



A targeted approach

Customs streamlines its auditing system to make better use of resources

BY R.G. EDMONSON

Not too many years ago, the U.S. Customs Service Compliance Assessment program sent auditors to examine an importer's books, and they would stay long enough to earn a gold watch from the company — or so it seemed. It didn't take long for Customs, now Customs and Border Protection, to learn that the "CAT" audits were costly, time-consuming and unpopular with the trade.

In 2002, Customs launched the Focused Assessment Program. Rather than auditing an importer's entire set of records, Customs personnel focused their attention on the areas of highest risk for noncompliance with regulations. Now Customs has narrowed the process even further. Importers will find that new "quick-response" audits are designed to look at single compliance issues, and do the work in a matter of weeks or months, said Cynthia A. Covell, director of regulatory audits.

Since the Sept. 11 terrorist attacks, Customs has shifted its primary mission to border security. While the trade's attention has been on supply-chain security, "We've not stopped what we've

been doing," Covell said. "We have continued our mission of trade compliance regulatory audit. We are initiating a new process to cover more territory with the resources we have."

Customs began developing the quick response audit last year. It was first deployed to assess compliance with rules governing intellectual property rights. "The IPR quick-response audit is a narrowly focused single issue audit. We're looking at just the IPR transactions of a company," said Matthew Krimski, director of field oversight. "We started last year using the quick-response audit as the mechanism to do our IPR reviews. We were so satisfied with the results that we've expanded the number of companies we're bringing in for IPR reviews."

Covell said the IPR quick-response audit closely follows the IPR procedures in the Focused Assessment Program. The protocol may be used in cases of illegal transshipment, or country-of-origin violations, or anti-dumping duty and countervailing duty cases.

Quick-response auditing is an example of doing more with the same resources: covering more audit territory

without an increase in auditors, Covell said. "The ultimate goal is to get quick-response audits done in less than six months. If it's an immediate issue, we hope to get it turned around in 90 days. Our goal is to turn these around as quickly as we can."

That means Customs can do more audits per year. The flip side is that violators will likely face monetary penalties more often. "Are we out there to jack up the penalty numbers? No," he said. "Penalties are a byproduct of what we do."

The good news is that the trade industry is taking compliance seriously, Covell said. She recently spoke at a West Coast seminar. "I was very pleased with all of the programs that the compliance managers are instituting. They are using the risk methodology; they're using the Focused Assessment Program to set up training programs. They're taking compliance seriously, particularly the ones that are joining the Importer Self Assessment program."

Import managers have found an ally in the Sarbanes-Oxley Act, Covell said. "If you're a publicly traded company, it's just the right thing to do. Top management understands the need for internal controls, so the compliance managers have been successful in talking to their top management about the importance of being compliant with customs laws and regulations."

While the quick-response audits will allow Customs to make better use of its resources, Los Angeles trade attorney Susan Kohn Ross said the protocol likely has triggers that would launch more auditing in depth. "I'd have to believe that if I were an auditor, and found one thing wrong, I'd assume there were other things wrong, and that company would get a full-blown audit at some point."

Ross said a multimillion-dollar penalty for several violations that the U.S. Court of International Trade assessed against Ford Motor Co. last year was a wake-up call for the industry.

"Customs has learned over time that the way you get people's attention, you can make nice for a certain amount of time," she said, "but then you have to bring the sword of Damocles down." ♦