

# Transitioning From a Focused Assessment to the Importer Self-Assessment Program

June 2014



U.S. Customs and  
Border Protection

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# The ISA Program



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# ISA Program Description

The ISA Program is:

- A joint government-business initiative designed to build cooperative relationships that strengthen trade compliance
- Based on the premise that strong internal control will achieve the highest level of compliance with CBP laws and regulations



# ISA Program Requirements

The importer must:

- Be a U.S. or Canadian resident importer
- Obtain Customs-Trade Partnership Against Terrorism (C-TPAT) Program membership\*

- Submit an ISA application to:  
U.S. Customs and Border Protection  
Chief, Trade Compliance Branch  
Office of Field Operations  
1300 Pennsylvania Ave. N.W.  
Washington, D.C. 20229 - 1115

\* Importers not C-TPAT certified will need to apply at <https://www.cbp.gov/border-security/ports-entry/cargo-security/c-tpat-customs-trade-partnership-against-terrorism/apply>



# ISA Program Benefits

Importers accepted into the ISA Program receive certain benefits:

- Entitled to receive entry summary trade data (ITRAC Data), including analysis support
- The importer will not be subject to future FA Audits (however, may be subject to single issue audits to address a specific concern)
- Assignment of a National Account Manager (NAM)
- Exempt from random non-intrusive inspections (NII examinations)



# ISA Program Benefits (cont.)

- Expedited internal advice/consultation from Regulations & Rulings, Office of Trade
- With regard to prior disclosures, if CBP becomes aware of errors that indicate a violation of 19 U.S.C. 1592 or 1593a, CBP will
  - Provide written notice of such errors
  - Allow 30 days from the date of notification for the importer to file a prior disclosure pursuant to 19 CFR 162.74



# ISA Program Benefits (cont.)

- In the event that civil penalties or liquidated damages are assessed against an importer, the importer's participation in the ISA Program may be considered a mitigating factor
- Have business certainty and add additional business units as needed
- Additional benefits may be tailored to industry needs



# FA Transition to the ISA Program



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# Explanation of FA Transition to the ISA Program

An importer may be eligible to transition into the ISA Program without further CBP review upon *successful completion* of an FA Audit

- Based on the premise that Regulatory Audit has determined that the importer represents an acceptable risk to CBP for all of the audit areas that were reviewed during the FA
- Enrolling in the ISA Program is voluntary and importers must still apply



# Streamlined Application Process

CBP has streamlined the ISA application process for qualified companies:

- C-TPAT applications in conjunction with FA transition to the ISA Program will be expedited (e.g., reviewed within 30 – 45 days vs. the normal 90-day timeframe)
- Qualified companies will not undergo the Application Review Meeting (ARM) typically conducted for ISA applicants in the normal ISA application evaluation process
  - Importer has already undergone a more rigorous review under the FA



# Application Requirements

Applications must:

- Be filed within 12 months from the date of the FA Audit Report
- Include an ISA Memorandum of Understanding (MOU) listing the IR numbers that were included in the FA
  - The MOU must be signed by an officer of the company
- Include a written, risk-based self-testing plan

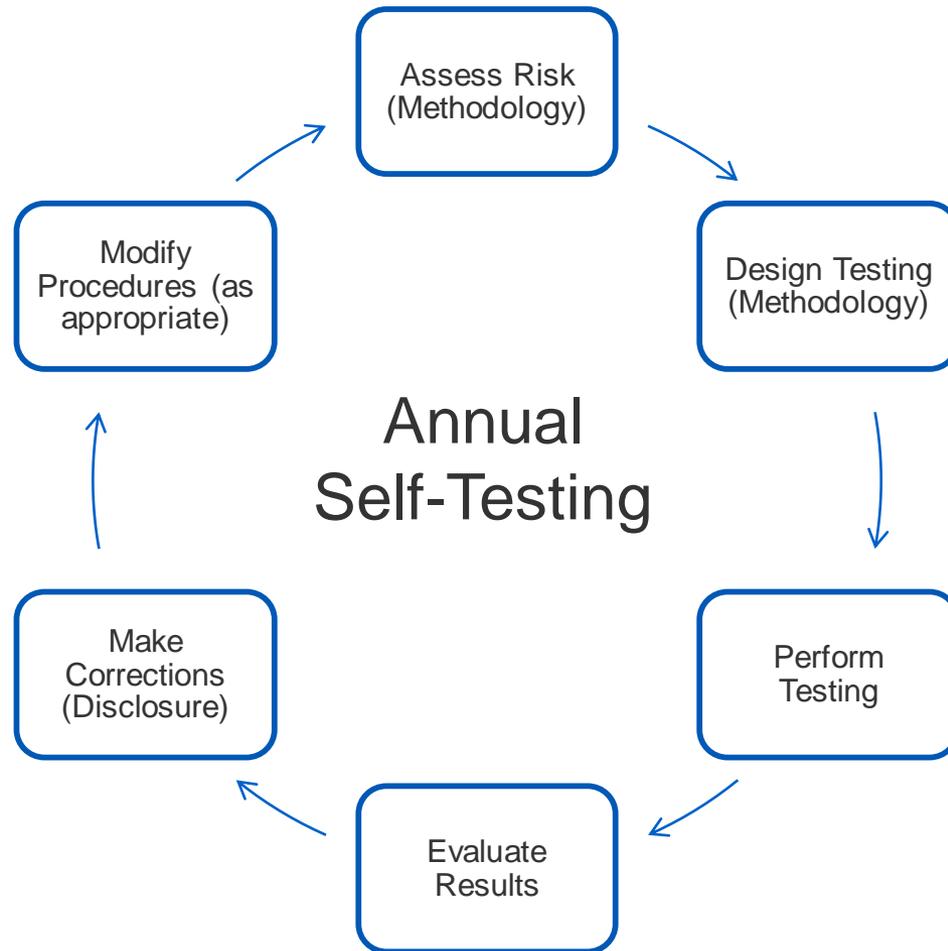


# A Few Words About Self-Testing

- In general, periodic testing helps to:
  - Identify internal control weaknesses
  - Evaluate performance
  - Make changes when needed
- Self-testing is the means by which an importer monitors:
  - The efficiency and effectiveness of operations
  - Compliance with laws and regulations



# A Few Words About Self-Testing (cont.)



# Developing a Risk-Based Self-Testing Plan

The written, risk-based self-testing plan should include:

- The ***risk assessment methodology*** to be used by the company
- The ***self-testing methodology*** to be used by the company that explains:
  - The frequency of self-testing activities (i.e., monthly, quarterly, etc.)
  - The number of sample items to be tested
- The position of the person conducting testing and who in the organization (management) will be accountable for self-testing results and action taken



# Risk Assessment Methodology

The risk assessment methodology should:

- Identify the specific risks relative to the imported merchandise; for instance, the risks that items may impose loss or harm to
  - The industry (e.g., subject to AD/CVD)
  - The trade (e.g., subject to IPR)
  - The public (e.g., health and safety concerns)
  - CBP (e.g., loss of revenue)



# Risk Assessment Methodology

## (cont.)

- Identify the procedures that are in place that provide reasonable assurance for complying with the specific CBP laws/regulations
  - Requires an understanding of the company's business process and key concepts pertaining to internal control (e.g., COSO framework)
- Identify changes that may impact (alter) the overall effectiveness of those procedures; for instance
  - Changes in technology or information systems could impact control activities that use the data/information produced by them



# Risk Assessment Methodology

## (cont.)

- Refer to the ISA Handbook
  - Appendix G, Section 2 has guidance about performing a risk assessment
  - Appendix I has guidance about risk factors that may be considered



# Self-Testing Methodology

- The end-game is to monitor the internal control over compliance with CBP laws and regulations (e.g., COSO refers to this as *monitoring activities*)
- Self-testing should be used to assess performance over time
- Results of the testing should be evaluated
  - Causes should be determined for all significant noncompliances
  - Changes should be made to the correct control deficiencies
  - Determination should be made as to whether there are other affected entries and prior disclosure filed when necessary



# Self-Testing Methodology (cont.)

- May use checklists, questionnaires, sampling plans
- May be conducted as ongoing evaluations (e.g., comparisons, reconciliations)
- May be conducted as separate evaluations (e.g., review control design and direct testing of the control activity)
- May include tests of controls and compliance testing



# Self-Testing Methodology (cont.)

- Self-testing methodology should be logical and appropriate
  - Clearly describe test objectives and identify the criteria that will be used to evaluate performance and/or compliance
  - Identify:
    - Position title of the person who will the testing procedures
    - When testing will be performed (e.g., frequency)
    - What records, data, or documentation will be obtained
    - How the results will summarized and reported
- ISA self-testing results must be maintained for three years from the date of the test and must be provided to CBP upon request



# Post Acceptance Requirements

- ISA participants must comply with the requirements in the ISA Handbook
- Companies that are transitioned into the ISA Program must submit an **annual notification letter** to CBP
  - Within 30 days of the two year anniversary date that the ISA MOU was signed (date accepted into ISA Program)
  - Thereafter, the annual notification letter is due every year on the anniversary date.



# Annual Notification Letter

- Importer assures CBP that the company continues to meet the ISA Program requirements
- Importer informs CBP of any business modifications that may have a potential impact on the company's customs operations
- Must be in writing and, at a minimum, should include the following information:
  - Summary of organizational changes
  - Summary of personnel changes which may affect import compliance
  - Summary of import activity changes



# Annual Notification Letter (cont.)

Should include (cont.):

- Summary of internal control policy or procedure adjustments or changes
- Summary of risk assessment results
- Summary of periodic testing results
- Summary of post summary corrections and/or disclosures



# Participation Revocation

- CBP may revoke ISA participants form participation in the program for the following reasons:
  - Participation was obtained through fraud or misstatement of fact
  - Participant is convicted of any felony or has committed acts that would constitute a misdemeanor or felony involving theft, smuggling, or any theft-connected crime
  - Participant refuses to cooperate with CBP in response to an inquiry, audit, or investigation
  - Participant fails to fulfill the terms of the MOU
  - The Continuation Review Meeting concludes that the participant is not meeting the requirements of the ISA program



# Participation Revocation (cont.)

- CBP will provide a written notice for proposing the removal
- Participant may respond to the proposed removal by writing to:

U.S. Customs and Border Protection  
Director, C-TPAT & Trusted Trader Partnership  
Office of Field Operations  
1300 Pennsylvania Ave., NW  
Washington, DC 20229-1115



# CBP Resources and Contact Information

For more information regarding the FA to ISA Transition, please contact:

Florence Constant-Gibson  
Chief, Trade Compliance Branch  
1300 Pennsylvania Ave., NW  
Washington, DC 20229-1115

(202) 344-1536

Email: [tppb-isa@dhs.gov](mailto:tppb-isa@dhs.gov)



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