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Internal Audits: Finding Risks before Customs Does

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International Trade & Compliance

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- In- & Out-sourced Trade Operations
- Documentation Requirements
- Tariff Classification
- Free Trade Agreements
- International Business Strategy
- Supply Chain Security & CTPAT
- Audits & Disclosures
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19 CFR 110
Importers of Record

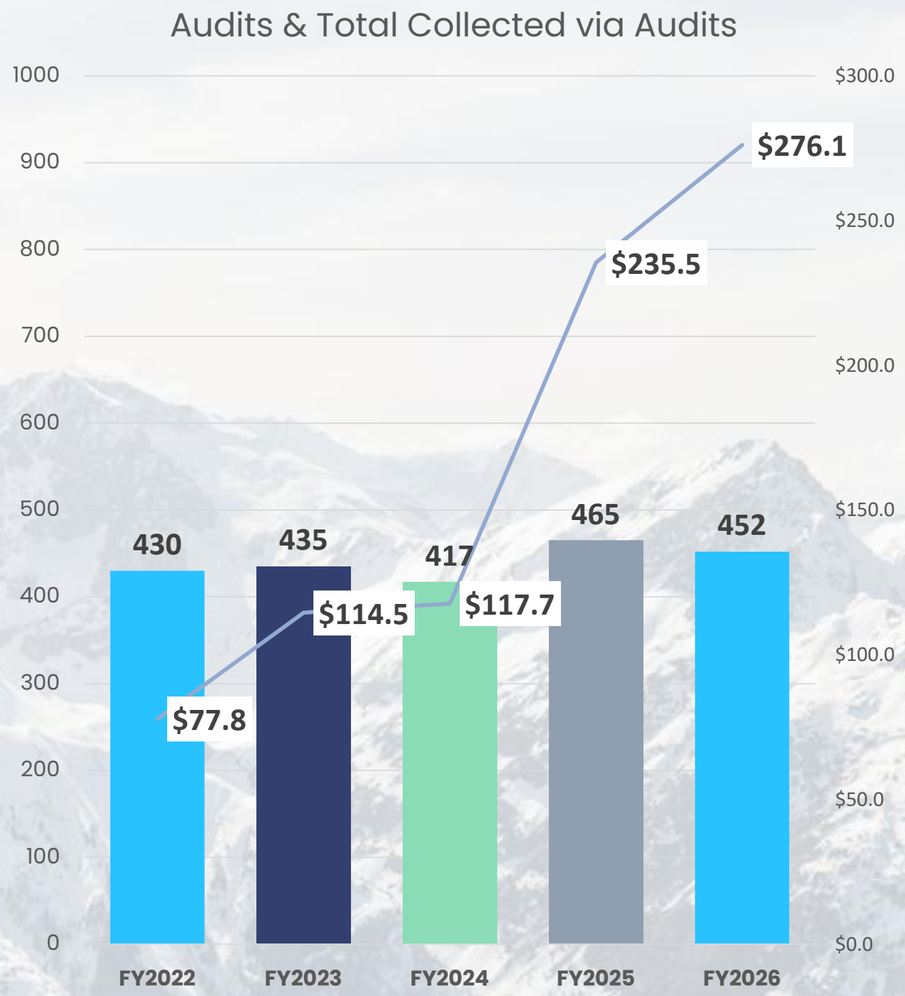
Interim final rule – Request for comments
Adds 110 and Changes 111 (Brokers), 141 & 142 (Entry), and 171 (FP&F)

Defines U.S. Importer of record as:
(1) An individual who is a United States citizen or lawful permanent resident; or
(2) An entity that meets the following requirements:
(i) The entity must be located in the United States;
(ii) The entity must be organized under the laws of the United States; and
(iii) (A) At all times, at least 51% of the beneficial owner(s) of the entity, as defined in §110.1, must be United States citizens or lawful permanent residents and have control of the entity; or
(B) The entity must maintain direct ownership of a significant amount of unencumbered real property in the United States at all times.

Defines Foreign Importer of Record as anyone who does not meet the above definition

CBP Stats

Trade Enforcement



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CBP is ramping up targeted enforcement

Key Takeaways

Stats as of July 27, 2026

- Modest increase in quantity of CBP Audits FY2022 thru 2025, but ~10 months of 2026 ≈ all of 2025
- Massive increase in Total Collected -- $77m in FY2022 to $235.5m in 2025 or 300%. Thru July, FY26 has increased to $276m
- Net Revenue due to Entry Summary Reviews rose from $667m in FY24 to $34bn in FY25. It's around $12bn for FY26 so far.

CBP Trade Statistics

DOJ & CBP Resource Guide to Trade Fraud Enforcement

Preparation & Prevention

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The opposite of panic isn't *calm*, it's preparedness



Reasonable Care is measuring what you put in, not what you get out

Success requires :

- Knowledge
- Structure
- Action, *and*
- Dependability

Today's focus is on *building knowledge* and *approach* so that you can be positioned to *develop structure* and *take action*.

Knowledge

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1. **Areas of Concern, *including but not limited to*:**
   - ❑ **Priority Trade Issues**
     - Agriculture and Quota
     - AD/CVD
     - Import Safety
     - Intellectual Property Rights
     - Revenue
     - Textiles/Wearing Apparel
     - Trade Agreements
     - (Forced Labor, *not listed*)
   - ❑ **The Import Revenue "Big 3"**
     - Value
     - Origin (+ FTAs)
     - HS
   - ❑ **Exports**
     - General Prohibitions
     - Licenses
     - Restricted Parties
     - Sanctions & Embargoes

2. **Information Resources**
   - ❑ Recordkeeping – 19 CFR 163, 15 CFR 762
   - ❑ HS – HTSUS & Explanatory Notes, CROSS
   - ❑ Origin - 19 CFR Parts 134, 102
   - ❑ USMCA – 19 CFR 182, GN 11, USTR
   - ❑ Value – 19 CFR 152
   - ❑ CBP Informed Compliance Publications
   - ❑ CBP Trade Webinars
   - ❑ BIS Training Videos
   - ❑ BIS Export Compliance Program (ECP)
   - ❑ Local, State, & Federal resources
     - Local & National District Export Councils
     - Ohio Export Assistance Network
     - US Commercial Services

3. **Data Sources**
   - ❑ ACE Reports – Import & Export
   - ❑ Broker Reports, Forwarder Reports
   - ❑ Entry Packets incl. 7501, CI, BoL, P/L
   - ❑ Internal analysis & justifications
   - ❑ System records & reports, activity logs
   - ❑ Audit reports, findings & actions

CBP's Trade Regulatory Audit

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Focused Assessments & Targeted Audits

- "Comprehensive audit that uses a risk-based approach to determine if the importer represents an acceptable risk to CBP"
- Consists of Pre-Assessment Survey (PAS), Assessment Compliance Testing (ACT), and Follow-up Audit – document previews are available for download.
- CTPAT Trade Compliance businesses are generally exempt from the Focused Assessment pool

Risk Analysis and Survey Assessments (RASAs)

- "Collaborative, multifaceted process based on cooperation, information sharing, and joint decision making" within CBP and other agencies.
- Considered "Other Professional Services" under 19 USC 1509(a), *not* audits

More info: CBP Audits/Trade Regulatory Audit

Precursors?

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CBP Form 28 Request for Information

- Routinely target a narrow subset – a specific line on an entry, a specific HTSUS, a specific Free Trade Agreement claim
- 30 days to respond from the date of the request, not the date of receipt
- Insufficient responses will result in CBP Form 29 Notice of Action
- Treat these as mini-audits of specific circumstances and respond promptly and conclusively, with detailed documentation

CBP Form 29 Notice of Action

- The action will either be “is proposed” or “has been taken”, with text describing what the action is
- Proposed actions have 20 days to contest; after that, subject to Protest under Part 174

Fines, Penalties & Forfeitures Notices

- Demand against Customs Bond for payment as Penalty or Liquidated Damages, with notice to Surety
- Payment or Petition for Relief due within 60 days, or else referral to DOJ

More info: CBP Form 28

Structure

There's no one right thing to focus on and no one right way to do it, and it doesn't happen all at once. And it never ends.

These are just some of the things to worry about:

- Gathering information, resources, and real facts
- Targeting the right areas and knowing what to look for
- Selecting the right size & scope of things to look at, feeling confident that it's "enough" without being "too much"
- *Actually* fixing the problems
- Dealing with the problems that were missed

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1. **Simplify –** Dial in on one of the Priority Trade Issues or one of the Revenue segments or that *one particular circumstance* that you know isn't right.

2. **Consider –** Focus on what a "good" or "correct" version should look like and write it all down. That's your "standard".

3. **Evaluate –** Look at your practices and see how they measure up to that standard. Good, bad, room for improvement, fine for now, etc.

4. **Identify –** Choose the area that needs resolved first and focus in on just that.

5. **Resource –** Designate the resources needed to work the problem.

6. **Implement –** Put that change into practice and deal with that change being in practice.

7. **Repeat –** I repeat: Repeat. It's never *done*.

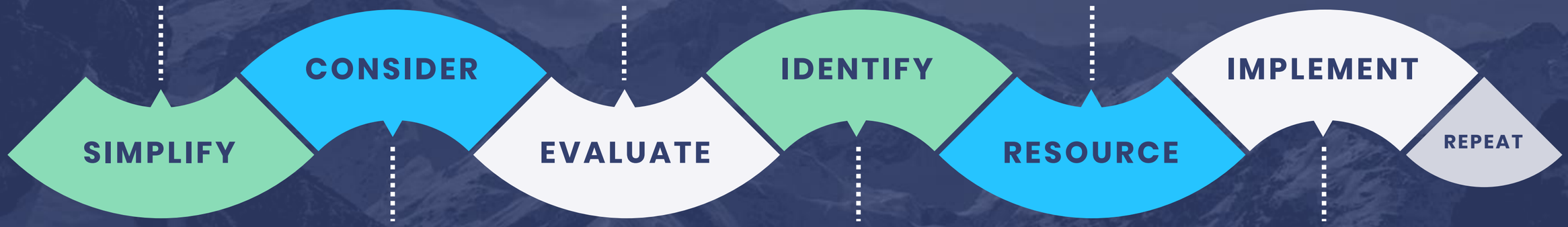
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Response Plan Frameworks

SIMPLIFY
Pick 1 thing right now and focus on it. How does it work? What's it about? What is the goal? How is it achieved?

EVALUATE
Critically compare the standards against the practices. Is what you're doing achieving the good outcome? How does the road to bad look different from the road to good?

RESOURCE
Time, people & money, but also knowledge, headspace, mood, and many other factors influence success. Which ones are short and how short are they? You can trade time for money, or people for time.



CONSIDER
Sketch out what good and bad outcomes would look like in practice. Penalties, delays, not going home in tears, cost saving, "thank you".

IDENTIFY
Find the gaps between the good and bad outcomes. What looks different in each version? Which pieces can you influence or affect?

IMPLEMENT
Put changes into practice – to whatever degree you can achieve in whatever space you've got to do it. Revisit the other gaps on future iterations.

Let’s Practice with a Mock Audit

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SIMPLIFY

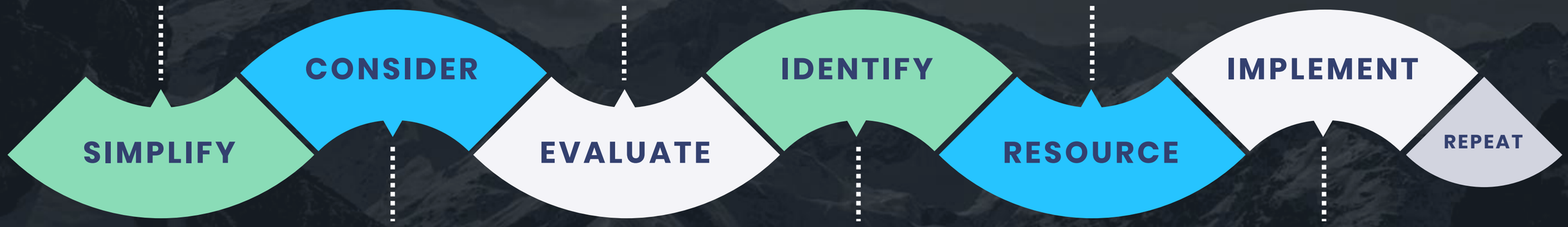
I don’t know how I would do in the face of a Customs Inquiry on HTSUS Classification.

EVALUATE

- Looking at the current practice, imported HTSUS do not get examined unless there’s been an issue
- There is no log of any HTSUS ever being affirmed, there’s just an HTSUS in the system with no other data.

RESOURCE

- Reviewing HTSUS can take 2-3 hours per item, depending on complexity
- With 6 new items each month, I need to verify at least half – that’s 6-9 hours per month I need to plan for. Where can that time come from?
- Next iteration: needs to be 100% review



CONSIDER

Good outcomes:

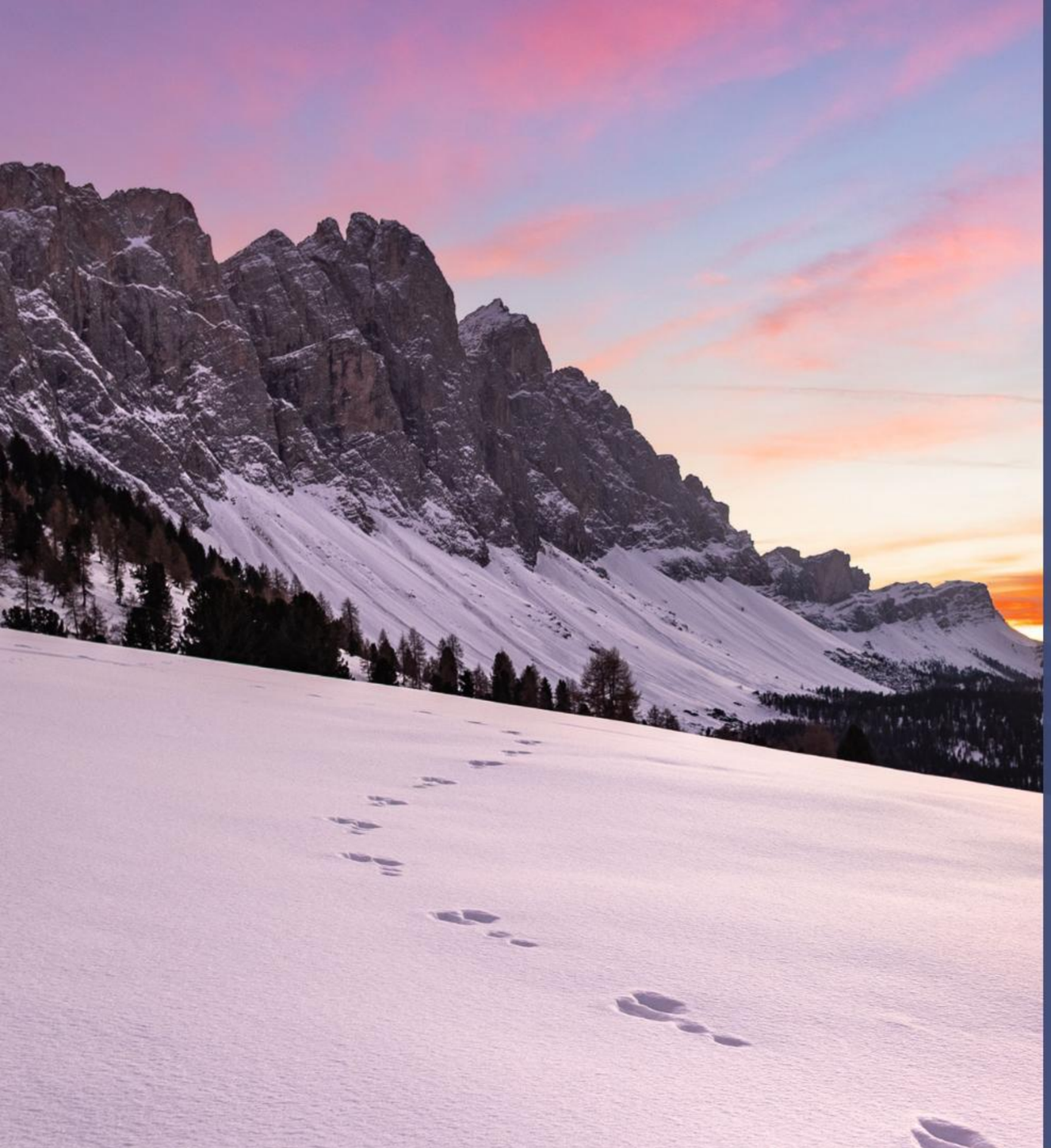
- Upon request for HTSUS justification on a random imported item, I should be able to readily find that the HTSUS has been recently examined and there should be a log of when it was affirmed

IDENTIFY

- There needs to be time set aside to review import docs
- There needs to be a log of who & when the HTSUS were affirmed
- There needs to be a record of any PSCs and/or Protests filed.

IMPLEMENT

- For the next 3 months, I’ll make sure at least 6 hours go towards HTSUS review on new items.
- I’ll make a log of each that is reviewed and document any weirdness.
- I’ll rerun the Mock Audit after 3 months and see if I do better.



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Are You Ready?

Customs Audit Ready™

Learn More:

Thank You!

Stick around for some Q&A!

Year-End Trade Compliance Checklist:
Prepare for the Year Ahead

Tuesday, December 8 at **1pm ET!**

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CE Code for Today's Webinar

1 LCB/CCS/CES credit available from watching the recording until 11/2/2027

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