Doc. S/RES/1803 (Mar. 3, 2008).

<sup>2</sup>Exec. Order No. 13,382, 70 Fed. Reg. 38,567 (June 28, 2005).

<sup>3</sup>*Id.*

systems (such as missiles capable of delivering WMD). Such activities include efforts by any person or country of proliferation concern to manufacture, acquire, possess, develop, transport, transfer, or use WMD or WMD delivery systems.

- Executive Order 12938 allows the Secretary of State to impose sanctions against foreign persons if the Secretary has made a determination that such persons have, on or after November 16, 1990, knowingly and materially contributed to the efforts of any foreign country, project, or entity to use, develop, produce, stockpile, or otherwise acquire chemical or biological weapons.<sup>4</sup> The United States government is prohibited from procuring goods or services from a designated person or importing products produced by a designated person, unless exempted from these sanctions by the Secretaries of State and the Treasury for certain reasons, such as U.S. military requirements or defense production needs.
- Executive Order 13094 expanded Executive Order 12938 to impose sanctions when the Secretary of State determines that a foreign person on or after November 16, 1990, has materially contributed or attempted to contribute materially to the efforts of any foreign country, project, or entity of proliferation concern to use, acquire, design, develop, produce, or stockpile weapons of mass destruction or missiles capable of delivering such weapons.<sup>5</sup> The penalties that could be imposed under Executive Order 12938 remained the same.

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**Iran, North Korea, and  
Syria Nonproliferation Act**

This act allows the President to sanction foreign persons with respect to whom there is credible evidence indicating that such persons transferred sensitive goods, services, or technology to Iran after a certain date.<sup>6</sup> Under the act, the President is required to report to the Senate Foreign Relations Committee and the House Foreign Affairs Committee every 6 months identifying foreign persons with respect to whom there is credible evidence that such persons have, on or after January 1, 1999, transferred

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<sup>4</sup>Exec. Order No. 12,938, 59 Fed. Reg. 58,099 (Nov. 14, 1994).

<sup>5</sup>Exec. Order No. 13,094, 63 Fed. Reg. 40,803 (July 28, 1998).

<sup>6</sup>This law was enacted as the Iran Nonproliferation Act of 2000; Restriction on Extraordinary Payments in Connection with the International Space Station, Pub. L. No. 106-178, 114 Stat. 38 (Mar. 14, 2000); Syria was added to the act by the Iran Nonproliferation Amendments Act of 2005, Pub. L. No. 109-112, §4, 119 Stat. 2366, 2369 (Nov. 22, 2005); and North Korea was added by the North Korea Nonproliferation Act of 2006, Pub. L. No. 109-2353, 120 Stat. 2015 (Oct. 13, 2006).

goods, services, or technology listed in specified multilateral export control lists to Iran.<sup>7</sup> The act allows the President to impose a number of measures to a foreign person appearing in the report, such as a ban of U.S. government procurement from the designated person, a ban of U.S. government arms sales to the foreign person,<sup>8</sup> or the denial or suspension of licenses to export dual-use items to the foreign person.<sup>9</sup>

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**Iran-Iraq Arms  
Nonproliferation Act of  
1992**

This act requires the President<sup>10</sup> to sanction persons who, by transferring or retransferring goods or technology, “knowingly and materially” contribute to Iran’s efforts to acquire chemical, biological, or nuclear weapons, or destabilizing numbers and types of advanced conventional weapons.<sup>11</sup> Mandatory sanctions under the act include (1) a ban on U.S. government procurement from sanctioned persons and (2) a ban on licenses for export to or by the foreign person.<sup>12</sup> The sanctions are to be imposed and last for 2 years, unless the President issues a waiver on the basis that it is essential to U.S. national interests.<sup>13</sup> The President is required to report to the Senate Armed Services, Senate Foreign Relations, House Armed Services, and House Foreign Affairs committees if the President determines that a person has made a transfer subject to sanction under the act.<sup>14</sup> In the report, the President must identify the person,

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<sup>7</sup>An example of such a list would be the Missile Technology Control Regime Equipment and Technology Annex of June 11, 1996, as revised. Pub. L. No. 106-178, as amended.

<sup>8</sup>This is a prohibition on United States Government sales of any item on the United States Munitions List as in effect on August 8, 1995, and a termination of sales of any defense articles, defense services, or design and construction services under the Arms Export Control Act, Pub. L. No. 90-269, as amended.

<sup>9</sup>Pub. L. No. 106-178, as amended.

<sup>10</sup>All functions vested in the President under the act were delegated to the Secretary of State, in consultation with heads of other departments and agencies. *See* Memorandum of the President of the United States, 59 *Fed. Reg.* 50,685 (Sept. 27, 1994).

<sup>11</sup>Enacted by the National Defense Authorization Act for fiscal year 1993, Pub. L. No. 102-484, Title XVI, 106 Stat. 2315, 2571-75 (1992).

<sup>12</sup>Pub. L. No. 102-484, § 1604, as amended.

<sup>13</sup>Pub. L. No. 102-484, §§ 1604 and 1606, as amended.

<sup>14</sup>Pub. L. No. 102-484, § 1607, as amended.

provide details of the transfer, and describe the actions taken or to be taken under the act.<sup>15</sup>

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## Iran Sanctions Act

This act allows the President to sanction persons who provide Iran with goods, technology, or services if they know that doing so would contribute materially to Iran's ability to acquire or develop (1) chemical, biological, or nuclear weapons or related technologies or (2) destabilizing numbers and types of advanced conventional weapons.<sup>16</sup> The act requires the President to impose at least two of the following sanctions:

- denying Export-Import Bank assistance for exporting to the foreign person;
- banning licenses to export sensitive technologies to the sanctioned person;
- banning U.S. financial institutions from loaning the sanctioned person more than \$10 million in a 1-year period;
- if the sanctioned person is a financial institution, banning that institution from dealing in U.S. debt instruments or serving as repositories for U.S. government funds; and
- banning U.S. Government procurement, as well as other sanctions that fall under the powers of the International Emergency Economic Powers Act, including IEEPA-derived executive orders.<sup>17</sup>

The President may waive these sanctions if the President determines that doing so is important to the national interest of the United States.<sup>18</sup>

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<sup>15</sup>*Id.*

<sup>16</sup>This act was originally enacted as the Iran-Libya Sanctions Act of 1996, Pub. L. No. 104-172, 110 Stat. 1541; Libya was removed from the law in 2006 by the Iran Freedom Support Act, Pub. L. No. 109-293, 120 Stat. 1344. Proliferation-related sanctionable activities were added to the law in 2006.

<sup>17</sup>Pub. L. No. 104-172, § 5, as amended.

<sup>18</sup>Pub. L. No. 104-172, § 9, as amended.

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**Nuclear Proliferation  
Prevention Act of 1994**

This act directs the President, with exceptions, to sanction persons if the President determines in writing that such persons have “materially and with requisite knowledge” contributed, through the transfer of certain specified goods or technology,<sup>19</sup> to the efforts of any individual, group, or non-nuclear-weapon state to (1) acquire unsafeguarded special nuclear material or (2) to use, develop, produce, stockpile, or otherwise acquire any nuclear explosive device.<sup>20</sup> The penalty is a ban on United States government procurement from the sanctioned person lasting at least 1 year. The President may waive the penalty after the sanction has been imposed for a year if the President determines, and certifies in writing to Congress, that continuation would have a serious adverse effect on vital United States interests. The act further requires the President to sanction persons if the President determines in writing that a United States person or a foreign person has (by providing financing) knowingly, materially, and directly contributed or attempted to contribute to an individual, group, or non-nuclear weapon state’s (1) acquisition of unsafeguarded special nuclear material or (2) the use, development, production, stockpiling, or other acquisition of any nuclear explosive device.<sup>21</sup> For at least 1 year, sanctioned persons may not be primary dealers in U.S. government debt instruments, serve as depositories of U.S. government funds, directly or indirectly commence any line of business in the United States, or directly or indirectly conduct new business from a new location in the United States. The President may waive these sanctions after a year if the President determines in writing, and certifies to Congress, that their continuation would have a serious adverse effect on the on the safety and soundness of the domestic or international financial system or on domestic or international payments systems.

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<sup>19</sup>The act defines “goods or technology” as (1) nuclear materials and equipment and sensitive nuclear technology as such terms are defined in 22 U.S.C. § 3203, all export items that could be of significance for nuclear explosive purposes and designated by the President as under the control of the Department of Commerce pursuant to section 2139a(c) of Title 42, and all technical assistance requiring authorization under section 2077(b) of Title 42, and (2) in the case of exports from a country other than the United States, any goods or technology that, if exported from the United States, would be goods or technology described in (1).

<sup>20</sup>Nuclear Proliferation Prevention Act, Pub. L. No. 103-236, Title VIII, §§ 801-851, 108 Stat. 382, 507-525 (1994), codified as amended at 22 U.S.C. §§ 6301-6305.

<sup>21</sup>22 U.S.C. § 6303.



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Arms Export Control Act

Portions of the Arms Export Control Act (AECA) require the President to sanction foreign persons that the President has determined to have (1) provided to certain countries missile equipment or technology or (2) contributed to certain countries' acquisition of chemical or biological weapons.

- Section 73 (22 U.S.C. § 2797b): Under this section, subject to exceptions, the President shall impose sanctions when the president determines that a foreign persons have knowingly exported, transferred, or otherwise engaged in the trade of missile equipment or technology controlled under the Missile Technology Control Regime (MTCR)<sup>22</sup> that contributes to the acquisition, design, development, or production of missiles in a country that is not an MTCR adherent. The President shall also apply sanctions when he has made a determination with respect to a foreign person under section 2410b(b)(1) of Title 50, Appendix (discussed later). Depending on the nature of the equipment and technology involved, sanctions could include (1) denying the foreign persons U.S. government contracts related to missile equipment or technology, (2) denying the foreign persons any U.S. government contracts, (3) denying licenses for transfers of missile equipment or technology controlled under the Arms Export Control Act to the sanctioned persons, (4) denying licenses for the transfer of all items on the United States Munitions List to the sanctioned persons, or (5) prohibiting the importation of products produced by the sanctioned persons into the United States. The President may waive these sanctions in certain cases specified in the act. The President may also decide to apply a waiver with respect to a product or service if the President certifies to Congress that (1) the product or service is essential to the national security of the United States and (2) such person is a sole source supplier of the product or service, and an alternative is not available and cannot be made available in a timely manner.
- Section 81 (22 U.S.C. § 2798): Under this section, the President is required to sanction, subject to certain exceptions, foreign persons the President determines to have knowingly and materially contributed, through the export of certain goods or technology or any other transaction not already subject to sanctions under the Export Administration Act, to the efforts of certain foreign countries to use, develop, produce, stockpile, or otherwise acquire chemical or biological weapons. The sanctions are a ban on U.S. government procurement from the foreign person and a ban on imports

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<sup>22</sup>The equipment and technology must be types that would be subject to U.S. jurisdiction under the Arms Export Control Act if it were U.S.-origin equipment or technology.

into the United States from the foreign person for at least 12 months. After a year of imposing the sanctions, the President may waive the sanctions by certifying to Congress that doing so is important to the national security interests of the United States.

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## Export Administration Act

Portions of this act require the President to sanction foreign persons that are determined to have (1) provided to certain countries missile equipment or technology or (2) contributed to certain countries' acquisition of chemical or biological weapons.

- Section 11B (50 app. U.S.C. § 2410b): Subject to certain exceptions, the President shall impose sanctions when the President determines that a foreign person has knowingly exported, transferred, or otherwise engaged in the trade of any MTCR equipment or technology that contributes to the design, development, or production of missiles in a non-MTCR country.<sup>23</sup> The section also calls for sanctions on persons who have conspired or attempted to engage in or facilitated such export, transfer, or trade. The President shall also impose sanctions under this act if the President makes a determination with respect to a foreign person under section 73(a) of the Arms Export Control Act (22 U.S.C. § 2797b(a)) (discussed above). Depending on circumstances specified in this section, sanctions could include a 2-year denial of specified licenses for the transfer to the sanctioned person of AECA-controlled missile equipment or technology and a 2-year ban on imports into the United States of products produced by the foreign person. The President may waive these sanctions in certain specified cases.
- Section 11C (50 app. U.S.C. § 2410c): This section requires the President to impose sanctions, subject to certain exceptions, on foreign persons determined to have “knowingly and materially” contributed to the efforts of state sponsors of terrorism<sup>24</sup> and certain other countries<sup>25</sup> to use,

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<sup>23</sup>The equipment and technology must be types that would be subject to U.S. jurisdiction under the Arms Export Control Act if it were U.S.-origin equipment or technology.

<sup>24</sup>As designated under section 6(j) of the Export Administration Act.

<sup>25</sup>The designated countries are any that (1) the President determines has, after January 1, 1980, used chemical or biological weapons in violation of international law, used lethal chemical or biological weapons against its own nationals, or made substantial preparations to engage in such activities, (2) has been designated a state sponsor of terrorism under section 6(j) of the Export Administration Act; or (3) any other foreign country, project, or entity designated by the President for purposes of the act.

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**Appendix II: U.S. Legal Tools for Sanctioning  
Foreign Companies That Transfer Sensitive  
Technology**

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develop, or acquire chemical or biological weapons through certain exports from a foreign country. The exported goods or technology must be items that the United States would control under the Export Administration Act if the items were of U.S. origin. Foreign persons are subject to bans of at least 1 year on U.S. government procurement and on imports into the United States from the foreign person. The President may issue a waiver after 12 months by certifying to Congress that doing so is important to the national security interests of the United States.

# Appendix III: Comments from the Department of the Treasury

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

Joseph Christoff  
Director  
International Affairs and Trade  
U.S. Government Accountability Office  
44 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Christoff:

This responds to your electronic transmission of January 19, 2010, to the U.S. Department of the Treasury (Treasury) attaching a copy of the draft entitled "Incomplete and Untimely Licensing Data Weaken Ability of the United States to Assess and Enforce its Export Restrictions" (GAO-10-375) and its "For Official Use Only" version (GAO-10-339SU). We have reviewed the portions of the report pertaining to matters administered by the Office of Foreign Assets Control ("OFAC"). We are providing the following comments regarding the recommendations and assertions contained in the report produced by the Government Accountability Office.

We appreciate the report's findings that OFAC is licensing the export of goods to Iran in accordance with the laws and regulations imposing sanctions on Iran. We also acknowledge and welcome the observation that Treasury can improve its data systems, which has been a longstanding OFAC objective. However, it is troubling that the title of this report does not accurately reflect its contents. Despite an explicit, positive finding that Treasury has issued licenses for exports to Iran in accordance with laws and regulations imposing sanctions on Iran, the title of your report would lead the reader into believing that certain limitations in Treasury's ability to process licensing data have actually resulted in problems with the enforcement of export restrictions on Iran. However, contrary to the notion that the administration of the sanctions program has been weakened, nothing in the report indicates that any enforcement action regarding exports to Iran, or the implementation of sanctions with respect to Iran, have been impaired by "incomplete and untimely" licensing data. We thus urge you to change the title to one that fairly represents your report.

While Treasury acknowledges certain limitations with respect to its ability to search some parts of OFAC's current licensing databases, a complete understanding of OFAC's work in administering the more than 20 sanctions programs mandated by the President and Congress, including those related to terrorism, nonproliferation of weapons of mass destruction, narcotics trafficking, and sanctions relating to Iran, Sudan, Cuba and Burma, would lead to refinement of the recommendations. The dedicated professionals of OFAC work tirelessly to enforce these many programs, particularly our sanctions with respect to Iran. It should be emphasized that OFAC licenses for export to Iran only a tiny spectrum of goods, mostly agricultural and medical products under the Trade Sanctions Reform and Export Enhancement Act of 2000 ("TSRA"). Military and dual-use items are ineligible for licenses other than in exceptional circumstances such as for the safety of civil aviation. We wish to reiterate that the completeness or timeliness

See comment 1.

**Appendix III: Comments from the Department  
of the Treasury**

See comment 2.

of licensing data has no bearing on the illegal diversion of military and dual-use items to Iran, and no effect on enforcement efforts to combat illegal diversion.

As for the report's recommendation that Treasury "develop the capability to provide other agencies and Congress with complete and timely information concerning all licenses issued for the export of goods to Iran," it is important to understand that OFAC is actually already able to access, review, and share information relating to TSRA licenses for the export of agricultural commodities, medicine, and medical devices to Iran. Moreover, as noted in the report, OFAC is currently upgrading and improving its TSRA licensing systems to be able to more efficiently capture information on these licenses. These upgrades were in progress before GAO conducted its review. OFAC hopes to build on this technology to enhance processing capabilities for non-TSRA licensing information. In assessing OFAC's programs, it is critical to recognize that OFAC receives many license requests well beyond requests for the export of goods to Iran. Because the Iranian Transactions Regulations reflect a comprehensive set of trade and financial regulations, these requests are often complex and may involve imports and exports of services, investment transactions, funds transfers, or third country transactions involving the Iranian government or Iranian entities.

See comment 3.

In response to the report's specific criticisms about the sharing of licensing data, the report states that systemic limitations have prevented Treasury from sharing licensing data with other agencies, primarily U.S. Customs and Border Protection ("CBP"). Treasury began to address this issue in the 1990s, when it established the International Trade Data System initiative, the purpose of which was to consolidate in one system all import and export data, including export licenses, in part to better support CBP's enforcement at the border. This initiative has become part of CBP's information modernization under the Automated Commercial Environment ("ACE"). Partially in response to the terrorist attacks of September 11, 2001, the project has prioritized the security of our ports and homeland and has thus placed the processing of imports ahead of exports in its development schedule. OFAC fully participates in ACE development, and it plans to include licensing information in the data shared with CBP. The ACE system is not currently ready to incorporate licenses involving exported goods, although OFAC acknowledges that it also has work to do in order to provide the specific data needed by CBP for validating licensed exports.

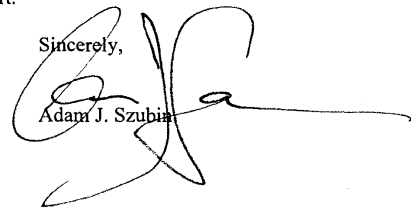
See comment 4.

We welcome and agree with the report's finding that OFAC is licensing the export of goods to Iran in accordance with laws and regulations imposing sanctions. We also have been working, and will continue to work, towards improving our data systems. It is disappointing and distracting, however, that the title of this report gives the erroneous impression that the ability to search OFAC's data systems somehow weakens the implementation of economic sanctions against Iran.

Thank you for the opportunity to comment on this report.

Sincerely,

Adam J. Szubin



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The following are GAO's comments on the Department of the Treasury's letter.

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## GAO Comments

1. Treasury's statement is in contrast with statements contained in a 2009 Treasury internal budget request. As cited in our draft report, the request stated that OFAC's information processes were hampering "the speed, efficacy, reliability and security" of OFAC's "enforcement and compliance activities." Our draft report also noted that a Treasury official had informed U.S. Customs and Border Protection officials that Treasury's licensing information systems could not provide CBP with more complete and timely Treasury licensing information. CBP officials stated that they had asked for the information to help CBP agents at U.S. ports validate licenses for exports to Iran. However, for the sake of clarity, we have modified the title of our report.
2. While Treasury is able to access and share information on licenses for medical and agricultural exports to Iran to some degree, it cannot do so in a timely and complete manner. For example, Treasury required more than 2 months to provide us with requested data on medical and agricultural export licenses. It required more than 4 months to provide us with 34 licenses for the export of other types of goods issued over the preceding 18 months. These licenses included a license for the export of aircraft equipment with potential military applications.
3. ACE is a trade processing system that has been in development by CPB since 2001. Intended to automate border processing, ACE is being deployed in phases. As Treasury notes in its comments, ACE is not ready to accept export data that would be of use to enforcement agencies.
4. As noted above, we have modified the title of our report for the sake of clarity.

# Appendix IV: Comments from the Department of Commerce

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



**THE SECRETARY OF COMMERCE**  
Washington, D.C. 20230

February 24, 2010

Mr. Joseph Christoff  
Director, International Affairs and Trade  
Government Accountability Office  
Washington, DC 20548

Dear Mr. Christoff:

The Department of Commerce (Department) appreciates the opportunity to comment on the Government Accountability Office's draft report, "Incomplete and Untimely Licensing Data Weaken Ability of the United States to Assess and Enforce its Export Restrictions" (GAO-10-10-375).

The Department's comments on this report are enclosed.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Locke".

Gary Locke

Enclosure

U.S. Department of Commerce  
Comments on the  
United States Government Accountability Office  
Draft Report Entitled *Incomplete and Untimely Licensing Data Weaken Ability of the United  
States to Assess and Enforce its Export Restrictions*  
(GAO-10-10-375)

**Highlights page**

**First paragraph**

- **sixth line:** Reads: "did not detect or correct." Should read: "did not detect."
- **seventh line:** Reads: "begun checking all new filings of exports to Iran and posting corrections to a". Should read: "begun manually checking all new filings of exports to Iran, regardless of the dollar value, and have posted corrections to a Census Bureau Web page."

**Page 3**

**First paragraph**

- **seventh line:** Reads: "or correct because of the low dollar value of the exports!" Should read: "because of the low dollar value of the export transactions."
- **beginning on the tenth line**  
Reads: "terrorism. As a result of our review, Census officials initiated a routine check of new filings of exports to Iran, allowed filers of export data to select recipient countries from a list instead of requiring them to enter a two-letter country code, and began posting corrections to Iran export data on a Census Web page. According to Census officials, it is too soon to determine whether these actions will improve the accuracy of future U.S. trade statistics for Iran."

Should read: "terrorism. As a result of our review, Census Bureau officials initiated a in-depth manual review of all new filings identifying Iran as the country of destination, implemented a new country selection routine for export filings requiring export filers to select the recipient country from a list containing the full country name instead of allowing them to enter a two-letter International Standards Organization (ISO) country code, and posting corrections to Iran export data, not previously detected, on a Census Web page. According to Census Bureau officials, it is too soon to determine whether these actions will improve the accuracy of future U.S. trade statistics for Iran."

**Page 5**

**First paragraph**

- **fourth line:** Reads: "Customs and Border Protection" Should read: Customs and Border Protection (CBP)
- **sixth line:** Reads: "Census-approved" Should read: CBP-approved



**Page 5**

**First paragraph, (continued)**

- **eighth line:** Reads: "by choosing a two-lettered standardized code." Should read: by choosing a two-lettered ISO code.

**Footnote 4**

Reads: "While most data is submitted electronically by exporters and their agents (63 percent), statistics are also compiled using Shipper's Export Declaration documents filed with Customs and Border Protection and sent to the U.S. Census Bureau (3 percent), as well as special computer tapes from Canada for U.S. exports to Canada (34 percent)."

Should read: In general, beginning in July 2008 all export transactions, with the country of destination other than Canada, are submitted electronically by exporters or their agents using the Automated Export System. This accounts for approximately 67 percent of export transactions. The remaining export data are compiled using transactions obtained electronically through the United States/Canada data exchange, accounting for approximately 33 percent of all export transactions."

**Page 8**

**First paragraph**

- **second sentence**

Reads: "The misidentification of Iran as the recipient country in the statistics is the result from export data filing errors that Census did not detect or correct. As a result of our review, Census officials have begun routinely checking new export filings reporting exports to Iran. While Census policy is not to correct errors in the statistics that are older than 1 year, it has begun posting Iran related corrections on a separate Web page."

Should read: "The misidentification of 97 records with Iran as the recipient country is the result from export filing errors that the Census Bureau did not detect. As a result of our review, Census Bureau officials have initiated an in-depth manual review of all new export filings reporting Iran as the country of destination. While the Census Bureau's revision policy for international trade data is not to correct errors in the data products that are older than 1 year, it does issue special announcements as warranted with the discovery of large value revisions and has posted corrections older than 1 year on a separate *Special Notices and Corrections* Web page since 2004.

**Page 9**

- **second line:** Reads: "results of errors made by filers of export data into the Automated Export System. Should read: "results of errors made by filers of export transactions submitted into the AES.

- **sixth line:** Reads: "letter country code" Should read: "letter ISO country code"

**Page 10**

**- first paragraph**

Reads: "Census officials stated that they did not detect or correct Iran-related errors in new exporter filings or in the export statistics for previous years. The officials focused on detecting errors involving high-dollar values because of the statistics' use in determining the U.S. balance of trade rather than the sensitivity of the reported recipient country. The officials stated that they did not focus on detecting errors in the data for exports to Iran because the value of such exports was relatively small. In 2008, the reported value of U.S. exports to Iran was \$683 million, or about one-half of 1 percent of the total value of all U.S. exports. Moreover, the officials stated, the policy of the Census Bureau is not to make changes in trade statistics that are more than a year old. For example, Census officials have not corrected an erroneous entry in the statistics concerning the alleged export of rifles to Iran in 2004, although they learned of the error in 2008. Census officials also stated that Census is not involved in enforcing U.S. export controls on Iran.

Should read: "Census Bureau officials stated that they did not detect all of the Iran-related errors in exporter filings or in the export data products for previous time periods. The officials stated the primary focus is placed on detecting errors involving high-dollar value transactions because of the statistics' use in determining the U.S. balance of trade, one of the principal economic indicators. Census Bureau officials identified all of the Iran related errors and discovered more than 85% of the transactions were valued less than \$50 thousand and the highest valued transaction was \$1.0 million. In 2008, the reported value of U.S. exports to Iran was \$683 million, or about five-hundredths of the total value of all U.S. exports of goods (\$1.3 trillion). Moreover, the officials stated that while the Census Bureau's revision policy for international trade data is not to correct errors in the data products that are older than 1 year, it does issue special announcements as warranted with the discovery of large value revisions. The 2004 statistics concerning the alleged export of rifles to Iran will not be corrected in the trade data products since the error was identified in 2008, well past the one-year data product revision period. Beginning in 2004, corrections older than 1 year are posted on a separate "Special Notices and Corrections" Web page to supplement the data products. All the corrections for Iran have been posted to this Web site.

**- second paragraph:** the following should be included:

It should be noted that the Census Bureau is not responsible for enforcing export control and enforcement of U.S. regulations and laws regarding U.S. exports to Iran. Those responsibilities fall under the Office of Foreign Asset Control (OFAC) in the Department of Treasury and CBP in the Department of Homeland Security. Additionally, CBP has been delegated the responsibility of enforcing the Census Bureau's Foreign Trade Regulations. Shipments stating the final destination as Iran are available, in real time through the AES, to CBP for monitoring and targeting purposes. The Census Bureau is not responsible for validating the accuracy or need for licensing requirements and has approached OFAC to include licensing requirements in the AES as editing and shipment acceptance criteria. At this point no action has been taken.

See comment.

**Page 11**

**- last bullet:**

Reads: "In June 2009, Census began posting an online list of corrections to Iran export data. However, Census officials stated that they will continue their policy of not correcting errors in the trade statistics older than 1 year."

Should read: The Census Bureau began posting an on-line list of corrections to Iran under the "Statistical Notices and Corrections" section of their Web site in June 2009. Census officials stated that they will continue their policy of not correcting errors in the trade data products older than 1 year, however they are developing new processing systems that will allow corrections to be applied over several years.

**Bureau of Industry and Security Comments**

**Page 6, last paragraph of the Census Comments:**

Currently reads "It should be noted that the Census Bureau is not responsible for enforcing U.S. regulations and laws regarding U.S. exports to Iran. Those responsibilities fall under the Office of foreign Asset Control (OFAC) in the Department of Treasury and CBP in the Department of Homeland Security."

Should read "It should be noted that the Census Bureau is not responsible for enforcing export control and enforcement of U.S. regulations and laws regarding U.S. exports to Iran. Those responsibilities fall under the Office of foreign Asset Control (OFAC) in the Department of Treasury, the Bureau of Industry and Security's Office of Export Enforcement, and CBP and ICE in the Department of Homeland Security."

**Page 10, first paragraph**

Census states that Iran trade is "five-hundredths of the total value of all U.S. exports of goods"; it appears that such trade is actually five-hundredths of one percent, rather than five-hundredths (which would technically be 5%).

**Page 19, last paragraph of the GAO report:**

Currently reads "The Commerce Department is responsible for licensing U.S. exports of dual-use items to the UAE, as well as countries other than Iran."

Should read "The Commerce Department is responsible for licensing **and enforcing** U.S. exports of dual-use items to the UAE, as well as countries other than Iran."

**Other assorted, minor issues in these comments:**

(a) it appears that Census may consider "export transactions" to be data on export transactions, such that Census frequently makes statements such as "export transactions . . . are submitted electronically . . ." when they seemingly should be saying that "information [or data] on export transactions . . . is [are] submitted electronically . . ." (see, e.g., comment on footnote 4, Page 5; this issue also appears elsewhere).

(b) Page three, tenth line comment: "and posting corrections to Iran export data" should likely be "and posted corrections to Iran export data" or "and began posting corrections to Iran export data."

(c) Page 8, second sentence correction: "records with Iran as the recipient country is the result from export filing errors" should be "records with Iran as the recipient country is the result of export filing errors"

(d) Page 9, second line: "results" should be "result"

(e) Page 10, replacement first paragraph: "Beginning in 2004, corrections older than 1 year are posted . . ." seemingly should be "Beginning in 2004, corrections older than one year have been posted"

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The following is GAO's comment on the Department of Commerce's letter dated February 24, 2010.

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**GAO Comment**

The Bureau of Industry and Security's comments on pages 39 and 40 are not directed at our draft report, but are instead directed at the preceding comments, which were submitted by the Bureau of the Census. The Bureau of Industry and Security and the Bureau of the Census are separate bureaus within the Department of Commerce.

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# Appendix V: GAO Contact and Staff Acknowledgments

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## GAO Contact

Joseph A. Christoff, (202) 512-8979 or [christoffj@gao.gov](mailto:christoffj@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Tet Miyabara (Assistant Director), Patrick Breiding, Joseph Clifton, Lynn Cothorn, Etana Finkler, Grace Lui, Lauren Membreno, and Pierre Toureille made key contributions to this report. Martin De Alteriis and Justin Fisher provided technical assistance.

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