

U. S. Customs and Border Protection Office of Strategic Trade Regulatory Audit Division

Internal Control Questionnaire for Focused Assessments

Introduction

In March 2003, the U.S. Customs Service became part of U.S. Customs and Border Protection, which will continue to be referenced as Customs in this document.

The purpose of the Internal Control Questionnaire for Focused Assessments (FAs) is to obtain information about the company's organizational structure and internal controls related to Customs transactions. The questionnaire is designed to give the audit team a general understanding of the company's import operations and internal control structure as well as to inform the audit candidates of the areas on which the assessment may focus. As each company's operations are unique, this questionnaire may have been modified to fit the circumstances of each audit candidate.

Review Scope

When the importer responds to the questionnaire completely and comprehensively, the Pre-Assessment Survey (PAS) team can plan its approach to the Focused Assessment. The results of the questionnaire, interviews with company officials and Customs personnel, survey of company procedures, and limited testing will be used to determine the effectiveness of the company's internal control system. A PAS of the company's importing operations and internal controls will be used to determine whether more extensive testing is necessary. Any additional testing will be done in the Assessment Compliance Testing (ACT) phase of the Focused Assessment.

Answering the questionnaire affords the company the opportunity to evaluate its own internal controls and operations pertaining to Customs activities. The company will also be more prepared for the Focused Assessment.

I. General

- A. Provide the name, title, and telephone number of the official(s) preparing information for this questionnaire.
- B. Provide the name, title, and telephone number of the person who will be the contact for Customs during the Focused Assessment.

II. Control Environment

- A. Organizational Structure, Policy and Procedures, Assignment of Responsibilities
 1. Provide a copy of the company's organizational chart and related department descriptions. Include the detail to show the location of the Import Department identified and any structure descriptions that are relevant.

2. Identify the key individuals in each office responsible for Customs compliance (may be included on the organization chart).
3. Provide the names and addresses of any related foreign and/or domestic companies, such as the company's parent, sister, subsidiaries, or joint ventures.
4. If the company has operating policies and procedures manuals for Customs operations, provide a copy of the manuals (preferably in electronic format).
5. If the policies and procedures have the support and approval of management, identify the individuals who approve the procedures.

B. Employee Awareness Training

1. What specialized Customs training is required for key personnel working in the Import Department? If available, provide copies of training logs or other records supporting training.
2. What Customs experience have key personnel involved in Customs-related activities had?
3. Who in other departments is responsible for reporting Customs-related activities to the Import Department?
4. What training is provided to personnel in other departments responsible for reporting Customs-related activities to the Import Department?
5. How does the company obtain current information on Customs requirements?
6. Does the company use the U.S. Customs and Border Protection Web site?
7. Does the company request and disseminate binding rulings?

III. Risk Assessment

- A. How does the company identify, analyze, and manage risks related to Customs activities?
- B. What risks related to Customs activities has the company identified, and what control mechanisms has it implemented?

IV. Control Procedures

- A. Using source records for support, provide a description and/or flowchart of the company's activities, including general ledger account numbers for recording the acquisition of foreign merchandise in the following areas:
 - Purchase of foreign merchandise
 - Receipt of foreign merchandise
 - Recording in inventory
 - Payments made to foreign vendor
 - Distribution to customers (e.g., drop shipments)
 - Export of merchandise (e.g., assists, Chapter 98)
- B. For each aspect of value listed below, respond to the following. Where procedures are documented, reference the applicable sections.
 1. What internal control procedures are used to assure accurate reporting to Customs?
 2. Who is the person assigned responsibility for accurate reporting?
 3. What records are maintained?
 - Basis of Appraisalment (19 CFR 152.101)

- Price Actually Paid or Payable
- Packing
- Selling Commissions
- Assists (e.g., Materials/Component Parts, Tools, Dies, Molds, Merchandise Consumed, Engineering, Development, Art Work, Design Work, Plans)
- Royalties and License Fees
- Proceeds of Subsequent Resale
- Transportation Costs (e.g., International Freight, Foreign inland Freight, Transportation Rebates, Insurance)
- Retroactive Price Adjustments
- Price Increases
- Rebates
- Allowances
- Indirect Payments
- Payment of Seller's Debt by Buyer (e.g., quota)
- Price Reductions to Buyer to Settle debts (e.g., Reductions for Defective Merchandise)
- Purchases on Consignment
- Quota/Visa
- Currency Exchange Adjustments

C. For each of the following Customs-related activities, respond to the following. Where procedures are documented, reference the applicable sections.

1. What internal control procedures are used to assure accurate reporting to Customs?
2. Who is the person assigned responsibility for accurate reporting?
3. What records are maintained?
 - Classification
 - Quantity
 - Reconciliation
 - Trade Agreements
 - (1) Generalized System of Preferences (GSP)
 - (2) Caribbean Basin Economic Recovery Act (also known as Caribbean Basin Initiative(and Special Access Provision (SAP)
 - (3) Israel Free Trade
 - (4) Insular Possessions
 - (5) Andean Trade Preference
 - (6) Trade Development Act of 2000
 - i. African Growth and Opportunity Act (AGOA)
 - ii. Caribbean Basin Trade Partnership Act (CBTPA)
 - Special Duty Provisions
 - (1) 9801.00.10
 - (2) 9802.00.40
 - (3) 9802.00.50
 - (4) 9802.00.60
 - (5) 9802.00.80
 - (6) 9802.00.90
 - Antidumping/Countervailing Duties

V. Information and Communication

- A. Describe the procedures for the Import Department to disseminate relevant Customs information to other departments.
- B. Describe the procedures for other departments to communicate with the Import Department on matters affecting imported merchandise.
- C. Describe the procedures for the Import Department to participate in major planning processes involving importation activities.

VI. Monitoring

- A. What methods of oversight and monitoring does the Import Department management use to ensure compliance with Customs requirements?
- B. Provide information and/or reports on the review and evaluation of compliance with Customs requirements by other internal and external entities (e.g., internal audit department, financial statement auditors).
- C. What level of management are these self-reviews reported to for action?

VII. Miscellaneous

- A. Identify the account numbers in which costs for imported merchandise are recorded.