



Case Study

BPE Global Audit Helps Client Identify Gaps in Customs & Export Operations

After receiving several requests for information from Customs, a large importer with manufacturing and distribution operations in North America, Europe and Japan decided to seek assistance to identify internal compliance gaps in their export and import operations. Although there weren't any known enforcement activities regarding their operations, the company decided it would be a good idea to have BPE Global perform an internal audit. This case study highlights how one company was able to get ahead of any potential CBP enforcement actions, ensure their operations were compliant, and establish a plan for managing risk.

The company proved to have some unorthodox compliance practices such as performing their own classifications internally but not having a classification database. They also utilized free trade agreements such as NAFTA and special duty avoidance classifications under Chapter 98 but was unaware that taking advantage of these programs was adding compliance risk to their operations. The company did not have a full grasp of non-compliance in other areas such as shipping documentation, recordkeeping, Customs and export declarations or restricted party screening either. The company needed the audit to identify and prioritize the areas of highest risk for them.

BPE Global conducted the audit on a sample of import and export shipments; reviewing all shipment modes and order types such as revenue and non-revenue orders, returns and intercompany shipments. Import declarations were analyzed for classification, valuation, country of origin, special program indicators such as NAFTA and for Importer Security Filings. Export shipments were analyzed for timely and accurate AES declarations, restricted party screening and license determination. The audit also focused on verifying whether written procedures were being followed regarding documentation and recordkeeping.

While the audit did not identify any material issues, many areas of compliance were lacking adequate controls. Since the company did not maintain a classification database, they thought only a few HTS numbers applied to their products. After running an ACE report for the prior year's imports, the company realized they actually used over 200 different HTS numbers. Although their import classifications were generally correct, it was recommended that the company create a classification database and instruct their foreign suppliers on the correct HTS numbers to list on their invoices to avoid unnecessary errors.

The export audit exposed a lack of control of their shipping documents. Many locations created their invoices manually and did not include compliance related information such as the Schedule B number, ECCN, country of origin or a proper product description. Although the company had a feeling the documents were not being produced correctly, the audit gave them a complete picture of the specific errors that were occurring. The audit also revealed that restricted party screening was not occurring on a transaction level and not all parties on the commercial invoice were being screened. This spurred the company to institute a more robust screening methodology.

BPE Global worked with the client to prioritize these risk areas and ensured they understood their next steps to mitigate any exposure to penalties or government investigation. BPE Global helped the compliance team achieve its objectives of identifying the gaps in their trade compliance program and establishing a plan for how to fix them. This allowed them to focus on providing global trade compliance support to achieve the company's strategic objectives including cost reduction and brand protection.