

## Ten steps for a 'Win-Win' Client-Freight Forwarder Partnership

We often hear from our clients that they rely on their Freight Forwarder for certain areas of compliance. Although Forwarders and Brokers must adhere to all regulations, ultimately, it is the responsibility of the importer/exporter to ensure their international shipments are compliant. Many times, the importer/exporter just assumes the Forwarder will 'catch' trade compliance errors and notify them. Unfortunately, this can lead to some finger pointing about who is responsible for what. How can you work with your Forwarder to create a 'win-win' partnership where compliance is the number one goal? Here are ten key steps:



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### 1. Create SOPs

Standard operating procedures (SOPs) are key to clearly communicate your expectations of how you want the Forwarder to proceed in certain situations and should cover all activities and services the Forwarder will provide. If your Forwarder acts as your customs broker, the SOPs should cover how they are to handle certain types of imports such as U.S. Goods Returned, items returned for repair, items subject to Antidumping duties and Participating Government Agencies (PGA) such as the FDA or FCC. There should be specific instructions on how duty savings programs are administered and declared such as free trade agreements (FTA) like NAFTA or duty drawback claims. Export SOPs should be written for activities such as EEI filing procedures, routed exports, licensable shipments and acceptable license exceptions.

Your company contact information should also be listed in the SOPs in case the Forwarder needs to verify information such as value, country of origin, or classifications. The SOPs should dictate when approval is required by your company for certain situations and provide an escalation procedure. The SOP should also contain a list of valid Importer of Record numbers (IORs), Manufacturer identification numbers (MIDs) for related parties and common suppliers, and a current list of Employer Identification Numbers (EINs).

### 2. Provide a Product Matrix

Along with the SOPs, you should provide your product classification matrix to the Forwarder. The matrix should include import and export classification numbers, whether items will be subject to certain PGA requirements and whether certain items qualify for FTAs or other programs if applicable. If the item is subject to PGAs, you must include the information that must be filed with the PGA. The matrix should also include the applicable license exceptions for export controlled items. It's imperative that the product matrix be provided to the Freight Forwarder each time there is an update. Even if import or export shipment information is sent electronically to the Forwarder, the product matrix will provide an additional way for them to verify information.

If the Forwarder is providing classification services for you, ensure they are reviewing the classifications each time there is a revision to the regulations. Make sure you provide your Forwarder with access to your company's engineering and product teams so that classifier gets the correct information about your products and does not make assumptions. In addition, request that your Forwarder include an audit trail supporting the classifications that they assign.

### 3. Take Control of Documentation

It's highly recommended that the importer/exporter create their own documents and certifications. For instance, the manufacturer or exporter (if the exporter has solid evidence the item qualifies) should produce FTA certificates of origin such as NAFTA certificates. Some Freight Forwarders provide a FTA certification service. If you decide to outsource this task, be ready to manage this process with great scrutiny and frequent audits. This is only because the Freight Forwarder won't have any insight to changes in sourcing or to the bill of material and could issue certificates without knowing the products are no longer qualified for the FTA. If the Forwarder is creating bill of lading documents, ensure they use the correct destination control statement for exports.

### 4. Conduct Restricted Party Screening

Almost all Forwarders screen for restricted parties these days. However, that does not relieve the exporter for screening as well. In fact, if you rely on the Forwarder to screen parties to the shipment just prior to the export date, violations may have already occurred. For instance, there could be other parties to the shipment such as banks listed on a Letters of



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Credit that need to be screened and your freight forwarder will not likely screen these types of parties. Also note that OFAC prohibits certain negotiations, contracts and financial transactions with blocked parties. Only your company and not the Forwarder would have visibility into these activities.

#### 5. Perform License Determination

As mentioned earlier, trade compliance is ultimately the responsibility of the importer/exporter. When it comes to figuring out whether a license or license exception is applicable to a particular transaction, don't look to the Forwarder to make this decision for you or catch an incorrect determination. Especially with non-list based exceptions (e.g. BAG, RPL, TMP), the Forwarder will not have the information about that shipment to determine whether these exceptions are applicable. Likewise, the Forwarder will not know if an export license is valid for a shipment or whether the value or quantity have been exceeded for the license.

#### 6. Automate Data and Information Exchange

The exchange of data is obviously crucial to the process of importing and exporting. If your company self-files import and export declarations and importer security filings, you'll still need information back from the Freight Forwarder such as flight/voyage number and date. If the Freight Forwarder is the filer, they will require quite a bit of data about the trade compliance information for each item shipped. Either way, automating this exchange of data is highly recommended. Most ERP systems as well as Global Trade Management (GTM) systems should allow for this transfer of data via EDI or XML. By automating this exchange of data, the filings will have a higher chance of being sent in a timely, complete and accurate manner.

If the cost / benefit of automating does not make sense, your SOPs should outline how this exchange of information should be completed. It's crucial that in a manual process (e.g. email, spreadsheets, etc.) that changes or updates to the shipment information be exchanged as soon as it's known. In addition, the SOPs should outline who responsible for correcting any filing errors as well as the creation of an audit trail.

#### 7. Conduct Audits

Declarations should always be verified on a regular basis whether you self-file or have a Forwarder filing for you. If you don't have an ACE account yet, get one. ACE has a full five-year history of export and import data. For export reporting, it has all of the same fields as the AES Census reports, although some fields such as ECCN/ ITAR Category number need to be pulled in by modifying the default report. You can filter data such as country of origin, classification number, value, late filings, etc. to quickly identify anomalies. Even if you don't have the resources or time to run full scale audits on a regular basis, try pulling a handful of unusual looking declarations each month. They could lead you to systemic issues. If your Forwarder is responsible for making the corrections, you can confirm the errors are fixed through your ACE reports.

#### 8. Create Metrics

When it comes to metrics, you probably know the cost for a Forwarder's services. Then again, do you measure how well they are performing to their service level agreements and SOPs? Freight Forwarders want your continued business and strive for customer satisfaction. By clearly outlining performance expectations and metrics, you'll have a way to work with your Forwarder to identify successes and areas for improvement. Many times the Forwarder is unable to provide their best service because of client side issues such as lack of documentation or missing trade compliance data. Metrics such as the percentage of on-time declaration filings or number of declaration errors can lead you to examine the root cause of the issues.

#### 9. Own your Recordkeeping

Too many companies are relying on their Forwarders to retain their documentation. It's true that Forwarders must retain records according to import and export regulations. However, once again, it's ultimately the responsibility of the importer/exporter to retain their own records. If your company is audited, you'll be expected to produce your shipping records quickly. A Forwarder will always try to do their best to produce records, however, they may not have all of the documents required for a government audit such as entry declarations, manufacturer's affidavits, corrected packing lists, export licenses or other data that only the importer/exporter would have. Therefore, it's best to have all records stored at your company including not only shipping documentation but email correspondence and any other supporting information.

#### 10. Establish Regular Meetings



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You should plan to meet with your Forwarder at least annually if not each quarter. The volume and complexity of your business will determine how often these meetings should occur. The agenda should include a review of performance metrics and any changes to your business. These changes could include volume increases, the utilization of new trade compliance programs such as Chapter 98 provisions, FTA's or the introduction of highly controlled items that require licenses and permits. Also, be prepared to share any audit results that might involve the Forwarder and discuss corrective actions. At least annually, review your Power of Attorney (POA) to ensure it is current and still accurate.

Hopefully your company is already following most if not all of these ten steps to create a great partnership with your Forwarder. Remember that outsourcing trade compliance activities does not mean you are outsourcing trade compliance responsibilities. If you have any questions or would like assistance in creating your SOPs, Julie can be reached at [julie@bpeglobal.com](mailto:julie@bpeglobal.com) or 1-415-595-8543.