



Importer Self-Assessment Handbook



U.S. Customs and
Border Protection



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Office of International Trade
Importer Self-Assessment Handbook

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FOREWORD

The North American Free Trade Agreement Implementation Act (Public Law 103 182, 107 Stat. 2057) of 1993 includes provisions for modernization of CBP operations and became known as the Customs Modernization Act. Since 1993, the primary goal of CBP in the trade compliance process has been to maximize importer compliance with U.S. trade laws while at the same time facilitating the importation and entry of admissible merchandise. To meet this goal, CBP has made a comprehensive effort to review, improve, and redesign, on an ongoing basis, the trade compliance process, using established business practices, reengineered tools, and new methodologies that improve customer service without compromising the enforcement aspect of the CBP missions.

One of the methodologies developed by CBP in 2002 is the Importer Self-Assessment (ISA) program, which allows interested importers to assess their own compliance with CBP laws and regulations. The ISA program was officially announced in the Federal Register Notice 67 FR 41298. The ISA program is primarily based on the development and use of established business practices and internal control designed specifically for an importer's CBP operations. The importer may structure internal controls and procedures to meet its individual needs. This Handbook is designed to provide information about the benefits and requirements of the ISA program. The Handbook provides information an importer needs to apply for the ISA program

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IMPORTER SELF-ASSESSMENT PROGRAM

1. Introduction

1.1 Purpose

The ISA program is built on the knowledge, trust, and willingness to maintain an ongoing CBP/importer relationship that is mutually beneficial to both parties. CBP's goal is to partner with importers who can demonstrate their readiness to assume the responsibility to manage and monitor their compliance through self-assessment. Importers who are accepted into the ISA program receive tangible benefits, while allowing CBP to re-direct valuable resources to focus on high-risk and unknown importers.

1.2 Background

The passage of the Customs Modernization Act (Customs Mod Act) in 1993 ushered in an era of new partnership concepts between the importing community and the United States Customs Service (Customs and Border Protection - CBP). Under the Mod Act, CBP and the importer share the responsibility for compliance with trade laws and regulations. The importer is responsible for using reasonable care when declaring the value, classification, rate of duty applicable to entered merchandise, and CBP is responsible for informing the importer of its rights and responsibilities under the law.

1.3 Program Overview

The ISA program is a voluntary approach to trade compliance. It is built on knowledge, trust, and a willingness to maintain an ongoing CBP/importer relationship. The ISA program offers meaningful benefits that can be tailored to industry needs and requires that importers demonstrate readiness to assume responsibilities for managing and monitoring their own compliance through self-assessment.

1.4 Summary of the ISA Process

The following steps briefly summarize the ISA process. Details on the process are provided in sections 3 and 4 below.

- An importer may apply by completing an ISA Memorandum of Understanding (MOU) and an ISA Questionnaire.
- CBP will review the application package.
- CBP will schedule a formal meeting with the applicant to conduct an evaluation of the system of internal control over CBP transactions.
- CBP establishes the partnership by signing the MOU when the importer has demonstrated readiness to assume the responsibilities for self-assessment.
- Under the continuing program, the importer receives the benefits of ISA participation and fulfills the continuing responsibilities of the program.

2. Program Description and Requirements

2.1 Applicant

Importers that apply for the program are required to identify the business units that will participate. The importer of record number(s) should be written out to include all applicable suffixes, i.e., 99-9999999XX.

2.2 Eligibility

To be eligible for ISA, the importer must be a known business to CBP and a resident party of the United States. To be a known business means that the importer has imported goods into the United States during the two years prior to the date the application is submitted. This criterion ensures that there has been sufficient interaction between the importer and CBP to allow CBP to evaluate the importer's trade patterns and compliance history.

The business entity must be physically established, located, and managed within the United States. It will carry on business and have the general authority to do so without the approval of another person outside the United States. The importer must maintain separate books and records for its U.S. operations, prepare separate financial statements, maintain accounts for the imported goods, and is responsible for payment of import duties and taxes.

2.3 Benefits

The ISA program provides opportunities for importers who demonstrate a commitment to compliance to receive related benefits as follows:

- CBP can provide guidance as requested (for compliance assistance, risk assessments, internal controls, CBP audit trails, data analysis support, etc.).
- The importer will have the opportunity to apply for coverage of multiple business units.
- The importer will be removed from the Regulatory Audit's (RA) audit pool established for Focused Assessments. Importers will be removed from the RA's audit pool for Drawback and Foreign Trade Zones if they request to have these programs included in the ISA program. However, importers may be subject to a single issue audit to address a specific concern.
- The importer will have access to key liaison officials and will be assigned a national account manager.
- The importer will be entitled to receive free of charge entry summary trade data (ITRAC Data), including analysis support.
- With regard to prior disclosures, if CBP becomes aware of errors in which there is an indication of a violation of 19 U.S.C. 1592 or 1593a, CBP will provide a written notice to the importer of such errors and allow 30 days from the date of the notification for the importer to file a prior disclosure pursuant to 19 CFR 162.74. This

benefit does not apply if the matter is already the subject of an ongoing CBP investigation or fraud is involved.

- In the event that civil penalties or liquidated damages are assessed against an importer, the importer's participation in ISA will be considered as a mitigating factor in the disposition of the case.
- The importer will enjoy greater business certainty because a system of internal control helps to ensure compliant transactions.
- Additional benefits are tailored to industry needs.

2.4 Requirements

In order to participate in the ISA program, an importer must:

- Be a member of C-TPAT;
- Complete an ISA Memorandum of Understanding (MOU) and Questionnaire;
- Agree to comply with all applicable CBP laws and regulations;
- Maintain an internal control system that is designed to provide reasonable assurance of compliance with CBP laws and regulations;
- Perform annual risk assessments to identify risks to compliance with CBP laws and regulations.
- Design and execute annual self-testing plan in response to identified risks.
- Implement corrective action in response to errors and internal control weaknesses disclosed by self-testing
 - ✓ Maintain results of testing for three years and make test information available to CBP upon request;
 - ✓ Make appropriate adjustments to internal control;
 - ✓ Maintain an audit trail from financial records to CBP declarations, or an alternate system that ensures accurate values are reported to CBP.
- Make appropriate disclosures.
- Submit an annual notification letter to CBP in accordance with the requirements listed in Appendix H.
- Notify CBP of major organizational changes as soon as possible (see section 4.3 for additional information).

The importer may meet the requirements of the ISA program by using internal resources or using an objective third party exercising due diligence and reasonable care. Additional information on program requirements is provided in Appendix B.

3. Application, Processing, and Acceptance

3.1 Application

Program applications will be filed by completing the ISA MOU (Appendix C) and ISA Questionnaire (Appendix D) which is provide in Microsoft Word format. Submission of the ISA application package must include, but is not limited to, the ISA MOU, ISA Questionnaire along with applicable attachments, the applicant's documented policies and procedures relating to the import process, and an ISA self-testing plan. If a company elects to include its Drawback or Foreign Trade Zone operations in the ISA program, this should be clearly expressed in the application package so that it can be included as part of the evaluation. The ISA application package may be submitted electronically via email to tppb-isa@dhs.gov or submitted on a compact disc to:

U.S. Customs and Border Protection
Chief, Partnership Programs Branch
Office of International Trade
1400 L Street, NW
Washington, DC 20229-1143

An authorized officer of the legal entity responsible for the ISA application must sign the MOU and the original copy must be submitted to CBP.

3.2 Memorandum of Understanding (MOU)

The MOU outlines importer and CBP responsibilities and identifies the company entities that will be covered by the MOU. Importers with multiple divisions may submit one MOU for each entity they consider eligible for the ISA program but must include the complete name and IOR number with all applicable suffix. Once a company is approved to participate in the ISA program and elects to add a business unit which was not previously covered under the original MOU, the company must submit to CBP a revised MOU to reflect all the current and additional business units and associated IOR number(s) including the applicable suffix. An original copy of the MOU must be submitted to CBP for processing.

3.3 ISA Questionnaire

The ISA Questionnaire with documentation to support the responses is required to determine if the importer has documented and implemented internal controls over its CBP related processes. Unsupported responses will cause unnecessary delay or rejection of the ISA application package. Please refer to Internal Control Guidance in section 3.5 below and the ISA Questionnaire in Appendix D for more information.

3.4 Importer Trade Activity (ITRAC) Data

The Office of International Trade has provided import data to importers of record, to filers, and to their legal representatives, who have submitted requests under the Freedom of Information Act (FOIA). This collection of information is called ITRAC - Importer Trade Activity. ITRAC is company-specific import data placed in an MS-Access 97 database, and provided on CD-Rom for a processing fee which ranges from \$250 - \$300 depending on the number of lines in the database.

During the ARM, all ISA participants are provided with a free of charge copy of the most recent 5-10 year period of entry summary data. Additionally, as one of the program benefits, the ITRAC data is provided to all ISA participants free of charge on a quarterly basis.

3.5 Internal Control Guidance

Documents are available to assist importers in developing and evaluating its system of internal controls of CBP operations.

“Guidance for Developing Internal Controls” (Appendix F) is a brief explanation of components that should be part of an internal control program. This document may be appropriate for use by small importers that do not have complex organization structures or complex CBP operations.

“Internal Control Management and Evaluation Tool” (Appendix G) is a more detailed, comprehensive guide. This document may be appropriate for use by large importers that have complex organization structures or complex CBP operations.

Both documents are tools to help management and evaluators determine how well a company’s internal control system is designed and functioning. The “Internal Control Management and Evaluation Tool” may help determine what, where, and how improvements may be implemented.

Internal controls developed and implemented by one company may vary considerably from those used in a different company. The difference may occur because of:

- (1) Variations in missions, goals, and objectives of the companies;
- (2) Differences in their environment and the manner in which they operate;
- (3) Variations in degree of organizational complexity;
- (4) Differences in company histories and culture; and
- (5) Differences in the risks that the companies face and are trying to mitigate.

Even if two companies did have the same missions, goals, objectives, and organizational structures, they would probably employ different control activities. This is because different people apply their own individual judgment in implementing internal controls. All of these factors affect a company’s internal control activities, which should be designed to contribute to the achievement of the company’s missions, goals, and objectives.

3.6 Application Review

The ISA team¹ assesses the applicant's internal control in order to determine its readiness to assume the responsibilities of the ISA program through an evaluation of its internal control for achieving compliance with CBP regulations and laws. Evaluating the design of the applicant's internal control entails determining if the internal control is documented, logical, reasonably complete, and is likely to prevent or detect noncompliance in the identified risk areas.

The design of internal control cannot be assessed through the evaluation of individual controls in isolation. Rather, controls are assessed as a group by:

- Obtaining an understanding of the processes and flow of information through the entry process;
- Determining what can go wrong within the entry process;
- Determining whether the controls are sufficient to address the instances of what can go wrong within the entry process; and
- Evaluating questionnaire responses and supporting policies and procedures.

The ISA team members then assess the applicant's readiness based on an expectation about the operating effectiveness of the internal control derived from their evaluation of the internal control design.

3.7 Application Review Meeting (ARM)

Prior to scheduling the ARM, the ISA team conducts a risk assessment, which will include an analysis of the applicant's import related activities related to the importer of record number(s) on the MOU and is based on:

- CBP information about the company's history of trade compliance, including such items as:
 - ✓ Compliance measurement data;
 - ✓ Previous penalty actions;
 - ✓ Previous enforcement actions;
 - ✓ Regulatory audits; and
 - ✓ Other information.

¹ The ISA team consists of regulatory auditors, a computer audit specialist and the national account manager who is assigned to the applicant.

- Information about the company's risk exposure, such as:
 - ✓ Imports from specific suspect manufacturers or suppliers;
 - ✓ Imports subject to quota, visa, antidumping, or other CBP Priority Trade Issues;
 - ✓ Large volumes of imports under special duty provisions or trade programs; and
 - ✓ Large volumes of imports under complex tariff classifications.

Once the ISA team completes their strategy session and identifies the risk areas they will contact the applicant to schedule the ARM and go over the meeting objective, expectations, and explain the entire ISA evaluation process. The ISA team will provide the company with the risk areas along with up to five (5) entry numbers to walk-through. Generally, the ISA team selects a recent entry for each risk area and provides the entry numbers to the company in advance. During the ARM, the applicant should be ready to:

- Provide an outline of the corporate structure and line of authority, demonstrate company's commitment to compliance, overview of the customs department and staff, company's relationship with brokers, and customs related training.
- Demonstrate documented internal control processes and procedures for the risk areas that the ISA team has identified. The company will walk the ISA team through the entire entry process from purchase order to payment for these entries selected. During this process the company should demonstrate each control that is in place throughout the process.
- Walk-through the selected entries from the purchase order to the final invoice payment and the various control points used to ensure that the information declared to CBP was correct and complete.
- Discuss the scope and methodology of its self-testing plan. This would include both risk assessment and frequency of monitoring activity. Explain the annual plan layout, sampling and testing procedures, reporting format, and corrective action development and implementation.
- Allocate time for a breakout session to give the ISA team an opportunity to discuss the information that was presented by the company during the ARM.
- Give a tour of the facility if it would benefit the ISA team. The purpose would be to allow the ISA team to observe the described controls and procedures as they occur.
- Receive preliminary feedback from the ISA team related to the need for additional or clarifying information if deemed necessary.

3.8 ISA Program Acceptance

CBP created an ISA Review Board to decide on whether or not the company should be accepted into the ISA program. The ISA Review Board is an independent body consisting of representatives from Immigration and Customs Enforcement, the Offices of Regulations & Rulings, Field Operations, and International Trade. The ISA Review Board generally convenes monthly to determine whether or not an applicant will be accepted into the ISA program. The process entails a complete review of the internal ISA report the ISA team leader provides a synopsis of the evaluation and addresses any questions or concerns.

ISA applicants will be formally notified of the ISA Review Board's decision. If accepted to participate in the ISA program, CBP will send the applicant an ISA certificate, an executed MOU, and a formal letter advising of its acceptance into the ISA program.

3.9 Not ISA Ready – Follow-up Evaluation Required

If the ISA team identifies internal control weaknesses or unresolved issues during the initial ISA evaluation which require more than 60 days to correct; the ISA team will issue the initial ISA evaluation report to CBP to close out the assignment indicating that a follow-up review will be conducted. The ISA follow-up evaluation will be conducted to re-assess the applicant's readiness once corrective action has been developed and implemented. Generally, the applicant is given up to six months to develop and implement corrective actions and/or provide additional documentation before the ISA follow-up evaluation is initiated.

The ISA team will remain in contact with the applicant during the period between the completion of the initial ISA evaluation and the initiation of the ISA follow-up evaluation to provide guidance as necessary. The ISA team will work with the applicant to ensure that the identified weaknesses and issues have been addressed before the ISA follow-up evaluation is initiated.

3.10 Rejected ISA Application

If during the ISA application vetting process, CBP determines that an ISA application should not be approved or processed, the Partnership Programs Branch will issue a written notice to the applicant indicating the reason(s) for the rejection. The applicant may submit a written request for reconsideration if the reason(s) for the rejected ISA application has been corrected within 90 days of receipt of the notice. The applicant's request for reconsideration should be forwarded to:

U.S. Customs and Border Protection
Executive Director
Trade Policy & Programs
Office of International Trade
1400 L Street, NW
Washington, DC 20229-1155

A final written decision on the request for reconsideration will be issued within 45 days of receipt of the applicant's request. Applicants may respond to denials, in writing, to the Assistant Commissioner, Office International Trade, at the following address:

U.S. Customs and Border Protection
Assistant Commissioner
Office of International Trade
1400 L Street, NW
Washington, DC 20229-1155

4. Program Participation Requirements

4.1 Continuing Responsibilities

ISA participants are responsible for continuing to comply with the requirements of the program as detailed in Appendix B.

4.2 Annual Notification

Annually, the participant will provide written notification that it is continuing to meet the requirements of the ISA program. The annual notification should be submitted to CBP within 30 days of the anniversary date of acceptance into the ISA program. Notification should be in writing and addressed to the Chief, Partnership Programs Branch and a copy to the national account manager (Refer to Appendix H for details).

4.3 Reporting Changes to Company CBP Activities

ISA participants are required to advise the Chief, Partnership Programs Branch and the national account manager of major changes to the company's corporate structure through reorganization, merger, acquisition, etc. When required, such notification will be made by way of the annual notification or no later than 90 days after the major change has occurred or been publicly announced, whichever comes first.

4.4 ISA Continuation Review Meeting

After an importer has been in the ISA program for five (5) years a Continuation Review Meeting (CRM) may be considered, unless risk indicators or non-compliance with program requirements, warrant a CRM prior to the 5-year period.

The purpose of the CRM is to assess whether the participant is continuing to fulfill the requirements of the ISA program. If CBP identifies weaknesses or noncompliance the participant will be notified as early as possible and have opportunity to correct the issues. However, CBP will remove participants from the program for egregious issues that pose a significant risk to compliance with CBP laws and regulations and/or failure to demonstrate it has fulfilled program requirements.

The CRM results are provided to the Partnership Programs Branch and to the ISA Review Board for determination as to whether the company may continue to participate in the ISA program.

5. Revocation Procedures

5.1 Participation Revocation

CBP may revoke ISA participants from participation in the program for the following reasons:

- Participation in the program was obtained through fraud or misstatement of fact;
- Participant is convicted of any felony or has committed acts that would constitute a misdemeanor or felony involving theft, smuggling, or any theft-connected crime;
- Participant refuses to cooperate with CBP in response to an inquiry, audit or investigation;
- Participant fails to fulfill the terms of the MOU; and/or
- CRM concludes that the participant is not meeting the requirements of the ISA program.

5.2 Procedures for Revocation

If CBP believes that there is a basis for proposing the removal of a participant, a written notice of proposed removal will be sent to apprise the participant of the facts or conduct warranting removal. The participant may respond to the proposed removal by writing to:

U.S. Customs and Border Protection
Executive Director
Trade Policy & Programs
Office of International Trade
1400 L Street, NW
Washington, DC 20229-1155

The ISA participant's response should be submitted within 60 days of the date of the notice of proposed removal. The response should address the facts noted in the notice and state how compliance will be or has been achieved.

CBP will issue a final written decision on the proposed removal after the 60-day response period has closed. Once a participant has been removed from the program, the company

will be eligible to re-apply for the ISA program after one (1) year from the date of removal. However, in the case of willfulness or where public health interests or safety are concerned, a removal from the ISA program may be effective immediately as a final action and the participant will be eligible to re-apply after six (6) months from the date of removal.

ISA PROGRAM BENEFITS

1. Introduction

The ISA program recognizes and provides opportunities and benefits to importers who demonstrate a commitment to ensuring compliant import transactions. The program offers meaningful benefits that can be tailored to industry needs. The following information is provided to help importers understand the benefits of participation in ISA.

2. Guidance as Requested

Upon request, CBP will provide guidance in various areas such as compliance issues, data analysis, risk assessment, self-testing and internal controls. The appropriate CBP discipline will be assigned to provide the proper guidance. Please email your request to tppb-isa@dhs.gov or contact your designated national account manager.

3. Coverage of Multiple Business Units

CBP will provide program benefits for multiple business units as defined by importer of record numbers shown on the MOU. The participant will be required to submit a revised MOU which should list the existing and the newly added business units. If the added business unit entails Drawback and/or FTZ operations, additional information will be required, i.e., modified ISA questionnaire and CBP procedures/internal controls manual which cover those processes. An original copy of the MOU should be submitted to:

U.S. Customs and Border Protection
Chief, Partnership Programs Branch
Office of International Trade
1400 L Street, NW
Washington, DC 20229-1143

4. Removal from Comprehensive Audit Pools

The importer will be removed from Regulatory Audit's audit pool established for focused assessments. Importers will be removed from the RA's audit pools for Drawback and Foreign Trade Zones if they request to have these programs included in the ISA program.

5. Access to Key Liaison Officials

Participants will have access to key liaison officials to discuss any concerns relative to the ISA program. Please email your questions, concerns, suggestions to tppb-isa@dhs.gov

6. Designated National Account Manager

All ISA participants will be assigned a national account manager (NAM). The NAM is the official CBP point of contact for all trade related matters and maintains on-going communication with the ISA participant. The NAM coordinates the ISA participant's activities to promote uniformity when needed and works with the participant to resolve issues that may arise. The NAM has the primary responsibility for oversight of the ISA account, which includes monitoring, consulting, identifying and analyzing potential trade compliance risks. The NAM looks for systemic/repetitive issues and for ways to increase efficiencies for the account and CBP. The NAM shares its findings with the account and addresses issues as needed.

The NAM reviews the ANL submission for accuracy and completeness to ensure that it meets the requirements outlined in the Appendix H of the ISA Handbook. The NAM also serves as a liaison between CBP and the ISA participant to ensure that issues, questions, and concerns are addressed timely and directed to the appropriate area.

7. Access to the Participant's Entry Summary Trade Data

All ISA participants will be provided, on a quarterly basis, a copy of the Importer Trade Activity (ITRAC) data free of charge. The data will only include the import transactions related to the IOR number(s) that is listed on the MOU. The data can be used to review and analyze import activity, as well as, identify areas of risk, etc.

To request the ITRAC data for other business unit IOR number(s) that are not participating in the ISA program, complete the form (Appendix E) and submit to the address shown. The information is provided on CD-Rom for a processing fee which range from \$250 to \$300, depending on the number of lines in the database.

8. Expanded Benefits of Prior Disclosure

With regard to prior disclosures, if CBP becomes aware of an error in which there is an indication of a violation of 19 U.S.C. 1592 or 1593a, CBP will provide a written notice to the importer of such error and allow 30 days from the date of the notification for the importer to file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing CBP investigation or fraud is involved.

9. Mitigated Penalties and Liquidated Damages

By fulfilling responsibilities under the ISA program, the participant will be taking actions, which may be considered as mitigating factors for possible penalties or liquidated damages.

10. Greater Business Certainty

Participation in the ISA program provides greater business certainty because a reliable system of internal controls ensures compliant transactions. Based on CBP experience, importers who implement effective internal controls are able to provide more accurate and reliable entry data and a better utilization of resources.

11. Additional Benefits

CBP will work with industry groups to provide additional benefits that are advantageous to both CBP and the industry

PROGRAM REQUIREMENTS

Based on the Memorandum of Understanding (MOU), in order to participate in the ISA program, an importer must:

1. Be a member of Customs-Trade Partnership Against Terrorism (C-TPAT);
2. Complete an MOU and ISA Questionnaire;
3. Agree to comply with all applicable CBP laws and regulations;
4. Maintain an internal control system that demonstrates the accuracy of CBP transactions:
 - ✓ Establish, document, and implement internal controls;
 - ✓ Perform self-testing of transactions based on risk (at least once per year);
 - ✓ Maintain results of testing for three years and make test information available to CBP on request;
 - ✓ Make appropriate adjustments to internal controls; and
 - ✓ Maintain an audit trail from financial records to CBP declarations or an alternate system that ensures accurate values are reported to CBP.
5. Make appropriate disclosures;
6. Submit an annual notification letter to CBP to reaffirm that the company is continuing to meet the requirements of the ISA program; and
7. Notify CBP of major organizational changes as soon as possible.

1. C-TPAT Membership

C-TPAT is a voluntary government-business initiative to build cooperative relationships that strengthen and improve overall international supply chain and U.S. border security. C-TPAT recognizes that CBP can provide the highest level of cargo security only through close cooperation with the ultimate owners of the international supply chain, that is, importers, carriers, customs brokers, warehouse operators, and manufacturers. ISA is designed to be complementary to the C-TPAT program. ISA is intended to offer supplemental benefits to importers who are willing to assume the responsibility of self-governance. An importer must be a member of the C-TPAT to be considered for participation in the ISA program.

2. MOU and ISA Questionnaire

An importer may apply to the ISA program by completing an MOU and ISA Questionnaire.

The MOU is an agreement between the importer and CBP that establishes their respective roles and responsibilities. The importer of record (IOR) number(s) will denote the divisions/units applying for ISA. The importer of record numbers should be written out to include all applicable suffixes.

The ISA Questionnaire is a series of questions designed to ensure that the importer provides examples of key internal controls procedures that are designed to demonstrate reasonable compliance with CBP regulations and laws. The ISA Questionnaire and instructions are located in Appendix D.

3. Comply with All Applicable CBP Laws and Regulations

In order to join the ISA program, an importer must agree to comply with all applicable CBP laws and regulations. This requirement is designed to obtain the importer's commitment to CBP compliance.

4. Maintain System of Internal Control

A participant must maintain an internal control system that demonstrates the accuracy of CBP transactions. The importer needs to develop two processes in support of the system:

- Internal control designed to ensure compliant import transactions; and
- An audit trail from accounting records and payments to entry records or an alternate system that ensures accurate values are reported to CBP.

a. Establish, document, and implement internal control

Committee of Sponsoring Organization (COSO)² is recognized the world over for providing guidance on critical aspects of organizational governance, business ethics, internal control, enterprise risk management, fraud and financial reporting. COSO guidance, Internal Control - Integrated Framework establishes a common internal control model against which companies and organizations may assess their control system.

According to the COSO report, in order to conclude a system is effective, all five components of internal control must be present. The five components of effective internal control are listed below:

² COSO is a voluntary private-sector organization which comprises of American Accounting Association, AICPA, Financial Executive International, The Institute of Internal Auditor, and The Association for Accountants and Financial Professionals in Business.

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

Please refer to Appendixes F and G for more information on the five components of internal control.

b. Conduct self-testing of transactions based on risk

Periodic testing is a normal part of monitoring the effectiveness and efficiency of operations. It helps to identify control weaknesses, evaluate employee performance, and identify training needs. Based on test results, control activities should be revised to ensure that risks are eliminated or significantly reduced.

An ISA participant must design a self-testing plan to address the areas of risk based on the company's risk assessment. Under the ISA program, CBP will allow flexibility and will not dictate specific testing requirements, because self-testing is part of the monitoring activities of an internal control system and it is important that companies have the flexibility to design the program that they need.

Please refer to Appendix I for guidance on designing a self-testing plan.

c. Maintain results of testing for three years

The participant will conduct periodic testing of its internal control system. The test results must be maintained for three years from the date of the test and provided to CBP upon request.

d. Make appropriate adjustments to internal controls






When the need for internal control improvements are identified through any mechanism, i.e., risk assessment, information exchange, monitoring and testing, notification from CBP, etc., appropriate changes must be made and implemented to ensure compliance with CBP regulations and laws.

5. Make Appropriate Disclosures

The participant agrees to submit appropriate disclosures to CBP. The participant may make these declarations through a prior disclosure, reconciliation, post-entry adjustment, supplemental information letter, or other approved CBP method.

6. Annual Notification Letter

The participant agrees to provide an annual notification letter (ANL) that it is continuing to meet requirements of the ISA program and to report key elements such as organizational changes, self-testing result, etc. For details on what should be included in the ANL, please refer to Appendix H. Through the annual notification, the participant agrees to:

- Comply with all applicable CBP laws and regulations;
- Maintain an internal control system that demonstrates the accuracy of CBP transactions:
 -  Maintain internal controls appropriate to provide reasonable assurance of CBP compliance, to include the five components of internal control;
 -  Perform periodic testing (designed by the importer) based on risk;
 -  Maintain results of testing for three years and providing test results to CBP on request;
 -  Make appropriate adjustments to internal controls when needed; and
 -  Maintain an audit trail from financial records to CBP declarations; or, an alternate system that ensures that accurate values are reported to CBP.
- Make appropriate disclosures to CBP;
- Submit annual written notifications to CBP to confirm the identity of the company ISA contact, and confirm that it continues to meet the requirements of the ISA program; and
- Notify CBP of major organizational changes as soon as possible.

U.S. Customs and Border Protection Importer Self-Assessment Memorandum of Understanding

A Memorandum of Understanding (MOU) is a document that describes very broad concepts of mutual understanding, goals and plans shared by the parties. As such, (company name) requests to participate in the Importer Self-Assessment (ISA) program. This agreement is made between (company name), hereinafter referred to as the Account and U.S. Customs and Border Protection, hereinafter referred to as CBP. We acknowledge that the primary objective of the ISA program is to maintain a high level of trade compliance through a cooperative CBP/Account partnership.

The Account and CBP recognize the need to jointly address trade issues in order to maintain an efficient and compliant import process. This MOU is designed to strengthen the Account's ability to maintain a high level of compliance with CBP requirements through effective internal controls of CBP activities and a cooperative interchange of ideas and information with CBP.

The ISA program represents an opportunity to establish a joint informed compliance effort, in a process built on knowledge, trust, and the desire to maintain an ongoing CBP/Account relationship. The ISA program provides CBP with the means to recognize and support the Account's efforts to achieve compliance and offers the Account the opportunity to demonstrate compliance and receive related benefits.

This MOU does not exempt the Account from statutory penalties or sanctions in the event of noncompliance. However, the extent to which the Account has shown compliance with the terms of this MOU will reflect favorably and may be a mitigating factor toward any CBP decision or recommendation on final case disposition.

The following are the Account and CBP's responsibilities under this MOU. More specific information detailing the roles and responsibilities of the Account and CBP are provided in the ISA Handbook.

ACCOUNT ROLES AND RESPONSIBILITIES

- Be a member of C-TPAT;
- Complete an MOU and ISA Questionnaire;
- Agree to comply with all applicable CBP laws and regulations;
- Develop and maintain an internal control system that is designed to provide reasonable assurance of compliance with CBP laws and regulations;
- Perform annual risk assessments to identify risks to compliance with CBP laws and regulations;
- Design and execute a self-testing plan in response to identified risks;

- Implement corrective action in response to errors and internal control weaknesses disclosed by self-testing:
 - ✓ Maintain results of testing for three years and make test information available to CBP upon request;
 - ✓ Make appropriate adjustments to internal control; and
 - ✓ Maintain an audit trail from financial records to CBP declarations, or an alternate system that ensures accurate values are reported to CBP.
- Make appropriate disclosures;
- Submit an annual notification letter to CBP in accordance with the requirements listed in Appendix H of the ISA Handbook; and
- Notify CBP of major organizational changes as soon as possible.

CBP ROLES AND RESPONSIBILITIES

- CBP will provide guidance as requested (for compliance assistance, risk assessments, internal control, CBP audit trails, data analysis support, etc.);
- The Account will have the opportunity to apply for coverage of multiple business units;
- The Account will be removed from the Regulatory Audit's (RA) audit pool established for focused assessments. Accounts will be removed from the RA's audit pools for Drawback and Foreign Trade Zones if they request to have these programs included in the ISA Program. However, Accounts may be subject to on-site examinations for single-issue review;
- The Account will be assigned a national account manager;
- The Account will receive Importer Trade Activity (ITRAC) data, including analytical support free of charge;
- With regard to prior disclosures, if CBP becomes aware of errors in which there is an indication of a violation of 19 U.S.C. 1592 or 1593a, CBP will provide a written notice to the Account of such errors and allow 30 days from the date of the notification for the Account to file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing CBP investigation or fraud is involved;
- In the event that civil penalties or liquidated damages are assessed against the Account, the Account's participation in ISA will be considered as a mitigating factor in the disposition of the case;
- The Account will enjoy greater business certainty because a reliable system of internal control helps to ensure compliant transactions; and
- Additional benefits are tailored to industry needs.

This MOU governs the Account's activities under the following IOR numbers.

Company Name	Physical Address	Importer of Record Number (s)

The Account may use third parties to fulfill roles and responsibilities of this agreement. This agreement shall enter into force upon each party's signature and shall remain in effect until notification of termination or failure to perform as agreed.

MODIFICATIONS

This agreement may be modified upon written mutual consent of the parties. A revised MOU (original copy) must be prepared and attached to the annual notification letter (ANL) if additional importer of record number(s) and/or merged/acquired entities with its own unique importer of record number will be added to an ISA approved account.

REPORTING AND DOCUMENTATION

The ISA participant must submit its first written ANL to the Chief, Partnership Programs Branch (with a copy to its CBP national account manager) 13 months after its ISA program acceptance date, which is the date that the Assistant Commissioner, Office of International Trade signs the MOU. The ANL is due every 12 months thereafter. The company representative that signed the MOU submitted to CBP, or an equivalent, should sign the ANL.

OTHER PROVISIONS

Nothing in this agreement is intended to conflict with current law or regulation or the directives of CBP and ____ (company name) _____. If a term of this agreement is inconsistent with such authority, then that term shall be invalid, but the remaining terms and conditions of this agreement shall remain in full force and effect.

POINT OF CONTACT

U.S. Customs and Border Protection
Trade Facilitation and Administration
Office of International Trade
1400 L Street, N.W.
Washington, DC 20229-1143
Email: tppb-isa@dhs.gov

Customs and Border Protection enters into this Memorandum of Understanding pursuant to The Customs Modernization Act (19 U.S. C. Section 3431) and the Department of Homeland Security Management Directive 0450.1 dated January 24, 2003.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have signed this agreement.

FOR U.S. CUSTOMS AND BORDER
PROTECTION

FOR THE ACCOUNT

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

U.S. Customs and Border Protection Importer Self-Assessment Questionnaire

Introduction

Importer Self-Assessment (ISA) is a program for companies that have documented internal controls and are certified partners in Customs-Trade Partnership Against Terrorism (C-TPAT).

The ISA questionnaire is designed to help us determine whether the applicant is indeed ISA ready. The questions and attachments will also provide the ISA team with the information necessary to prepare them for the Application Review Meeting (ARM). This will ensure that they use the minimum amount of the applicant's time in conducting the meeting and approving the application so the applicant can begin receiving benefits as soon as possible.

The ISA questionnaire can also be used as a tool to help the ISA applicant determine whether they are actually ready to apply for the ISA program. Applicants who are able to answer "Yes" to all of the questions on the ISA questionnaire; are able to support the "Yes" responses; can provide the information required in the attachment to the ISA Questionnaire, would be deemed ready to apply to the ISA program.

An ISA applicant must have established internal controls over CBP activities that are both implemented and documented.

The ISA team will use the ISA Questionnaire along with the attachment information to gain an understanding of the company's import operations and internal control structure. If at all possible, please submit the ISA application package with attachments electronically via email box tppb-isa@dhs.gov or on compact disc.

Scope of the Review

The following steps briefly summarize the initial process prior to the ARM and what to expect at the ARM:

- When the applicant responds to the ISA questionnaire completely, the ISA team can start planning for the ARM. Once the ISA team receives the completed application package, the ISA team (auditor, national account manager, and computer audit specialist) reviews and analyses the questionnaire responses and attachments, written policies and procedures, self-testing plan, and other documents provided.

- Next the ISA team contacts the applicant to schedule a mutually acceptable date for the ARM. The agenda for the ARM will be sent to the applicant a few weeks prior to the ARM along with selected entry numbers so the applicant can walk the ISA team through the entire flow from import to payment during the on-site visit.
- During the ARM, the ISA applicant will demonstrate and support each question on the ISA questionnaire. The “Yes” responses answered initially by the applicant on the ISA questionnaire will need to be demonstrated in detail to the team. The team will verify that the company maintains a system of business records that demonstrates the accuracy of import transactions.

Answering the ISA questionnaire allows the applicant the opportunity to evaluate its own internal controls and operations pertaining to customs activities.

NOTE: Applicants for the ISA program will complete the ISA Questionnaire. The following instructions are provided to help importers complete the ISA Questionnaire.

Company Name:

Enter the name of the legal entity that is applying to the Importer Self-Assessment (ISA) program.

Importer of Record Number:

Enter the importer of record number of the legal entity that is applying to the ISA program. This identifies the entity that will receive the benefits of the ISA program. Multiple IOR numbers may be entered to include all applicable suffixes.

Business Year:

Enter the twelve-month reporting period that designates the fiscal year for the legal entity applying to the ISA program.

Signature of Company Contact:

The company contact that will be the designated representative for ISA must sign the ISA Questionnaire.

Title of Company Contact:

The title is the corporate position of the company contact that signs the questionnaire.

Date:

This is the date the questionnaire is signed.

Phone Number:

This is the phone number of the contact person.

E-mail Address:

This is the e-mail address of the contact person, if available.

Business Address:

This is the physical mailing address of the contact person. If different from the main office, include the address of the company headquarters.

Guide:

The questions under this column are designed as a guide to allow CBP to determine if the applicant is ready to assume the responsibilities of self-assessment. The questions are designed to determine if the importer has made a commitment to institute specific actions (internal controls) that will enhance compliance.

Response (Yes or No):

Respond “Yes” or “No” in this column to indicate whether you have implemented internal control procedures in response to the question. If the company has documented procedures and control mechanism in place for the respective area, answer, “Yes” to the question. If you do not have procedures, whether they are incomplete or need significant improvement, answer, “No” under this column.

Guidance for Questions:

Guidance on the program requirements, responses to the ISA Questionnaire, and tips on completing the ISA application package can be found in Appendix B. Please refer to Appendices F and G for guidance on developing a system of internal control and using the suggested management and evaluation tool. If you have additional questions, submit them to the CBP via the general email box tppb-isa@dhs.gov

ISA QUESTIONNAIRE

Date Prepared: _____

Company Name: Company

Address: Importer of _____

Record N^o (s): Business _____

Year End: _____

Name of Company Contact: _____

Title of Company Contact: _____

Phone N^o: _____

E-mail Address: _____

Business Address: _____

Company Website: _____

Note: If the Importer of Record (IOR) number included in the ISA application is also used for Drawback and/or FTZ activities, those activities will be included in the ISA application review process. If the Drawback or FTZ activity IOR number is different, please indicate below.

Include Drawback in review: Y or N

If 'Y', List the offices you file drawback with: _____

Include FTZ in review: Y or N

Identify zones by FTZ/Subzone Number _____

Guide	Response (Yes or No)
1. Does your company have documented internal controls? <ul style="list-style-type: none"> • Do the documented internal controls include individual desktop procedures? 	
2. Does your company maintain an internal CBP department dedicated to maintaining and updating regulations, laws, and procedures that will affect your CBP operations?	
3. If not in house, do you have a contract with a CBP brokerage house or consulting service to provide this advisory assistance?	
4. Do you have other business units/subsidiaries/IOR numbers that may	

Guide	Response (Yes or No)
apply for participation in the ISA program at a later date?	
4a. Do all of your company's business units/subsidiaries, OIR numbers operate under a centralized CBP compliance policy?	
5. Do you have a system in place to ensure that all elements of costs associated with imported products are declared to Customs? Also, do you have an audit trail to verify this?	
6. Are your CBP internal control processes consistent with the five interrelated components of internal control as defined by COSO's published report entitled "Internal Control-Integrated Framework": <ul style="list-style-type: none"> • Control environment • Risk assessment • Control activities • Information and communication • Monitoring 	
7. Are the CBP internal control procedures implemented in the divisions that participate in or effect importation of merchandise?	
8. Do you have documented compliance requirements in place for suppliers and Customs brokers?	
9. Have you identified CBP risks related to your company's import operations?	
10. Does your company have procedures to monitor and correct compliance deficiencies?	
11. Has your organization set up a plan to perform self-testing (at least an annual review of significant risk areas) in the company's divisions that have an effect on imported merchandise?	
12. Do you have meetings to discuss and coordinate changes to your CBP internal control system when tests or other information show a need for compliance improvement?	
13. Do you have an assigned officer who will initiate appropriate disclosures to CBP when indicated through system testing?	
14. Do you have a recordkeeping program in place and are you able to submit documents in a timely manner to CBP upon request?	
15. Is your internal control documentation, including tests and test results, maintained for three years and available for CBP review?	

ATTACHMENT TO ISA QUESTIONNAIRE

1. How many employees are there in the internal compliance department and how long has the office been in place?
2. What customs broker(s) and/or consulting service do you have contracts with?
3. Provide a copy of the company's organizational chart and related department descriptions.
 - Include the detail to show the location of the import department identified and any structure descriptions that are relevant, for example, if subsidiaries are not all operating under a centralized (or the same) customs compliance policy.
 - Identify the key individuals in each office responsible for CBP compliance.
4. Provide the names and addresses of any related foreign and/or domestic companies, such as the company's parent, sister, subsidiaries, or joint ventures.
5. Provide an electronic copy of the company's internal control manual and all desktop procedures for CBP related individuals.
 - Include approval of the internal control manual.
 - Include how long your documented policies and procedures have been in place.
6. Provide compliance requirements for suppliers and customs brokers (i.e., contracts, agreements, etc.).
7. Describe the training program in place with regards to the internal compliance office and other departments that are involved with CBP related activities.
 - Include evidence of the training program, such as a training log that describes course taken and attendees.
8. Provide a copy of your company's self-testing plan.
9. Explain briefly the procedures that are in place to ensure all elements of costs associated with the imported products have been declared to CBP.

Importer Trade Activity (ITRAC) Data
Request Form

Confidential

(Date)

U.S. Customs and Border Protection
Office of International Trade
Chief, Partnership Programs Branch
1400 L Street, NW
Washington, DC 20229-1143

Or send via email to: tppb-isa@dhs.gov

Re: ITRAC Data Request for Non-ISA Accounts

Dear Sir or Madam:

This request is submitted on behalf of _____. We respectfully request a listing of all import transactions entered by _____ under the company importer of record number(s) over the last business year, in electronic format.

Description

We request that this electronic entry summary data, maintained by the Office of International Trade, be provided on an entry line level for all entries filed between (month, day, year) and (month, day, year) for the following importer of record number(s):

Name	Number
_____	_____
_____	_____

Please provide the data in electronic format on CD-ROM, or electronic mail; whichever is most convenient for you.

Mailing Address of Request

The electronic files should be mailed to the following address:

Waiver of Right to Review Documents

We do not wish to inspect the requested documents before they are mailed to the referenced address.

Payment

The fee ranges from \$250 to \$300, depending on the number of lines in the database (free of charge for ISA Accounts Only).

Conclusion

Thank you in advance for your attention to this matter. If you have any questions concerning this request, please call me at _____.

Sincerely,

(Print Name)

(Name)

(Title)

GUIDANCE FOR DEVELOPING INTERNAL CONTROLS

The following guidance is provided to assist a company in developing internal controls. Please note that the list is not all-inclusive and that Importer Self-Assessment (ISA) Accounts should design their program to fit the circumstances, conditions, and risks relevant to the situation of the company. A more extensive guide and management tool is available in Appendix G. An effective system of internal control should contain the following components:

Control Environment: The Company establishes and maintains an environment that supports CBP compliance, including fostering a system that supports compliance, maintaining competent personnel, and maintaining an organizational structure that supports compliance.

Management conveys the message that integrity and ethical values must not be compromised. Management and employees have a positive and supportive attitude toward CBP internal controls and conscientious management of CBP- related operations. Management has a philosophy and operating style that is appropriate to the development and maintenance of effective internal controls for CBP, as evidenced by the following:

- A commitment to the competence of personnel responsible for CBP-related activities. The company educates and trains employees about CBP programs that are affected by the employees' jobs. The employees should be educated on the importance of CBP activities related to or affected by their job and the possible impact of errors. The employees should be trained to successfully perform the job.
- The company's organizational structure and the way in which it assigns authority and responsibility for CBP operations contribute to effective internal controls.
- The company's management cooperates with auditors, does not attempt to hide known problems from them, and values their comments and recommendations.

Risk Assessment: The Company identifies risks to the goal of CBP compliance, analyzes them for possible effects, and designs control activities to manage those risks. The company has established clear and consistent company-wide objectives and supporting activity-level objectives related to CBP activities. The following evidences risk assessment activities:

- Management has made a thorough identification of risks pertaining to CBP activities, from both internal and external sources, which may affect the ability of the company to meet those objectives.
- An analysis of those risks has been performed, and the company has developed an appropriate approach for risk management.

- Mechanisms are in place to identify changes that may affect the company's ability to achieve its missions, goals, and objectives related to CBP activities.

Control Activities: The company documents and implements policies and procedures and other control activities to ensure complete and accurate reporting to CBP as well as compliance with other CBP requirements. Procedures should include the correct reporting of information for value, classification, special trade programs, special duty provisions, and other CBP issues such as quota, antidumping duties, and countervailing duties.

Appropriate policies, procedures, techniques, and control mechanisms must be developed and in place to ensure adherence to established CBP requirements. The following evidences control activities:

- Proper control activities have been developed and documented for each of the company's CBP activities.
- The control activities identified as necessary are actually being applied properly.
- All documentation of transactions and records are properly managed, maintained, and reviewed as necessary.
- Control procedures are reviewed and revised as necessary.

Information and Communication: The Company establishes and maintains processes to ensure that relevant, reliable information pertaining to CBP is recorded and communicated through the organization to those who need it and that information provided to CBP is complete and accurate.

Information systems are in place to identify and record pertinent operational and financial information relevant to CBP activities. Management ensures that effective internal communications take place. The company employs various forms of communications appropriate to its needs and manages, develops, and revises its information systems in a continual effort to improve communications. The following evidences effective information and communication for CBP:

- Appropriate information is identified, recorded, and communicated to management responsible for CBP activities and others within the company who need it, in a form that enables them to carry out their duties and responsibilities efficiently and effectively.
- Effective external communications occur with groups that can affect the achievement of the company's missions, goals, and objectives related to CBP activities.
- Individual roles and responsibilities for CBP activities are communicated through policy and procedure manuals.

Monitoring: The Company monitors its CBP activities to assess the quality of performance over time and ensure that issues and deficiencies are promptly resolved and that procedures are corrected to prevent recurrence. Monitoring will include some testing of CBP compliance on a periodic basis. Results of testing will be maintained for three years and will be provided to CBP on request. Company internal control monitoring assesses the quality of performance related to CBP activities over time. The following evidences monitoring:

- Procedures to monitor internal controls occur on an ongoing basis as a part of the process of carrying out regular activities.
- Separate evaluations of internal controls are periodically performed, and deficiencies found are investigated.
- Procedures are in place to ensure that the findings of all audits and other reviews are promptly evaluated, decisions are made about the appropriate response, and actions are taken to correct or otherwise resolve the issues promptly.

If you would like to know more about risk assessment and internal controls related to CBP activities, extensive additional guidance and information is contained in the Focused Assessment Technical Guides available on the CBP website.

INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL

Introduction

This document is an Internal Control Management and Evaluation Tool. Although use of this tool is not required, it is intended to help management and evaluators determine how well a company's internal control is designed and functioning and to help determine what, where, and how improvements, when needed, may be implemented. This is a good tool for auditors to use when developing questions and conducting interviews with company personnel, particularly in large, complex companies.

The tool is presented in five sections corresponding to the five components of internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring.

Space is provided beside each issue for the user to note comments or describe the circumstances affecting the issue. Comments and descriptions usually will not be of the "yes/no" type, but will generally include information on how the company does or does not address the issue. This tool is intended to help users reach a conclusion about the company's internal control as it pertains to the particular component.

This tool could be useful in assessing internal control in compliance with laws and regulations. It could also be useful in assessing internal control as it relates to various CBP activities within a company.

This tool is not authoritative but is intended as a supplemental guide that managers and evaluators may use in assessing the effectiveness of internal control and identifying important aspects of control in need of improvement. Users should keep in mind that this tool is a starting point and that it can and should be modified to fit the circumstances, conditions, and risks relevant to the situation of the company. Not all of the issues need to be considered for every company or activity.

1. Control Environment

According to the first internal control component, which relates to control environment, management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. Several key factors affect the accomplishment of this goal. Management and evaluators should consider each of these control environment factors when determining whether a positive control environment has been achieved.

The factors that should be focused on are listed below. Management and evaluators should concentrate on the substance of controls rather than their form, because controls may be established but not acted upon.

	Internal Control Point	Comments/ Descriptions
	Integrity and Ethical Values	
1.	Management has promoted a climate that emphasizes integrity and ethical behavior by its Import Department employees. The company employs a code of conduct that emphasizes proper behavior and sets penalties for unethical conduct.	
2.	Dealings with CBP are conducted on a high ethical plane. <ul style="list-style-type: none"> • Reports to CBP are proper and accurate (not intentionally misleading). • Management cooperates with auditors and other evaluators, does not attempt to hide known problems from them, and values their comments and recommendations. 	
3.	The company has a well defined and understood process for dealing with CBP requests and concerns in a timely and appropriate manner.	
	Commitment to Competence	
1.	Management has performed analyses of the knowledge, skills, and abilities needed to perform CBP-related jobs in an appropriate manner.	
2.	The company provides training and counseling in order to help employees maintain and improve their competence for jobs relating to CBP. <ul style="list-style-type: none"> • There is an appropriate training program to meet the needs of employees. • The company emphasizes the need for continuing training and has a control mechanism to help ensure that all employees actually received appropriate training. 	
	Management's Philosophy and Operating Style	
1.	The company has a written policy on CBP compliance.	
2.	Management employs a philosophy that emphasizes the correct reporting of information to CBP.	
3.	Management places a high degree of importance on retaining competent personnel in key functions over its CBP transactions.	
4.	The company Import Department has authority to interact with other offices as needed, and strong synchronization and coordination exist between the Import Department and other departments with responsibilities or information related to CBP activities.	
5.	Management places a high degree of importance on the work of CBP officers, external audits, and other evaluations and studies with CBP information and is responsive to information from such officers.	

	Internal Control Point	Comments/ Descriptions
6.	There is appropriate interaction between management of the company Import Department and senior management.	
	Organizational Structure	
1.	The company's Import Department is appropriately located within the organization.	
2.	Key areas of authority and responsibility relative to CBP activities are defined and communicated throughout the organization. Consider the following: <ul style="list-style-type: none"> • Executives in charge of major activities or functions are fully aware of their duties and responsibilities. • Executives and key managers understand their internal control responsibilities and ensure that their staff also understands their own responsibilities. 	
	Assignment of Authority and Responsibility	
1.	The company appropriately assigns authority and delegates responsibility for CBP activities to the proper personnel to deal with organizational goals and objectives. <ul style="list-style-type: none"> • Authority and responsibility are clearly assigned throughout the organization and clearly communicated to employees. • Responsibility for decision-making is clearly linked to the assignment of authority and responsibility. 	
2.	Each employee knows how his or her actions related to CBP activities relate to others' actions and is aware of his or her related duties concerning CBP internal control.	
3.	Delegation of authority is appropriate in relation to the assignment of responsibility for CBP activities. <ul style="list-style-type: none"> • Employees at the appropriate level are empowered to correct problems or implement improvements. • There is an appropriate balance between the delegation of authority at lower levels to "get the job done" and the involvement of senior-level personnel. 	
	Human Resource Policies and Practices	
1.	Employees' responsibilities for CBP activities are properly supervised.	
	Oversight Groups	
1.	Within the company, mechanisms are in place to monitor and review operations and programs. <ul style="list-style-type: none"> • The company has a committee or senior management council that 	

	Internal Control Point	Comments/ Descriptions
	reviews internal audit work of CBP activities. <ul style="list-style-type: none"> The internal audit function reviews the company's CBP activities and systems and provides information, analyses, appraisals, recommendations, and counsel to management. 	

2. Risk Assessment

The second internal control component addresses risk assessment. A precondition to risk assessment is the establishment of clear, consistent company goals and objectives at both the entity level and the activity level. Once the objectives have been established, the company needs to identify the risks that could impede the efficient and effective achievement of those objectives. Internal control should provide for an assessment of the risks the company faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then must formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable CBP reporting, and compliance with laws and regulations. A manager or evaluator will focus on management's processes for setting objectives, risk identification, risk analysis, and management of risk during times of change. Listed below are factors a user might consider.

	Internal Control Point	Comments/ Descriptions
	Establishment of Activity-Level Objectives	
1.	Company CBP compliance requirements are linked with company objectives.	
	Risk Identification	
1.	Management identifies CBP related risk. <ul style="list-style-type: none"> Qualitative and quantitative methods are used to identify risk and determine relative risk rankings on a scheduled and periodic basis. How risk is to be identified, ranked, analyzed, and mitigated is communicated to appropriate staff. Risk identification and discussion occur in senior-level management meetings. Risk identification takes place as part of short- and long-term forecasting and strategic planning. Risk identification occurs as a result of consideration of findings from audits, evaluations, and other assessments. 	
2.	Mechanisms exist to identify risks to CBP activities arising from external factors. Consider the risks:	

	Internal Control Point	Comments/ Descriptions
	<ul style="list-style-type: none"> • Arising from changing needs or expectations by Congress, CBP officials, or the public. • Posed by new legislation, regulations, rulings, and court decisions. • Resulting from business, political, or economic changes. • Associated with major suppliers, brokers, contractors, and agents. • Resulting from interactions with other companies and outside parties. 	
3.	<p>Mechanisms exist to identify risks to CBP activities arising from internal factors. Consider the risks:</p> <ul style="list-style-type: none"> • Resulting from downsizing operations and personnel. • Associated with major changes of operating processes, foreign sourcing, or importing operations. • Resulting from new lines, products, or other business activities. • Associated with restructuring and reorganizations. • Posed by disruption of information systems. • Posed by highly decentralized CBP operations. • Posed by personnel turnover or personnel who are not qualified and trained. • Resulting from heavy reliance on agents or other parties to perform critical company operations. • Resulting from rapid growth or expansion of import operations. 	
4.	<p>Management assesses other factors, such as a history of compliance problems.</p>	
	<p>Risk Analysis</p>	
1.	<p>After CBP risks have been identified, management should undertake an analysis of their possible effect. Consider the following:</p> <ul style="list-style-type: none"> • Management has established a formal or informal process to analyze risks. • Criteria have been established for determining low, medium, and high risks. • Appropriate levels of management and employees are involved in the risk analysis. • Risks identified and analyzed are relevant to the corresponding activity objective. • Risk analysis includes estimating the risk's significance and sensitivity. • Risk analysis includes estimating the likelihood and frequency of occurrence of each risk (susceptibility) and determining whether it falls into the low-, medium-, or high-risk category. • A determination is made on how best to manage or mitigate the risk and what specific actions should be taken. 	

	Internal Control Point	Comments/ Descriptions
2.	<p>Management has developed an approach for risk management related to CBP compliance and control based on how much risk can be prudently accepted. Consider the following:</p> <ul style="list-style-type: none"> • The approach will vary from company to company based on the company’s CBP activities. • The approach is designed to keep risks within levels judged to be appropriate, and management takes responsibility for setting the tolerable risk levels. • Specific control activities are decided upon to manage or mitigate specific risks, and their implementation is monitored. 	
	Managing Risks During Change	
1.	The company has mechanisms in place to anticipate, identify, and react to risks presented by changes in government, economic, industry, regulatory, operating, or other conditions that can affect CBP compliance.	
2.	<p>The company gives special attention to risks presented by changes that can have a more dramatic and pervasive effect on CBP compliance. The company is attentive to risks related to:</p> <ul style="list-style-type: none"> • Changes in CBP information systems. • Rapid growth and expansion or rapid downsizing. • Imports under CBP programs and activities that are new to the company. • Imports from a new geographical area. 	

3. Control Activities

The third internal control component addresses control activities. Internal control activities are the policies, procedures, techniques, and mechanisms that help ensure that management’s directives to mitigate risks identified during the risk assessment process are carried out. Control activities are an integral part of the company’s planning, implementing, and reviewing processes.

Control activities occur at all levels and functions of the company. They include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities, and the production of records and documentation. A manager or evaluator should focus on control activities in the context of the company’s management directives to address risks associated with established objectives for each significant activity. Therefore, a manager or evaluator will consider whether control activities relate to the risk assessment process and whether they are appropriate to ensure that management’s directives are carried out. In assessing the adequacy of internal control activities, a reviewer should consider whether the proper

control activities have been established, whether they are sufficient in number and the degree to which they are operating effectively. This analysis and evaluation should also include controls over computerized information systems. A manager or evaluator should consider not only whether established control activities are relevant to the risk assessment process, but also whether they are being applied properly.

Given the wide variety of control activities that companies may employ, it would be impossible for this tool to address them all. However, there are some general, overall points to be considered by managers and evaluators, as well as several major categories or types of control activity factors that are applicable at various levels throughout most if not all companies. In addition, some control activity factors are specifically designed for information systems. These factors and related issues are listed below to illustrate the range and variety of typical control activities.

	Internal Control Point	Comments/ Descriptions
	General Application	
1.	<p>Appropriate policies, procedures, techniques, and mechanisms exist with respect to CBP activities.</p> <ul style="list-style-type: none"> • All relevant objectives and associated risks have been identified in relation to the risk assessment and analysis function of internal control. • Management has identified the actions and control activities needed to address the risks and directed their implementation. 	
2.	<p>Control activities identified as necessary are in place and being applied. Consider the following:</p> <ul style="list-style-type: none"> • Control activities described in policy and procedures manuals are actually applied and applied properly. • Supervisors and employees understand the purpose of internal control activities. • Supervisory personnel review the functioning of control activities. • Timely action is taken on exceptions, implementation problems, or information that requires follow-up. 	
	Common Categories of Control Activities	
1.	<p>Management tracks CBP compliance in relation to goals.</p> <ul style="list-style-type: none"> • Managers at all activity levels review performance reports, analyze trends, and measure results against targets. • Appropriate control activities are employed, such as reconciliations of summary information to supporting detail. 	
2.	The company effectively manages its workforce to achieve CBP	

	Internal Control Point	Comments/ Descriptions
	compliance. <ul style="list-style-type: none"> • Procedures are in place to ensure that personnel with appropriate competencies are recruited and retained. • Employees are given orientation, training, and tools to perform their duties and responsibilities, improve their performance, and meet the demands of changing organizational needs. • Qualified and continuous supervision is provided to ensure that internal control objectives are being met. 	
3.	The company employs a variety of controls of CBP activities to ensure accuracy and completeness of information processing.	
4.	The company has established and monitors performance measures and indicators for CBP activities. <ul style="list-style-type: none"> • Actual performance data are continually compared and analyzed against expected or planned goals. • Unexpected results or unusual trends are investigated to identify circumstances where achievement of goals for CBP compliance is threatened. Corrective action is taken. 	
5.	CBP transactions and other significant events are properly classified and promptly recorded so that they maintain their relevance, value, and usefulness to management in controlling operations and making decisions.	
6.	Only authorized individuals can make adjustments to CBP information.	
7.	Internal control and all transactions and other significant events related to CBP activities are clearly documented. <ul style="list-style-type: none"> • Written documentation exists for the company's internal control structure and all significant transactions and events. • Documentation is readily available for examination. • Documentation for internal control includes identification of the company's activity-level functions and related objectives and control activities and appears in management directives, administrative policies, accounting manuals, and other such manuals. • Documentation of transactions and other significant events is complete and accurate and facilitates tracing the transaction or event and related information from before it occurs, through its processing, to after it is completed. • Documentation, whether in paper or electronic form, is useful to managers in controlling their operations and to auditors and others involved in analyzing operations. • All documentation and records are properly managed, 	

	Internal Control Point	Comments/ Descriptions
	maintained, and periodically updated.	
8.	This analysis and evaluation should also include controls over automated information systems.	

4. Information and Communication

According to the fourth internal control component, for a company to effectively operate, it must have relevant, reliable information relating to external as well as internal events. That information should be recorded and communicated to management and others within the company who need it in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. Managers and evaluators should consider the appropriateness of information and communication systems to the organization's needs and the degree to which they accomplish the objectives of internal control. Listed below are factors to consider. The list is a starting point. It is not all-inclusive, nor will every item apply to every company or activity within the company. Even though some of the functions and points may be subjective in nature and require the use of judgment and reasonable care, they are important in collecting appropriate data and information and in establishing and maintaining good communication.

	Internal Control Point	Comments/ Descriptions
	Information	
1.	Information related to CBP activities from internal and external sources is obtained and provided to management as a part of the company's reporting on operational performance relative to established objectives.	
2.	Pertinent information related to CBP activities is identified, captured, and distributed to the right people in sufficient detail, in the right form, and at the appropriate time to enable them to carry out their duties and responsibilities efficiently and effectively.	
3.	<p>Management ensures that effective internal communications occur related to CBP activities.</p> <ul style="list-style-type: none"> • Employees understand the aspects of internal control, how their role fits into it, and how their work relates to the work of others. • Employees are informed that when the unexpected occurs, they must pay attention not only to the event but also to the underlying cause, so that potential internal control weaknesses can be identified and corrected before they can do further harm. 	

	Internal Control Point	Comments/ Descriptions
	<ul style="list-style-type: none"> • Mechanisms exist to allow the easy flow of information down, across, and up the organization and between functional activities. • Informal or separate lines of communications exist to serve as a “fail-safe” control for normal communications avenues. • Mechanisms are in place for employees to recommend improvements in operations. 	
4.	<p>Management ensures that effective external communications occur with groups that can have a serious impact on CBP compliance.</p> <ul style="list-style-type: none"> • Open and effective communications have been established with customers, suppliers, consultants, brokers, and others who can provide significant input relative to CBP compliance. • Communication with external parties such as CBP and other federal agencies is encouraged, since it can be a source of information on how well internal control is functioning. • Management makes certain that advice and rulings from CBP are implemented to correct any problems or weaknesses they identify; and recommendations from CBP are fully considered and implemented to correct any problems or weaknesses they identify, as required. 	
	Forms and Means of Communication	
1.	<p>The company employs various forms and means of communicating important information with employees and others (policies and procedures manuals, memorandums to staff, regular meetings with staff, etc.).</p>	

5. Monitoring

Monitoring is the final internal control component. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly addressed. In considering the extent to which the continued effectiveness of internal control is monitored, both ongoing monitoring activities and separate evaluations of the internal control system, or portions thereof, should be considered. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions that people take in performing their duties. Separate evaluations are a way to take a fresh look at internal controls by focusing directly on their effectiveness at a specific time. These evaluations may take the form of self-assessments as well as review of control design and direct testing, and may include the use of this Management and Evaluation Tool or some similar device. In addition, monitoring includes policies and procedures for ensuring that any audit and review findings and recommendations are brought to the attention of management and are resolved in a timely manner. Managers and evaluators should consider the appropriateness of the company’s internal control monitoring and the degree to which it helps them accomplish their objectives.

	Internal Control Point	Comments/ Descriptions
	Ongoing Monitoring	
1.	<p>Management has a strategy to ensure that ongoing monitoring of CBP activities is effective and will trigger separate evaluations where problems are identified or systems are critical and testing is periodically desirable.</p> <ul style="list-style-type: none"> • Management’s strategy provides for routine feedback and monitoring of performance and control objectives. • The monitoring strategy includes identification of critical operational CBP-related systems that need special review and evaluation. • The strategy includes a plan for periodic evaluation of control activities for critical CBP activities. 	
2.	In the process of carrying out their regular activities, company personnel obtain information about whether internal control is functioning properly.	
3.	<p>Communications from external parties corroborate internally generated data or indicate problems with internal control.</p> <ul style="list-style-type: none"> • Communications from CBP officers about compliance or other matters that reflect on the functioning of internal control are used for follow-ups on any problems indicated. 	
4.	Meetings with employees are used to provide management with	

	Internal Control Point	Comments/ Descriptions
	feedback on whether internal controls are effective.	
	Separate Evaluations	
1.	<p>Scope and frequency of separate evaluations of internal control are appropriate for the company.</p> <ul style="list-style-type: none"> • Risk assessment results and the effectiveness of ongoing monitoring determine the scope and frequency of separate evaluations. • Separate evaluations may be prompted by events such as major strategies, expansions, downsizing, etc. • Appropriate portions or sections of internal controls are evaluated regularly. • Personnel with required skills, who may include the company's internal auditor or an external auditor, conduct separate evaluations. 	
2.	<p>The methodology for evaluating the company's internal control is logical and appropriate. Consider the following:</p> <ul style="list-style-type: none"> • The methodology used may include self-assessments using checklists, questionnaires, or other such tools, and it may include the use of this Management and Evaluation Tool or some similar device. • The separate evaluations may include a review of the control design and direct testing of the internal control activities. • The evaluation team develops a plan for the evaluation process to ensure a coordinated effort. • If company employees conduct the evaluation process, an executive with the requisite authority, capability, and experience manages the process. • The evaluation team gains a sufficient understanding of the company's objectives related to CBP compliance. • The evaluation team gains an understanding of how the company's internal control system is supposed to work and how it actually works. • The evaluation team analyzes the results of the evaluation against established criteria. • The evaluation process is properly documented. 	
3.	<p>Deficiencies found during separate evaluations are promptly resolved.</p> <ul style="list-style-type: none"> • Deficiencies are promptly communicated to the individual responsible for the function and also to at least one level of management above that individual. • Serious deficiencies and internal control problems are promptly reported to top management. 	

	Internal Control Point	Comments/ Descriptions
	Issue Resolution	
1.	<p>The company has a mechanism to ensure the prompt resolution of findings from internal or external audits or reviews. Consider the following:</p> <ul style="list-style-type: none"> • Managers promptly review and evaluate findings resulting from audits and assessments, including those showing deficiencies and those identifying opportunities for improvements. • Management determines the proper actions to take in response to findings and recommendations. • Corrective action is taken or improvements made within established time frames to resolve the matters brought to management's attention. • In cases where there is disagreement with the findings or recommendations, management demonstrates that those findings or recommendations either is invalid or do not warrant action. • Management considers consultation with auditors when it is believed to be helpful in the audit resolution process. 	
2.	<p>Management is responsive to the findings and recommendations of audits and other reviews aimed at strengthening internal control.</p>	
3.	<p>The company takes appropriate follow-up actions with regard to findings and recommendations of audits and other reviews.</p> <ul style="list-style-type: none"> • Problems are corrected promptly. • Management investigates the underlying causes giving rise to the findings or recommendations. • Actions are decided upon to correct the situation or take advantage of the opportunity for improvements. • Management and auditors follow up on audit and review findings, recommendations, and the actions decided upon to ensure that those actions are taken. • Top management is kept informed through periodic reports on the status of audit and review resolutions so that it can ensure the quality and timeliness of individual resolution decisions. 	

Annual Notification Letter Reporting Requirements

The purpose of this document is to provide instructions for preparing the Importer Self-Assessment (ISA) Annual Notification Letter (ANL). All approved ISA companies must follow these instructions.

The purpose of the ANL is to ensure that the participant continues to meet the requirements of the ISA program and informs U.S. Customs and Border Protection (CBP) of any business modifications that may have a potential impact on the company's CBP operations. Examples of such modifications are significant changes to the company organization, personnel, commodities, brokers, or trade programs. Additionally, CBP requests that the ANL include summaries of the participant's ISA risk assessment and self-testing, as well as corrective actions taken when deficiencies are identified.

The ISA participant must submit its first written ANL to the Chief, Partnership Programs Branch (with a copy to its CBP national account manager) 13 months after its ISA program acceptance date, which is the date that the Assistant Commissioner, Office of International Trade signs the ISA Memorandum of Understanding (MOU). The ANL is due every 12 months thereafter. The company representative that signed the MOU submitted to CBP, or an equivalent, should sign the ANL.

The ANL should confirm that the participant continues to meet the requirements of the Customs-Trade Partnership Against Terrorism and ISA programs, as well as, inform CBP of any business modifications that have an impact upon the participant's CBP operations.

Below is information that is required to be included in the ANL. Please note that this list is not all-inclusive and represents the minimum requirements.

- Summary of organization changes* (e.g., mergers/divestitures, additions/deletions of importer of record numbers from the ISA program)
- Summary of personnel changes which may affect the import compliance department
- Summary of import activity changes (e.g., changes in commodities imported, CBP trade programs, country of origin, brokers, compliance department organizational structure, etc.)
- Summary of internal control policy or procedure adjustments and changes
- Summary of risk assessment results
- Summary of periodic testing results
- Summary of post-entry amendments and/or disclosures made to CBP

*A revised MOU (original copy) must be prepared and attached to the ANL if additional importer of record numbers and/or merged/acquired entities with its own unique importer of record number will be added to an ISA approved business unit/division.

The ANL should be sent to the Chief, Partnership Programs Branch via email tppb-isa@dhs.gov or to the following address.

U.S. Customs and Border Protection
Office of International Trade
Chief, Partnership Programs Branch
1400 L Street, N.W.
Washington, D.C. 20229-1143

Attached is an example ANL demonstrating how the required information could be incorporated. If there are any questions regarding the ANL requirements, please contact the company's national account manager or email your questions to the Chief, Partnership Programs Branch at tppb-isa@dhs.gov.

(Participant's Address 1)
(Participant's Address 2)

(DATE)

(Name of Chief)
Chief, Partnership Programs Branch
U.S. Customs and Border Protection
Office of International Trade
1400 L Street, N.W.
Washington, D.C. 20229-1143

Dear Mr./Ms. _____:

In accordance with the requirements outlined within the Importer Self-Assessment (ISA) Handbook, (Company Name) is hereby submitting its annual notification letter. (Company Name) was formally approved for participation in the ISA program on (date).

During the past year, (Company Name) has complied with U.S. Customs and Border Protection (CBP) laws and regulations, Customs-Trade Partnership Against Terrorism and ISA program requirements. We have, and continue to maintain, a system of business records that demonstrates the accuracy of CBP transactions as described in the ISA Handbook.

(Company Name) has performed a review of its CBP internal control policies and procedures and made appropriate adjustments and/or changes to its internal control systems when necessary. (Company Name) has also performed periodic transactional testing based on its risk assessment and corrective action has been taken, where necessary, to ensure that internal control is implemented. Test results will be maintained for three years at (location) and are available for review upon request.

In compliance with ISA reporting requirements, (Company Name) has summarized (below or attached) changes to its organization, personnel, and import activity along with the results of internal control adjustments/changes and transactional testing as follows:

(Note: The six key elements listed below are the minimum reporting areas but are not all inclusive. The key elements can be included in the body of the letter or as an attachment.)

Organizational and/or Personnel Changes

(Note: If a company elects to add/delete business unit(s) or organization changes due to mergers and/or divestitures, an amended Memorandum of Understanding is required. Additionally, if a company has an official name change and/or importer of record number change due to a merger or divestiture, a new Memorandum of Understanding is required.)

Import Activity Changes

(Note: Report any changes in commodities imported, CBP trade programs utilized, brokers, etc.)

Internal Control Adjustments and Changes

(Note: Summarize adjustments and/or changes (additions or deletions) to the documented internal control policies and procedures.)

Risk Assessment Results

(Note: Summarize the areas identified as potential risks as a result of the company's risk assessment along with tests performed to review the potential areas of risk.)

Periodic Testing Results

(Note: Explain the methodology used for transactional/internal control testing. Summarize the test results and list them on a separate spreadsheet or a written summarization of the number of transactions tested, number of errors (identified by type), cause of error(s), and whether corrective action was taken.)

Post Entry Amendments and/or Disclosures

(Note: Include submission dates, summary of issue(s), monies tendered, and CBP acceptance date. If this element is not applicable for the reporting period, state "Not Applicable")

(Company Name) will continue to meet the requirements of the ISA program and the previously executed Memorandum of Understanding. If you have any questions, our company contact for the ISA program is (Name, Title). You can contact him/her at (Telephone Number, e-mail address).

Sincerely,

(Signature-should be the same officer who signed ISA MOU or company officer equivalent)

(Name)
(Title)
(Company Name)

cc: CBP-National Account Manager

Importer Self-Assessment Self-Testing Plan

Guidance

RISK ASSESSMENT AND SELF-TESTING DEVELOPMENT

INTRODUCTION

This document is a risk assessment and self-testing development tool created for Importer Self-Assessment (ISA) program applicants. The intent of this document is to provide guidance as well as a starting point for the design, development, and documentation of an ISA self-testing plan. The ISA self-testing plan is a required document that must be submitted as part of the ISA application package, and ongoing self-testing is a requirement for continued participation in the ISA program.

Under the ISA program, U.S. Customs and Border Protection (CBP) will allow flexibility and will not dictate specific testing requirements because self-testing is part of the monitoring activities of a company's system of internal control. It is important that a company has the flexibility to design a program that fits its specific needs. Therefore, each company must perform its own risk assessment, develop its own control procedures, and design its own self-testing program in order to monitor and mitigate risk and ensure that import transactions are accurate and compliant with CBP laws and regulations. The goal is to identify and eliminate vulnerabilities in a company's import compliance program.

CBP's expectation is that the ISA self-testing plan will be detailed with regard to how risk is assessed; how often the risk assessment is updated to identify new risk and how new risks will be managed; how often self-testing will occur; who will perform the risk assessment and testing; how the results will be documented; and how corrective actions will be implemented, when needed. In an effort to help ISA program applicants better understand risk assessment and self-testing, CBP compiled a list of risk assessment factors and self-testing questions that companies may consider. Additionally, example scenarios have been included to help demonstrate the risk assessment factors and self-testing questions.

RISK ASSESSMENT FACTORS TO CONSIDER

Risk is the degree of exposure that would result in loss to the trade, industry, or the public. Potential risk exists in ordinary day-to-day transactions as well as those extraordinary transactions that happen infrequently or unintentionally. In order to identify risk, a risk assessment, which is the integrated process for identifying and managing risk in trade compliance, should be performed on a continuing basis or at least on an annual basis. Below are some example risk factors to consider:

1. Use of new, multiple, or sub-contracted brokers;
2. Use of special trade programs such as free trade agreements, special duty provisions such as Harmonized Tariff Schedule of the United States (HTSUS) Chapters 98 and 99, Antidumping/Countervailing Duties, etc.;
3. Complexity of HTSUS classifications to types of merchandise imported;
4. Use of a Basis of Appraisal other than Transaction Value;
5. Use of “first sale” for valuation;
6. Use of Landed Duty Paid terms of sale;
7. Payments in addition to the price paid or payable (i.e., packing, selling commissions, assists, royalties and license fees, and proceeds from subsequent resale);
8. Quality and quantity of pre or post-entry reviews;
9. Organizational changes that may affect the commitment to compliance, new management structure, reduction in staff, etc.;
10. Changes to core business, addition of new product lines, and/or use of new manufacturers; and,
11. Impact of communication between CBP and the company (i.e. internal advice/ruling decisions/information requests/notices of change liquidation).

RISK ASSESSMENT EXAMPLE SCENARIOS

Example Scenario 1: XYZ Company utilizes an automated system for its post-entry valuation review, which is a three-way match of the purchase order value, invoice value, and entry summary value. Any differences between the three values causes a discrepancy report to be generated that is sent to the Customs Compliance Department for research and/or corrective action. This is the process in place for the vast majority of XYZ Company’s entries. The remaining entries, which are manually entered by the company’s broker, are not subject to the automated post-entry valuation.

The fact that a number of XYZ Company’s transactions are not subject to the company’s control activities (listed above) mean that these transactions should be considered during the risk assessment. Additionally, XYZ Company should consider whether the values being compared by the automated system have been verified for accuracy, e.g., are there any additions to the price paid or payable not being declared,

Example Scenario 2: Company X, which is a long-time ISA program participant, acquires ACME Corporation, a non-ISA program company. While ACME Corporation maintained its own CBP compliance manual along with desktop policies and procedures prior to its acquisition, Company X’s policy is to gradually integrate any acquired company’s CBP operations into its CBP compliance manual and associated policies and procedures. Company X should evaluate ACME Corporation’s policies and procedures to identify risk areas and review a sample of

their past import transactions. The review will help Company X to determine what the risk factors are and where improvements are needed. Until ACME Corporation's CBP operations are fully-integrated into Company X's procedures, current transactions of ACME Corporation would be a risk factor and included in the self-testing plan.

SELF-TESTING QUESTIONS TO CONSIDER

Once risk has been identified, the company should utilize risk management based process, which is a method of managing by identifying and controlling those events that have the potential to cause significant problems. The key to risk management is to gather and analyze all relevant data efficiently and effectively and use these data to make decisions about allocating resources. For ISA program participants, risk management will help determine the extent of transactional testing for each area of risk. Below are some questions to consider when documenting the self-testing procedure.

1. Who will be responsible for the risk assessment, and how often will a risk assessment be performed, reviewed, and documented?
2. What will be the methodology used to select transactions for review?
3. Who will conduct the transactional testing (e.g., this should be someone independent of the transaction)? How many entries or line items (express as a number or percentage) will be reviewed?
4. Is there an audit trail from financial records to CBP declarations (i.e., a test for unreported value)?
5. How will the sampled items and results of the review be documented, tracked, and maintained?
6. How will errors be addressed (e.g., post-entry amendment, prior disclosure, etc.)?
7. Are corrective action procedures in place to address errors?
8. Who will the results of the review be provided to within the company, and who is responsible for ensuring corrective actions are taken to address deficiencies?
9. How often are the internal control policies and procedures reviewed, and how will the review be documented?
10. How are changes to the internal control manual tracked and/or tested, and how are users notified of these changes?

When documenting the self-testing plan, do not use "periodic" as a testing interval. Provide a specific time period, or minimum level, for review (e.g., daily, monthly, quarterly, annually, at a minimum quarterly, etc.). Ensure that the designated person performing the self-testing is independent of the transactions being reviewed.

SELF-TESTING EXAMPLE SCENARIOS

Example Scenario: Fast Courier's contract with ACME Corporation requires Fast Courier to provide monthly downloads of all transactions that ACME Corporation is billed for, including both transactions where ACME Corporation and Fast Courier were the importer of record. In order to test transactions processed by Fast Courier, ACME Corporation will utilize the data provided to review information including, but not limited to, usage of the correct importer of record number, correct classification of merchandise using the HTSUS number provided by ACME Corporation on the commercial invoice, declaration of the proper "relationship" with the vendor/manufacturer, etc. ACME Corporation's self-testing is based upon a "X" percent of judgmentally selected samples per risk area identified during its risk assessment. In addition to the "X" percent judgmental samples for Fast Courier, ACME Corporation decided that it will also look at all entries where Fast Courier classified merchandise under Chapter 9801 to ascertain whether the classification was used correctly. ACME Corporation will note on its self-testing spreadsheet, which is how the company tracks all items selected for review, that for entries involving Chapter 9801 only the classification would be reviewed and not the other data elements.

Per ACME Corporation's self-testing plan, once testing is complete a report is provided to management outlining the results of the review and corrective actions to be taken, which will be monitored by ACME Corporation's compliance department. With regard to the testing of Fast Courier, ACME Corporation has regularly scheduled meetings with the courier at which time the self-testing results will be discussed along with any needed standard operating procedure enhancements.

COMBINED RISK ASSESSMENT AND SELF-TESTING SCENARIO

Example Scenario: Brand X Corp claims Generalized System of Preferences (GSP), which provides duty-free tariff treatment to certain products imported from designated developing countries, on a certain percentage of its entries. Brand X Corp has a documented set of GSP post-entry review procedures and the task is assigned to one individual, the entry analyst.

During its risk assessment, Brand X Corp reviewed the roles and responsibilities of individuals within the Customs Compliance Department. In the case of the entry analyst, a review of this individual's responsibilities identifies that he/she is solely responsible for reviewing entries where GSP is claimed. As such, Brand X Corp determined that GSP claims should be considered a risk factor.

The selected GSP entries are documented on the company's self-testing spreadsheet. The GSP entries must now be reviewed to ensure that the transaction qualifies for GSP and supporting documentation are maintained; however, the entry analyst cannot review the entries because he/she reviewed them as part of the post-entry review

process. In this scenario, Brand X Corp's self-testing plan will require the customs compliance manager to review the GSP entries because the customs compliance manager's day-to-day responsibilities do not include entry reviews. The customs compliance manager will document the results of the review on the self-testing spreadsheet.

If the customs compliance manager identified an error when reviewing the GSP entries, Brand X Corp's documented self-testing plan discusses how the transactional sample is expanded, who to report the findings to within Brand X Corp, and how the errors will be relayed to CBP, i.e., disclosure, PEA, etc. Brand X Corp's documented self-testing plan also includes a corrective action process in order to avoid similar errors in the future.



U.S. Customs and Border Protection
