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BPE Global Hot Topic – April 2015 **Auditing When You Don't Have Time**



Your “to do” list is getting longer every day and not shorter so the audits that you planned for this quarter just aren’t getting done. Rather than carry them over to the next quarter we recommend doing a very simple “peace of mind” audit. This way, you can feel comfortable that your operations are following your standard processes and keep recurring issues from being perpetuated.

The first step is to order your Census data. You should have a standard letter that you simply change the dates and email in to Census (send me an email if you don’t and I’ll be happy to give you our template). While you’re waiting for the Census data, run your Automated Commercial Environment (ACE) report. I know, it’s not as easy as that. First of all, you’ll have to remember your password, only to realize that you have to reset your login because it’s been way too long since the last time you logged in. Go ahead and look up your password and call the ACE Helpline at 1-866-530-4172 and they will happily help you to reactivate your account. Once you’ve been reactivated, we recommend running the AM-008 Summary Line Item Detail report.

In many cases the high level audit should be the same for both your exports and your imports. Look through the HS/HTS column to make sure that the codes used match the products that you import/export. We’ve found some very interesting things here such as live animals being shipped by high tech companies. Check the value column to make sure that there aren’t any strange values. These could be currency conversion errors (high numbers may be failures to covert from Japanese Yen to US dollars). Insert a column and divide the total line item value by the quantity to see if you have shipments valued at one dollar per unit (it happens more often than you think). And check out your Importer of Record (IOR) number and your Exporter Identification Numbers (EIN) to make sure they are current IORs/EINs. If they aren’t, did you recently acquire a company that may be shipping under their identification number?

There are also some unique things you should do when looking at your export data. Your Census report will show you Non-Routed transactions and possibly USPPI Filed Routed and/or Agent Filed Routed transactions. It’s always a good idea to check out the Agent File Routed transactions. Routed Transactions are shipments where another party has filed the Automated Export System (AES) declaration used your Exporters Identification Number (EIN). If your business model does not include a lot of Routed Exports, but your Census reports lists lines and lines of them, you should investigate. Unfortunately, the Census report does not identify who is filing these routed transactions or the date that they shipped but they do list HS and value. We also look at the late reporting indicator. If Census knows that you are filing late, they could issue a penalty notice. Other important export columns to check are Mode of Transportation (MOT). We actually seen shipments moved via train to China (which isn’t physically possible). Look at your license code, Export Commodity Control Number (ECCN) and license numbers for unexpected codes. Do a comparison of like HTS and ECCN codes and check into



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cases where the license authorizations and exceptions are different. Make sure you are consistent when declaring your license authorizations. You shouldn't use ENC one day and NLR the next. In addition, we look at related/non-related parties and often find an indicator that the transaction is between non-related companies when the shipment is from one division of a company to another division of the same company. And we also look at Domestic versus Foreign origin of the products being shipped. If you are not a manufacturer, you may not have very many Domestic products.

There are some unique things that you should do when looking at your import data. Your ACE report includes entry type, look for entry types that aren't normal for your company (entry types other than 11 (informal) and 01 (formal)). And definitely look at your Primary Special Program Indicator (SPI) – this is where you'll see if you've claimed any preferential trade program benefits. In addition, check your HTS number column for Chapter 98 items such as US goods returned, repairs and prototypes. And check your reconciliation indicators. They shouldn't be populated unless you are participating the reconciliation program.

We've found errors in every "peace of mind" audit of an ACE or Census report, so it's really important to have a perspective. For instance, misstating related parties is non-material but reporting an incorrect export authorization or a late file could result in a penalty. Doing a "peace of mind" audit will allow you to spot high risk areas sooner rather than later. You can do a quick training to correct the errors going forward and not have to dive into a full blown audit if you're finding non-material issues. If you are finding potential material errors, then you'll know that you have to readjust your priorities and do a full blown audit or bring in extra help to get it done before the government figures out you have a problem.

Thank you for investing your valuable time reviewing this BPE Global Hot Topic.

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