



Renee Roe – Director
BPE Global
139 Pierce Street
San Francisco, CA 94117
T – 1-408-340-0995
renee@bpeglobal.com
www.bpeglobal.com

BPE Global Hot Topic – June 2016

Get out from underneath those piles of paper!



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 out to the second half of the year, and may end up occurring in Q4. I totally understand!

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. Think of the panic, if Customs, Office of Export Enforcement, DDTC or Census, were to come knocking at your door and wanted you to pull certain records. Do you really want to admit it will probably be faster to contact your freight forwarder or customs broker to obtain documents that you should have easily accessible at your fingertips? (Please, never rely on your freight forwarder to maintain your records. As the importer/exporter of record, record retention obligations are yours!)

When conducting audits, we regularly find that it is difficult if not impossible to obtain the records we need to assess the state of an organization'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 that is 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 U.S. if you both export and import, it is likely you are subject to Department of Commerce, Bureau of Industry and Security, Export Administration Regulations, Department of Census, U.S. Customs and Border Protection regulations. Then it is also possible you are subject to Department of State, and other agencies, depending on regulations applicable to your product. Identify exactly what recordkeeping regulations are applicable to your organization. Often, they are similar but also can be significantly different. Then take a close look at the regulatory language, to understand the concept of "original records", and what your options are for storage.



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The next step is to meet with other organizations 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.

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 five key areas of a best practice program according to industry leaders are:

- Retention
- Policies and Procedures
- Access and Indexing
- Compliance and Accountability
- Disposal

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, the record creator, the customer, the order number, the entry number, the tax ID, the airway bill or bill of lading, the 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.



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

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 life could be, when conducting internal audits, researching a customer request, responding to an inquiry from a government agency, or checking the status of an import or export shipment, 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!

If you have any questions, or need help with your Recordkeeping Program, BPE Global is here to help!

BPE Global is a global trade consulting and training firm. Renee Roe is a Director at BPE Global. You can reach Renee by email at renee@bpeglobal.com.