Order Processing System

OBJECTIVE: To describe the entire order process from beginning to end, identify where EAR vulnerabilities might occur and then implement transaction, customer, supervisory and systems clearances to prevent EAR violations.

PROCEDURE: The EMS Administrator should describe who is responsible for each stage of the flow and identify at what points a potential export violation could be identified. Then, integrate the Screening Elements into the process at those points of vulnerability.

The EMS Administrator should determine frequency of export checks. An effective order processing system may have redundancies designed into it. For example, a Denied Persons Check conducted by sales personnel at the initial stages of a transaction could minimize the time and expense a company might incur to win business that it cannot fulfill. A Denied Persons Check at the end of the process, immediately prior to shipping, can identify any late- minute Federal Register Notices of changes that could be relevant to the transaction.

An EMS should contain a formal flow chart and/or narrative description of the order processing system with EAR compliance as the focus. Your system may integrate manual checks and automated checks. Whether manually or electronically performed, it is important to clearly define the preventative controls to minimize vulnerabilities prior to order entry, in-process controls that will place a "hold" on a transaction necessitating a secondary review and after-process controls that would alert you to system failures.

- √ An example of a preventative control would be requiring the sales personnel to perform a check of customers against published Denied Persons. If there was a match of a customer name, such a procedure could prevent the request from being entered into an order processing system.

- √ An example of an in-process control is when the logic of an automated system is established to read items requested and country of destination and then apply the appropriate licensing authorization decision. Entries against the logic would create a "hold" on a transaction necessitating further review.

- √ An example of an "after-process" control is when an "export checklist" is automatically generated at the end of the process (could be manually attached to the order) that is used as one last review before shipment to confirm export transaction requirements were fulfilled and accurate.

To ensure compliance with the record keeping requirements, it is recommended that the flow chart and/or narrative include descriptions of the EMS requirements for the processing and maintenance of the shipping documents.

The order processing system, whether it is manual or automated, should have "hold" functions that ensure adherence to sign-off procedures and prevent the preparation of commercial invoices and shipping documents prior to review and sign-off. In cases where transactions are placed "on hold," it is recommended that those special transactions receive supervisory sign-off to release them. In fact, at any vulnerable point, you might consider implementing different supervisory levels of signature to strengthen the system (whether manual or electronic).

Each individual with responsibility for performing a control check(s) should be held accountable for orders processed. Some method of verifying the performance of the checks should be implemented, whether by requiring documentation of the completion of the checks for reviewing purposes or some other means used to ensure compliance.

COMMENTS:

The EMS Administrator and all order processing personnel should be aware that the screening elements should be performed on all intermediate parties involved in a transaction. This is particularly true for Denied Persons Screening. This is to ensure that items exported under in-transit shipments, shipments to bonded warehouses and free trade zones are disposed of as authorized, thereby reducing the possibility of diversion. The firm should determine whether any of its transactions with its consignees involve these types of activities.

The party with control over the items should be assigned responsibility for monitoring the items. For instance, control over items that are in-transit remains the responsibility of the firm until such time that the title is transferred to the customer.

However, control over shipments to bonded warehouses or free trade zones may not rest with the exporter. The question of control therefore depends on the point at which title passes from the firm to the ultimate customer. The export clearance and retention of records requirements for these types of shipments are no different from any ordinary export transaction.