U.S. Customs and Border Protection

Importer Self-Assessment Program (ISA)

ISA Overview

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Chief, Partnership Programs
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Importer Self-Assessment (ISA)

ISA is a voluntary trade facilitation partnership program for trade compliant companies that want to assume responsibility for managing their own compliance, in exchange for less CBP oversight.

ISA - a Team Effort

- Office of International Trade
  - Regulatory Auditors
  - Account Managers
  - Fines Penalties & Forfeiture Staff
  - International Trade Specialists
  - Regulations & Rulings Attorneys
- Immigration and Customs Enforcement (ICE)

ISA – Current Statistics

- 178 participants (751 different Importer of Record)
- ISA participants were 99.4% compliant in 2007.
- ISA participants had approximately 15% of the total value imported (2007).
- ISA participants had over 14% of the revenue paid (2007).
- ISA participants had only 0.34% of the revenue gap (2007).

ISA – What's New

- Product Safety
  - Overview or purpose of the program
  - Who's eligible to participate
  - How to sign up
  - Where to get additional information

Broker Self-Assessment (BSA)

- Program patterned similar to ISA except it is for Brokers
- Voluntary partnership agreement between CBP and Brokers to effectively assess and manage risk and foster uniformity in the application of trade laws and processes.
- Under development/current status

CBP Contact Information

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Customs Web-site:

http://www.cbp.gov/xp/cgov/trade/trade_programs/trade_compliance/importer_self_assessment/

Daryl Moore

Field Director, Houston, Texas

U.S. Customs and Border Protection

ISA Program

ISA Participation Requirements

C-TPAT Approved, submit ISA MOU Application and agree to:

- Comply with all applicable Customs laws and regulations
- Maintain a system of business records that demonstrates the accuracy of Customs transactions
- Establish, document and implement internal controls
- Perform periodic testing & monitor controls

ISA Participation Requirements

- Make appropriate adjustments to internal controls
- Maintain an audit trail from financial records
- Make appropriate disclosures
- Provide annual confirmation
- Maintain results of the internal testing for three years

ISA Benefits

- Exemption from comprehensive audits
- Coverage available for multiple business units
- ISA Consulting Team
  - Compliance assistance
  - Training & risk assessment
  - Data analysis
- Account action plans to manage improvements
- Enhanced prior disclosure/Mitigating factors
- Hotline to OT/RA

ISA Benefits

- ☺ Greater business certainty
  - More accurate data
  - Hotline to OT/RA
  - Less Customs intrusion

- ☐ Additional Benefits
  - Tailored to company/industry needs (Petroleum Risk Matrix)

ISA Team:

- The ISA Applicant: You! It your application – transparency to your processes and controls are key.
- The Account Manager: Must be fully involved and engaged. Make's an independent verbal recommendation to the ISA multi-disciplinary panel. Key role to company once in ISA.
- Regulatory Auditors: Process the application. Makes recommendation via internal report & teleconference presentation to ISA multi-disciplinary panel.

ISA Process:
Application Review Meeting

- From the expectations meeting:
  - Establish Timeline for ARM
  - Reg. Audit & the company together develops the agenda for ARM (include in part)
    - Introduction of the ISA Team
    - Purpose
    - Trade Data (ITRAC)
    - Company Overview
    - Company Presentations – to be developed (focus)
    - Post ARM Discussion

ISA Process: Application Review Meeting

ISA Team:

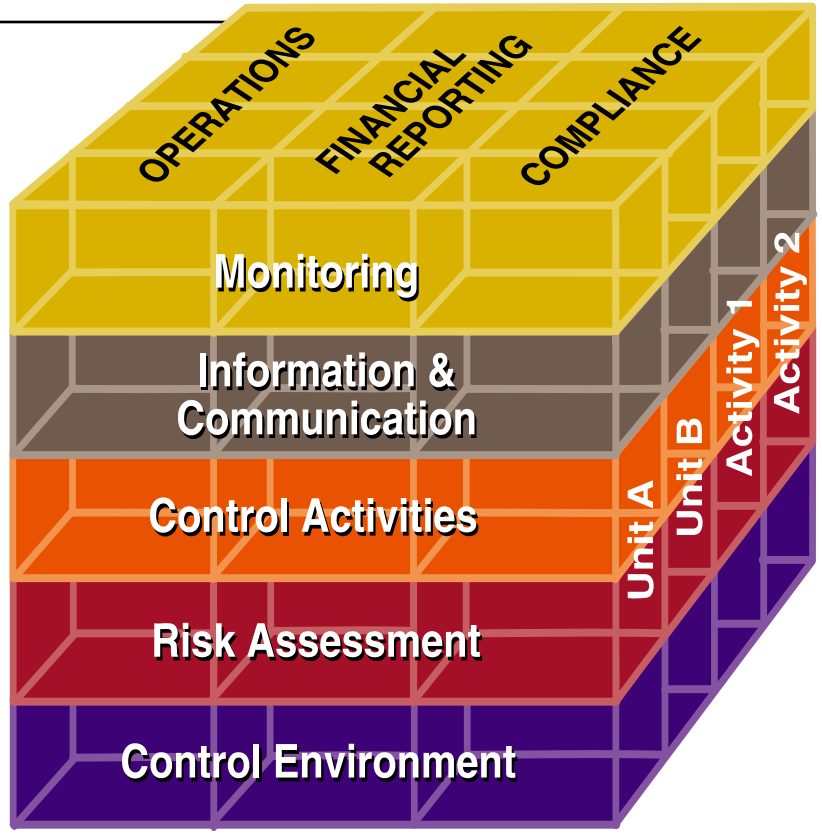
- ➔ Discusses company's ISA presentation
- ➔ Determines if internal controls are adequate
- ➔ Develops additional questions (if needed)
- ➔ Completes 'ISA Readiness Checklist'
- ➔ Makes a recommendation

Next Steps:

- ➔ Write ISA report
- ➔ Forward to Vetting Committee

COSO provides detailed internal control criteria and defines five components of internal control

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring



Internal Controls: Presentation Approach

- Provide Documented Policies & Procedures for all 5 components of internal control
  - Corporate, Divisional, Departmental, Individual (desk procedures)
- Address all Risks (potential & realized)
  - Reg. Audit will work with you to define the risks for the ARM.
  - Address all risks on the FTZ Matrix as applicable.
  - Present best practices.
  - Incorporate All 5 components of internal controls (throughout)

Internal Controls: Presentation Approach

- Demonstrate that policies, procedures, internal control activities actually occur/are followed
  - Show me, example documentation, have the people present, tours, electronic examples, walk-through's, etc.
- Emphasize monitoring, self assessing, self-testing
  - Documented policy, desk procedure for who, what and when, documenting results, documenting corrective action taken.

Leon Sample

Field Director, Ft. Mitchell, Kentucky

U.S. Customs and Border Protection

CBP – ISA 10 Best Practices

1) Have management's commitment. – *(Control Environment)*

Demonstrate management's commitment to compliance.

Establish a statement of corporate policy that addresses Customs and Border Protection (CBP) matters.

Solicit a statement from the Board of Directors that assigns authority and responsibility to the customs group.

CBP – ISA 10 Best Practices

2) State compliance and cost goals. – *(Risk Assessment)*

Identify and analyze relevant risk and develop internal goals to manage the risk.

Conduct post-entry reviews and compare these against established goals.

Determine how risk areas should be managed.

Resolve control weaknesses in a timely manner.

CBP – ISA 10 Best Practices

3) Develop formal policies. – *(Control Activities)*

Develop, implement and/or modify formal policies and procedures to ensure that management's goals and objectives are met.

Verify the accuracy of the Internal Control Manual to ensure processes and procedures achieve prescribed goals and objectives.

Modify controls that are ineffective or inefficient and report to management.

Define accountability and controls in job descriptions.

CBP – ISA 10 Best Practices

4) Establish training programs. – *(Information & Communication)*

Ensure that employees receive appropriate training and guidance to effectively discharge their responsibilities.

Convey pertinent information to the right people at the appropriate time.

Disseminate CBP information via company's communication system (i.e. intranet, bulletin board, mail).

CBP – ISA 10 Best Practices

5) Conduct internal control reviews. – *(Monitoring)*

Conduct periodic process reviews to assess the performance quality of the internal controls.

Use external or internal audit to periodically review each business unit to confirm that corporate policies are implemented and mandate corrective action when necessary.

Adjust testing in response to changing risk.

CBP – ISA 10 Best Practices

6) Create compliance group. – *(Information & Communication)*

Establish a customs group.

Foster open communication channels between all departments that may be involved in the CBP processes.

Establish control activities and self-testing processes to verify the accuracy of the company's internal control system since the quality of the information generated affects the ability of management to make decisions.

CBP – ISA 10 Best Practices

7) Access executives for needed resources. – *(Control Environment)*

Raises the importance of the Customs group and provides adequate authority for the group to interact with other departments as needed.

Organize the customs group so that it is visible to top level management. (e.g. attaching to tax or legal department/division)

Provide an awareness of supply chain structure. Many executives know their sales figures but do they know their key import statistics and suppliers?

CBP – ISA 10 Best Practices

8) Develop compliance requirements for suppliers. - *(Control Activities)*

Develop contract language on purchase agreements.

Develop and implement controls to help ensure that CBP transactions are valid, properly authorized and accurately processed.

Request suppliers provide regulatory reporting information when applicable (NAFTA, GSP, etc.).

Exercise reasonable care over operations performed by service providers.

CBP – ISA 10 Best Practices

9) Establish a record-keeping program. - *(Control Activities)*

Establish a record-keeping program.

Maintain a record keeping system that forms an audit trail from production control through payment to CBP entry.

Provide supporting documentation for CBP transactions in a timely manner.

CBP – ISA 10 Best Practices

10) Partner with Customs & Border Protection -
(Information & Communication)

Enhance partnership by:

Participate in voluntary CBP programs such as:
C-TPAT, CSI, ISA, FAST, ACE, etc.

Hurdles, Sand Traps, Roadblocks, & Pitfalls…Helpful Hints To Keep On Course:

- Incomplete ISA applications
- C-TPAT and ISA applications for different companies
- Using ISA as an FA escape route, rather than applying for ISA proactively
- Including multiple IR #s on one ISA application, when many and/or all of the IR #s pertained to divisions with differing procedures
- Non-resident importer issues
- Companies with previously unresolved issues

Hurdles, Sand Traps, Roadblocks, & Pitfalls…Helpful Hints To Keep On Course:

- Inadequate preparation for ISA ARM meeting
- Uncooperative & uncommunicative with CBP consultants; viewing them more as auditors than as true partners in the ISA program
- Not responding timely to CBP requests for Post-ARM support documentation requests

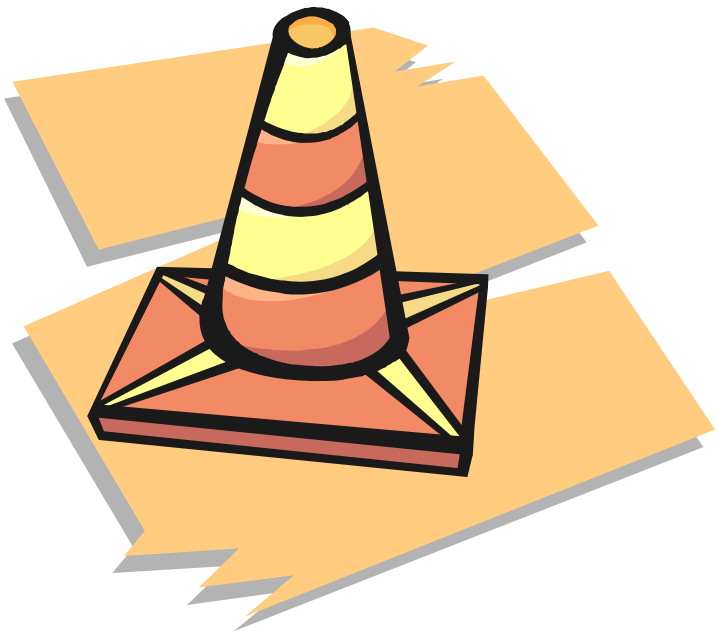
Hurdles, Sand Traps, Roadblocks, & Pitfalls…Helpful Hints To Keep On Course:

- Internal Controls are a "work in progress"
- Internal Controls not in existence
- Internal Controls unwritten and/or lack documentary support
- Deficiencies in Internal Control system…leading to lack of assurance that the company would be compliant with CBP laws and regulations

Hurdles, Sand Traps, Roadblocks, & Pitfalls…Helpful Hints To Keep On Course:

- Little internal communication between the Import Compliance Department & other import-related Company Departments

- Weak CBP-Import training provided to employees



Hurdles, Sand Traps, Roadblocks, & Pitfalls…Helpful Hints To Keep On Course:

- Companies in a "Risk Environment," & lack understanding of the risk assessment process

- Failure to develop & implement annual self-testing plan based on potential risks identified

Hurdles, Sand Traps, Roadblocks, & Pitfalls…Helpful Hints To Keep On Course:

- Not all companies are ISA-Ready

- …We don't want that!! So….Best Practices to keep you & us

ISA Monitor/Assessment/Test

- Ongoing Continuous Process
- Documented Policies and Procedures
  - Who, what, when monitoring, assessing & testing occurs
- Make Policy & Document Reporting Path of Result
- Make Policy & Retain Results
- Make Policy & Document Corrective Action Taken
- Implement Multi-level Reviews
  - In-line department reviews, compliance group reviews, internal audit reviews, outside consultant/audit reviews, etc.
- Utilize most appropriate approach
  - Electronic, manual, combination.

CBP – ISA FTZ Monitoring Controls

- Monitoring controls should address Risks identified on the Industry Risk Control Matrix (Petroleum/Chemical Companies).
- CBP Developed Core Test Approach (Tool) for ensuring that moderate & high risks are addressed.
- Multiple Approaches/Methods Exist for How Risk (Ensuring Compliance) is Monitored
- Emphasis on analyzing results & documenting the resulting corrective action taken!

Best Practices for the Importer Self-Assessment Program

Bruce Leeds

The Boeing Company

CBP Trade Symposium 2008

Boeing Background

- Tier 3 C-TPAT Importer
- US Customs compliance handled by single organization
- Participant in ISA Program since 2004
  - Effort started in 2003
- Majority of US imports included in program

Phased Approach

- Boeing has multiple business units and subsidiaries
- Business units/subsidiaries brought into ISA in four phases
  - Ensure first they are included in CTPAT
  - Ensure they are ISA-ready
  - Four separate ARM reviews
  - Drawback included in Phase 4

Adoption of COSO-Based Internal Controls

- Committee of Sponsoring Organizations (COSO) internal controls are model for:
  - ISA
  - Focused Assessment purposes
- Adoption of COSO model – not only for ISA but as a way of doing business
- Provides structure and plan for compliance
- Good internal controls are good business!

COSO Internal Controls

- Control Environment
- Risk Assessment
- Control Activities
- Information & Communication
- Monitoring

Internal Audits

- ISA requires regular assessment of internal controls
- Monitoring is part of the COSO model
- Boeing utilizes internal auditors to test internal controls
    - Satisfies ISA requirements
    - Leads to improvements in controls and business processes

Take Aways

- ISA provides benefits beyond those published by CBP
- A phased approach may be practical for many companies
- Internal controls are a good way to structure compliance
- Independent internal audit not only satisfies ISA but improves processes

I S A Best Practices

How General Electric manages their ISA program

Don Huber

imagination at work

GE's Code of Conduct

Culture of Compliance

- General Electric has a corporate International Trade Controls policy
- Each GE business has a designated person responsible for complying with all International Trade Laws

Culture of Compliance

- There is an annual compliance review of each business by GE's Executive Management

- GE has corporate wide metrics, audits and process requirements that insure a measure of consistency among businesses

I S A Development

- Originally, the centralized compliance team drafted Customs Compliance procedures that closely followed the Focused Assessment requirements
- Each GE business has established self-audit routines patterned after the Focused Assessment requirements

GE's ISA program today

- GE has most of their entries covered under the C-TPAT program (Tier 3)
- Established a working group of the lead compliance managers to introduce and implement ISA throughout GE
- Utilize best practices learned from previous ISA participation

GE's ISA program

- The Trade Compliance or Customs Compliance sections take ownership of the ISA process
- ISA provides the framework for the "Spirit and Letter" compliance required within GE

GE's ISA program

- **Top management of the business is involved and reviews the MOU before submission**
- **Establish Working groups with other departments to insure compliance with program requirements**
  - Legal
  - Finance
  - Sourcing
  - Transportation & Shipping/Receiving

Steps to Follow

- **Develop a Risk Assessment model**
  - Value
  - Classification
  - Special Programs
  - Assists
  - Recordkeeping

Steps to Follow

- Develop or revise written Procedure Manual
- Within the manual, have a separate section for ISA procedures
- Have sections for value, classification, special programs, training, etc.

Steps to Follow

- Establish an audit trail of “transaction” and “compliance” audits
- Develop a disclosure procedure if errors are discovered

Training

- On-Line training
- Training classes at “Support Central”
- Daily Newsletter
- Monthly Customs Council Call
- Quarterly ISA Call

Other items to consider

- **Issues with Acquisitions & Dispositions**
  - Organization
  - Customs knowledge
  - Compliance procedures
- **Oversight of 3rd party providers**
  - Still have responsibility

Discoveries

- Improve EV Tracking through to accounting records
- On issues where we needed improvement, CBP ISA personnel worked closely to resolve

Conclusion

- ISA requires resources
- GE had established similar compliance criteria
- ISA is an excellent tool
  - **insuring compliance**
  - **verifying that controls are in place**
- Satisfies CBP that GE is a compliant importer

Neil Loftis

U.S. Customs Compliance Manager

ConocoPhillips