FOREWORD

I am pleased to present the Customs Trade Partnership Against Terrorism (CTPAT) Trade Compliance Handbook, a resource for understanding CTPAT’s modernized Trade Compliance program.

CTPAT has embarked on a journey over the previous four years to reinvigorate Customs and Border Protection’s (CBP) Trade Compliance efforts. In close collaboration with private industry and best practices put forth by international trade groups, such as the World Customs Organization (WCO), CTPAT has established a program that is equipped to be the global standard for Trade Compliance.

The new CTPAT Trade Compliance program is an evolution of the former Importer Self-Assessment (ISA) program. The goal of the program is to increase importer compliance and the flow of legitimate cargo into the United States. In exchange for compliance with regulatory trade requirements imposed by CBP and other government entities, the CTPAT Trade Compliance program offers meaningful benefits to the trade as part of partnership. These benefits are a combination of legacy CTPAT and ISA benefits, as well as benefits developed in collaboration with partners of the CTPAT Trusted Trader Pilot (established under Federal Register Notice 34334) and the Commercial Customs Operations Advisory Committee’s (COAC) Secure Trade Lanes Subcommittee (Trusted Trader Working Group). These groups worked collaboratively with CBP to understand the major challenges importers face today, and to develop benefits that address those challenges and make program partnership worthwhile.

This handbook provides an overview of the major changes and improved industry benefits that have led to the modernization of CTPAT’s Trade Compliance program and detailed instructions for applying and maintaining partnership. I hope you will find this resource to be helpful as you begin the process to join the CTPAT Trade Compliance program or begin the process of fulfilling your annual partnership requirements.

The collaborative nature of this program presents us the unique opportunity to continually maintain and advance a world class Authorized Economic Operator (AEO) program that increases the security of the trade environment globally. Thank you for doing your part to protect our Nation and support CBP’s mission.

Sincerely,

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Director, CTPAT
Cargo and Conveyance Security
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# CTPAT Trade Compliance
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1. INTRODUCTION & PROGRAM MODERNIZATION

1.1 PURPOSE

The Customs Trade Partnership Against Terrorism (CTPAT) Trade Compliance program is built on the knowledge, trust, and willingness to maintain an ongoing relationship between Customs and Border Protection (CBP) and importers that is mutually beneficial. CTPAT’s goal of the Trade Compliance program is to partner with importers who can demonstrate their readiness to assume the responsibility of managing and monitoring their compliance through self-assessment. Importers accepted into the CTPAT Trade Compliance program receive tangible benefits and their participation allows CBP to redirect resources and focus on higher-risk and unknown importers.

1.2 BACKGROUND AND PROGRAM HISTORY

The passage of the Customs Modernization Act (Customs Mod Act) in 1993 ushered in an era of new partnership concepts between the importing community and the United States Customs Service (now Customs and Border Protection - CBP). Under the Customs Mod Act, CBP and the importer share the responsibility for compliance with trade laws and regulations. The importer is responsible for using reasonable care when declaring the value, classification, and rate of duty applicable to entered merchandise, and CBP, through the Office of Trade, Office of Field Operations, and other relevant stakeholders, is responsible for informing the importer of its rights and responsibilities under the law.

In 2002, the Importer Self-Assessment (ISA) program was initiated as a voluntary approach to trade compliance. The program was based on the premise that importers with strong internal controls designed to ensure a high level of compliance will require fewer enforcement reviews and less oversight. The ISA program sought to offer meaningful benefits that could be tailored to industry needs and required that importers demonstrate readiness to assume responsibilities for managing and monitoring their own compliance through self-assessment. The program required that importers maintain a system of internal controls that demonstrate a sound business operation that supports the accuracy of their import transactions.

The CTPAT Trade Compliance program is an evolution of the former ISA program with similar goals, requirements, and improved benefits. Once completed, the United States Authorized Economic Operator (AEO) program will include both security and trade compliance. In 2016, CTPAT launched the Trusted Trader Strategy, which sought to integrate CTPAT Security and ISA into a consolidated program focused on supply chain security and trade compliance. The strategy was largely executed through the establishment of the Trusted Trader Pilot program, which provided a forum for testing and developing new and revised
program benefits and operations. Through integration and progress made in the Trusted Trader Strategy, the program laid the foundation for CTPAT Trade Compliance.

1.3 PROGRAM OVERVIEW AND UPDATES

In addition to the above changes, CTPAT updated the program’s Minimum Security Criteria (MSC) and integrated CTPAT Security and CTPAT Trade Compliance to create a unified AEO program which launched in FY20. The program reflects the following outcomes as a result of this integration:

- Global AEO Program: The program meets the highest standards of a global AEO program because of the integration of CTPAT Security and Trade Compliance.
- New Security Requirements and Benefits: The integrated program modernized supply chain security requirements and new benefits for CTPAT Trade Compliance.
- Impact Measurement: The program establishes clear, transparent, and measurable impact for partners of both CTPAT Security and CTPAT Trade Compliance.

1.4 SUMMARY OF THE TRADE COMPLIANCE PROCESS

The following steps briefly summarize the CTPAT Trade Compliance application submission requirements and review processes, all of which take place within the CTPAT Trade Compliance Portal.

Trade Compliance Application Submission Requirements:

- An importer must be a Tier II or Tier III partner of the CTPAT Security program and in good standing.
- An importer must meet the eligibility criteria laid out in the Eligibility Questions.
- An importer must complete a Memorandum of Understanding (MOU) and Program Questionnaire.
Application Review Process:

- The Trade Compliance application can be accessed through the importers existing CTPAT Portal account by selecting Trade Compliance under Partnership Programs. See Figure 1A below.
- Following the application submission, CTPAT will review the application package within the CTPAT Trade Compliance Portal.
- CTPAT will schedule a formal meeting with the applicant, referred to as the Application Review Meeting (ARM), which includes a risk assessment and review of the applicant’s internal controls to determine the applicant’s readiness to assume the responsibilities for self-assessment.
- CTPAT will establish the partnership by signing the MOU when the importer has demonstrated readiness to assume the responsibilities for self-assessment.
- Once a partner of CTPAT Trade Compliance, the importer will receive the benefits of both CTPAT Security and CTPAT Trade Compliance if the importer fulfills the continuing responsibilities of the program.

Figure 1. CTPAT Trade Compliance Portal

Note: Only a company administrator can launch the CTPAT Trade Compliance Portal to create a CTPAT Trade Compliance application.
1.5 **BENEFITS**

**CTPAT Trade Compliance**

The CTPAT Trade Compliance program provides opportunities for importers who demonstrate a commitment to compliance to receive related benefits that are meaningful, measurable, and reportable. The program offers benefits to importers who demonstrate a commitment to ensuring compliant import transactions. Below is an overview of the benefit categories one can expect to receive:

- **CTPAT Trade Compliance Portal**: Access to the CTPAT Trade Compliance section of the CTPAT Portal and use of the CTPAT Portal to review and update information related to CTPAT Trade Compliance.
- **Enhanced Importer Trade Activity (ITRAC) Data Access and Automation**: U.S. Importer partners will have access to their ITRAC data directly from the CTPAT Trade Compliance Portal.
- **Expedited Rulings**: Rulings and Internal Requests that are being adjudicated by the National Commodities Division will have priority and be placed at the front of the queue for processing within 20 days.
- **Multiple Business Units**: Opportunity to apply for coverage of multiple Importer of Record (IOR) numbers.
- **National Account Manager (NAM)**: Access to an assigned NAM, who acts as an advisor and liaison among CBP Headquarters and the CTPAT Trade Compliance partner.
• **Prior Disclosures:** If CBP becomes aware of errors in which there is an indication of a violation of 19U.S.C.1592 or 1593a, CBP will provide a written notice to the account of such errors and allow 30 days from the date of the notification for the account to file a prior disclosure pursuant to 19CFR162.74. Note: This benefit does not apply if the matter is subject of an ongoing CBP investigation or fraud is involved.

• **Removal from Focused Assessments (FA):** Partners will be exempt from FA performed by Office of Trade; Regulatory Audit and Agency Advisory Services (RAAAS). However, importers may be subject to a single-issue audit to address a specific concern. An importer must complete an Annual Notification Letter (ANL), which allows the partner to inform CBP of any business modifications that may have an impact on their customs operations and to reaffirm its commitment to the requirements listed in the CTPAT Trade Compliance Memorandum of Understanding (MOU) and other program documentation. This letter is submitted electronically through the CTPAT Trade Compliance Portal.

### CTPAT Security

Importers who are partners in CTPAT Trade Compliance also receive CTPAT Security benefits. Examples of the CTPAT Security benefits include:

• **Security Validation:** As part of the validation or revalidation process, CTPAT partners receive a comprehensive evaluation by a government Supply Chain Security Specialist (SCSS) expert who assesses the partner’s security posture. The SCSS is an advisor that will assist the CTPAT partner improve and maintain its security posture.

• **Front of the Line Benefits:** When feasible, CTPAT shipments are moved ahead of non-CTPAT shipments for exams. Front of the Line inspection privileges apply to screening by non-intrusive inspection (NII) equipment, examinations conducted dockside or at a centralized examination station, and all other inspections conducted for security, trade and/or agriculture purposes.

• **Reduced Examination Rates:** Reduced examination rates leading to decreased importation times and reduced costs.

• **Advanced Qualified Unloading Approval (AQUA Lane):** Expedited unloading of sea vessels through the AQUA Lane, creating an average cost savings of $3,250 per hour per vessel for low-risk sea carriers. This benefit is applied at the ship level, not at the container level.

• **Free and Secure Trade (FAST) Lanes:** Shorter wait times at the border and access to the FAST Lanes.

• **Status Verification Interface (SVI) Access:** SVI Access that includes the verification of companies yearly.

• **SAFETY Act:** The SAFETY Act of 2002 created liability limitations for claims resulting from an act of terrorism where Qualified Anti-Terrorism Technologies have been deployed. The Act applies to a broad range of technologies, including products, services,
and software, or combinations thereof. Further information regarding the SAFETY Act of 2002 can be found at https://www.dhs.gov/science-and-technology/safety-act

- **Seminars and Sponsored Events**: Access to CTPAT-sponsored events such as CBP training seminars and the CTPAT Conferences.
- **Best Practices**: Access to CTPAT best practices through guides, catalogs, and training materials. CTPAT defines best practices as those that combine senior management support, evidence of implementation, innovative business processes and technology, documented processes, and a system of checks, balances, and accountability, also known as the “Best Practices Framework.”
- **Business Resumption**: Priority entrance of goods following a natural disaster, terrorist attack, or port closure.
- **Penalty Mitigation**: CBP’s Fines Penalties & Forfeitures (FPFD) will ensure that the company's partnership status is taken into consideration and that any penalties will be offset by the measure/level of the corrective actions taken to prevent future occurrences. Correspondence from partners to FPFD should indicate their trusted trader status and other pertinent information. Trusted traders requesting a penalty offset will ensure that the cover letter to FPFD copies their NAM.
- **Mutual Recognition Arrangements (MRAs)**: Expedited screening with worldwide security partners from foreign Customs administrations that have signed MRAs with the United States.
- **Marketability of CTPAT Partnership**: Much like certification with other U.S. government agencies or the International Standards Organization (ISO), CTPAT partnership can raise a partner’s reputation and ability to secure business.

A current list of all CTPAT Security Benefits can be found here: https://www.cbp.gov/border-security/ports-entry/cargo-security/ctpat

2 **PROGRAM DESCRIPTION AND REQUIREMENTS**

2.1 **Applicants and Eligibility**

- Importers with identified business units and specific Importer of Record Numbers (IORs) that are located or physically managed in the U.S.
- Importers who are known, resident business, or non-resident importer (Canada) to CBP.
- Importers for at least two (2) years.
- Tier II or Tier III Member of CTPAT Security
- Importers who maintain evidence of no financial debt to CBP for which the party has exhausted all administrative and judicial remedies for relief, a final judgment, or administrative disposition has been rendered, and the final bill or debt remains unpaid at the time of initial application or annual renewal.
2.2 REQUIREMENTS

- Complete a trade compliance MOU and Questionnaire.
- Comply with all applicable CBP laws and regulations.
- Maintain an internal control system and perform an annual risk assessment to identify risks to compliance with CBP laws and regulations and provide an overview of all processes during the application review meeting (ARM).
- Design and execute an annual self-testing plan in response to identified risks and implement corrective action in response to errors and internal control weaknesses.
- Retain self-testing records for three (3) years.
- Maintain an audit trail from financial records to CBP declarations, or an alternate system that ensures that accurate values are reported.

2.3 EXPECTATIONS

- Members will complete all program requirements in a timely fashion.
- Members will provide trade-related updates to their NAM as needed to enable their ability to manage the account.
- Members will submit an Annual Notification Letter (ANL) to CBP and notify CBP of major organizational changes (or as necessary). Members will act as positive ambassadors of the CTPAT trade compliance program within the trade community.

3 APPLICATION, PROCESSING, AND ACCEPTANCE

3.1 TRADE COMPLIANCE PORTAL

The CTPAT Portal streamlines applications to CBP’s trade partnership programs and meets Department of Homeland Security (DHS) mandated security requirements. The CTPAT Trade Compliance section of the CTPAT Portal serves as a central electronic location for CTPAT Security importers to learn more about the CTPAT Trade Compliance program and apply when eligible. Launched in 2019, the CTPAT Trade Compliance Portal complements the existing CTPAT Security Portal and provides an electronic and streamlined process for eligible importers to apply and manage their status in the CTPAT Trade Compliance program. All importers must complete the application process on the CTPAT Trade Compliance Portal to become a partner of the Trade Compliance program.

If an importer meets the prerequisite requirements, they will be given the opportunity to begin the application process. The first step in the application process is a series of eligibility questions (Figure 3). Once the eligibility questions are answered in full, if eligible, importers will be directed to the CTPAT Trade Compliance application screen (Figure 3A). If an
importer is not yet eligible to apply, it will receive a CTPAT Trade Compliance ineligibility notice (Figure 3B).

Figure 3. CTPAT Trade Compliance Eligibility Questions

All eligibility questions are available for review in Appendix A of this document.

3.2 APPLICATION

The Trade Compliance Application Process consists of three main pieces:
1. Approved Eligibility Questions
2. The CTPAT Trade Compliance Questionnaire
3. The CTPAT Trade Compliance MOU

The applicant must be able to answer yes to all eligibility questions prior to proceeding to the Questionnaire portion of the application.

Once deemed eligible, submission of the application package must include, but is not limited to, the Memorandum of Understanding (MOU), Points of Contact, Questionnaire, and applicable attachments should be uploaded to the “required documents” section.

Documented policies and procedures relating to the import process, and a self-testing plan should also be submitted. If a company elects to include its Drawback or Foreign Trade Zone operations in the program, this should be clearly expressed in the application package so that it can be included as part of the evaluation. As an applicant proceeds through the IOR Selection, Points of Contact, Required Attachments, and Questionnaire, a green outline around each respective box will indicate that the section is complete.

All IOR numbers associated with the Importers’ CTPAT Security profile will be displayed for selection. The Importer must carefully select which IOR numbers are included in their Trade Compliance application and ensure the appropriate documents required cover each IOR number. For example, if two IOR numbers are selected and each IOR number represents a division with different self-testing plans, each self-testing plan must be provided with the application.
Once all sections are complete, the application package must be submitted electronically via the Portal. An authorized officer of the legal entity responsible for the CTPAT Trade Compliance application must sign the MOU and the original copy must be submitted to CBP via the CTPAT Trade Compliance Portal.

3.3 TRADE COMPLIANCE QUESTIONNAIRE

The questionnaire and accompanying documentation are required to determine if the importer has documented and implemented internal controls over its CBP-related processes. The questions are available for review in advance in Appendix B of this document. Unsupported responses will cause unnecessary delay of the CTPAT Trade Compliance application package.

The revised CTPAT Trade Compliance Questionnaire now includes considerations to combat Forced Labor. The U.S. Department of Labor defines a social compliance system as an “integrated set of policies and practices through which a company seeks to ensure maximum adherence to the elements of its code of conduct that cover social and labor issues.” As part of the questionnaire, importers applying for the CTPAT Trade Compliance program will be required to disclose whether social compliance with Forced Labor is part of their social compliance program and of any subsequently identified incidents of Forced Labor within their supply chains.

CTPAT will issue further guidance on requirements related to Forced Labor in collaboration with DHS’s Forced Labor policy. Until the time of release, CTPAT strongly recommends that
applicants and partners develop, implement, and verify a robust Forced Labor component of their social compliance program and upload relevant documentation.

3.4 Memorandum of Understanding (MOU)

The MOU outlines importer and CBP responsibilities and identifies the company entities covered by the MOU. Importers with multiple divisions may submit one MOU for each eligible entity but must include the complete name and IOR number with all applicable suffixes. Once a company is approved to participate in the CTPAT Trade Compliance program and elects to add a business unit or importer of record number that was not previously covered under the original MOU, the company must submit a revised MOU to reflect all current and additional business units and associated IOR number(s) including the applicable suffix. MOU update requests must be submitted in writing to CTPATTradeCompliance@cbp.dhs.gov and the company’s assigned NAM.

An MOU can be amended if the amendment is agreed upon between the Importer and CBP. If the amendment to an MOU includes adding or removing importer of record numbers, the changes to the importer of record numbers must be completed by the Importer in the CTPAT Trade Compliance portal prior to the activation/removal of benefits by CBP. To add or remove benefits, the Importer must open the “IOR Selection” and place/remove a check mark next to the IOR number impacted by the amendment. Because the MOU is signed annually, the update to the MOU will be included in the following annual notification letter process.

To submit an application and electronically sign the MOU, the highest-level compliance officer, as listed in the Trade Compliance Portal, must submit the final application (note: this individual will be prompted to enter their sign in password prior to the submission being accepted by CBP). Once an application is submitted, the account will be officially under review and the applicant will not be able to modify the information submitted. If questions from CTPAT arise during the review process, an alert will appear in the “Action Items” section, and the applicant will receive an email informing them of the awaiting message in the Action Items section (Figure 5). Partners can also access business units and IOR numbers associated with the MOU by looking up the Application Summary through the Document Library once the Application has been submitted, or by clicking on Summary while completing the initial application (Figure 5).

An example of a completed MOU is available for review in Appendix C of this document.
3.5 APPLICATION REVIEW

The CTPAT Trade Compliance Team will assess the applicant’s internal controls to determine readiness to assume the responsibilities of the Trade Compliance program and achieve compliance with CBP regulations and laws. Internal controls must be documented, logical, comprehensive, and likely to prevent or detect noncompliance in the identified risk areas. The design of internal controls cannot be assessed through the evaluation of individual controls in isolation. Rather, controls are assessed as a group by:

- Obtaining an understanding of the processes and flow of information through the entry process.
- Determining what can go wrong within the entry process.
- Determining whether the controls are sufficient to address the instances of what can go wrong within the entry process.
- Evaluating questionnaire responses and supporting policies and procedures.

The CTPAT Trade Compliance team then assesses the applicant’s readiness based on the operating effectiveness of the internal controls derived from an evaluation of their design. If any questions arise during the application review process, NAMs and applicants may communicate through the Trade Compliance Portal (Figure 6).
3.6 Application Review Meeting (ARM)

Part of the application process includes a two day in person Application Review (ARM) Meeting with the CTPAT Trade Compliance team. Prior to scheduling the ARM, the CTPAT Trade Compliance team will conduct a risk assessment of the applicant’s import activities related to the IOR(s) on the MOU. This risk assessment is based on:

<table>
<thead>
<tr>
<th>Company History of Trade Compliance</th>
<th>Company Risk Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Compliance measurement data</td>
<td>• Imports from specific suspect manufacturers or suppliers</td>
</tr>
<tr>
<td>• Previous penalty actions</td>
<td>• Imports subject to quota, visa, antidumping, or other CBP Priority Trade Issues</td>
</tr>
<tr>
<td>• Previous enforcement actions</td>
<td>• Large volumes of imports under special duty provisions or trade programs</td>
</tr>
<tr>
<td>• Regulatory audits</td>
<td>• Large volumes of imports under complex tariff classifications</td>
</tr>
<tr>
<td>• Other information</td>
<td></td>
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</tbody>
</table>

Following the risk assessment, the CTPAT Trade Compliance team will contact the applicant to schedule the ARM, provide the objective and expectations, and explain the evaluation process. The team will provide the applicant with the risk areas along with up to five entry numbers to walkthrough. Generally, the team selects a recent entry for each risk area and provides the entry numbers to the applicant in advance.
3.7 TRADE COMPLIANCE DECISION

Based on the information provided in the application and the information gathered prior to and during the ARM, the CTPAT Trade Compliance team will determine whether a company should be accepted into CTPAT Trade Compliance. The decision will be provided in one of three forms:

**ACCEPTED:** Acceptance entails a complete review of the internal CTPAT Trade Compliance report, and the team leader will provide a synopsis of the evaluation, while addressing questions or concerns. Applicants are formally notified of the Trade Compliance team’s decision through the CTPAT Trade Compliance Portal. If accepted, CBP will send the applicant an executed MOU, and a formal letter (including official Annual Notification Letter date and NAM contact information) advising of acceptance into the program.

**ADDITIONAL INFORMATION NEEDED:** If the CTPAT Trade Compliance team identifies internal control inconsistencies or unresolved issues during the initial evaluation that require more than 60 days to correct, the team will request a follow-up review. The CTPAT Trade Compliance follow-up evaluation will reassess the applicant’s readiness once the applicant has undertaken corrective action. Generally, the applicant is given up to 120 days to develop and implement corrective actions and/or provide additional documentation before the follow-up evaluation is initiated. The team will remain in contact with the applicant during this time to provide guidance as necessary. If there are still unresolved issues after corrective action, the team will continue to work with the applicant to ensure that all identified inconsistencies and issues have been addressed prior to initiating a follow-up evaluation (see Figure 7-8).

**APPLICATION DECLINED:** The CTPAT Trade Compliance team will provide a notice indicating the reasons why the application was declined and will allow the applicant 90-120 days to correct errors and resubmit the application with corrected actions and corresponding proof.
For any questions regarding the status of, or decision of an applicant’s application, please reach out to the Trade Compliance team by emailing CTPATTradeCompliance@cbp.dhs.gov.
3.8 **FOCUSED ASSESSMENT TO TRADE COMPLIANCE**

Tier II or Tier III Importers that have undergone a CBP Focused Assessment and have been deemed by RAAAS / Office of International Trade to represent an acceptable risk to CBP within the last 12 months may be eligible to transition into the Trade Compliance program without the Application Review Meeting.

The Focused Assessment audit further examines a company’s internal systems for compliance with customs laws and regulations and is more comprehensive than the Trade Compliance Review process. Qualified importers will not need to undergo the ARM and will need to submit a Trade Compliance MOU and the organization’s self-testing plan. The importer may apply through the Trade Compliance Portal and will declare their eligibility based on the Focused Assessment as part of the Trade Compliance Questionnaire. More information regarding this process can be found in the Customs Bulletin and Decisions, Vol. 46, No. 44 from October 24, 2012.

3.9 **INTERNAL GUIDANCE CONTROL**

To assist importers in developing and evaluating their system of internal controls of CBP operations, importers should review “Guidance for Developing Internal Controls” (Appendix D), which is an explanation of components of an internal control program ideal for small importers, and the “Internal Control Management and Evaluation Tool” (Appendix E), a comprehensive guide appropriate for large importers with complex organization structures. These documents are tools to help determine how well a company’s internal control system is designed and functioning, and helps determine what, where, and how improvements may be implemented.

CTPAT Trade Compliance participants must maintain an internal control system that demonstrates the accuracy of CBP transactions with two specific processes:

1) Internal controls designed to ensure compliance in import transactions, and
2) An audit trail from accounting records and payments to entry records or an alternate system that ensures accurate values are reported to CBP

The applicant must establish, document, and implement internal controls, conduct self-testing (Appendix F) of transactions based on risk, maintain results of testing for three years, and make appropriate adjustments to internal controls.

Internal controls developed and implemented by one company may vary considerably between companies due to:

- Variations in company mission, goals, and objectives
- Differences in environment and the manner in which they operate
- Variations in degree of organizational complexity
- Differences in company histories and culture
- Differences in the risk’s companies face and are trying to mitigate
4 PROGRAM CONTINUATION REQUIREMENTS

4.1 CONTINUING RESPONSIBILITIES

CTPAT Trade Compliance participants are responsible for continuing compliance with program requirements. Responsibilities are as follows:

- Maintain partnership in CTPAT Security
- Continue to comply with all applicable CBP laws and regulations
- Maintain an internal control system
- Make appropriate disclosures to CBP (such as post summary corrections and misclassification errors)
- Submit an Annual Notification Letter to CBP to reaffirm the participant’s continuation in meeting the program’s requirements through the CTPAT Trade Compliance Portal
- Notify CBP of major organizational changes as soon as possible through the CTPAT Trade Compliance Portal by submitting a new organizational chart, if the company is not under a CBP approval process. If the company is in the CBP approval process, the company should email CTPATTradeCompliance@cbp.dhs.gov for assistance.

4.2 MERGERS, ACQUISITIONS, AND COMPANY BUYOUTS

CTPAT Trade Compliance participants in a merger, acquisitions, company buyouts, or any other corporate restructuring that includes adding/subtracting importer of record numbers to their CTPAT portfolio must be reported to the CTPAT Security SCSS, the CTPAT Trade Compliance National Account Manager, and CTPATTradeCompliance@cbp.dhs.gov via an official letter on company letterhead. These individuals will work together to determine how to advise the company moving forward. Because these scenarios are often complicated, each case will be handled on a case-by-case basis.

4.3 ANNUAL NOTIFICATION LETTER (ANL) AND PROGRAM UPDATES

The participants must provide written notification annually or following any significant change to their trade compliance program or operations to show that they are continuing to meet the requirements of the CTPAT Trade Compliance program. ANLs are due every year upon the anniversary date of which the company was approved in the CTPAT Trade Compliance program. The ANL should be submitted to CBP within 30 days of the applicant’s acceptance anniversary. Importers will use the Trade Compliance Portal to submit their ANL information. This date is reflected in the CTPAT Trade Compliance portal under the application overview section.
The information submitted in the ANL is captured in six categories and must be submitted through the Trade Compliance Portal:

1. Company Information: Organizational and/or Personnel Changes
2. Import Activity Changes
3. Internal Control Adjustments and Changes
4. Risk Assessment Results
5. Periodic Testing Results
6. Prior Disclosures, Post Summary Corrections, and Post Entry Amendments

Figure 9. ANL Status Screen

For a complete guide to the ANL process including guidance on questions and required responses, see Appendix G and Appendix H in this document.

Extensions for the annual ANL due date must be submitted in advance of the due date to CTPATTradeCompliance@CBP.DHS.GOV with a copy to the importer’s assigned National Account Manager. The request must include the amount of time needed to complete the extension and a valid reason why the extension is needed. Extension requests are not guaranteed and are considered on a case-by-case basis.
4.4 ADDING ADDITIONAL IMPORTER OF RECORD NUMBERS

This section does not apply to situations where mergers, acquisitions, or company purchases occur. Please reference Section 4.2 of this document for further information regarding these scenarios.

Companies requesting to add additional IOR numbers to their CTPAT Trade Compliance account must send an official letter on company letterhead to their CTPAT Trade Compliance National Account Manager and the CTPATTradeCompliance@cbp.dhs.gov mailbox. The letter must include the additional Importer of Record numbers along with a complete justification of the addition.

All CTPAT Security processing must be completed, approved, and added to the Importers CTPAT portal account prior to proceeding with CTPAT Trade Compliance. Once approved by CTPAT Trade Compliance, the Importer must include the new Importer of Record number on the “IOR selection” in the portal, as this will ensure all Importer or Record numbers will be referenced on the signed Memorandum of Understanding. The company must also include updates to the company handbook, internal control manuals, and self-testing plans to reflect added Importer or Record number(s) during the next Annual Notification submission period.

National Account Managers and/or the CTPAT Trade Compliance Branch are available to assist companies with the addition of new Importer of Record numbers. It is highly suggested that companies utilize this assistance to avoid inadvertently removing benefits for any Importer of Record numbers in the company’s profile.

4.5 TRADE COMPLIANCE CONTINUATION REVIEW MEETING (CRM)

After an importer has been in the CTPAT Trade Compliance program for five (5) years, a Continuation Review Meeting (CRM) may be considered. However, risk indicators or non-compliance with program requirements may warrant a CRM prior to the 5-year period. The purpose of the CRM is to assess whether the participant is continuing to fulfill the CTPAT Trade Compliance program requirements. If CBP identifies weaknesses or noncompliance, the participant will be notified as early as possible and can correct any issues.

CBP will remove participants from the program for any issues that pose a significant risk to compliance with CBP laws and regulations and/or failure to demonstrate they have fulfilled program requirements. The Trade Compliance team will decide whether the company may continue to participate.
5. PROGRAM WITHDRAWAL & REVOCATION PROCEDURES

5.1 Program Withdrawal

An importer (or an IOR number within a company profile) reserves the right to withdraw from the program at any time. If a company determines it no longer wishes to participate in the CTPAT Trade Compliance program, it must notify its NAM via email using a memo on official company letterhead. The company’s assigned NAM will initiate the formal withdrawal process. Once withdrawn from the CTPAT Trade Compliance program, the assigned NAM will be removed from the company profile and will no longer be available to support the company. The Trade Compliance Branch will provide the company a formal notification through a letter submitted to them in their CTPAT Trade Compliance account.

5.2 Partner Suspension

CTPAT Trade Compliance partnership is dependent on satisfactory partnership of the CTPAT Security program. If an Importer (or any IOR number within the company profile is suspended from CTPAT Security, the partner will be automatically suspended from CTPAT Trade Compliance. When this occurs, the company will be notified through the CTPAT Trade Compliance Portal. From there, CTPAT is committed to working with the importer to take the proper steps required to reinstate partnership, if applicable.

CTPAT Security partnership is not dependent on Trade Compliance partnership and therefore a company (or any IOR number associated with the company) can be suspended from the Trade Compliance program but remain in the CTPAT Security Program.

CBP may suspend participants from the CTPAT Trade Compliance Program for reasons including, but not limited to:

- Suspension from the CTPAT Security Program
- Failure to comply with all applicable CBP laws and regulations
- Failure to maintain the internal control system, execute an annual self-testing plan, and perform annual risk assessments
- Failure to share appropriate disclosures with CBP
- Failure to reaffirm that the partner is meeting program’s requirements by failing to submit an ANL through the CTPAT Trade Compliance Portal within 30 days of the anniversary of the program acceptance date
- Failure to notify CBP of major organizational changes through the CTPAT Trade Compliance Portal as soon as possible, but not later than the submission of the ANL.
5.3 Procedures for Suspension

Typically, each suspension is preceded by extensive outreach efforts to provide the company with the opportunity to demonstrate compliance with program requirements. In addition, subsequent to suspending the company’s benefits, additional outreach efforts are conducted to help the partner address gaps, vulnerabilities, or weaknesses that lead to the proposal of suspension. If CTPAT determines there is a basis for proposing the suspension of a participant, a notice of proposed suspension will be sent through the CTPAT Trade Compliance Portal to apprise the participant of the facts that warrant their suspension. The participant may respond to the proposed suspension through the Portal. The participant’s response should be submitted within 60 days of the date of the notice. The response should address the facts outlined in the notice and how compliance will or has been achieved. CBP will issue a final written decision on the proposed suspension after the 60-day response period has closed. CTPAT will continue to work with the company to take the proper steps required to reinstate partnership, if applicable.

During the suspension period, the importer is expected to continue to comply with the program requirements, including the submission of the Annual Notification Letter if the anniversary date falls within the suspension period.

5.4 Partner Revocation

CTPAT may revoke participants from the CTPAT Trade Compliance Program for reasons including but not limited to:

- Participation in the program 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
- CRM concludes the participant is not meeting the requirements of the Program

If CTPAT determines a removal from the program is warranted, Trade Compliance partners will be removed from the program in the following ways:

1. Lack of Compliance with MOU: If the Trade Compliance branch determines that the account (or any IOR number associated to the company) is not fulfilling the terms of the MOU, the account will be subject to removal from CTPAT Trade Compliance. If the account wishes to reapply in the future, the NAM will work with the account on an action plan to put the account in a position to assume the responsibilities of CTPAT Trade Compliance.
2. Program Suspension: If a company (or any IOR number associated with a company) is suspended from CTPAT Security, the partner will be automatically suspended from CTPAT Trade Compliance. When this occurs, the company will be notified through the CTPAT Trade Compliance Portal. From there, CTPAT will work with the company to take the proper steps required to reinstate partnership, if applicable.

3. Non-Approval and Lack of Desire for Participation: If the account is not approved to participate in Trade Compliance or determines it no longer wants to continue to participate, the Trade Compliance Branch will send the partner a letter indicating that the company is removed from the program and will no longer be assigned a NAM.

4. Immediate Removal: In cases where public health or safety interests are concerned, a removal from the program may be effective immediately as a final action.

5.5 Procedures for Revocation

If CBP determines there is a basis for the removal of a participant, a notice of proposed removal will be sent through the CTPAT Portal to apprise the participant of the facts that warrant their removal. The participant may respond to the proposed removal through the portal. The participant’s response should be submitted within 60 days of the date of the notice. The response should address the facts outlined in the notice and how compliance will or has been achieved. CBP will issue a final written decision on the proposed removal after the 60-day response period has closed. Once a participant has been removed from the program, the company will be eligible to reapply at the discretion of CTPAT Leadership. In cases where public health or safety interests are concerned, a removal from the program may be effective immediately as a final action.

5.6 Partner Re-Approval

CTPAT Trade Compliance partners who withdraw from the program or are removed from the program are eligible to reapply. If a participant has been removed from the program, the company will be eligible to reapply at the discretion of CTPAT Leadership.

QUESTIONS

For any additional questions about the CTPAT Trade Compliance program, please visit the CTPAT Website, or reach out to the NAM if assigned one, or by emailing CTPATTradeCompliance@cbp.dhs.gov.
## 6. CTPAT TRADE COMPLIANCE HANDBOOK APPENDIXES

Appendix A: Trade Compliance Eligibility Questions

<table>
<thead>
<tr>
<th>#</th>
<th>Eligibility Questions / Requirements</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Do you have a general authority to do business without requiring the approval of another person outside the United States or Canada?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>2.</td>
<td>Are you an active United States importer or Non-Resident Canadian importer who meets the requirements set forth in 19 CFR Part 141, including in particular, sections 141.17 and 141.18?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>3.</td>
<td>Do you maintain separate books and records for your United States / Canada operations, prepare separate financial statements, maintain accounts for the imported goods, and are you responsible for payment of import duties and taxes?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>4.</td>
<td>Do you possess a valid continuous importation bond filed with CBP?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>5.</td>
<td>Are you willing to complete a Memorandum of Understanding (MOU) and Trade Compliance Questionnaire?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>6.</td>
<td>Do you maintain an internal control system that is designed to provide assurance of compliance with CBP laws and regulations?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>7.</td>
<td>Do you perform annual risk assessments to identify risks to compliance with CBP laws and regulations?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>8.</td>
<td>Do you maintain and make appropriate adjustments to the system of internal controls?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>9.</td>
<td>Have you designed an annual self-testing plan in response to identified risks? Do you implement corrective action in response to errors and internal control weaknesses disclosed by self-testing?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>10.</td>
<td>Do you maintain an audit trail of financial records to CBP declarations, or an alternate system that ensures accurate values are reported to CBP?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>11.</td>
<td>Do you make appropriate disclosures through a prior disclosure, reconciliation, post summary corrections, or a supplemental letter to CBP?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>12.</td>
<td>Are you willing to submit an Annual Notification Letter (ANL) certifying that you continue to meet CTPAT Trade Compliance requirements as listed in the Handbook?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
<tr>
<td>13.</td>
<td>Do you agree to notify CBP of all major organizational changes?</td>
<td>☑ Yes</td>
<td>☐ No</td>
</tr>
</tbody>
</table>
Appendix B: Trade Compliance Application Questions

I. Company Information

1. Company Information (Required Document)
   - Date Prepared:
   - Company Name:
   - Business Address:
   - Phone Number:
   - Company Website:
   - Company Type: Public or Private
   - Business Fiscal Year:
   - Name, Title, Phone Number and e-mail address of company contact:
   - Please describe the overall organization/operating structure and provide organizational chart of the company.

2. IOR(s) Numbers:
   - Note, if the IOR number(s) in the Trade Compliance application is also used for Drawback and/or FTZ activities, those activities will be included in the Trade Compliance application review process unless you choose otherwise.
   - If the Drawback or FTZ activity use a different IOR number, please specify those IOR numbers if you’d like them included in this Trade Compliance application.
   - Provide the names and addresses of any related foreign and/or domestic companies, such as the company’s parent, sister, subsidiaries, or joint ventures, etc.

3. Do all of your company’s business units/subsidiaries operate under a centrally controlled customs compliance policy/system? (Y/N)
   a. If no, describe how the compliance system operates in other divisions/subsidiaries. (Open Text)

4. Does your company maintain an in-house compliance department dedicated to maintaining and updating your company’s operations in adherence to government regulations, laws, executive orders and procedures that will affect your CBP operations? (Y/N)
a. If so, please provide details on management and operational activities performed by this department. *(Required Document—Organizational Chart/ Free Text)*

5. If not in house (per #4 above), do you have a contract with a CBP brokerage house or consulting service to provide this advisory assistance? *(Y/N)*

   a. Would you like this company/firm to participate with you in the Trade Compliance application/review process? If yes, which company/firm? *(Y/N – Free Text)*

6. Does the company have compliance training (external, internal, or both) that provides pertinent training for its internal compliance office and other departments that are involved with CBP related activities? *(Y/N)*

   a. If so, evidence of the training program, such as a training log that describes course taken and attendees, must be included in the application. *(Y/N – Required Document)*

7. Is your company applying to Trade Compliance due to successfully completing a Focused Assessment (FA)? If so, please provide your invitation letter from the Trade Compliance Branch. *(Y – Required Document)*

II. Import Activity
8. Does the company monitor/track its annual duties, fees, and taxes paid to CBP to ensure bond sufficiency?

   b. If yes, briefly describe how this is done and include how payments of duties and fees are made? (i.e. PMS, ACH, Debit, Credit or by Broker)? *(Y/N – If Y, Supporting Text Required)*

9. Has the company’s surety been required to pay a claim on its behalf in the past 5 years?

   c. If yes, please provide claim details. *(Y/N – If Y, Supporting Text Required)*

10. Does the company own, or hold a license to use, trademarks, or copyrights for goods it imports into the United States? *(Y/N)*

    d. If yes, please identify the imported merchandise that falls under the license agreement or pertains to the company owned intellectual property rights (IPR). *(If Y, Supporting Text Required)*

11. Does the company import products that are subject to an exclusion order from the International Trade Commission (ITC)? *(Y/N)*

    e. If yes, please list them. *(If Y, Supporting Text Required)*
III. System of Internal Controls
12. Does your company have a written, comprehensive system of internal controls for its import processes that is consistent with the five interrelated components of internal control as defined by Committee of Sponsoring Organizations of the Treadway Commissions (COSO) published report entitled “Internal Control—Integrated Framework”: (Y/N – Check)

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

13. Does the company’s written internal control procedures focus on ensuring trade compliance for the following areas? (Y/N Check all of the applicable options below)

- ☐ Value
  - All elements of costs are included.
  - All additions to the price paid or payable such as assists are also included etc.
- ☐ Drawback
- ☐ Foreign Trade Zone
- ☐ Classification
- ☐ Country of Origin
- ☐ Free Trade Agreements
- ☐ AD/CVD
- ☐ Forced Labor Note: CBP is still determining social compliance disclosure requirements.
- ☐ Other

IV. Risk Assessment Results
14. Is your company prepared to provide risk assessment testing results to include areas of potential risks? (Y/N)

f. If so, please summarize the risk management and assessment process. (Free Text)

V. Periodic Testing Results
15. Do the company’s internal control procedures include a process for conducting periodic self-testing to include reporting results and implementing corrective actions? (Y/N)
g. If so, please provide details.  (Free Text)

16. Do you make adjustments to your internal control system when tests or other information shows a need for improvement with your compliance procedures?  (Y/N)

h. If so, please provide details.  (Free Text)

17. Does your internal control process include a record keeping system that maintains evidence of testing and testing results for at least three years and enables you to submit documents in a timely manner to CBP upon request, to include tests and test results?  (Y/N)

i. If so, please provide details.  (If Y, Supporting Text Required)

VI. Prior Disclosures
18. What processes do you have in place to initiate appropriate disclosures to CBP when issues are discovered through your self-testing?

j. Provide Response.  (Free Text)

VII. Government Agency Affiliation
19. Do you participate in any other partnership programs with any other government agencies?  (Check one or more of the applicable options below) (Y/N Check One)

☐ FDA
☐ CPSC
☐ Not Applicable
☐ Other
Appendix C: Trade Compliance Memorandum of Understanding (MOU)

U.S. Customs and Border Protection
Trade Compliance Program
Memorandum of Understanding

This Memorandum of Understanding (MOU) is the document that describes very broad concepts of mutual understanding, goals and plans shared by the parties. As such, (company name) requests to participate in the Trade Compliance program (program) (formerly the Importer Self-Assessment Program). This agreement is made between (company name) hereinafter referred to as the account and U.S. Customs and Border Protection, hereinafter referred to as CBP. We acknowledge that the primary objective of the Program is to maintain a high level of trade compliance with customs laws through a cooperative CBP/account partnership.

The account and CBP recognize the need to jointly address trade issues in order to maintain an efficient and compliant import process. This MOU is designed to strengthen the account’s ability to maintain a high level of compliance with CBP requirements through effective internal controls of CBP activities and a cooperative interchange of ideas and information with CBP.

The program represents an opportunity to establish a joint informed compliance effort, in a process built on knowledge, trust, and the desire to maintain an ongoing CBP/account relationship. The program provides CBP with the means to recognize and support the account’s efforts to achieve compliance and offers the account the opportunity to demonstrate compliance and receive related benefits.

This MOU does not exempt the account from statutory penalties or sanctions in the event of non-compliance. However, the extent to which the account has shown compliance with the terms of this MOU will reflect favorably and may be a mitigating factor toward any CBP decision or recommendation on final case disposition.

The following are the account and CBP’s responsibilities under this MOU. More specific information detailing the roles and responsibilities of the account and CBP are provided in the CTPAT Trade Compliance Program Handbook.

ACCOUNT ROLES AND RESPONSIBILITIES

- Be a CTPAT partner;
- Complete the Trade Compliance Memorandum of Understanding and Questionnaire;
- Comply with all applicable CBP laws and regulations;
- Develop, update, and maintain an internal control system that is designed to provide reasonable assurance of compliance with CBP laws and regulations;
Conduct analysis and perform annual risk assessments to identify any risks related to compliance with CBP laws, regulations and related transactions;

Design and execute a periodic self-testing plan in response to identified risks;

Implement corrective actions in response to errors and internal control weaknesses disclosed by self-testing:

- Maintain results of testing for three years and make test information available to CBP upon request;
- Make the necessary adjustments to internal controls in a timely manner;
- Maintain an audit trail of financial records related to CBP declarations or an alternate system that ensures values reported to CBP are accurate;

Make accurate and complete disclosures;

Notify CBP of major organizational changes as soon as possible;

Immediately inform CBP of incidents related to Priority Trade Issues (PTIs) which represent high-risk areas that can cause significant revenue loss, harm the U.S. economy, or threaten the health and safety of the American people;

Timely submit an Annual Notification Letter (ANL) to CBP in accordance with the requirements listed in the Trade Compliance program Handbook.

CBP ROLES AND RESPONSIBILITIES

- The account will be assigned a National Account Manager (NAM).
- CBP will provide guidance related to compliance, risk assessments, internal controls, etc. providing the account with greater business certainty; The account will be removed from the RAAAS audit pool established for focused assessments.
- The account will be removed from RA’s audit pool for Drawback and Foreign Trade Zones if they requested to have these programs included in the Trade Compliance program.
- The audit exemptions will apply to each specific area when it is determined that adequate internal controls are in place, to ensure compliance with CBP laws and regulations. However, accounts may be subject to on-site examinations for single-issue reviews.
- The account will be able to obtain their Importer Trade Activity (ITRAC) data via the CTPAT Portal on a quarterly basis.
- With regard to prior disclosures, if CBP becomes aware of errors in which there is an indication of a violation of 19 U.S.C. 1592 or 1593a, CBP will provide a written notice to the account of such errors and allow 30 days from the date of the notification for the account to file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is subject of an ongoing CBP investigation or fraud is involved.
- The account participation in the Trade Compliance program may be considered as a mitigating factor in the disposition of assessed civil penalties or liquidated damages cases; This MOU governs the account activities under the following IOR numbers. The account has the opportunity to apply for coverage of multiple business units.
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Trade Compliance Office Physical Address</th>
<th>Importer of Record Number(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**REPORTING AND DOCUMENTATION**

The account must submit its first ANL to the Trade Compliance Branch (via the Trade Compliance Portal) 12 months after its Trade Compliance program acceptance date, which is the date that the Director, Customs Trade Partnership Against Terrorism (CTPAT), Office of Field Operations, signs the MOU. The company representative that signed the MOU submitted to CBP, or an equivalent, should sign and submit the ANL.

**MODIFICATIONS**

This agreement may be modified upon mutual consent of the parties involved. An original revised MOU must be prepared and attached to the ANL if additional importer of record number(s) and/or merged/acquired entities with own unique importer of record number will be added to the program approved account.

**OTHER PROVISIONS**

Nothing in this Agreement is intended to conflict with current laws, regulations, or the directives of CBP and ____ (company name) _____. If any term of this agreement is inconsistent with such authority, then that term shall be invalid, but the remaining terms and conditions of this agreement shall continue in full force and effect.

**POINT OF CONTACT**

U.S. Customs and Border Protection  
Office of Field Operations/Cargo and Conveyance Security  
Trade Compliance Branch  
1300 Pennsylvania Ave., N.W.  
Washington, DC 20229-1015

The account may use third parties to fulfill roles and responsibilities of this agreement. This agreement shall enter into force upon each party’s signature and shall remain in effect until notification of termination or failure to perform as agreed.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have signed this agreement.

FOR U.S CUSTOMS AND BORDER PROTECTION

______________________    ______________________
Signature                Signature

______________________    ______________________
Print Name                Print Name

______________________   ______________________
Director, CTPAT    Title

______________________    ______________________
Date                 Date
Appendix D: Guidance for Developing Internal Controls

GUIDANCE FOR DEVELOPING INTERNAL CONTROLS

The following guidance is provided to assist a company in developing internal controls. Please note that the list is not all-inclusive and that CTPAT Trade Compliance partners should design their program to fit the circumstances, conditions, and risks relevant to the situation of the company. A more extensive guide and management tool is available in Appendix G. An effective system of internal control should contain the following components:

Control Environment: The company establishes and maintains an environment that supports CBP compliance, including fostering a system that supports compliance, maintaining competent personnel, and maintaining an organizational structure that supports compliance.

Management conveys the message that integrity and ethical values must not be compromised. Management and employees have a positive and supportive attitude toward CBP internal controls and conscientious management of CBP-related operations. Management has a philosophy and operating style that is appropriate to the development and maintenance of effective internal controls for CBP, as evidenced by the following:

• A commitment to the competence of personnel responsible for CBP-related activities. The company educates and trains employees about CBP programs that are affected by the employees’ jobs. The employees should be educated on the importance of CBP activities related to or affected by their job and the possible impact of errors. The employees should be trained to successfully perform the job.
• The company’s organizational structure and the way in which it assigns authority and responsibility for CBP operations contribute to effective internal controls.
• The company’s management cooperates with auditors, does not attempt to hide known problems from them, and values their comments and recommendations.

Risk Assessment: The Company identifies risks to the goal of CBP compliance, analyzes them for possible effects, and designs control activities to manage those risks. The company has established clear and consistent company-wide objectives and supporting activity-level objectives related to CBP activities. The following evidence risk assessment activities:

• Management has made a thorough identification of risks pertaining to CBP activities, from both internal and external sources, which may affect the ability of the company to meet those objectives.
• An analysis of those risks has been performed, and the company has appropriate approach for risk management.
• Mechanisms are in place to identify changes that may affect the company’s ability to achieve its missions, goals, and objectives related to CBP activities.
Control Activities: The company documents and implements policies and procedures and other control activities to ensure complete and accurate reporting to CBP as well as compliance with other CBP requirements. Procedures should include the correct reporting of information for value, classification, special trade programs, special duty provisions, and other CBP issues such as quota, antidumping duties, and countervailing duties.

Appropriate policies, procedures, techniques, and control mechanisms must be developed and in place to ensure adherence to established CBP requirements. The following evidence control activities:

- Proper control activities have been developed and documented for each of the company’s CBP activities.
- The control activities identified as necessary are actually being applied properly.
- All documentation of transactions and records are properly managed, maintained, and reviewed, as necessary.
- Control procedures are reviewed and revised, as necessary.

Information and Communication: The Company establishes and maintains processes to ensure that relevant, reliable information pertaining to CBP is recorded and communicated through the organization to those who need it and that information provided to CBP is complete and accurate.

Information systems are in place to identify and record pertinent operational and financial information relevant to CBP activities. Management ensures that effective internal communications take place. The company employs various forms of communications appropriate to its needs and manages, develops, and revises its information systems in a continual effort to improve communications. The following evidence effective information and communication for CBP:

- Appropriate information is identified, recorded, and communicated to management responsible for CBP activities and others within the company who need it, in a form that enables them to carry out their duties and responsibilities efficiently and effectively.
- Effective external communications occur with groups that can affect the achievement of the company’s missions, goals, and objectives related to CBP activities.
- Individual roles and responsibilities for CBP activities are communicated through policy and procedure manuals.

Monitoring: The Company monitors its CBP activities to assess the quality of performance over time and ensure that issues and deficiencies are promptly resolved and that procedures are corrected to prevent recurrence. Monitoring will include some testing of CBP compliance on a periodic basis. Results of testing will be maintained for three years and will be provided to CBP on request. Company internal control monitoring assesses the quality of performance related to CBP activities over time. The following evidence monitoring:

- Procedures to monitor internal controls occur on an ongoing basis as a part of the process of carrying out regular activities.
• Separate evaluations of internal controls are periodically performed, and deficiencies found are investigated.
• Procedures are in place to ensure that the findings of all audits and other reviews are promptly evaluated, decisions are made about the appropriate response, and actions are taken to correct or otherwise resolve the issues promptly.

If you would like to know more about risk assessment and internal controls related to CBP activities, extensive additional guidance and information is contained in the Focused Assessment Technical Guides available on the CBP website.
Appendix E: Internal Control Management and Evaluation Tool

INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL

Introduction

This document is an Internal Control Management and Evaluation Tool. Although use of this tool is not required, it is intended to help management and evaluators determine how well a company’s internal control is designed and functioning and to help determine what, where, and how improvements, when needed, may be implemented. This is a good tool for auditors to use when developing questions and conducting interviews with company personnel, particularly in large, complex companies.

The tool is presented in five sections corresponding to the five components of internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring.

Space is provided beside each issue for the user to note comments or describe the circumstances affecting the issue. Comments and descriptions usually will not be of the “yes/no” type but will generally include information on how the company does or does not address the issue. This tool is intended to help users reach a conclusion about the company’s internal control as it pertains to the particular component.

This tool could be useful in assessing internal control in compliance with laws and regulations. It could also be useful in assessing internal control as it relates to various CBP activities within a company.

This tool is not authoritative but is intended as a supplemental guide that managers and evaluators may use in assessing the effectiveness of internal control and identifying important aspects of control in need of improvement. Users should keep in mind that this tool is a starting point and that it can and should be modified to fit the circumstances, conditions, and risks relevant to the situation of the company. Not all of the issues need to be considered for every company or activity.

1. Control Environment

According to the first internal control component, which relates to control environment, management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. Several key factors affect the accomplishment of this goal. Management and evaluators should consider each of these control environment factors when determining whether a positive control environment has been achieved.
The factors that should be focused on are listed below. Management and evaluators should concentrate on the substance of controls rather than their form because controls may be established but not acted upon.

<table>
<thead>
<tr>
<th>Internal Control Point</th>
<th>Comments / Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A Integrity and Ethical Values</strong></td>
<td></td>
</tr>
<tr>
<td>1 Management has promoted a climate that emphasizes integrity and ethical behavior by its Import Department employees. The company sets a code of conduct that emphasizes proper behavior and sets penalties for unethical conduct.</td>
<td></td>
</tr>
<tr>
<td>2 Dealings with CBP are conducted on a high ethical plane.</td>
<td></td>
</tr>
<tr>
<td>Reports to CBP are proper and accurate (not intentionally misleading).</td>
<td></td>
</tr>
<tr>
<td>Management cooperates with auditors and other evaluators, does not attempt to hide known problems from them, and values their comments and recommendations.</td>
<td></td>
</tr>
<tr>
<td>3 The company has a well-defined and understood process for dealing with CBP requests and concerns in a timely and appropriate manner.</td>
<td></td>
</tr>
<tr>
<td><strong>B Commitment to Competence</strong></td>
<td></td>
</tr>
<tr>
<td>1 Management has performed analyses of the knowledge, skills, and abilities needed to perform CBP-related jobs in an appropriate manner.</td>
<td></td>
</tr>
<tr>
<td>2 The company provides training and counseling in order to help employees maintain and improve their competence for jobs relating to CBP.</td>
<td></td>
</tr>
<tr>
<td>There is an appropriate training program to meet the needs of employees.</td>
<td></td>
</tr>
<tr>
<td>The company emphasizes the need for continuing training and has a control mechanism to help ensure that all employees actually received appropriate training.</td>
<td></td>
</tr>
<tr>
<td><strong>C Management’s Philosophy and Operating Style</strong></td>
<td></td>
</tr>
<tr>
<td>1 The company has a written policy on CBP compliance.</td>
<td></td>
</tr>
<tr>
<td>2 Management employs a philosophy that emphasizes the correct reporting of information to CBP.</td>
<td></td>
</tr>
<tr>
<td>3 Management places a high degree of importance on retaining competent personnel in key functions over its CBP transactions.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The company’s Import Department has authority to interact with other offices as needed, and strong synchronization and coordination exist between the Import Department and other departments with responsibilities or information related to CBP activities.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>5</td>
<td>Management places a high degree of importance on the work of CBP officers, external audits, and other evaluations and studies with CBP information and is responsive to information from such officers.</td>
</tr>
<tr>
<td>6</td>
<td>There is appropriate interaction between management of the company, Import Department and senior management.</td>
</tr>
</tbody>
</table>

### D Organizational Structure

1. The company’s Import Department is appropriately located within the organization.

2. Key areas of authority and responsibility relative to CBP activities are defined and communicated throughout the organization. Consider the following:
   - Executives in charge of major activities or functions are fully aware of their duties and responsibilities.
   - Executives and key managers understand their internal control responsibilities and ensure that their staff also understands their own responsibilities.

### E Assignment of Authority and Responsibility

1. The company appropriately assigns authority and delegates responsibility for CBP activities to the proper personnel to deal with organizational goals and objectives.
   - Authority and responsibility are clearly assigned throughout the organization and clearly communicated to employees.
   - Responsibility for decision-making is clearly linked to the assignment of authority and responsibility.

2. Each employee knows how his or her actions related to CBP activities relate to others’ actions and is aware of his or her related duties concerning CBP internal control.

3. Delegation of authority is appropriate in relation to the assignment of responsibility for CBP activities.
   - Employees at the appropriate level are empowered to correct problems or implement improvements.
   - There is an appropriate balance between the delegation of authority at lower levels to “get the job done” and the involvement of senior-level personnel.
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>F</strong></td>
<td>Human Resource Policies and Practices</td>
</tr>
<tr>
<td>1</td>
<td>Employees’ responsibilities for CBP activities are properly supervised.</td>
</tr>
<tr>
<td><strong>G</strong></td>
<td>Oversight Groups</td>
</tr>
<tr>
<td>1</td>
<td>Within the company, mechanisms are in place to monitor and review operations and programs. The company has a committee or senior management council that reviews internal audit work of CBP activities.</td>
</tr>
<tr>
<td><strong>H</strong></td>
<td>Internal Control Point</td>
</tr>
<tr>
<td></td>
<td>The internal audit function reviews the company’s CBP activities and systems and provides information, analyses, appraisals, recommendations, and counsel to management.</td>
</tr>
</tbody>
</table>

2. Risk Assessment

The second internal control component addresses risk assessment. A precondition to risk assessment is the establishment of clear, consistent company goals and objectives at both the entity level and the activity level. Once the objectives have been established, the company needs to identify the risks that could impede the efficient and effective achievement of those objectives. Internal control should provide for an assessment of the risks the company faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then must formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable CBP reporting, and compliance with laws and regulations. A manager or evaluator will focus on management’s processes for setting objectives, risk identification, risk analysis, and management of risk during times of change. Listed below are factors a user might consider.
<table>
<thead>
<tr>
<th>Internal Control Point</th>
<th>Comments / Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Establishment of Activity- Level Objectives</td>
<td></td>
</tr>
<tr>
<td>1 Company CBP compliance requirements are linked with company objectives.</td>
<td></td>
</tr>
<tr>
<td>B Risk Identification</td>
<td></td>
</tr>
<tr>
<td>1 Management identifies CBP related risk.</td>
<td>Qualitative and quantitative methods are used to identify risk and determine relative risk rankings on a scheduled and periodic basis.</td>
</tr>
<tr>
<td></td>
<td>How risk is to be identified, ranked, analyzed, and mitigated is communicated to appropriate staff.</td>
</tr>
<tr>
<td></td>
<td>Risk identification and discussion occur in senior-level management meetings.</td>
</tr>
<tr>
<td></td>
<td>Risk identification takes place as part of short- and long-term forecasting and strategic planning.</td>
</tr>
<tr>
<td></td>
<td>Risk identification occurs as a result of consideration of findings from audits, evaluations, and other assessments.</td>
</tr>
<tr>
<td>2 Mechanisms exist to identify risks to CBP activities arising from external factors. Consider the risks:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Arising from changing needs or expectations by Congress, CBP officials, or the public.</td>
</tr>
<tr>
<td></td>
<td>Posed by new legislation, regulations, rulings, and court decisions.</td>
</tr>
<tr>
<td></td>
<td>Resulting from business, political, or economic changes.</td>
</tr>
<tr>
<td></td>
<td>Associated with major suppliers, brokers, contractors, and agents.</td>
</tr>
<tr>
<td></td>
<td>Resulting from interactions with other companies and outside parties.</td>
</tr>
<tr>
<td>3 Mechanisms exist to identify risks to CBP activities arising from internal factors. Consider the risks:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Resulting from downsizing operations and personnel.</td>
</tr>
<tr>
<td></td>
<td>Associated with major changes of operating processes, foreign sourcing, or importing operations.</td>
</tr>
<tr>
<td></td>
<td>Resulting from new lines, products, or other business activities.</td>
</tr>
<tr>
<td></td>
<td>Associated with restructuring and reorganizations.</td>
</tr>
<tr>
<td></td>
<td>Posed by disruption of information systems.</td>
</tr>
<tr>
<td></td>
<td>Posed by highly decentralized CBP operations.</td>
</tr>
<tr>
<td>Management assesses other factors, such as a history of compliance problems.</td>
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<td>---</td>
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</tr>
<tr>
<td><strong>C Risk Analysis</strong></td>
<td></td>
</tr>
<tr>
<td><strong>1</strong> After CBP risks have been identified, management should undertake an analysis of their possible effect. Consider the following:</td>
<td></td>
</tr>
<tr>
<td>Management has established a formal or informal process to analyze risks.</td>
<td></td>
</tr>
<tr>
<td>Criteria have been established for determining low, medium, and high risks.</td>
<td></td>
</tr>
<tr>
<td>Appropriate levels of management and employees are involved in the risk analysis.</td>
<td></td>
</tr>
<tr>
<td>Risks identified and analyzed are relevant to the corresponding activity objective.</td>
<td></td>
</tr>
<tr>
<td>Risk analysis includes estimating the risk’s significance and sensitivity.</td>
<td></td>
</tr>
<tr>
<td>Risk analysis includes estimating the likelihood and frequency of occurrence of each risk (susceptibility) and determining whether it falls into the low, medium, or high-risk category.</td>
<td></td>
</tr>
<tr>
<td>A determination is made on how best to manage or mitigate the risk and what specific actions should be taken.</td>
<td></td>
</tr>
<tr>
<td><strong>2</strong> Management has developed an approach for risk management related to CBP compliance and control based on how much risk can be prudently accepted. Consider the following:</td>
<td></td>
</tr>
<tr>
<td>The approach will vary from company to company based on the company’s CBP activities.</td>
<td></td>
</tr>
<tr>
<td>The approach is designed to keep risks within levels judged to be appropriate, and management takes responsibility for setting the tolerable risk levels.</td>
<td></td>
</tr>
<tr>
<td>Specific control activities are decided upon to manage or mitigate specific risks, and their implementation is monitored.</td>
<td></td>
</tr>
</tbody>
</table>

**D Managing Risks During Change**
The company has mechanisms in place to anticipate, identify, and react to risks presented by changes in government, economic, industry, regulatory, operating, or other conditions that can affect CBP compliance.

The company gives special attention to risks presented by changes that can have a more dramatic and pervasive effect on CBP compliance. The company is attentive to risks related to:

- Changes in CBP information systems.
- Rapid growth and expansion or rapid downsizing.
- Imports under CBP programs and activities that are new to the company.
- Imports from a new geographical area.

### 3. Control Activities

The third internal control component addresses control activities. Internal control activities are the policies, procedures, techniques, and mechanisms that help ensure that management’s directives to mitigate risks identified during the risk assessment process are carried out. Control activities are an integral part of the company’s planning, implementing, and reviewing processes.

Control activities occur at all levels and functions of the company. They include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities, and the production of records and documentation. A manager or evaluator should focus on control activities in the context of the company’s management directives to address risks associated with established objectives for each significant activity.

Therefore, a manager or evaluator will consider whether control activities relate to the risk assessment process and whether they are appropriate to ensure that management’s directives are carried out. In assessing the adequacy of internal control activities, a reviewer should consider whether the proper control activities have been established, whether they are sufficient in number and the degree to which they are operating effectively. This analysis and evaluation should also include controls over computerized information systems. A manager or evaluator should consider not only whether established control activities are relevant to the risk assessment process, but also whether they are being applied properly.

Given the wide variety of control activities that companies may employ, it would be impossible for this tool to address them all. However, there are some general, overall points to be considered by managers and evaluators, as well as several major categories or types of control activity factors that are applicable at various levels throughout most if not all companies. In addition, some control activity factors are specifically designed for information systems. These factors and related issues are listed below to illustrate the range and variety of typical control activities.
<table>
<thead>
<tr>
<th>Internal Control Point</th>
<th>Comments / Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A General Application</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Appropriate policies, procedures, techniques, and mechanisms exist with respect to CBP activities.</td>
</tr>
<tr>
<td></td>
<td>All relevant objectives and associated risks have been identified in relation to the risk assessment and analysis function of internal control.</td>
</tr>
<tr>
<td></td>
<td>Management has identified the actions and control activities needed to address the risks and directed their implementation.</td>
</tr>
<tr>
<td>2</td>
<td>Control activities identified as necessary are in place and being applied. Consider the following:</td>
</tr>
<tr>
<td></td>
<td>Control activities described in policy and procedures manuals are actually applied and applied properly.</td>
</tr>
<tr>
<td></td>
<td>Supervisors and employees understand the purpose of internal control activities.</td>
</tr>
<tr>
<td></td>
<td>Supervisory personnel review the functioning of control activities.</td>
</tr>
<tr>
<td></td>
<td>Timely action is taken on exceptions, implementation problems, or information that requires follow-up.</td>
</tr>
<tr>
<td><strong>B Common Categories of Control Activities</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Management tracks CBP compliance in relation to goals.</td>
</tr>
<tr>
<td></td>
<td>Managers at all activity levels review performance reports, analyze trends, and measure results against targets.</td>
</tr>
<tr>
<td></td>
<td>Appropriate control activities are employed, such as reconciliations of summary information to supporting detail.</td>
</tr>
<tr>
<td>2</td>
<td>The company effectively manages its workforce to achieve CBP compliance.</td>
</tr>
<tr>
<td></td>
<td>Procedures are in place to ensure that personnel with appropriate competencies are recruited and retained.</td>
</tr>
<tr>
<td></td>
<td>Employees are given orientation, training, and tools to perform their duties and responsibilities, improve their performance, and meet the demands of changing organizational needs.</td>
</tr>
<tr>
<td></td>
<td>Qualified and continuous supervision is provided to ensure that internal control objectives are being met.</td>
</tr>
<tr>
<td>3</td>
<td>The company employs a variety of controls of CBP activities to ensure accuracy and completeness of information processing.</td>
</tr>
<tr>
<td></td>
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<tr>
<td>---</td>
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</tr>
<tr>
<td>4</td>
<td>The company has established and monitors performance measures and indicators for CBP activities.</td>
</tr>
<tr>
<td></td>
<td>Actual performance data are continually compared and analyzed against expected or planned goals.</td>
</tr>
<tr>
<td></td>
<td>Unexpected results or unusual trends are investigated to identify circumstances where achievement of goals for CBP compliance is threatened. Corrective action is taken.</td>
</tr>
<tr>
<td>5</td>
<td>CBP transactions and other significant events are properly classified and promptly recorded so that they maintain their relevance, value, and usefulness to management in controlling operations and making decisions.</td>
</tr>
<tr>
<td>6</td>
<td>Only authorized individuals can make adjustments to CBP information.</td>
</tr>
<tr>
<td>7</td>
<td>Internal control and all transactions and other significant events related to CBP activities are clearly documented.</td>
</tr>
<tr>
<td></td>
<td>Written documentation exists for the company’s internal control structure and all significant transactions and events.</td>
</tr>
<tr>
<td></td>
<td>Documentation is readily available for examination.</td>
</tr>
<tr>
<td></td>
<td>Documentation for internal control includes identification of the company’s activity-level functions and related objectives and control activities and appears in management directives, administrative policies, accounting manuals, and other such manuals.</td>
</tr>
<tr>
<td></td>
<td>Documentation of transactions and other significant events is complete and accurate and facilitates tracing the transaction or event and related information from before it occurs, through its processing, to after it is completed.</td>
</tr>
<tr>
<td></td>
<td>Documentation, whether in paper or electronic form, is useful to managers in controlling their operations and to auditors and others involved in analyzing operations.</td>
</tr>
<tr>
<td></td>
<td>All documentation and records are properly managed, maintained, and updated periodically.</td>
</tr>
<tr>
<td>8</td>
<td>This analysis and evaluation should also include controls over automated information systems.</td>
</tr>
</tbody>
</table>

### 4. Information and Communication
According to the fourth internal control component, for a company to effectively operate, it must have relevant, reliable information relating to external as well as internal events. That information should be recorded and communicated to management and others within the company who need it in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. Managers and evaluators should consider the appropriateness of information and communication systems to the organization’s needs and the degree to which they accomplish the objectives of internal control.

Listed below are factors to consider. The list is a starting point. It is not all-inclusive, nor will every item apply to every company or activity within the company. Even though some of the functions and points may be subjective in nature and require the use of judgment and reasonable care, they are important in collecting appropriate data and information and in establishing and maintaining good communication.

<table>
<thead>
<tr>
<th>Internal Control Point</th>
<th>Comments / Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong> Information</td>
<td></td>
</tr>
<tr>
<td>1 Information related to CBP activities from internal and external sources is obtained and provided to management as a part of the company’s reporting on operational performance relative to established objectives.</td>
<td></td>
</tr>
<tr>
<td>2 Pertinent information related to CBP activities is identified, captured, and distributed to the right people in sufficient detail, in the right form, and at the appropriate time to enable them to carry out their duties and responsibilities efficiently and effectively.</td>
<td></td>
</tr>
<tr>
<td>3 Management ensures that effective internal communications occur related to CBP activities.</td>
<td></td>
</tr>
<tr>
<td>Employees understand the aspects of internal control, how their roles fit into it, and how their work relates to the work of others.</td>
<td></td>
</tr>
<tr>
<td>Employees are informed that when the unexpected occurs, they must pay attention not only to the event but also to the underlying cause, so that potential internal control weaknesses can be identified and corrected before they can do further harm.</td>
<td></td>
</tr>
<tr>
<td>Mechanisms exist to allow the easy flow of information down, across, and up the organization and between functional activities.</td>
<td></td>
</tr>
<tr>
<td>Informal or separate lines of communications exist to serve as a “fail-safe” control for normal communications avenues.</td>
<td></td>
</tr>
</tbody>
</table>
Mechanisms are in place for employees to recommend improvements in operations.

<table>
<thead>
<tr>
<th>4</th>
<th>Management ensures that effective external communications occur with groups that can have a serious impact on CBP compliance.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Open and effective communications have been established with customers, suppliers, consultants, brokers, and others who can provide significant input relative to CBP compliance.</td>
</tr>
<tr>
<td></td>
<td>Communication with external parties such as CBP and other federal agencies is encouraged, since it can be a source of information on how well internal control is functioning.</td>
</tr>
<tr>
<td></td>
<td>Management makes certain that advice and rulings from CBP are implemented to correct any problems or weaknesses they identify; and recommendations from CBP are fully considered and implemented to correct any problems or weaknesses they identify, as required.</td>
</tr>
</tbody>
</table>

**B Forms and Means of Communication**

| 1 | The company employs various forms and means of communicating important information with employees and others (policies and procedures manuals, memorandums to staff, regular meetings with staff, etc.). |

5. Monitoring

Monitoring is the final internal control component. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly addressed. In considering the extent to which the continued effectiveness of internal control is monitored, both ongoing monitoring activities and separate evaluations of the internal control system, or portions thereof, should be considered.

Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions that people take in performing their duties. Separate evaluations are a way to take a fresh look at internal controls by focusing directly on their effectiveness at a specific time. These evaluations may take the form of self-assessments as well as review of control design and direct testing and may include the use of this Management and Evaluation Tool or some similar device.

In addition, monitoring includes policies and procedures for ensuring that any audit and review findings and recommendations are brought to the attention of management and are resolved in a timely manner. Managers and evaluators should consider the appropriateness
of the company’s internal control monitoring and the degree to which it helps them accomplish their objectives.

<table>
<thead>
<tr>
<th>Internal Control Point</th>
<th>Comments / Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A Ongoing Monitoring</strong></td>
<td></td>
</tr>
<tr>
<td>1 Management has a strategy to ensure that ongoing monitoring of CBP activities is effective and will trigger separate evaluations where problems are identified, or systems are critical and testing is periodically desirable.</td>
<td>Management’s strategy provides for routine feedback and monitoring of performance and control objectives.</td>
</tr>
<tr>
<td>1</td>
<td>The monitoring strategy includes identification of critical operational CBP-related systems that need special review and evaluation.</td>
</tr>
<tr>
<td>1 The strategy includes a plan for periodic evaluation of control activities for critical CBP activities.</td>
<td></td>
</tr>
<tr>
<td>2 In the process of carrying out their regular activities, company personnel obtain information about whether internal control is functioning properly.</td>
<td></td>
</tr>
<tr>
<td>3 Communications from external parties corroborate internally generated data or indicate problems with internal control.</td>
<td>Communications from CBP officers about compliance or other matters that reflect on the functioning of internal control are used for follow-ups on any problems indicated.</td>
</tr>
<tr>
<td>4 Meetings with employees are used to provide management with feedback on whether internal controls are effective. Matters that reflect on the functioning of internal control are used for follow-ups on any problems indicated.</td>
<td></td>
</tr>
<tr>
<td><strong>B Separate Evaluations</strong></td>
<td></td>
</tr>
<tr>
<td>1 Scope and frequency of separate evaluations of internal control are appropriate for the company.</td>
<td>Risk assessment results and the effectiveness of ongoing monitoring determine the scope and frequency of separate evaluations.</td>
</tr>
<tr>
<td>1</td>
<td>Separate evaluations may be prompted by events such as major strategies, expansions, downsizing, etc.</td>
</tr>
<tr>
<td>1</td>
<td>Appropriate portions or sections of internal controls are evaluated regularly.</td>
</tr>
</tbody>
</table>
Personnel with required skills, who may include the company’s internal auditor or an external auditor, conduct separate evaluations.

2 The methodology for evaluating the company’s internal control is logical and appropriate. Consider the following:

2 The methodology used may include self-assessments using checklists, questionnaires, or other such tools, and it may include the use of this Management and Evaluation Tool or some similar device.

The separate evaluations may include a review of the control design and direct testing of the internal control activities.

The evaluation team develops a plan for the evaluation process to ensure a coordinated effort.

If company employees conduct the evaluation process, an executive with the requisite authority, capability, and experience manages the process.

The evaluation team gains a sufficient understanding of the company’s objectives related to CBP compliance.

The evaluation team gains an understanding of how the company’s internal control system is supposed to work and how it actually works.

The evaluation team analyzes the results of the evaluation against established criteria. The evaluation process is properly documented.

3 Deficiencies found during separate evaluations are promptly resolved

Deficiencies are promptly communicated to the individual responsible for the function and also to at least one level of management above that individual.

Serious deficiencies and internal control problems are promptly reported to top management.

C Issue Resolution

1 The company has a mechanism to ensure the prompt resolution of findings from internal or external audits or reviews. Consider the following:

Managers promptly review and evaluate findings resulting from audits and assessments, including those showing deficiencies and those identifying opportunities for improvements.

Management determines the proper actions to take in response to findings and recommendations.
Corrective action is taken or improvements made within established time frames to resolve the matters brought to management’s attention.

In cases where there is disagreement with the findings or recommendations, management demonstrates that those findings or recommendations either is invalid or do not warrant action.

Management considers consultation with auditors when it is believed to be helpful in the audit resolution process.

2 Management is responsive to the findings and recommendations of audits and other reviews aimed at strengthening internal control.

The company takes appropriate follow-up actions with regard to findings and recommendations of audits and other reviews.

Problems are corrected promptly.

Management investigates the underlying causes giving rise to the findings or recommendations.

Actions are decided upon to correct the situation or take advantage of the opportunity for improvements.

Management and auditors follow up on audit and review findings, recommendations, and the actions decided upon to ensure that those actions are taken.

Top management is kept informed through periodic reports on the status of audit and review resolutions so that it can ensure the quality and timeliness of individual resolution decisions.

### Appendix F: Risk Assessment and Self-Testing Development

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INTRODUCTION

This document is a risk assessment and self-testing development tool created for CTPAT Trade Compliance program applicants. The intent of this document is to provide guidance as well as a starting point for the design, development, and documentation of a self-testing plan. The self-testing plan is a required document that must be submitted as part of the CTPAT Trade Compliance application package, and ongoing self-testing is a requirement for continued participation in the CTPAT Trade Compliance program.

Under the CTPAT Trade Compliance program, CBP will allow flexibility and will not dictate specific testing requirements because self-testing is part of the monitoring activities of a company’s system of internal control. It is important that a company has the flexibility to design a program that fits its specific needs. Therefore, each company must perform its own risk assessment, develop its own control procedures, and design its own self-testing program to monitor and mitigate risk and ensure that import transactions are accurate and compliant with CBP laws and regulations. The goal is to identify and eliminate vulnerabilities in a company’s import compliance program.

CBP’s expectation is that the self-testing plan will be detailed regarding how risk is assessed; how often the risk assessment is updated to identify new risk and how new risks will be managed; how often self-testing will occur; who will perform the risk assessment and testing; how the results will be documented; and how corrective actions will be implemented, when needed. To help CTPAT Trade Compliance program applicants better understand risk assessment and self-testing, CBP compiled a list of risk assessment factors and self-testing questions that companies may consider. Additionally, example scenarios have been included to help demonstrate the risk assessment factors and self-testing questions.

RISK ASSESSMENT FACTORS TO CONSIDER

Risk is the degree of exposure that would result in loss to the trade, industry, or the public. Potential risk exists in ordinary day-to-day transactions as well as those extraordinary transactions that happen infrequently or unintentionally. To identify risk, a risk assessment, which is the integrated process for identifying and managing risk in trade compliance, should be performed on a continuing basis or at least on an annual basis. Below are some example risk factors to consider:

1. Use of new, multiple, or sub-contracted brokers.
2. Use of special trade programs such as free trade agreements, special duty provisions such as Harmonized Tariff Schedule of the United States (HTSUS) Chapters 98 and 99, Antidumping/Countervailing Duties, etc.

3. Complexity of HTSUS classifications to types of merchandise imported.

4. Use of a Basis of Appraisement other than Transaction Value.

5. Use of “first sale” for valuation.

6. Use of Landed Duty Paid terms of sale.

7. Payments in addition to the price paid or payable (i.e., packing, selling commissions, assists, royalties, and license fees, and proceeds from subsequent resale).

8. Quality and quantity of pre- or post-entry reviews.

9. Organizational changes that may affect the commitment to compliance, new management structure, reduction in staff, etc.

10. Changes to core business, addition of new product lines, and/or use of new manufacturers; and,

11. Impact of communication between CBP and the company (i.e., internal advice/ruling decisions/information requests/notices of change liquidation).

**RISK ASSESSMENT EXAMPLE SCENARIOS**

**Example Scenario 1:** XYZ Company utilizes an automated system for its post-entry valuation review, which is a three-way match of the purchase order value, invoice value, and entry summary value. Any differences between the three values causes a discrepancy report to be generated that is sent to the Customs Compliance Department for research and/or corrective action. This is the process in place for the vast majority of XYZ Company’s entries. The remaining entries, which are manually entered by the company’s broker, are not subject to the automated post-entry valuation.

The fact that a number of XYZ Company’s transactions are not subject to the company’s control activities (listed above) mean that these transactions should be considered during the risk assessment. Additionally, XYZ Company should consider whether the values being compared by the automated system have been verified for accuracy, e.g., are there any additions to the price paid or payable not being declared,

**Example Scenario 2:** Company X, which is a long-time CTPAT Trade Compliance program participant, acquires ACME Corporation, a non-CTPAT Trade Compliance program company. While ACME Corporation maintained its own CBP compliance manual along with desktop policies and procedures prior to its acquisition, Company X’s policy is to gradually integrate any acquired company’s CBP operations into its CBP compliance manual and associated policies and procedures. Company X should evaluate ACME Corporation’s policies and procedures to identify risk areas and review a sample of their past import transactions. The review will help Company X to determine what the risk factors are and where improvements are needed. Until ACME Corporation’s CBP
operations are fully integrated into Company X’s procedures, current transactions of ACME Corporation would be a risk factor and included in the self-testing plan.

SELF-TESTING QUESTIONS TO CONSIDER

Once risk has been identified, the company should utilize risk management-based process, which is a method of managing by identifying and controlling those events that have the potential to cause significant problems. The key to risk management is to gather and analyze all relevant data efficiently and effectively and use these data to make decisions about allocating resources. For CBP Trade Compliance program participants, risk management will help determine the extent of transactional testing for each area of risk. Below are some questions to consider when documenting the self-testing procedure.

1. Who will be responsible for the risk assessment, and how often will a risk assessment be performed, reviewed, and documented?
2. What will be the methodology used to select transactions for review?
3. Who will conduct the transactional testing (e.g., this should be someone independent of the transaction)? How many entries or line items (express as a number or percentage) will be reviewed?
4. Is there an audit trail from financial records to CBP declarations (i.e., a test for unreported value)?
5. How will the sampled items and results of the review be documented, tracked, and maintained?
6. How will errors be addressed (e.g., post-entry amendment, prior disclosure, etc.)?
7. Are corrective action procedures in place to address errors?
8. Who will the results of the review be provided to within the company, and who is responsible for ensuring corrective actions are taken to address deficiencies?
9. How often are the internal control policies and procedures reviewed, and how will the review be documented?
10. How are changes to the internal control manual tracked and/or tested, and how are users notified of these changes?

When documenting the self-testing plan, do not use “periodic” as a testing interval. Provide a specific time period, or minimum level, for review (e.g., daily, monthly, quarterly, annually, at a minimum quarterly, etc.). Ensure that the designated person performing the self-testing is independent of the transactions being reviewed.

SELF-TESTING EXAMPLE SCENARIOS

Example Scenario: Fast Courier’s contract with ACME Corporation requires Fast Courier to provide monthly downloads of all transactions that ACME Corporation is billed for, including both transactions where ACME Corporation and Fast Courier were the importer of record. In order to test transactions processed by Fast Courier, ACME
Corporation will utilize the data provided to review information including, but not limited to, usage of the correct importer of record number, correct classification of merchandise using the HTSUS number provided by ACME Corporation on the commercial invoice, declaration of the proper “relationship” with the vendor/manufacturer, etc. ACME Corporation’s self-testing is based upon a “X” percent of judgmentally selected samples per risk area identified during its risk assessment. In addition to the “X” percent judgmental samples for Fast Courier, ACME Corporation decided that it will also look at all entries where Fast Courier classified merchandise under Chapter 9801 to ascertain whether the classification was used correctly. ACME Corporation will note on its self-testing spreadsheet, which is how the company tracks all items selected for review, that for entries involving Chapter 9801 only the classification would be reviewed and not the other data elements.

Per ACME Corporation’s self-testing plan, once testing is complete a report is provided to management outlining the results of the review and corrective actions to be taken, which will be monitored by ACME Corporation’s compliance department. With regard to the testing of Fast Courier, ACME Corporation has regularly scheduled meetings with the courier at which time the self-testing results will be discussed along with any needed standard operating procedure enhancements.

COMBINED RISK ASSESSMENT AND SELF-TESTING SCENARIO

Example Scenario: Brand X Corp claims Generalized System of Preferences (GSP), which provides duty-free tariff treatment to certain products imported from designated developing countries, on a certain percentage of its entries. Brand X Corp has a documented set of GSP post-entry review procedures and the task is assigned to one individual, the entry analyst.

During its risk assessment, Brand X Corp reviewed the roles and responsibilities of individuals within the Customs Compliance Department. In the case of the entry analyst, a review of this individual’s responsibilities identifies that he/she is solely responsible for reviewing entries where GSP is claimed. As such, Brand X Corp determined that GSP claims should be considered a risk factor.

The selected GSP entries are documented on the company’s self-testing spreadsheet. The GSP entries must now be reviewed to ensure that the transaction qualifies for GSP and supporting documentation are maintained; however, the entry analyst cannot review the entries because he/she reviewed them as part of the post-entry review process. In this scenario, Brand X Corp’s self-testing plan will require the customs compliance manager to review the GSP entries, because the customs compliance manager’s day-to-day responsibilities do not include entry reviews. The customs compliance manager will document the results of the review on the self-testing spreadsheet.
If the customs compliance manager identified an error when reviewing the GSP entries, Brand X Corp’s documented self-testing plan discusses how the transactional sample is expanded, who to report the findings to within Brand X Corp, and how the errors will be relayed to CBP, i.e., disclosure, PEA, etc. Brand X Corp’s documented self-testing plan also includes a corrective action process to avoid similar errors in the future.
Appendix G: Annual Notification Letter

CTPAT Trade Compliance

ANNUAL NOTIFICATION LETTER (ANL) REPORTING REQUIREMENTS

The purpose of this document is to provide instructions for preparing the Importer to submit the ANL. All approved Trade Compliance companies must follow these instructions.

The purpose of the ANL is to ensure that the participant continues to meet the requirements of the Trade Compliance program and inform U.S. Customs and Border Protection (CBP) of any business modifications that may have a potential impact on the company’s operations. Examples of such modifications are significant changes to the company organization, personnel, commodities, brokers, or trade programs. Additionally, CBP requests that the ANL include summaries of the participant’s Trade Compliance risk assessment and self-testing, as well as corrective actions taken when deficiencies are identified.

The ANL must be generated through the CTPAT Trade Compliance portal through a series of questions required responses. At the conclusion of the questions, the Importer will be able to generate and sign the memorandum of understanding with CBP.

The ANL submission process starts with the ANL cover letter, which allows the Importer to provide four paragraphs to CBP summarizing the ANL submission. Below are examples of what each paragraph may contain, this list in not all inclusive and provides only an example. The Importer should include information that shows the most accurate portrayal of their company for the year.

**Paragraph 1 Example**: In accordance with the requirements of participation to the CTPAT Trade Compliance program, (Company Name) is hereby submitting its annual notification letter. (Company Name) was formally approved for participation in the CTPAT Trade Compliance program on (date). (Note: For legacy ISA participants, the ISA program date should be used.)

**Paragraph 2 Example**: During the past year, (Company Name) has complied with the U.S. Customs and Border Protection (CBP) laws and regulations, CTPAT Security, and CTPAT Trade Compliance program requirements. We have, and continue to maintain, a system of business records that demonstrate the accuracy of CBP transactions as required. **Paragraph 3 Example**: (Company Name) has performed a review of its CBP internal control policies and procedures and made appropriate adjustments and/or changes to its internal control systems when necessary. (Company Name) has also performed periodic transactional testing based on its risk assessment and corrective action has been taken, where necessary, to ensure that internal control is implemented. Test results will be maintained for three years at (location) and are available for review upon request. **Paragraph 4 Example**: In compliance with the CTPAT
Trade Compliance program requirements, (Company Name) has summarized in the following question responses the changes to it’s organization, personnel, and import activity along with the results of the internal control adjustments/changes and transactional testing. (Company Name) will continue to meet the requirements of the program. If you have any questions, our contact for the program is (Name, Title). You can contact him/her at (telephone number, e-mail address).

After the four paragraphs of the ANL cover letter are complete, the Importer must answer the six (6) ANL questions along with uploading any attachments they deem relevant to answering the questions. The questions include:

1. Please provide details on organizational changes, including but not limited to: official company name, physical address, leadership team, trade compliance personnel, addition(s) or deletion(s) of Importer of Record (IOR) number(s), etc. due to mergers/acquisition/divestiture or other reasons.
2. Please provide details on changes in commodities imported, CBP trade programs utilized, brokers, etc.
3. Please provide details, adjustments, and/or changes (addition(s) or deletion(s)) to the documented internal control policies and procedures.
4. Please summarize the areas identified as potential risks because of the company’s risk assessment along with the tests performed to review the potential areas of risk.
5. Please explain the methodology used for transactional/internal control testing. Summarize the test results and list them on a separate spreadsheet or a written summarization of the number of transactions tested, number of errors (identified by type), cause of error(s), and whether corrective action was taken.
6. Please provide details on prior disclosures by including submission dates, summary issue(s), monies tendered, and CBP acceptance date. If this element is not applicable for the reporting period, state “Not Applicable”.

Attached is an example ANL demonstrating how the required information could be incorporated, this letter will be automatically generated with the responses to the above, with the answers to the above paragraphs and question responses. If there are any questions regarding the ANL requirements, please contact the assigned national account manager or email your questions to the CPTAT Trade Compliance program at CTPATTTRADECOMPLIANCE@CBP.DHS.GOV.
(Participant’s Address 1)
(Participant’s Address 2)

(DATE)

(Name of Chief)
Chief, Partnership Programs Branch
U.S. Customs and Border Protection
Office of International Trade
1400 L Street, N.W.
Washington, D.C. 20229-1143

Dear Mr./Ms.__________________:

In accordance with the requirements outlined within the CTPAT Trade Compliance Handbook, (Company Name) is hereby submitting its annual notification letter. (Company Name) was formally approved for participation in the ISA program on (date).

During the past year, (Company Name) has complied with U.S. Customs and Border Protection (CBP) laws and regulations, Customs Trade Partnership Against Terrorism and ISA program requirements. We have, and continue to maintain, a system of business records that demonstrates the accuracy of CBP transactions as described in the CTPAT Trade Compliance Handbook.

(Company Name) has performed a review of its CBP internal control policies and procedures and made appropriate adjustments and/or changes to its internal control systems when necessary. (Company Name) has also performed periodic transactional testing based on its risk assessment and corrective action has been taken, where necessary, to ensure that internal control is implemented. Test results will be maintained for three years at (location) and are available for review upon request.

Organizational and/or Personnel Changes

(Note: If a company elects to add/delete business unit(s) or organization changes due to mergers and/or divestitures, an amended Memorandum of Understanding is required. Additionally, if a company has an official name change and/or importer of record number change due to a merger or divestiture, a new Memorandum of Understanding is required.)

Import Activity Changes

(Note: Report any changes in commodities imported, CBP trade programs utilized, brokers, etc.)
Internal Control Adjustments and Changes

(Note: Summarize adjustments and/or changes (additions or deletions) to the documented internal control policies and procedures.)

Risk Assessment Results

(Note: Summarize the areas identified as potential risks as a result of the company’s risk assessment along with tests performed to review the potential areas of risk.)

Periodic Testing Results

(Note: Explain the methodology used for transactional/internal control testing. Summarize the test results and list them on a separate spreadsheet or a written summarization of the number of transactions tested, number of errors (identified by type), cause of error(s), and whether corrective action was taken.)

Post Entry Amendments and/or Disclosures

(Note: Include submission dates, summary of issue(s), monies tendered, and CBP acceptance date. If this element is not applicable for the reporting period, state “Not Applicable”) (Company Name) will continue to meet the requirements of the ISA program and the previously executed Memorandum of Understanding. If you have any questions, our company contact for the ISA program is (Name, Title). You can contact him/her at (Telephone Number, e-mail address).

Sincerely,

(Signature—should be the same officer who signed the CTPAT Trade Compliance MOU or company officer equivalent)

In compliance with CTPAT Trade Compliance reporting requirements, (Company Name) has summarized (below or attached) changes to its organization, personnel, and import activity along with the results of internal control adjustments/changes and transactional testing as follows:

(Note: The six key elements listed below are the minimum reporting areas but are not all inclusive. The key elements can be included in the body of the letter or as an attachment.)
Appendix H: ANL Step by Step Submission
CTPAT Trade Compliance
ANNUAL NOTIFICATION LETTER STEP BY STEP WALK THROUGH

Trade Compliance Quick Portal Guide
Annual Notification Letter (ANL) Process

U.S. Customs and Border Protection
General Layout and Key Functions

1. **Timeline:** Displays key Importer submissions and CBP acknowledgements
2. **Document Library:** Storage for Importer and CBP files
3. **Action Bar:** Buttons for Importer actions
4. **Review & Submit:** Finalizing the Importer’s Annual Notification Letter and reviewing the Memorandum of Understanding
   (Note: The company’s officer will have authorization to the Review & Submit Button.)
### Starting the Annual Notification Letter

1. **Starting the ANL:** Click on the Annual Notification Letter button, a pop-up window will appear.
   a. **Note:** Once the importer submits the ANL, no changes to the portal account can be completed until CBP approves the ANL. This process may take up to 45 days (longer if extenuating circumstances apply).

2. **Information Only:** The anniversary day and month indicates annual ANL due date.
Annual Notification Paragraph Requirements

1. ANL Cover Letter: The importer must complete in full all four cover letter paragraphs.

2. Numbers: Each number represents a cover letter paragraph, hovering over the numbers will display “complete” (blue) and “incomplete” (white).

3. Paragraph Requirements: Notification of company submission (see notes below for an example paragraph).

4. Save Button: At the completion of adding the four required paragraphs, the user must save to continue.

Paragraph 1 Example:

In accordance with the requirements of participation to the CTPAT Trade Compliance program, (Company Name) is hereby submitting its annual notification letter. (Company Name) was formally approved for participation in the CTPAT Trade Compliance program on (date). (Note: For legacy ISA participants, the ISA program date should be used.)
Paragraph 2 Example:

During the past year, (Company Name) has complied with the U.S. Customs and Border Protection (CBP) laws and regulations, CTPAT Security, and CTPAT Trade Compliance program requirements. We have, and continue to maintain, a system of business records that demonstrate the accuracy of CBP transactions as required.

Paragraph 3 Example:

(Company Name) has performed a review of its CBP internal control policies and procedures and made appropriate adjustments and/or changes to its internal control systems when necessary. (Company Name) has also performed periodic transactional testing based on its risk assessment and corrective action has been taken, where necessary, to ensure that internal control is implemented. Test results will be maintained for three years at (location) and are available for review upon request.

Paragraph 4 Example:

In compliance with the CTPAT Trade Compliance program requirements, (Company Name) has summarized in the following question responses the changes to its organization, personnel, and import activity along with the results of the internal control adjustments/changes and transactional testing. (Company Name) will continue to meet the requirements of the program. If you have any questions, our contact for the program is (Name, Title). You can contact him/her at (telephone number, e-mail address).
Annual Notification Question #1

1. ANL Question #1: The importer must answer company information, organizational changes, and/or personnel changes

2. Question box: The importer must provide the executive summary narrative here

3. Attachments: The importer must provide attachments that support the executive summary here
Annual Notification Question #2

1. ANL Question #2: The Importer must answer information on import activity changes

2. Question box: The importer must provide the response narrative here

3. Attachments: The importer must provide attachments that support the narrative here
1. ANL Question #3: The importer must answer information on internal control adjustments and changes
2. Question box: The importer must provide the response narrative here
3. Attachments: The importer must provide attachments that support the narrative here
1. ANL Question #4: The importer must answer information on risk assessment results
2. Question box: The importer must provide the response narrative here
3. Attachments: The importer must provide attachments that support the narrative here
Annual Notification Question #5

1. ANL Question #5: The importer must answer information on periodic testing results
2. Question box: The importer must provide the response narrative here
3. Attachments: The importer must provide attachments that support the narrative here
1. ANL Question #6: The importer must answer information on prior disclosures and post summary corrections

2. Question box: The importer must provide the response narrative here

3. Attachments: The importer must provide attachments that support the narrative here
Review and Submit

1. Review & Submit: The company officer (or highest ranking official) must select the Review & Submit button to finalize the ANL submission, this will auto generate the MOU between the Importer and CBP for the Importer to sign (see next page).

2. Information Only: Once signed, a copy of the MOU will be available in PDF format, in the document library. This may be saved for company records.
Save Annual Notification Letter

1. Once the company officer hits “review & submit” (previous page), a copy of the Importers ANL will appear to review.

2. Review: The company logo appears in ANL Letter as uploaded in the company documents

3. Review: Address block will automatically populate

4. Review: ANL Letter will be auto generated with paragraphs and answers to ANL Questions

5. Reviews: E-signed name of company officer or highest-ranking official will appear

6. Save Button: Importer must save application button to generate the Memorandum of Understanding
1. Review: Memorandum of Understanding (MOU) is auto generated

2. Review: Company Name, Physical Address, and Importer of Record Number (IOR) will populate.

3. Review: Electronic signature of company officer or highest-ranking official will populate

4. Submit: To finalize the ANL Letter submission, the company officer (or highest ranking official) must enter his/her login password and hit the submit button.

Note: Passwords must be typed in, it cannot be copied and pasted from another location. Copying and pasting the password will result in an error message.
Note: To start a new ANL for the following year, an officer will need to click the “start ANL” button for the process to start again. The company officer is the only person who will be able to start the ANL, all other provisioned users for the account will be able to work the ANL after the Company Officer has started it.
Appendix I: Portal Application Process

CTPAT Trade Compliance
PORTAL APPLICATION STEP BY STEP WALK THROUGH

CUSTOMS TRADE PARTNERSHIP AGAINST TERRORISM (CTPAT)
Portal Application Process
1. Importer Trade Organization

2. Users: The individual who starts the Application Process must be identified as the Company Administrator. This information can be verified in the user tab.

3. Partnership Programs: Trade Compliance must be selected to advance to the application screen
CTPAT Trade Compliance Portal Application
Eligibility

1. The first step to the application is to confirm eligibility for the Importer Trade Organization by completing the eligibility questions.

2. Click the “Get Started” button to launch the question pop up.

3. Answer all the questions listed in the pop up.

Note: The importer must be able to answer yes to all the questions to proceed with the application process. If any of the answers are currently no, this is an area that needs to be improved upon within the organization to move forward. Questions can be directed to CTPATTradeCompliance@cbp.dhs.gov.
1. **Action:** The first step to the application is to upload the company logo.

2. **Action:** There are four steps in the application process including the IOR Selection, the Points of Contact, the Required Attachments, and the Questionnaire. (Each page following this one will walk the Importer through each step.)

3. **Information Only:** Once all four parts of the application are completed, the Review & Submit button will activate. This button is only available to those parties identified as Company Officer will be able to sign the MOU and submit the application package to CBP.
CTPAT Trade Compliance Portal Application

1. By Selecting the “IOR Selection” Button, the user will be prompted to select which IOR will included in the program application and to be a part of the memorandum of understanding. The IOR numbers listed are not necessarily all the IOR’s that exist for a company. The list is generated from the IOR’s CTPAT Security profile and will display all IOR numbers that have been granted Tier II or Tier III benefits for selection. The user can select as many or as few IOR numbers as the company wants to participate in the program. NOTE: Only the IOR numbers selected will be granted benefits of the CTPAT Trade Compliance program at the time of application approval.
1. The user must add Points of Contact for the Trade Compliance program. These can be both the same and different as the Points of Contact in the CTPAT Security portal.

2. Points of Contact can be added in the CTPAT Security account and provisioned for Trade Compliance through the Security account.
Each company is responsible for uploading the Company's Internal Control Manual and all Desktop Procedures, the Company's Organizational Chart, the Evidence of a Training Plan, and a Self-Testing Plan to their document library. This information will be reviewed as part of the Application Review Meeting with CBP to ensure it is sufficient for program requirements.
Note: The questionnaire consists of eight different categories with each category having a series of questions within for a total of nineteen questions. If attachments were added in the required attachments, they do not need to be added a second time here. Additional attachments, as needed, can be uploaded with the questions.

Category #1 pertains to the company’s company information and includes seven questions, numbered one through seven. The questions include:

- Please describe the overall organization/operating structure and provide an organizational chart of the company.

- Provide the names and addresses of any related foreign and/or domestic companies, such as the company’s parent, sister, subsidiaries, or joint ventures, etc.

- Do all of your company’s business units/subsidiaries operate under a centrally controlled customs compliance policy/system?

- Does your company maintain an in-house customs department dedicated to maintaining and updating government regulations, laws, executive orders and procedures that will affect your CBP operations?
• If not an in house (per #4 above), do you have a contract with a CBP brokerage house or consulting service to provide advisory assistance?

• Does the company have compliance training (external, internal, or both) that provides pertinent training for its internal compliance office and other departments that are involved with CBP related activities?

• Is your company applying to Trade Compliance for successfully completing a Focused Assessment (FA)? If so, please provide your invitation letter from the Trade Compliance Branch.
Category #2 pertains to the company’s import activity and includes four questions numbered eight through eleven. The questions include:

- Does the company monitor/track its annual duties, fees, and taxes paid to CBP to ensure bond sufficiency?
- Has the company’s surety been required to pay a claim on its behalf in the past 5 years?
- Does the company own, or hold a license to, trademarks or copyrights for goods it imports into the United States?
- Does the company import products that are subject to an exclusion order from the International Trade Commission (ITC)?
CTPAT Trade Compliance Portal Application

Questionnaire: System of Internal Controls

Category #3 pertains to the company’s system of internal controls and includes two questions, numbered twelve through thirteen. The questions include:

- Does your company have a written, comprehensive system of internal controls for its import processes that is consistent with the five interrelated components of internal control, as defined by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) published report entitled “Internal Control-Integrated Framework”?

- Does the company’s written internal control procedures focus on ensuring trade compliance for the following areas?
  
  1. Value
  2. Classification
  3. Country of Origin
  4. Free Trade Agreements
  5. AD/CVD
  6. Forced Labor
  7. Other
Category #4 pertains to the company’s risk assessment results and includes one question, numbered fourteen. The question is:

- Is your company prepared to provide risk assessment results to include potential areas of risk?
Category #5 pertains to the company’s internal control procedures and period testing results and includes three questions numbered fifteen through seventeen. The questions include:

- Do the company’s internal control procedures include a process for conducting period self-testing to include reporting results and corrective actions?
- Do you make adjustments to your internal control system when the tests or other information shows a need for improvement with your compliance procedures?
- Does your internal control process include a record keeping system that maintains evidence of testing and testing results for at least three years and enables you to submit documents in a timely manner to CBP upon request, to include tests and test results?
Category #6 pertains to the company’s prior disclosure activity and consists of one question, number eighteen. The question is:

- What processes do you have in place to initiate appropriate disclosures to CBP when issues are discovered via your self-testing?
Category #6 pertains to government agency affiliation and includes one question, number nineteen. The question is:

- Do you participate in any other partnership programs with any other government agencies?
After completion of the questionnaire, the company is ready to review the summary. Under the Trade Compliance Account Review, all four boxes should be highlighted in green. The Officer of the company, as identified in the Points of Contact, must review and submit the questionnaire for the company but selecting the review and submit button.

Once the Officer initiates the review process, an application summary will populate on the screen for review. The Officer should confirm that all the information in the summary is correct before proceeding.
Once the Company Officer is ready to submit, they need to review several final documents:

a. The MOU (will auto generate)
b. The company name, physical address, and importer of record number
c. The electronic signature (will auto generate)

Submit the information to CBP. This must be the Company Officer and that user will be prompted to enter the log in password to submit the information. Do not copy and paste the password from another location, it must be typed into the password field in order to submit the document to CBP.
Appendix J: CTPAT Trade Compliance Grant/Delete Access

CTPAT Trade Compliance
CTPAT TRADE COMPLIANCE GRANT/DELETE ACCESS
1. Select “CTPAT Accounts” on the left Partnership Program box.

2. Use the drop down on the left to select “Company Profile”.
CTPAT Trade Compliance Access

Company Contacts

1. Select Contacts

2. Select the user you would like to delete or give permissions to, check or uncheck the button to the left of their name

3. Click Save
1. Select the Trade Organization to add the user to
2. Select the User tab
3. Select the “Add” button to add the user to the security profile
4. Fill in the appropriate fields in the pop-up box
5. Select the “Save” button to continue
1. Select the Trade Organization you wish to delete the user from
2. Select the user you would like to delete
3. Select the “delete” button and confirm the deletion in the pop up
4. Select the “save” button
CTPAT Trade Compliance Access

Trade Compliance User Roles

Select “Trade Compliance” to go to the users Trade Compliance Account

1. Select “Points of Contact”
2. In the Points of Contact pop up box, you can assign the officer role, give permission to view/edit the annual notification letter, and delete a user
3. Use the View/Edit features to add the roles
4. A Company Administrator will be able to delete a user from Trade Compliance
5. Select save to save to complete