

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

**Focused Assessment Program
Assessment Compliance Testing
Audit Program**

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Focused Assessment Program Assessment Compliance Testing (ACT) Audit Program

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ASSESSMENT COMPLIANCE TESTING AUDIT PROGRAM

PART 3 BACKGROUND

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

The Focused Assessment Program is composed of two processes: Pre-Assessment Survey (PAS) and Assessment Compliance Testing (ACT). During the PAS process, Customs identifies areas of risk by evaluating the adequacy of the importer's internal control system. In ACT, Customs identifies the extent of compliance and/or computes the loss of revenue for areas of risk.

Under the following circumstances, the FA team may have to proceed to the ACT portion of the FA for review areas determined to have unacceptable risks to Customs.

- The company does not maintain adequate internal controls and ACT testing is necessary to determine the level of compliance of the company's imports.
- The FA team is not able to confirm that internal controls are adequate to control risks to Customs and ACT testing is necessary to determine the level of compliance of the company's imports.
- Revenue issues are involved but cannot be resolved without additional testing by the FA team.

PART 4 ASSESSMENT COMPLIANCE TESTING AUDIT PROGRAM

4.1 OBJECTIVE

Determine the extent of compliance with Customs laws and regulations and compute revenue loss during the period of review. The results of ACT are used to render an opinion on the importer’s risk.

Note: ACT is completed only for areas of risk identified in the PAS. Therefore, this audit program should be customized to include only the areas requiring testing in the ACT.

4.2 SAMPLING PLAN/SAMPLE SELECTION

Sub-objective: Develop a sampling plan and select samples for testing the company’s compliance with Customs laws and regulations and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>A. For each area requiring testing, select and validate the most efficient sampling frame(s) with the assistance of the computer audit specialist, if required. (Note: Statistical sampling may not always be required.) Indicate below the applicable areas that will be reviewed.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Classification <input type="checkbox"/> Value <input type="checkbox"/> Harmonized Tariff Schedule of the United States (HTSUS) 9801.00.10 <input type="checkbox"/> HTSUS 9802.00.40 and 9802.00.50 <input type="checkbox"/> HTSUS 9802.00.60 <input type="checkbox"/> HTSUS 9802.00.80 <input type="checkbox"/> HTSUS 9802.00.90 <input type="checkbox"/> Antidumping/Countervailing Duties (ADD/CVD) <input type="checkbox"/> Bonded Warehouse <input type="checkbox"/> Foreign Trade Zone (FTZ) <input type="checkbox"/> Quota/Visa Merchandise Entered in an FTZ <input type="checkbox"/> Transshipment <input type="checkbox"/> Generalized System of Preferences (GSP) <input type="checkbox"/> Quantity <input type="checkbox"/> Reconciliation <input type="checkbox"/> Caribbean Basin Initiative (CBI) <input type="checkbox"/> OTHER: Identify <p>B. Prepare a sampling plan.</p>		

Audit Step	Initials & Date	Work Paper Ref.
C. Select sample items and request related documents from company.		

4.3 ASSESSMENT COMPLIANCE TESTING

A. Classification

Sub-objective: Determine whether the importer met an acceptable level of compliance for classification of imported merchandise and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Using the sample selected, obtain the specifications, part numbers, or other applicable descriptions, lab reports, and binding rulings from the company for each selected article. Provide this information and the entry containing the article to the import specialist for a review of classification including:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Quota <input type="checkbox"/> ADD/CVD <input type="checkbox"/> Admissibility requirements <input type="checkbox"/> Other classification issues. <p>(2) Evaluate errors to determine if errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below.</p> <p>a) If systemic:</p> <ul style="list-style-type: none"> (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. <p style="padding-left: 40px;">Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees.</p> <p>b) For nonsystemic errors:</p> <ul style="list-style-type: none"> (i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Recommend collection of duties and fees on identified errors. <p>(3) Compute the compliance rate, if applicable.</p> <p>(4) Determine if the company met an acceptable level of compliance.</p> <p>a) If the company met an acceptable level of compliance, prepare the work paper.</p> <p>b) If the company did not meet an acceptable level of compliance:</p> <ul style="list-style-type: none"> (i) Coordinate with the account manager to help the company develop a Compliance Improvement Plan (CIP). (ii) Prepare the finding sheet. <p>(5) Compute actual or projected revenue loss, if applicable.</p>		

Audit Step	Initials & Date	Work Paper Ref.
<p>Note: The Trade Act of 2002 (“the Act”) was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p> <p>(6) Refer to the EET if results meet EET’s impact level for referral.</p> <p>(7) Discuss with the company and obtain comments.</p>		

B. Transaction Value

Sub-objective: Determine whether the importer met an acceptable level of compliance for the transaction value of imported merchandise and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Using the sample(s) selected, determine specific tests for areas requiring review, such as determining if the declared value was the price actually paid or payable and/or whether there were any payments or additions to the price actually paid or payable. (402(b)(1)(A)-(E)</p> <p>(2) Evaluate errors to determine whether errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below.</p> <p>a) If systemic:</p> <ul style="list-style-type: none"> (i) Include in determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. <p style="padding-left: 40px;">Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees.</p> <p>b) For nonsystemic errors:</p> <ul style="list-style-type: none"> (i) Do not include in determination of acceptable level of compliance. (ii) Recommend collection of duties and fees on identified errors. <p>(3) Determine the total amount of undeclared value both actual and/or projected from different sampling frames and apply materiality criteria, if applicable.</p> <p>(4) Determine if the company met an acceptable level of compliance.</p> <ul style="list-style-type: none"> a) If the company met an acceptable level of compliance, prepare the work paper. b) If the company did not meet an acceptable level of compliance: <ul style="list-style-type: none"> (i) Coordinate with the account manager to help the company develop a CIP. (ii) Prepare the finding sheet. 		

Audit Step	Initials & Date	Work Paper Ref.
<p>(5) Compute actual or projected revenue loss, if applicable.</p> <p>Note: The Trade Act of 2002 (“the Act”) was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p> <p>(6) Refer to the EET if findings meet EET’s impact level for referral.</p> <p>(7) Discuss with the company and obtain comments.</p>		

C. Transaction Value of Identical or Similar Merchandise

Section 402 of the Tariff Act of 1930, as amended by Section 201, Trade Agreements Act of 1979, requires transaction value of identical or similar merchandise to be considered as the method of appraisement if transaction value is not appropriate. However, because this method is not commonly used, audit steps for transaction value of identical or similar merchandise are not included here, but will be determined by the auditor.

D. Deductive Value

Section 402 of the Tariff Act of 1930, as amended by Section 201, Trade Agreements Act of 1979, requires deductive value to be considered as the method of appraisement if neither transaction value nor transaction value of identical or similar merchandise is appropriate. However, because this method is not commonly used, audit steps for deductive value are not included here, but will be determined by the auditor.

E. Computed Value

Sub-objective: Determine whether the importer met an acceptable level of compliance for computed value and/or compute revenue loss. However, because this method is not commonly used, audit steps for computed value are not included here, but will be determined by the auditor.

F. Derived Value

Section 402 of the Tariff Act of 1930, as amended by Section 201, Trade Agreements Act of 1979, requires “derived value” to be considered as the method of appraisement if none of the other methods of appraisement is appropriate. However, because this method is not commonly used, audit steps for derived value are not included here, but will be determined by the auditor.

G. HTSUS 9801.00.10

Sub-objective: Determine whether the importer met an acceptable level of compliance for imported merchandise entered under HTSUS 9801.00.10 and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Using the sample selected, determine eligibility for each sample item by:</p> <ul style="list-style-type: none"> a) Verifying U.S. origin; b) Verifying reported value; and c) Determining if drawback was claimed on the exportation. <p>(2) Evaluate errors to determine if errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below.</p> <ul style="list-style-type: none"> a) If systemic: <ul style="list-style-type: none"> (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees. b) For nonsystemic errors: <ul style="list-style-type: none"> (i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Recommend collection of duties and fees on identified errors. <p>(3) Compute the compliance rate, if applicable.</p> <p>(4) Determine if the company met an acceptable level of compliance.</p> <ul style="list-style-type: none"> a) If the company met an acceptable level of compliance, prepare the work paper. b) If the company did not meet an acceptable level of compliance: <ul style="list-style-type: none"> (i) Coordinate with the account manager to help the company develop a CIP. (ii) Prepare the finding sheet. <p>(5) Compute actual or projected revenue loss, if applicable.</p> <p>Note: The Trade Act of 2002 (“the Act”) was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p> <p>(6) Refer to the EET if results meet EET’s impact level for referral.</p> <p>(7) Discuss with the company and obtain comments.</p>		

H. HTSUS 9802.00.40 AND 9802.00.50

Sub-objective: Determine whether the importer met an acceptable level of compliance for imported merchandise entered under HTSUS 9802.00.40 and 9802.00.50 and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Using the sample selected, determine eligibility for each sample item by:</p> <ul style="list-style-type: none"> a) Verifying that the items were exported for repair or alteration; b) Reviewing foreign operations to determine whether the operations qualify for partial exemption under the provisions of HTSUS 9802.00.40/50; c) Verifying that no drawback was claimed for the articles exported from the U.S.; d) Verifying that a repair or alteration took place; and e) Requesting and reviewing importer support for costs of repair work performed abroad. <p>(2) Evaluate errors to determine if errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below.</p> <ul style="list-style-type: none"> a) If systemic: <ul style="list-style-type: none"> (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees. b) For nonsystemic errors: <ul style="list-style-type: none"> (i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Recommend collection of duties and fees on identified errors. <p>(3) Compute the compliance rate, if applicable.</p> <p>(4) Determine if the company met an acceptable level of compliance.</p> <ul style="list-style-type: none"> a) If the company met an acceptable level of compliance, prepare the work paper. b) If the company did not meet an acceptable level of compliance: <ul style="list-style-type: none"> (i) Coordinate with the account manager to help the company develop a CIP. (ii) Prepare the finding sheet. <p>(5) Compute actual or projected revenue loss, if applicable.</p> <p>Note: The Trade Act of 2002 (“the Act”) was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p>		

Audit Step	Initials & Date	Work Paper Ref.
(6) Refer to the EET if results meet EET’s impact level for referral.		
(7) Discuss with the company and obtain comments.		

I. HTSUS 9802.00.60 (Metal Articles Exported for Processing)

Sub-objective: Determine whether the importer met an acceptable level of compliance for imported merchandise entered under HTSUS 9802.00.60 and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Using the sample selected, determine eligibility for each sample item by:</p> <ul style="list-style-type: none"> a) Verifying that the article exported meets the definition of “metal”; b) Verifying no drawback was claimed for the articles exported from the U.S.; c) Verifying that imported metal articles were: <ul style="list-style-type: none"> • Manufactured in the U.S. and then exported for further processing at a foreign plant • Returned to the U.S. for further processing • Processed in the U.S. after return d) Ascertaining that foreign processing operations qualified for HTSUS 9802.00.60 treatment; and e) Obtaining and verifying the importer’s support for: <ul style="list-style-type: none"> • Total value of the imported article • Nondutiable value claimed under HTSUS 9802.00.60. <p>(2) Evaluate errors to determine if errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below.</p> <ul style="list-style-type: none"> a) If systemic: <ul style="list-style-type: none"> (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees. b) For nonsystemic errors: <ul style="list-style-type: none"> (i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Recommend collection of duties and fees on identified errors. <p>(3) Compute the compliance rate, if applicable.</p> <p>(4) Determine if the company met an acceptable level of compliance.</p>		

Audit Step	Initials & Date	Work Paper Ref.
<p>a) If the company met an acceptable level of compliance, prepare the work paper.</p> <p>b) If the company did not meet an acceptable level of compliance:</p> <p>(i) Coordinate with the account manager to help the company develop a CIP.</p> <p>(ii) Prepare the finding sheet.</p> <p>(5) Compute actual or projected revenue loss, if applicable.</p> <p>Note: The Trade Act of 2002 (“the Act”) was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p> <p>(6) Refer to the EET if results meet EET’s impact level for referral.</p> <p>(7) Discuss with the company and obtain comments.</p>		

J. HTSUS 9802.00.80 (U.S. ARTICLES ASSEMBLED ABROAD)

Sub-objective: Determine whether the importer met an acceptable level of compliance for imported merchandise entered under HTSUS 9802.00.80 and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Using the sample selected, for each sample item verify:</p> <p>a) Claimed component(s) meet requirements for HTSUS 9802.00.80 treatment</p> <ul style="list-style-type: none"> • No drawback claimed on component(s) • Component(s) maintain identity from time of U.S. exportation through time of assembly into article imported under HTSUS 9802.00.80 • Component(s) ready for assembly at time of U.S. exportation; no foreign fabrication required before assembly • Foreign operation was assembly and not manufacturing. <p>b) Origin of claimed components.</p> <p>c) Claimed components were actually used to produce imported article (usage).</p> <p>d) Claimed 9802.00.80 value of the component, whether consigned or sold to the assembler, was the cost or value at the time of export for assembly. Ensure that claimed value included all costs (i.e., freight and insurance) to the U.S. port of exportation.</p>		

Audit Step	Initials & Date	Work Paper Ref.
<p>(2) Evaluate errors to determine if errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below.</p> <p>a) If systemic:</p> <ul style="list-style-type: none"> (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees. <p>b) For nonsystemic errors:</p> <ul style="list-style-type: none"> (i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Recommend collection of duties and fees on identified errors. <p>(3) Compute the compliance rate, if applicable.</p> <p>(4) Determine if the company met an acceptable level of compliance.</p> <p>a) If the company met an acceptable level of compliance, prepare the work paper.</p> <p>b) If the company did not meet an acceptable level of compliance:</p> <ul style="list-style-type: none"> (i) Coordinate with the account manager to help the company develop a CIP. (ii) Prepare the finding sheet. <p>(5) Compute actual or projected revenue loss, if applicable.</p> <p>Note: The Trade Act of 2002 (“the Act”) was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p> <p>(6) Refer to the EET if results meet EET’s impact level for referral.</p> <p>(7) Discuss with the company and obtain comments.</p>		

K. HTSUS 9802.00.90 (U.S. Formed and Cut Textile Fabric Assembled in Mexico, Formerly Mexican Special Regime)

Sub-objective: Determine whether the importer met an acceptable level of compliance for imported merchandise entered under HTSUS 9802.00.90 and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Using the sample selected, for each sample item verify:</p> <p>a) Claimed component(s) meet requirements for HTSUS 9802.00.90 treatment</p> <ul style="list-style-type: none"> • No drawback claimed on component(s) • Fabric was wholly formed and cut in the U.S. • Component(s) were exported in condition ready for assembly without further fabrication • Component(s) were not advanced in value or improved in condition in Mexico except by operations incidental to assembly • Component(s) have not lost their physical identity in the assembled article by change in form or shape. <p>b) U.S. is the country in which the components were formed and cut.</p> <p>c) Claimed components were actually used to produce imported articles (usage).</p> <p>d) Claimed 9802.00.90 value of the component, whether consigned or sold to the assembler, was the cost or value at the time of export for assembly. Ensure claimed value included all costs (i.e., freight and insurance) to the U.S. port of exportation.</p> <p>(2) Evaluate errors to determine if errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below.</p> <p>a) If systemic:</p> <ul style="list-style-type: none"> (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees. <p>b) For nonsystemic errors:</p> <ul style="list-style-type: none"> (i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Recommend collection of duties and fees on identified errors. <p>(3) Compute the compliance rate, if applicable.</p> <p>(4) Determine if the company met an acceptable level of compliance.</p> <p>a) If the company met an acceptable level of compliance, prepare the work paper.</p> <p>b) If the company did not meet an acceptable level of compliance:</p> <ul style="list-style-type: none"> (i) Coordinate with the account manager to help the company develop a CIP. (ii) Prepare the finding sheet. <p>(5) Compute actual or projected revenue loss, if applicable.</p>		

Audit Step	Initials & Date	Work Paper Ref.
<p>Note: The Trade Act of 2002 (“the Act”) was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p> <p>(6) Refer to the EET if results meet EET’s impact level for referral.</p> <p>(7) Discuss with the company and obtain comments.</p>		

L. Antidumping/Countervailing Duties

Sub-objective: Determine whether the importer met an acceptable level of compliance for ADD/CVD and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Using the sample selected, for each sample item determine:</p> <ul style="list-style-type: none"> a) The accuracy of ADD/CVD included on 03 and 07 entries. b) ADD/CVD omitted from Customs entries. <p>(2) If errors were found when testing for undisclosed ADD/CVD:</p> <ul style="list-style-type: none"> a) Discuss with team members and decide course of action (audit, investigation, etc.) b) Discuss with Strategic Trade Center (STC) or EET special agent. <p>(3) Evaluate errors to determine if errors were systemic.</p> <ul style="list-style-type: none"> a) If systemic: <ul style="list-style-type: none"> (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees. b) For nonsystemic errors: <ul style="list-style-type: none"> (i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Recommend collection of duties and fees on identified errors. <p>(4) Compute the compliance rate, if applicable.</p> <p>(5) Determine if the company met an acceptable level of compliance.</p> <ul style="list-style-type: none"> a) If the company met an acceptable level of compliance, prepare the work paper. b) If the company did not meet an acceptable level of compliance: 		

Audit Step	Initials & Date	Work Paper Ref.
<ul style="list-style-type: none"> (i) Coordinate with the account manager to help the company develop a CIP. (ii) Prepare the finding sheet. <p>Note: The Trade Act of 2002 (“the Act”) was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p> <ul style="list-style-type: none"> (6) Compute actual or projected revenue loss, if applicable. (7) Refer to the EET if results meet EET’s impact level for referral. (8) Discuss with the company and obtain comments. 		

M. Bonded Warehouse

Sub-objective: Determine whether the importer met an acceptable level of compliance for quota merchandise stored in a bonded warehouse and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<ul style="list-style-type: none"> (1) Using the sample selected, for each sample item verify: <ul style="list-style-type: none"> a) Accuracy of tariff number b) Quantities for quota/visa merchandise entered into the warehouse. c) Re-warehoused quota merchandise was correctly classified as quota merchandise. d) Quota was available at the time merchandise was withdrawn for consumption. If tariff rate quota was involved, verify that the appropriate duty rate was paid. (2) Evaluate errors to determine if errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below. <ul style="list-style-type: none"> a) If systemic: <ul style="list-style-type: none"> (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. <p>Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees.</p> b) For nonsystemic errors: <ul style="list-style-type: none"> (i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. 		

Audit Step	Initials & Date	Work Paper Ref.
(ii) Recommend collection of duties and fees on identified errors. (3) Compute the compliance rate, if applicable. (4) Determine if the company met an acceptable level of compliance. a) If the company met an acceptable level of compliance, prepare the work paper. b) If the company did not meet an acceptable level of compliance: (i) Coordinate with the account manager to help the company develop a CIP. (ii) Prepare the finding sheet. (5) Compute actual or projected revenue loss, if applicable. Note: The Trade Act of 2002 ("the Act") was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss. (6) Refer to the EET if results meet EET's impact level for referral. (7) Discuss with the company and obtain comments.		

N. Foreign Trade Zone

Sub-objective: Determine whether the importer met an acceptable level of compliance for storing or processing non-quota merchandise in an FTZ and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
(1) If FTZ storage or processing of non-quota merchandise is an integral part of the company's importing program (ratio of annual value of FTZ merchandise shipped from the zone is at least 30 percent of the total annual value of imported merchandise), refer to the FTZ audit program for audit steps. If it is not an integral part of the company's importing program and does not process quota merchandise, document in work papers, but do not complete remaining steps.		

O. Quota/Visa Merchandise Entered in an FTZ

Sub-objective: Determine whether the importer met an acceptable level of compliance for storing or processing quota merchandise in an FTZ and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Using the sample selected, for each sample item verify:</p> <ul style="list-style-type: none"> a) Propriety and accuracy of circumstances associated with any quota/visa merchandise admitted into the FTZ. Document any quota merchandise that was transferred to another FTZ or to a bonded warehouse. b) Merchandise was admitted to the other FTZ or entered in the warehouse as quota merchandise for quota merchandise that was transferred to another FTZ or to a bonded warehouse. c) Quota was available at the time merchandise was withdrawn for consumption. If tariff rate quota was involved, verify that the appropriate duty rate was paid. <p>(2) Evaluate errors to determine if errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below.</p> <ul style="list-style-type: none"> a) If systemic: <ul style="list-style-type: none"> (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees. b) For nonsystemic errors: <ul style="list-style-type: none"> (i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Recommend collection of duties and fees on identified errors. <p>(3) Compute the compliance rate, if applicable.</p> <p>(4) Determine if the company met an acceptable level of compliance.</p> <ul style="list-style-type: none"> a) If the company met an acceptable level of compliance, prepare the work paper. b) If the company did not meet an acceptable level of compliance: <ul style="list-style-type: none"> (i) Coordinate with the account manager to help the company develop a CIP. (ii) Prepare the finding sheet. <p>(5) Compute actual or projected revenue loss, if applicable.</p> <p>Note: The Trade Act of 2002 ("the Act") was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p> <p>(6) Refer to the EET if results meet EET's impact level for referral.</p> <p>(7) Discuss with the company and obtain comments.</p>		

P. Transshipment

Sub-objective: Determine whether the importer met an acceptable level of compliance for controlling transshipment of merchandise.

Audit Step	Initials & Date	Work Paper Ref.
(1) Using the sample selected, develop specific audit steps for the import specialist to test for transshipment.		
(2) Evaluate test results and take appropriate action.		
(3) If no transshipment was found, prepare the work paper.		
(4) If any transshipment was found, discuss with team members. a) Determine the best course of action (audit or investigation). b) Discuss with the STC special agent. c) Further action depends on individual circumstances.		

Q. Generalized System of Preferences (GSP)

Sub-objective: Determine whether the importer met an acceptable level of compliance for GSP entries and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
(1) Using the sample selected, determine eligibility for claimed GSP for each sample item by verifying: a) Country and merchandise are eligible for GSP treatment. b) Components of imported articles (i.e., sets) are produced in the beneficiary developing country (BDC). c) Merchandise was directly imported into the U.S. d) Merchandise was wholly the growth, product, or manufacture of a BDC. e) Merchandise was not wholly the growth, product, or manufacture of a BDC; however, the sum of the cost or value of the materials produced in the BDC plus the direct costs of processing operations performed in the BDC was not less than 35 percent of the appraised value.		
(2) Evaluate errors to determine if errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below. a) If systemic: (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance.		

Audit Step	Initials & Date	Work Paper Ref.
<p>(ii) Project the effect and recommend collection of unpaid duties and fees. Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees.</p> <p>b) For nonsystemic errors:</p> <p>(i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance.</p> <p>(ii) Recommend collection of duties and fees on identified errors.</p> <p>(3) Compute the compliance rate, if applicable.</p> <p>(4) Determine if the company met an acceptable level of compliance.</p> <p>a) If the company met an acceptable level of compliance, prepare the work paper.</p> <p>b) If the company did not meet an acceptable level of compliance:</p> <p>(i) Coordinate with the account manager to help the company develop a CIP.</p> <p>(ii) Prepare the finding sheet.</p> <p>(5) Compute actual or projected revenue loss, if applicable.</p> <p>Note: The Trade Act of 2002 ("the Act") was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p> <p>(6) Refer to the EET if results meet EET's impact level for referral.</p> <p>(7) Discuss with the company and obtain comments.</p>		

R. Caribbean Basin Economic Recovery Act (CBERA) & Caribbean Basin Trade Partnership Act (CBTPA)

Sub-objective: Determine whether the importer met an acceptable level of compliance for entry under provisions of CBERA or CBTPA and/or compute revenue loss.

Audit Step	Initials & Date	Work Paper Ref.
<p>(1) Using the sample selected, determine eligibility for claimed CBERA or CBTPA for each sample item.</p> <p>(2) Evaluate errors to determine if errors were systemic. Determine whether referrals should be made for enforcement action. Also see step (6) below.</p>		

Audit Step	Initials & Date	Work Paper Ref.
<p>a) If systemic:</p> <ul style="list-style-type: none"> (i) Include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Project the effect and recommend collection of unpaid duties and fees. Note: If projections are not appropriate, all reasonable means will be used to determine the unpaid duties and fees. <p>b) For nonsystemic errors:</p> <ul style="list-style-type: none"> (i) Do not include in computation of compliance rate, if applicable, and/or determination of acceptable level of compliance. (ii) Recommend collection of duties and fees on identified errors. <p>(3) Compute the compliance rate, if applicable.</p> <p>(4) Determine if the company met an acceptable level of compliance.</p> <ul style="list-style-type: none"> a) If the company met an acceptable level of compliance, prepare the work paper. b) If the company did not meet an acceptable level of compliance: <ul style="list-style-type: none"> (i) Coordinate with the account manager to help the company develop a CIP. (ii) Prepare the finding sheet. <p>(5) Compute actual or projected revenue loss, if applicable.</p> <p>Note: The Trade Act of 2002 (“the Act”) was signed by President Bush on August 6, 2002. The Act contains a provision (Section 382) to offset duty overpayments with duty underpayments on liquidated entries during audits. The Act must be considered when computing actual or projected revenue loss.</p> <p>(6) Refer to the EET if results meet EET’s impact level for referral.</p> <p>(7) Discuss with the company and obtain comments.</p>		

S. Andean Trade Preference Act

Audit steps for Andean Trade Preference Act will be determined by the auditor.

T. Israel Free Trade

Audit steps for Israel Free Trade will be determined by the auditor.

U. Products of Insular Possessions

Audit steps for Products of Insular Possessions will be determined by the auditor.

V. Additional Sampling Issues

Sub-objective: Team members or other Customs officials may identify other issues that require testing. Determine the necessary audit steps to test these issues.

Audit Step	Initials & Date	Work Paper Ref.
(1) Using the sample(s) selected, develop tests for any additional sampling issues.		

4.4 ASSESSMENT COMPLIANCE TESTING CLOSURE

Sub-objective: Perform steps required to close ACT and issue the ACT report.

Audit Step	Initials & Date	Work Paper Ref.
<p>A. Summarize in the working papers ACT results for each area tested, and develop a risk opinion.</p> <p>NOTE: The FA should not be delayed to wait for the company to take corrective action. The ACT report should be written and issued as soon as adequate information is available and work is complete.</p> <p>B. Meet with team members to discuss results of the audit and risk opinion and plan the exit conference.</p> <p>C. Finalize the draft ACT report.</p> <p>D. Hold the exit conference with the company to discuss ACT results.</p> <p>E. Issue the ACT report.</p>		