

## The Hidden Benefits to Auditing

You've probably read about CBP's latest enforcement tactic of sending out Informed Compliance letters to the top 1,000 importers. Even if your company is not in the top 1,000, you should take this as a good indication that CBP is ramping up enforcement efforts and may target any company that has red flags in its ACE data. BIS has had no shortage of investigations lately either.

Don't wait until your company is under investigation to perform an audit and file a disclosure. Now is the perfect time to leverage internal audits which are the backbone to any solid compliance program. Here are five great reasons to initiate your next trade compliance audit:



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1. **Measure Risk.** First and foremost, audits allow you to gauge the level compliance risk and areas of concern for your company separate from a government investigation. We perform audits for many companies and they are always surprised that their biggest risk isn't what they presume. For instance, they might have automated screening that runs every night on customer names and addresses. So, screening is not a risk area in their minds. However, the audit might show that Order Management personnel are using drop ship addresses as Ship To locations that never get added to a Customer Master and therefore never get screened. Audits will identify these types of risks so you can address them accordingly.
2. **Close Gaps.** Audits can shed light on any gaps between your company's written procedures and day-to-day operations. A procedure might require Shipping to contact the Trade Compliance Department for classification information on all out-of-system/manual shipments. But an audit can uncover the fact that the manual invoices clearly show someone in Shipping has saved an invoice template with HTS/ECCN classifications and has been declaring those incorrect classifications for a variety of shipments. The audit can catch that gap so that root causes can be identified and corrective actions can be put into place.
3. **Identify Opportunities.** Audits not only identify 'problems' but they can also uncover opportunities. In this case, opportunities for reducing and avoiding unnecessary costs. An audit can be focused on a sampling of transactions, but it can also focus on identifying trends such imports of high duty rate items or licensable exports of items that could easily be procured in the destination country. You can use the data you pull from ACE for the audit to identify areas of potential savings through free trade agreements, drawback or sourcing changes. For instance, have you seen an increase of your imports from Canada of Canadian origin goods over the last year? If so, there might be an opportunity for NAFTA savings. How many U.S. items were imported where duties were paid but could have been imported duty free under a Chapter 98 provision? These findings should be part of your audit report for further investigation.
4. **Obtain Resources.** You might find that your overall compliance is decreasing as your volume of international trade increases. Not surprising! Our [export benchmark studies](#) show that Trade Compliance Managers are increasing their global responsibilities with fewer and fewer resources. An audit can be the tipping point to request more personnel, global trade management software or third party resources to support your compliance program. Consider this when identifying root causes of compliance issues that turn up in the audit.
5. **Provide Training.** An audit will determine whether your company requires additional trade compliance training (e.g. for Sales, Finance, Logistics, Customer Support). As headcount changes and employee turnover increases, the chance for trade compliance errors increase as well. The "new person" in Sales might not realize how sensitive your company's products are in terms of export controls. Or a Customer Support person might forget that they can't email technical designs to just anyone who asks for them.



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Either way, refresher trainings never hurt and audits can identify certain departments or positions that are most vulnerable to violations.

Finally, consider including some informal benchmarking or research that would allow you to do a comparative analysis with how your compliance program is structured and operating compared to your industry peers. Comparing how your compliance program maturity rates against others may help you identify where you have achieved successes and where you may need to focus, catch up, or move ahead. Your audit results will become more compelling if you know where you stand amongst others.

We hope you enjoyed this Hot Topic and hope it inspired you to perform your next audit.

If you have any questions, or need help with a trade compliance audit, BPE Global is here to help! BPE Global is a global trade consulting and training firm. Julie Gibbs is a Director of BPE Global. You can reach Julie by email at [Julie@bpeglobal.com](mailto:Julie@bpeglobal.com).