



ON SECOND THOUGHT with RENEE ROE

Recordkeeping requirements

It is halfway through the year, and those goals set for 2016 related to trade compliance or logistics may be a distant memory, as unplanned operational tasks overshadow the

best of intentions. Goals of conducting audits or training may have been pushed to the second half of the year, or end up occurring in Q4.

But in the short term, what one thing could be addressed that might actually make your job easier? Look around—at your desk, the desks of people in order management, shipping/receiving, finance. Hard to believe people are still working off paper right? And, even harder to believe is how difficult it is to extract complete records that you may need access to in order to do your job or meet a federal regulatory agency's request.

When conducting audits, we regularly find that it is difficult, if not impossible, to obtain the records we need to assess the state of a company's trade compliance program. We find ourselves visiting shipping/receiving, order management, finance, trade compliance and so on, and still the client is unable to produce a complete document packet, as required under the applicable regulations. We are frequently told records are scanned and stored on the network, but often it's not done comprehensively, nor in a logical fashion. This seriously limits the ability to extract complete records for audit selections.

The first step in tackling this task is understanding what regulatory agency recordkeeping requirements you are subject to. In the United States if you both export and import, it is likely you are subject to Customs and various Commerce Department agency regulations. It's also possible you are subject to State Department and other agency regulations depending on your product. Identify exactly what recordkeeping regulations are applicable to your organization. Take a close look at the regulatory language to understand the

concept of "original records" and what your options are for storage.

The next step is to meet with other operations within your company that have recordkeeping requirements, and identify where trade-related record retention may have synergy with things like Sarbanes-Oxley (SOX), financial recordkeeping, reporting etc.

In our experience, it is often trade compliance that drives the development of a corporate record retention policy, when none is in place, to meet regulatory requirements.

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As this is a big undertaking, we recommend early on creating a record retention committee comprised of senior management across all departments. Executive support is crucial to get momentum behind development of a corporate-wide record retention policy and is instrumental to the deployment and success of a compliant records management program.

The most practical place to start is to work with the cross-functional team to identify major record groups, conducting

an inventory of each type of record and recordkeeping system within your organization. From there develop a record classification scheme by grouping records by business function, record class, and record type. This helps break the process down in a logical fashion, and makes addressing a high volume of records manageable. Then determine the legal requirements for each type of record, and develop related policies and procedures.

One of the most challenging areas are on the subject of accessing and indexing records. Organizations need the ability to access records by multiple indexing parameters. As a logistics or trade compliance practitioner you may want the ability to search records based on the subject, import or export, record creator, customer, order number, entry number, tax ID, airway bill or bill of lading, license or permit number, date, etc. There are many possible parameters. And don't forget to develop a method of determining the reference number for your government filings such as your Customs entry and AES filing.

Not surprisingly a significant amount of time should be spent developing the accessing and indexing part of the recordkeeping program. This is the area where you can show the executive team a huge return on investment. Well thought out indexing rules ensure quick access, and a reduction in time and cost.

To achieve compliance and accountability, companies which specialize in electronic recordkeeping, indicate that records ownership at every level of the organization is required.

Proper version control and disposal is another important area to address. Companies must ensure that updates to a transaction do not overwrite prior versions so that an audit trail can be created. The organization needs consistent disposal practices to meet with records retention policies and regulatory compliance requirements, and also decrease corporate risk.

Lastly, as part of the messaging to executive staff, it is important to relay that the inability to satisfy record retrieval requirements can result in fines, and an overall reduction in service quality both internally and externally.

As a logistics or trade compliance practitioner, imagine how beautiful it would be if your company had a recordkeeping program which was automated, easy to use, and met regulatory requirements. Time to get out from underneath the paper, and develop or enhance your recordkeeping program today.

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