

CHAPTER 13

VERIFICATION

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LIST OF ACRONYMS & ABBREVIATIONS

AIT	AMERICAN INSTITUTE IN TAIWAN
APO	ADMINISTRATIVE PROTECTIVE ORDER
CEP	CONSTRUCTED EXPORT PRICE
CFR	CODE OF FEDERAL REGULATIONS
CS	UNITED STATES AND FOREIGN COMMERCIAL SERVICE
DOC	DEPARTMENT OF COMMERCE
EP	EXPORT PRICE
GATT	GENERAL AGREEMENTS ON TARIFFS AND TRADE
GUI	GOVERNMENT UNIFORM INVOICE
IA	IMPORT ADMINISTRATION
ITC	INTERNATIONAL TRADE COMMISSION
NME	NON-MARKET ECONOMY
OA	OFFICE OF ACCOUNTING
ITC	INTERNATIONAL TRADE COMMISSION
OBS	OBSERVATION
PCSAS	SAS FOR THE PERSONAL COMPUTER

LIST OF ACRONYMS & ABBREVIATIONS

PM	PROGRAM MANAGER
POI	PERIOD OF INVESTIGATION
POR	PERIOD OF REVIEW
PRC	THE PEOPLE'S REPUBLIC OF CHINA
SAA	STATEMENT OF ADMINISTRATIVE ACTION
ANTIDUMPING AGREEMENT	AGREEMENT ON INTERPRETATION OF ARTICLE VI OF THE GATT
THE ACT	THE TARIFF ACT OF 1930, AS AMENDED
USTR	UNITED STATES TRADE REPRESENTATIVE

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References:

The Tariff Act of 1930, as amended (the Act)

Section 782(i) - **verification**

Department of Commerce (DOC) Regulations

19 CFR 351.307 - verification of information

SAA

Section C.4.a.(6) - verification of information

Antidumping Agreement

Articles 6.6 and 6.7 - verifications

Annex I - procedures for on-the-spot investigations

INTRODUCTION

This chapter describes the purpose of an antidumping verification and how to prepare for and conduct a successful verification. For those who have never participated in an antidumping verification, it might seem like an impossible task to incorporate all of these procedures into a verification which typically lasts one week. Bear in mind, however, that this chapter is a compilation of everything that should be incorporated into the planning and execution of a successful verification.

The ability to conduct a successful verification is dependent upon the skill level of the verifier, number of verifiers and everything going as planned. Note that the emphasis is on the skill level and not the experience of the verifier. It is possible to be skilled and have limited experience or to be experienced with limited skills. New analysts should always be assigned to work with a senior analyst on their first verification(s) and should not be assigned to lead a verification until they have attained the desired skill level. Typically, two verifiers are always present at a verification, although skilled senior analysts may be called upon to conduct “solo” verifications without assistance from time to time. Tips for conducting verifications with two verifiers are interspersed throughout this chapter. For those cases where detailed cost or financial information is part of the proceeding, an accountant, financial analyst, or analyst with accounting expertise should participate in the verification. Finally, the saying about “the best laid plans...” is

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especially true for verifications. No two verifications are alike, and things will happen that you did not plan for. Expect the unexpected, and, above all, be flexible.

I. OVERVIEW OF VERIFICATION OBJECTIVES AND PROCEDURES

Under Section 782(i) of the Act, the DOC shall verify all information relied upon in making a final determination in an antidumping duty investigation, final results of **administrative review** under section 751(a) of the Act if certain requirements are met, or an antidumping **revocation** under section 751(d) of the Act. 19 CFR 351.307 specifies other times when verifications are generally conducted as follows: 1) the continuation of a suspended antidumping investigation; 2) the final results of an expedited review under section 751 of the Act; and 3) the final results of an administrative review, new shipper review, or changed circumstances review, if the DOC decides that good cause exists.

The information we rely on to make a final determination in an investigation or in an administrative review is the questionnaire responses of the respondent. We verify this information by conducting a verification at the respondent's facility (or facilities) in a process designed, in most instances, to focus on a prioritized, cross section of information from the response that will prove or disprove the validity of the overall submission.

A. Objectives

1. Verify the accuracy of the data submitted in the response.
2. Verify that relevant data was not omitted from the response.

B. Timing, Verification Report Content, and Procedures

19 CFR 351.307 specifies when verification is to occur for antidumping investigations and reviews, the contents of the verification report, and the procedures for verification. Below are relevant excerpts of this regulation:

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- o (b)(1) When a domestic interested party requests a verification for the final results of administrative review, this request must be in writing and made no later than 100 days after the date of publication of the notice of initiation of review.
- o (b)(3) If the Secretary decides that, because of the large number of exporters or producers included in an investigation or administrative review, it is impractical to verify relevant factual information for each person, the Secretary may select and verify a sample.
- o (b)(4) The Secretary may conduct verification of a person if that person agrees to verification and the Secretary notifies the government of the affected country and that government does not object. If the person or the government objects to verification, the Secretary will not conduct verification and may disregard any or all information submitted by the person in favor of use of the **facts available** under section 776 of the Act and §351.308
- o (c) Verification Report - The Secretary will report the methods, procedures, and results of a verification under this section prior to making a final determination in an investigation or issuing final results in a review.
- o (d) Procedures for verification. The Secretary will notify the government of the affected country that employees of the DOC will visit with the persons listed below in order to verify the accuracy and completeness of submitted factual information. The notification will, where practicable, identify any member of the verification team who is not an officer of the U.S. Government. As part of an antidumping verification, DOC verifiers will request access to all files, records, and personnel which the Secretary considers relevant to factual information submitted of (1) producers, exporters, or importers, (2) persons affiliated with the persons listed in paragraph (d)(1) of this section, where applicable, or (3) unaffiliated purchasers.

VERIFICATION**II. GENERAL PRINCIPLES****A. Planning**

Verification preparation begins when you analyze the questionnaire responses. Ask yourself if the questionnaire response provides enough information and sufficient support, such as charts and worksheets, in order to verify the data. Consider how you might verify the information and start drafting a verification outline. If you believe the response does not include the relevant data for verification, request the necessary information in a supplemental questionnaire (See chapter 5 for information on the analysis of a response.).

B. Risk Analysis

The concept of “risk analysis” should always be in the back of your mind as you prepare for and conduct your verification. Always consider which direction is to the advantage or disadvantage of the respondent. This approach will help you focus your time and energy at verification on those areas where it is needed the most (especially in completeness).

For example:

1. Don't spend a significant amount of time considering what movement or other direct selling expenses the respondent failed to claim as a deduction to **normal value**. Claiming these expenses as deductions would only serve to lower the **dumping** margin and it is the respondent's role to make and demonstrate favorable adjustments. However, if you do find unreported **home market** expenses, note them in the verification report.
2. Do be concerned about whether the respondent reported all U.S. movement expenses or other direct selling expenses. Obviously, failure to report these expenses could have the effect of decreasing any dumping margin. The seriousness of these omissions could be the basis for the respondent failing verification.

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C. Control the Verification Process

1. Proper time-management is a crucial aspect of all verifications. You control the verification schedule. Always bear in mind your objectives and do not allow yourself to become bogged down in relatively insignificant topics or adjustments.
2. Do not become involved in a discussion of case related issues or attempt to justify or explain decisions made in the investigation or review.
3. Be reasonable in your time and work demands placed on respondents. To the extent practical, work with the respondents in meeting your schedule and objectives. Many times the company personnel have done their best to set a schedule to accommodate your outline and other logistical requirements.
4. At the same time, do not feel obligated to stick to a set agenda or to follow the order of the verification outline. Spontaneity is often the key to a successful verification.
5. Understand the players at verification, their roles and their personalities. While it is sometimes more efficient to deal with the company's spokesperson, you should normally work with the company person responsible for that topic.

D. Setting Priorities for Verification

1. Usually, it is not necessary nor is there time to verify every bit of data in the questionnaire response. Therefore, it is critical to rank your verification topics by priority. Keep in mind that the verification priorities are your priorities, not the respondent's.
2. Do not advise the respondent in advance what you may or may not verify (either within or outside of the verification outline). To insure the integrity of the verification process, the respondent must always be prepared to verify any sections of its response.

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3. The fact that an item was not actually verified will not mean that the item is unverified. Verifications involve a great deal of sampling. Consequently, assumptions about items not selected for verification will depend on how the verification went for the selected items. If the selected items in the response tie to the company records, we will have a good deal of confidence in the accuracy of the items we don't specifically verify.

E. Important Insights and Suggestions

1. Generally, respondents are truthful in their responses. Nonetheless, you should always ask probing questions or examine a matter from different perspectives in order to ensure that you receive accurate information.
2. Be aware that, in some parts of the world, it is an accepted business practice to have a second set of books. If you are concerned that the records you are reviewing are not reflecting the true business practice of the company, you may overcome this situation by advising the company (directly or through consultation with their attorney) that you are just interested in the business facts as they pertain to the investigation or review.

If you find that a company has a second set of books, you must exercise extreme caution and sound judgement in how these books are used. Have the respondent describe to you how the books differ. Wherever possible, you should link the second set of books to the official records. For example, if certain income from U.S. sales is kept offshore in unreported foreign accounts, the respondent will be pushing to apply that income to its U.S. prices in order to push the price up. Since this methodology is to the respondent's advantage (remember "risk analysis"), the company bears the burden of proof to directly link this income to the U.S. sales.

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3. Be aware of cultural differences in conducting the verification. For example, it may be the custom (or tactic) in some places to only answer a question exactly as asked. Therefore, if you or your interpreter don't phrase the question properly, you will not receive a full and complete response. Where necessary, discuss the topic with your interpreter and ask him or her to be sensitive to the problem.
4. Do not limit your discussions to company personnel (or its attorney or consultant) responsible for presenting the company response. While there are advantages in having one person speak for the company, such as efficiency and continuity, you should always be sensitive to the fact that, by using one person as a spokesman, the company may be controlling the information it wants you to see or hear.
 - a. When you want an "unrehearsed" answer or explanation, request that certain company personnel be called into the verification room. Ensure that all conversations are in English or are monitored by your interpreter.
 - b. Spontaneous phone calls are also an effective and efficient way to corroborate information, particularly if the party you wish to speak to is not at the verification site. In these cases, have your interpreter translate the questions and answers. Always allow company officials to listen in (use a speaker phone) to ensure that the translation is correct and that they are aware of what is being said.

F. Do Not Lose Sight of Your Two Objectives

1. Verification of the accuracy of information submitted in the response.
 - a. You must first verify the data as submitted in the response unless you are absolutely certain that such data will not be used in the final determination. Realize, however, that the magnitude of some submissions may mean that not all data will actually be examined. In these instances, your prioritized verification outline will be crucial to the success of the verification.

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- b. Although you may believe that the respondent's data is flawed, failure to verify the data on the record places the DOC in a tenuous position in arguing pro or con on a topic in reaching a determination or before the court. Your verification results should provide the support for the record of the correctness or incorrectness of the questionnaire response.
 - c. Do not rely on respondent's worksheets as the source documents for verification of a particular topic. Worksheets should be first tested for accuracy (if these documents are already on the record, try this test before verification) to determine if the math, formulas, and assumptions yield the results claimed in the worksheet. Do not simply accept the respondent's methodology as presented. There may be fundamental assumptions that are not supported by the facts or alternatives that provide a more reasonable and accurate accounting. Once you have examined a worksheet in this manner, trace, as appropriate, back to accounting records and source documents.
2. Verification that relevant data was not omitted from the response.
- a. This objective is commonly referred to as verifying the completeness of the response. Completeness, though frequently applied only to the reporting of sales transactions, also applies to charges and adjustments.
 - b. If you limit your verification to the information in the response, you have not conducted a thorough verification.
 - c. Completeness should not be thought of as a single phase of the verification. It has its roots in the foundation of knowledge you establish in the beginning of the verification, and is constantly evolving as you probe and attack the response from different directions. "Risk Analysis" is a key component of completeness.

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See section VII of this chapter for a further discussion of the topic of completeness.

G . Thoroughness

The outcome of an antidumping investigation or review is often vitally important to the petitioner or respondent. Therefore, you should be thoroughly familiar with the questionnaire responses, other case facts, and the issues of the investigation or review before you commence the verification. Above all, conduct yourself in an impartial manner at all times.

III. PRE-VERIFICATION PLANNING

A. Logistical Plans

1. Length

The length of a verification for an investigation or a review will depend on the complexity of the questionnaire response and the resources (including budgetary) available for the verification. As a general rule of thumb, most market-economy verifications at overseas sites take four to five working days. Verifications in the U.S. for **constructed export price (CEP)** transactions generally last from one to three working days.

For non-market-economy (NME) cases, we usually spend one to two days verifying the sales portion of the response, and two to three days verifying the **factors of production** portion of the response. The length may be determined in part by the number of U.S. sales transactions and number of production factors involved. If the same company sells and produces the merchandise, a total of two to four days may be sufficient. In some NME cases, we may also visit a government or business association office. These verifications are generally limited to one day.

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Bear in mind that, whenever possible, additional time should be considered if a senior analyst is training a new analyst.

2. Dates and Places

Ideally, in an investigation, verification should begin between one to two weeks after the publication of the preliminary determination. While the objective is to verify as soon as possible, you should allow enough time after the preliminary determination for proper preparation. If there are outstanding issues that require additional focus or information, the schedule should be adjusted accordingly.

If the final determination in an investigation is postponed, you may also need or want to push back the verification later than two weeks after the preliminary determination.

However, you still need to schedule the verification well in advance of the final determination in order to allow plenty of time for the verification reports, interested party briefs, the hearing, and developing the final determination.

It is a good idea to begin informally discussing verification dates and locations with the respondents or their attorneys well ahead of time. This way, to the extent possible, you can try to work around potential conflicts, holidays, etc. before you advise the respondents of the verification dates.

In some cases, you may need to consider conducting some business on the weekend. For example, Saturday is at least a one half-day workday in some countries and planning some verification work on a Saturday may be appropriate for your schedule.

Remember, however, that you, and not the respondent, are ultimately responsible for setting the verification schedule. In doing so, first consider the needs of the DOC, then, where possible, factor in the concerns of the respondents.

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3. Location

While in most cases, it will be fairly obvious where source documents are maintained and, hence, where verification will take place, in other cases it will not be as clear. Due to the roles of affiliates, sales offices, the factory, trading companies, etc., it may be necessary to conduct verification at multiple sites. Be sure to develop this information during your analysis of the questionnaire response. Don't hesitate to question the respondent (or its counsel) to identify the appropriate verification sites. Ultimately, your team will determine where to verify.

When faced with the prospect of verifying at multiple sites, respondents have occasionally suggested that all verification documents be brought to one central location for verification. While we have conducted such verifications in the past, extreme caution must be exercised. Our stated objective is to verify at the location where the source documents are to be found, both for verifying the information submitted as well as for conducting completeness tests. If the respondent insists on having the documents brought to one central site, it should be advised in writing that failure to provide the source documents requested could be to its detriment.

4. Travel Orders and Notifications

- a. Travel orders must be prepared for all official travel. Generally, travel orders are prepared by the office support staff. Travel orders should be drafted as soon as possible after the verification itinerary is determined - probably three to four weeks prior to departure - but no later than two weeks prior to departure. Be sure to provide the following information to the preparer:
 - o Names of all verifiers
 - o Location of all verification sites
 - o Proposed itinerary
 - o Proposed modes of transportation

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- o Anticipated expenses such as interpreter fees and travel expenses, excess baggage, official telephone calls and faxes, additional travel, car rentals, etc. as appropriate.

You may need to assist in estimating the costs of your travel expenses in order to prepare the travel orders.

- b. Country clearance must be obtained from the U.S. Embassy or other representative (e.g., the American Institute in Taiwan (AIT)) in order for travel orders to be approved. Once you have determined a tentative verification schedule, notify the U.S. State Department, the Commercial Service, and the United States Trade Representative (USTR) (only if you are traveling to the People's Republic of China (PRC)) of your plans and any assistance required. Generally, the office support staff will prepare a fax with your assistance that requests country clearance and provides at least the following information: names of verifiers, places and times of verification, and what type of assistance may be required, such as obtaining interpreters, lodging, and/or local travel. Check the interpreter log and the experience of other analysts in requesting an interpreter; you may wish to request a specific person in your communication to the overseas post. The fax may include all of the travel details or simply the general information with the statement that a detailed itinerary and request for assistance will follow after receipt of country clearance. Under the latter, you will need to follow up by fax or cable with the details of your requests, addressed to the "control officer" identified in the country clearance cable you will receive.

The country clearance request fax is transmitted to the State Department, the Commercial Service, and USTR (only if you are traveling to the PRC) which will prepare and transmit a cable to the post after its own clearances

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are obtained. This process may take up to two weeks, so it is always a good idea to prepare the requesting fax as soon as you have determined your travel plans. Travel to the PRC requires a three week advance notice. No IA traveler is permitted to leave for official travel outside the United States without an official cable granting country clearance.

- c. We are required to notify the respondents and representatives of the government of the country where we intend to verify. As discussed in 19 CFR 351.307(b)(4), the DOC will verify information in a foreign country only after: (1) obtaining agreement from the persons whose information will be examined; and (2) notifying the foreign government concerned of the details of the verification. If the foreign government concerned or the person whose information is to be verified objects to verification, the DOC will not conduct the verification and may disregard the submitted information in favor of the facts available, pursuant to amended section 776. 19 CFR 351.307 also provides that the DOC shall give sufficient notice to persons involved before verification is conducted. This notice should identify any member of the verification team who is not an officer or employee of the U.S. Government. Such non-government members will be required to sign a standard non-disclosure agreement regarding limited disclosure of business proprietary data to ensure the confidentiality of **proprietary information** obtained or examined during verification. This notification should be made as soon as you have determined your travel plans.

B. Review Responses and Calculations

1. Knowing a respondent's questionnaire response thoroughly is critical for a successful verification. Prior to the verification, conduct a thorough review of all responses as well as petitioner's pre-verification comments. Review the product catalogs and financial statements included in the response. If you have not already done so by this time, read the ITC preliminary determination report, as it frequently has valuable information on the product and production processes.

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2. Invite Petitioner comments. When verification has been planned, prepare a letter to petitioner or its counsel advising of the verification schedule, inviting comments as to the major elements of verification concern. The petitioner should be reminded that verification time is limited so its comments should be directed at helping the verification team to organize its time so that, if appropriate, the response elements of most concern to petitioner are sufficiently addressed at verification.
3. Continue to analyze the numerical data. Review the sales and adjustment claims and, where appropriate, cost or factors of production data to identify what is important and what is not. For example:
 - a. Identify “outlier” sales and related information for each response. That is, identify the transactions with the maximum and minimum values for prices and adjustments. These values may identify erroneous data, or costs and expenses that may need to be checked carefully.
 - b. Identify some “typical” sales close to the average or mean of the data base that include most of the typical adjustments encountered in the response. These sales often constitute the “bread and butter” of the response and are good baselines to compare against the “outlier” sales.
 - c. Sort a variety of data by customer or groups of customers (i.e., affiliated and unaffiliated) or customer categories (e.g., distributors and end-users). Examples of key data to sort are quantity and value, **rebates**, **discounts**, channels of trade, and commissions. Sum the totals for all quantifiable data fields and break it out by reported variables within that field. These totals may be useful in determining the significance of certain variables or for checking allocations.
 - d. In investigations, review the preliminary determination calculations for such items as sales that may be driving the margins or which sales were or were not used for product comparisons. This examination will give

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you a better idea of what was relevant for the preliminary determination and what could be relevant for the final determination.

- e. In reviews, look at the results of the previous determinations. If the company has been verified before, examine the reports from earlier verifications.
- f. For factors of production or **cost of production** responses (if Office of Accounting (OA) accountants are not involved), identify those products or models with the highest and lowest consumption of inputs or costs. Identify the models or products which generated the highest and lowest margins at the preliminary determination in an investigation, and try to identify any inputs or cost elements which may have generated these results.

These analysis will help you identify areas on which to concentrate at verification. As part of this process, you should be able to identify specific transactions for inclusion as “pre-selected” or “on-site” sales at verification. Similarly, if you are involved with a factors or cost verification, you may uses this process to identify specific models and inputs or cost elements for detailed examination at verification.

The OA maintains a library of reports which explain the types of accounting data that companies are required to maintain in different countries. Include a review of the country's accounting reporting requirements in your pre-verification preparations.

- g. External Source of Information

In preparation for each verification, to the extent practicable, members of the verification team and the team's managers should search for external sources of information regarding industries and companies to be verified. In particular, the team should coordinate closely with other agencies of the U.S. Government, such as the U.S. Customs Service, ITA's Trade

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Development offices, the State Department and embassies/consulates in the appropriate countries, and the United States and Foreign Commercial Service (Commercial Service). Caution: Without the consent of the owner of proprietary information, you cannot disclose this proprietary information under APO or to another U.S. government agency. Therefore, all IA staff must be certain to limit discussions of information we have to public information only. There is an exception under the statute for providing proprietary information, under some circumstances, to Customs and the ITC. However, any decision to do so must be approved by the appropriate Deputy Assistant Secretary.

For purposes of seeking external U.S. government sources of information, contact the following:

U.S. Customs Service (headquarters and overseas offices) - Use your designated IA Customs liaison person.

Trade Development - Office of Planning, Coordination and Resource Management (482-4921).

U.S. Department of State (headquarters and embassies) - Special Trade Activities office, Economics and Business Bureau (202-647-6078).

The Commercial Service - For overseas offices, the appropriate regional office within the International Operations office here at headquarters. Main number is 482-6228 and regional offices' numbers are:

Africa, Near East and South Asia (482-4836)

East Asia & the Pacific (482-2422)

Europe (482-1599)

Western Hemisphere (482-2736)

U.S. domestic offices (482-476)

Information from other sources:

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Information on U.S. companies and some foreign companies can be obtained through public sources such as Dun and Bradstreet, Moody's, Lexis/Nexus, Predicasts, World scope, etc.

Information on U.S. companies can be obtained from the articles of incorporation (which will usually include the names of the boards of directors) through the Secretary of State of the state where the company is incorporated.

C. Tools for the Verification

Obviously, you will need to bring the questionnaire responses and related documents to verification, at least in some form. You can always try to pack up your office and bring everything, but experienced verifiers generally use a more organized approach. These tools and techniques, described below, will help you organize the response information to make your verification proceed smoothly and efficiently. They will also help cut down on your luggage requirements.

1. Data Packages

Data packages are collections of documents from the submissions which deal with a specific verification topic. Those who have used them consistently strongly recommend using data packages for all but the simplest of responses.

- a. Each data package should contain all submissions, including exhibits, which have been submitted on the specific topic. Date the top of each page with the submission date. Place the latest submission on the top. Be sure to include the petitioner's pre-verification comments in the packages.
- b. Data packages are generally maintained in separate folders. Any verification exhibits or notes taken during verification should be included in these packages.

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- c. Examples of typical data package topics would be organizational structure, relationships, accounting (includes financial statements), product information, distribution systems, **date of sale**, discounts, rebates, commissions, ocean freight, duty drawback, difmer, advertising, etc. Where the charge or adjustment is unique to the U.S. and home markets, separate data packages should be prepared. Additional packages can be created at verification for completeness and sales traces.
- d. If time allows, data packages can be made even more useful in organizing data or reducing response volume by front and back copying, cutting and taping multiple submission narratives onto a topic page, excluding all but sample pages or relevant pages of particularly voluminous documents (e.g., product catalogs, customer code lists) if you know that the remaining pages will not be needed at verification or that the respondent will have a full copy of the response at verification, and excluding submissions that have been superseded for non-methodological reasons.

2. Advantages of Data Packages

- a. When the responses are large and there have been multiple filings on a topic, the packages give you all of the relevant data in one place without having to fumble through multiple submissions.
- b. Data packages make it very easy to jump from topic to topic. When starting a new topic simply pick up the appropriate package and review the submissions in one quick read. Having the petitioner's comments included allows you to focus on the full scope of the issue. Similarly, during the verification when you need to jump back into another topic or to review some earlier exhibits, you know right where to find them.
- c. It makes verification report writing easier in that everything needed on a topic is right at hand, including the relevant verification exhibits.
- d. Data packages make it very simple for someone unfamiliar with a response and petitioner's issues to assist with verification. They simply

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pick up the package, review the documents, and verify. In this regard, data packages are essential.

- e. It shows the respondents that you are well-prepared and well-organized, all of which enhance your appearance of professionalism.
- f. Properly done, data packages actually reduce the volume of paper carried to verification.
- g. The time spent preparing the packages is not only a useful review, but is also returned to you in time saved during verification and report writing.

3. Response Index

An alternative to data packages are detailed response indexes which consolidate, by topic, the location in the response of all submissions on that topic. A response index is a tool that should be prepared as the questionnaire responses are submitted, not immediately before verification. Analysts who have used this tool find them extremely helpful for tracking response information through the supplemental questionnaire and preliminary determination process, as well as for verification planning and conduct.

Typically, the indexes are set up to follow the questionnaire format. Each questionnaire item may be a heading in the index. Under each heading, identify where the respondent has responded to the question by date of response and page or exhibit number. As appropriate, include notes about the response. Where a supplemental response provides information that supersedes earlier information, these changes are reflected in the index and may provide a line of inquiry at verification (e.g., why was one set of data originally reported and how did the respondent identify the error?). Below are some sample index excerpts:

VERIFICATIONAccounting Practices

9/10 response, p.24: Normal fiscal year period = Jan. 1 - Dec. 31.

Maintains no internal financial stmts.

9/10, Exhibit 2: Company's 1997 and 1998 financial statements (English)

9/10, Exhibit 11: Financial statements of affiliates Foreign Production Co., Ltd., and Major Input Supplier, S.A. (English)

Adjustments for Rebates and Discounts**Home market**

OTHDIS1H, *f*/MT; REBATE1H, *f*/MT (variable names, with currency and unit)

9/10, pp. 7-10: Description of discount and rebate programs

10/20, pp.9-10: No discounts except for a "trader's discount" offered to resellers of certain merchandise, based on [x.x]% of full price trader/reseller purchased from Respondent. Annual rebate program for 2 customers at [y]% if they meet their target volume.

11/17, p.23: OTHDIS1H = trader's discount, credited on invoice.

11/17, p.24: REBATE1H granted by credit note after end of calendar year as [y]% of GRSUPRH less freight.

11/17, Exhibit 26: Sample invoice and sales data for rebate claim.

4. Smaller, Simpler Responses

In some investigations and reviews (typically those involving non-market economies and a relatively small number of sales), questionnaire responses may be relatively small and easy to follow. For these cases, data packages and/or a response index may not be necessary as long as you are able to keep track of all of the response information without these tools. Such smaller responses generally are not a burden to bring to verification.

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5. Other Methods

Some experienced verifiers have used variations of the above, such as both data packages and response index or data packages for some major issues and partial copies of responses for others. The verification outline (discussed below) may incorporate aspects of a response index and may be sufficient for your purposes. Consult with your program manager (PM) or supervisor for the approach which suits you and the verification best.

6. Laptop Computers

Many verifiers travel with a laptop computer which is available from their office. In addition to its use as a word processor to draft the verification report while at verification, the computer is also useful as a verification tool for maintaining “soft” copies of case documents and to analyze data bases at verification. If you want to use a laptop for this purpose, encourage respondents to submit copies of the questionnaire responses on diskette so that you can load the document on the laptop computer. Laptop computers are generally equipped with Lotus spreadsheet software. If the sales, cost, and/or factors data was submitted in Lotus 1-2-3 format, load the data onto the laptop, along with the margin calculation program. This procedure will allow you to continue to analyze the data and the impact of various verification items while at verification.

In some cases, it may be possible to perform similar verification analyses of data in SAS format. As of this writing, PC SAS software is not usually installed on laptops, but may be installed prior to verification. If you are comfortable with SAS and want to try using it during verification, sign out a laptop and work with the Information Technology Unit to install the software prior to departure for verification. Allow enough time for a successful installation of the software and the data bases you want (including exchange rates, where applicable) as well as time to test it on the laptop.

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D. Selecting Sales for Verification

Prior to verification, you should identify specific sales transactions from the U.S. and exporting- country (EC) or third-country data base for detailed examination at verification. Some of these sales are listed in the verification outline and are commonly known as “pre-selected sales”. Others will be identified to the respondent in the course of verification and will be referred to as “on-site” sales.

The specific sales selected should cover the full spectrum of terms of sales, charges, adjustments, etc., as well as sales with unusual characteristics. Your data analysis prior to verification, discussed above, should provide you with some direction in choosing these sales. If there is a cost of production investigation in the proceeding or where normal value is based on **constructed value**, coordinate the selected sales for the sales verification with the products and costs to be examined at the cost verification. If an OA accountant is involved in the cost investigation, be sure to coordinate the objects of the sales and cost verifications. For example, make sure the cost team is aware of the sales transactions that you consider important and they can focus their verification to cover the cost side of the same transaction.

In identifying selected sales to the respondent, include enough unique information to allow the respondent to identify the proper sale. It is not uncommon for much of the same sales transaction data to be repeated for different observations (OBS) or for the OBS# in your program to differ from the OBS# used by the respondent.

For the pre-selected sales, select as many sales as needed to cover the range of data you wish to observe while keeping in mind your time constraints at verification. Around five pre-selected sales for each market is typical for a normal market-economy case. If both EP and CEP are involved, you may want to choose four to six sales of each type. Select an equal number of “on-site sales” to be presented during verification.

In some cases, particularly NME proceedings, the total number of sales reported may be so small as to make pre-selection unnecessary. For example, if a respondent only made 10 sales during a period, it is probably easier to advise the respondent to consider all sales as “pre-selected.”

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The term “surprise sales” often has been used to refer to on-site transactions presented to the respondent during verification. Generally, there is nothing "surprise" about these sales as the respondent will typically disappear with the list in order to collect the necessary supporting documents. Instead, you should use sales selected on-site to further examine topics of interest that were identified prior to or during verification. If there is a particular concern about the legitimacy of documents, then a member of the verification team may decide to accompany the company officials as they gather the necessary documents.

Prior to your departure on verification, run a printout of the complete transaction data for each of the selected sales. If possible, produce a printout with the invoice number of each of the selected sales so that you can compare all of the sales transactions reported to those on the actual invoice. Each selected sale or invoice should be printed on a separate page that you have extra space to take notes on during the verification of that sale. Ultimately, every relevant column should be checked off as verification of that topic is completed.

E. Verification Outline

The verification outline may be the single most important tool of the verification. It provides a description of the structure of the verification: what will be verified, what documents will be reviewed, in what order items will be verified, etc. In essence, the outline is your “script” to the verification. The outline is also a guide to the respondent to insure that it has properly prepared for the verification.

As discussed further below, work on the verification outline could begin as early as when the questionnaire responses begin to arrive. The outline should be presented to the respondent at least two weeks before the verification begins, but in no case should it be provided less than one week prior to the verification.

1. Outline Style

Import Administration (IA) is currently using a standardized outline which will also serve as the outline for the verification report. To the extent possible, each section of the standard outline should address response specific

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data that is to be verified. Such presentations can easily be incorporated into the verification write-up. See your supervisor or PM for a copy of the outline, or check the most recent verification report done for an investigation or review.

2. Cover Letter

The cover letter to the outline should identify who will be verifying and the dates you will be at each verification location. Most importantly, the cover letter will provide an overview of the verification requirements, including preparation of verification exhibits for release to petitioner under APO and other instructions. Certain points may need to be emphasized in the cover letter. For example, it is very important to stress the need to have reliable copier facilities close at hand. In addition, the respondent may need to be reminded to have verification documents translated into English in advance of the verification. You should also reach agreement with the respondent on your planned work hours.

IV. OPENING THE VERIFICATION

The reader will note that it has taken a number of pages discussing verification preparation before we begin to discuss the actual verification. The previous discussion should make it apparent that the key to a successful verification is good preparation. In addition, you can further help yourself by establishing effective work procedures and verification atmosphere at the start of the verification.

A. Using an Interpreter

All IA personnel conducting verifications in non-English speaking countries must obtain the services of an independent interpreter. Such services will normally be arranged through our embassies/consulates in conjunction with travel arrangements and country clearance. For most overseas verifications, you will be relying on an interpreter to translate your questions, the respondent's answers, and many of the source documents. Occasionally, respondent's personnel will feel comfortable working in English. If you do

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verify in English, you and your interpreter should observe how this procedure is working. Your interpreter should then be used to listen to the side-discussions taking place in the native language and to translate documents as needed.

If you have the opportunity, send or fax a copy of the non-rank ordered version of the verification outline to the interpreter in care of the embassy or consulate which arranged for the interpreter services. Even so, it is a good idea to meet with the interpreter prior to the verification to brief the interpreter on the verification process. Go over any difficult terms for translation, such as technical production terms specific to the product. Take this opportunity to review work requirements, such as the hours the interpreter is expected to be on duty, and the need to sign a statement of independence and confidentiality. All interpreters, except those foreign nationals working for the United States Government, are required to sign a statement certifying their independence from the firm(s) involved and assuring that they will not divulge any information that they observe or hear during the course of the verification to others.

Although you will be speaking “through” the interpreter to the company officials, you are really speaking directly to the company officials. Try to phrase your questions in the first person and look at the company officials, rather than the interpreter, when speaking.

As you proceed through verification, remember that the interpreter is working for you, not the company. Do not permit the respondent to take over the interpreter’s services or to provide instructions to the interpreter.

IA experience has been that some interpreters are better than others in a verification context. Observe and listen carefully to the interpreter and his/her interaction with the company officials during the first part of verification. If you note that the interactions are going smoothly and the interpreter has few problems understanding what you and the company officials are saying, then you probably have a good verification interpreter and should have few translation problems. However, if you observe your interpreter stumbling over words or frequently asking the company officials to further explain their answer (or ask you to restate your questions), then you may encounter some translation difficulties. In these instances, proceed cautiously and carefully with your questions. Use clear and precise language, without jargon or slang, in posing questions to the company.

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You may need to repeat and rephrase your questions in order to be sure that both you and the company officials understand what is being said.

If these problems persist, contact the embassy, consulate, or agency which arranged for the interpreter and ask about obtaining a new interpreter. Note, however, that a substitution may not be possible on short notice at verification sites outside metropolitan areas. An inadequate interpreter can seriously undermine the integrity and professionalism of the verification.

B. Getting Started

1. Exhibits

Since you have prepared a meaningful outline, attempt to follow the order in the outline. Nevertheless, you may want to discuss the order at the beginning of verification, particularly if part of your verification needs to take place at another site, such as a factory or affiliated party at another location. Further when the opportunity arises to pursue another topic, you need to make a judgement call on whether to deviate from the outline. This situation frequently occurs when you see the opportunity to conduct a completeness test or need to have the respondent collect certain types of data. Another example would be the opportunity to verify a topic spontaneously.

Exhibits are copies of the source documents you view at verification that support the response and/or verification findings. You do not need to take a copy of every document you see. Generally, take what you need to support a point. If the item is complex or contentious, you will likely take most or all of the documents. In other cases, you may simply take a sample of what you have seen. If accompanied by a senior verifier, she or he will help you determine what is appropriate. Feel free to write on exhibits and data packages (if you use them), especially where translations are necessary.

When dealing with a particular topic for the first time, always ask for copies of the relevant exhibit before the explanation begins. That way, you will have

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them to write on. It is not uncommon for a respondent to try to explain a topic to you before giving you the exhibit. Discuss with the respondent how many copies of each exhibit need to be made (include respondent's needs in your count).

Exhibits are given numbers in order to list them in the verification report. Make the first exhibit 1 and number sequentially thereafter. If you need to refer to specific pages within the exhibit, assign the exhibit subsections (for example, Exhibit 1 could be comprised of exhibits 1a, 1b, 1c, etc.). This technique is particularly useful in tying parts of an exhibit to your notes. It also makes a verification report cite to an exhibit in your verification report more precise.

When tying data back to source documents, your goal is to see the original source document. When this is not always possible or practicable, you should randomly demand to see the original document.

The respondent or, if present, its counsel needs to have the same set of exhibits and reference numbers as the DOC. Explain the numbering system you intend to follow and work out a system for ensuring that the respondent has the same exhibits as you (note that yours will have your notes on them but the respondent's will not). A good approach is to organize your exhibits at the end of each day's verification and go over them with the respondent either at that point or the next morning. Be sure, however, that you maintain control of the exhibits at all times.

2. Using a laptop computer

If you have taken a laptop computer to verification, make a copy of the verification outline, and use the copy to draft your verification report. Keep this draft report file open during the verifications. After each verification topic (or at a break point during a complicated topic), take time out to summarize your notes or to actually write up that section of the report. Experienced verifiers have learned the following:

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- a. Every 10 minutes spent writing during verification or afterwards that evening is equivalent to 30 or more minutes of report writing when you get back to the office.
 - b. You will feel less stressed out knowing that all of that day's work is not piling up in your head. You will feel refreshed to start a new topic.
 - c. Writing during verification allows you to go back and ask follow-up questions, or reveals new leads. It also gives you a reference to refer back to as the verification progresses.
 - d. The respondent can be kept busy preparing the next topic or following through on work assignments while you take the time to write.
3. People Resources

When 2 verifiers are present, both should participate in the phase where you lay the foundation for the verification. However, once you reach the point of verifying stand-alone topics (such as movement charges, specific adjustments, sales traces, etc.), one person can write up a section he or she verified while the other verifies a new topic. Alternatively, each verifier could conduct separate portions of the verification simultaneously with the other verifier. In such instances, however, you must first establish that the respondent has the ability to conduct simultaneous verifications.

You can expand your verification team by putting the respondent's staff to work for you. Give them structured assignments and have them report results back when completed. Most respondents will eagerly cooperate with this request as they are anxious to speed up the verification process and this is one area where they can make a difference. Always, of course, maintain control of the verification process. Let it be known that you will check to source documents as needed.

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For example, you have decided to conduct a completeness test using the 10 branch office sales ledgers which are contained in 40 ledger books. You select 30 sales and tab the page. To maintain control, you note the volume, page and invoice number. You then sketch out a format of what type of data you would like the respondents to collect for each sale. You tell them to tie the sales to a variety of source documents and to bring you the filled-in worksheet and source documents when completed. You check the first few against source documents, and randomly check others. For other assignments, you may simply ask them to tell you if there were any discrepancies and check nothing.

The key is to be unpredictable as to when and how you will actually trace the worksheet results to source documents.

C. Overview to Respondents

Verifications often begin with an introductory session with those people directly and indirectly involved in the preparation of the response and those responsible for verification. There may be only one or two company officials or upwards of 25 individuals. Include the following information in your overview:

1. That you are there to verify the accuracy of their responses as required by our **antidumping law**.
2. That you will be verifying the negative as well. That is, you will be examining whether any relevant data was omitted or confirming that certain expenses or other items do not exist.
3. How exhibits, new information, and photocopying will be handled.
4. Set the agenda for the first day and explain how you intend to proceed. Let them know the types of hours you will be working and what is expected of them (in terms of after work assignments). If they have a schedule planned based on your outline, you may consider it but emphasize that you reserve the

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right to deviate from it as needed. This procedure usually works out as long as you give them advance warning of changes.

5. Discuss meal arrangements. You may suggest that “working lunches” be used with food brought in to the verification site. While current ethical guidelines permit meals overseas with a foreign entity’s representative, such meals should not be excessive. However, as impartial investigators, verifiers have a unique responsibility and must take care to avoid any appearance of a conflict of interest. After hours activities with respondent personnel or its counsel should be approached with caution or avoided altogether.
6. Agree to maintain a visible check list of outstanding assignments and documents. If the verification room has a chalkboard or large pad on an easel, use it for this purpose. Go over it daily to ensure that both parties understand where things stand. This procedure is an essential task in maintaining control of the verification.

D. Dealing with Response Revisions and New Information

Conclude your introductory comments by asking if there are any clerical errors or new information to present. These situations usually arise after the company has begun preparing for verification or their counsel has done a dry-run verification.

There is a fine line between clerical errors or minor omissions and new information. New information would include such things as modification to date of sale methodology or the reporting of many new sales or adjustments. Clerical errors are typically corrections to existing calculations while a minor omission might involve dates of payment that were not available for the initial or supplemental response to the questionnaire. In all cases, your benchmark for evaluating the claim should be its relevant significance to the response.

If you feel that the respondent is presenting substantially new information, either prior to or during verification, you should contact your supervisor in Washington and ask how to proceed. Do not make any commitments to accept the new information until you have

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talked to your supervisor. Due to the time difference between most countries where we verify and Washington, it is likely you will not be able to reach your supervisor during that work day. To the extent possible, attempt to determine the magnitude of the problem as this information will be needed by you, the senior analyst accompanying you, or your supervisor in Washington in deciding how to proceed.

Any new information or corrections of clerical errors that are accepted during verification should be submitted for the record in Washington, and served as required to all parties to the proceeding as soon as possible.

E. Dealing with Discrepancies Discovered During Verification

Discrepancies are errors in the information reported in the response or required information that was not reported in the response that were discovered by the verifier during the course of the verification. Minor discrepancies are similar in magnitude to clerical errors and should be noted in the appropriate section of the verification report. The verifier must bear in mind, however, that many of the items being verified (such as the sales traces) represent a small sample of the data reported. Thus, when a seemingly minor discrepancy is found, you will need to evaluate the depth of the problem - does it affect only that transaction, or does it reflect errors in the invoice, sales order or complete data base?

Major discrepancies are serious flaws in the data base which call into question the integrity of certain sections of the response or the complete response itself. An example of a discrepancy in a specific section of the response would be if your completeness tests on expense accounts reveal the existence of direct U.S. advertising expenses (your "risk analysis" assessment would tell you that it was to the respondent's advantage not to report direct U.S. advertising expenses) when the respondent reported no such expenses. In this case, you should document the existence of the discrepancy and collect additional information (such as account totals or U.S. account totals), as time and resources allow, that will provide alternatives for dealing with the problem during the post-verification decision making process.

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Examples of a major response discrepancy affecting the complete response would be failure to report a large number of **period of investigation (POI)** or **period of review (POR)** sales or the existence of consistent inaccuracies throughout all sections of the response. Upon discovering such major discrepancies, you should contact your supervisor in Washington and ask how to proceed. Again, where time and resources allow, you should collect sufficient information (such as what is the magnitude of unreported sales - 1%, 5%, 40% of total sales) for dealing with the problem in the post-verification decision making process. It is important that you make it very clear to the respondent that collection of such information does not constitute acceptance or verification of the information. Furthermore, the analyst should not discuss the possibility of using facts available for the missing data in making a final determination.

V. INTRODUCTORY REVIEW

Laying the foundation is essential to a successful verification. On the one hand, you are reviewing the information already on the record while, on the other, you are fleshing out this information to the depth needed. This process will give you a fuller understanding of how the company is put together and how it operates. You cannot verify the negative without this knowledge about the company because it gives you the tools and know-how with which to probe.

A. Corporate Organization and Structure

Even if the response is clear on corporate organization and structure, go through the entire structure. It tells you who the players are and gives you a better overview of the entire company, not just the unit involved with the **subject merchandise**. Such information may lead to unreported sales channels or affiliated customers and suppliers.

Make sure that you have the organizational structure in effect for the POI or POR. Frequently, you will find out at verification that the structure changed during the period and you only have one of the structures.

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For those key sections of the company relevant to your investigation or review, obtain names and numbers of people in the section. You may want to question people later or use numbers for a reallocation.

Where appropriate, identify the accounting codes or cost centers for each key section. In dealing with non-market-economy cases where a respondent's claimed independence from government control is an issue, you will want to review the company structure to identify all potential areas of government involvement or coordination with other producers and exporters. The company's legal identity or status may also be important. Make sure you understand the relevance of this concept in the verification country - it will often be a clue as to the degree of independence from state control that the company has. At the same time, do not rely solely on this status to verify this issue. You will want to test the application of this claimed independence frequently throughout the verification.

B. Accounting Review

You must have a basic understanding of the company's accounting system in order to adequately conduct a verification of the facts as presented\ and to verify the negative. Furthermore, since all verification steps ultimately reconcile to the financial statement, you must ensure that you possess the audited financial statement applicable to the POI or POR. If two or more financial statements overlap the POI or POR, pick one period (preferable the one that covers most of the POI or POR) and focus your attention on that document when you establish a verified accounting baseline (see below). The other periods can then generally be relied upon with the same degree of satisfaction as the baseline period.

At NME verifications and particularly at production facilities, you may not be working with audited financial statements - at least in the sense that we are accustomed. While joint venture companies are likely to have financial reports which generally follow a modified GAAP, other types of companies may have no financial reports, with most somewhere in between. Rarely will you find audited financial reports. In these instances, identify the closest equivalent - a financial, tax payment, or other accounting document on which you are satisfied the company relies as an accurate reflection of its normal record

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keeping . Such reports can be used to confirm other verification findings, but they should not constitute the sole source document for verifying other topics.

During the accounting review, you should:

1. Ask for an explanation of the internal accounting system which describes how, when and where the financial and sales accounting systems tie together. If verifying factors of production, look for how the production and/or inventory accounting system ties to the financial records. Given the limited time of verification, focus on the essential and relevant information for the verification.
2. Verify the financial statements submitted in the response to an audited original. If the original is not in English, confirm translations of key sections of these reports (balance sheets and profit & loss (P&L) statements) with your interpreter. If they have not been submitted in the questionnaire responses, ask for the financial statements for affiliate companies.
3. If not already submitted, obtain the general ledger's chart of accounts and sub accounts. Identify those accounts covering sales, movement charges and direct and indirect selling expenses. Similarly, if your verification includes data on cost of production or factors of production, you will need to identify the accounts which track the relevant production and inventory categories.
4. Using the relevant account codes noted above, locate and review the accounts in the general ledger for these items. This process gives you a clear understanding of the types of accounting detail available and whether or not additional supporting ledgers are needed. Where appropriate, identify account transactions of interest and ask the respondent to trace to source documents. These steps give you a head-start on completeness tests and tracing charges and expenses to the general ledger.
5. In some countries, you may find certain financial filings with government authorities to be quite useful. For example, in Japan, all publicly listed

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companies are required to prepare a year-end annual securities report called the "Yuka Shoken Hokokusho" for submission to the Ministry of Finance. This report, commonly called the MOF report, is submitted to the Ministry of Finance within three months of the end of each fiscal year. The MOF report contains a wealth of information and may be considered as the primary accounting source document.

C. Computer Data Base Review

We are finding that much of the verification material and even source documentation is maintained "on-line," particularly for large multinational companies. In some instances, no hard copies of typical accounting source documents are kept. For these companies, you will need to develop the integrity of the computer data bases in order to rely on this source for your verification. Below are some useful tips for such verifications. Note that some of these documents may have been submitted as part of the questionnaire responses or in a separate filing prior to verification.

1. Ask to meet with the person in charge of computer operations and have this person give you a complete list of the types of computer reports generated and/or available in the ordinary course of business.
2. Review samples of these reports and select those that could be of interest during the verification. This procedure is particularly important for adding to the variety of completeness tests in that you can cross check different types of reports against the ones proffered to you by the respondent for the completeness tests. Where necessary, ask that certain reports be produced for the POI or POR.
3. Where possible, ask that the data base for the sales listing be loaded and that a programmer be available to run various sorts of that data base . If appropriate, ask that certain programs be run. This procedure will give you a good idea of what is involved and how long it will take.

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D. Affiliations

In their questionnaire responses, companies are required to report affiliates involved in the production or sale of the subject merchandise. Often respondents, especially large companies, will limit this reporting to affiliated companies that have a direct role in the production or sale of the subject merchandise without having considered all of their investments and holdings. Our goal in verifying affiliations is to confirm that reported affiliations between companies through investment or interlocking board members and officers are accurate and complete. In those instances where there are affiliated companies, you must also consider that affiliate's relationships with its customers and suppliers. Verification of affiliations in large, multi national companies is much more difficult than for smaller, less complicated companies. The process can be greatly facilitated by pursuing the issue vigorously in the questionnaire and follow-up deficiencies. See Chapter 8, section XVII for information on **affiliated persons**.

1. Verification of potentially unreported affiliations means that you must first become familiar with the customers and suppliers reported in the response. The list of customers can run into the thousands; therefore, you should refer to your pre-verification data sorts (as discussed above) to determine which customers are significant. If the response data field for "customer code" uses the same coding kept in the company's internal records, then it would be helpful to also sort the customer codes in numerical order. Use the list of relevant customers and suppliers to cross-check against verified holdings and investments of the respondent.
2. Verification of company shareholders can easily be accomplished through a variety of documents. The notes to the financial report will often list all, or at least the major, shareholders. You can also verify using the "shareholders equity" section of the balance sheet. Other documents include shareholders reports, government registration documents or published security reports of public companies, such as the "Shikiho" in Japan.
3. Verification of company share holdings and investments is primarily accomplished using the asset section of the balance sheet. Asset accounts, such

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- as "marketable securities," "investment in securities," "investment in subsidiaries and affiliates," and "loans to affiliates" should be traced through the general ledger and sub ledgers. If percentages of investments and holdings are not observable from the ledgers, the company should be required to compute the percentage for selected investments of interest.
4. Verification of holdings and investments by reported affiliates is generally more difficult because you may not have that company's financial statement on the record or the company is distant from the verification site. In these instances, you may use the respondent's verified company data to check for sales, expenses, charges or production activity between the two companies or you may rely on faxed copies of source documents from the distant affiliate.
 5. In non-market-economy verifications, we are interested in any formal relationships to export customers as well as to government entities. However, it is often difficult to verify affiliations through the balance sheet because the concept of investment is very different than in market economies. Most affiliations would occur through interlocking owners, board members or officers of the company.

E. Product Information

It is essential that you understand what products the company produces, where they are produced and how individual products are accounted for in the accounting system. Begin by reviewing the scope of the investigation or review as well as the questionnaire product and product matching characteristics that the respondents were required to report. Your verification will focus primarily on whether the respondent properly accounted for all subject merchandise and properly reported all product characteristics. Your goal is to establish a master list of subject merchandise that will become your source document during other phases of the verification, especially the completeness tests.

1. Review products produced by the respondent and its affiliates that are both inside and outside of the scope of the proceeding. Ask for a product code list

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- covering all specific products produced by the company as well as codes for larger product groupings. Examine how this product coding system is integrated into the accounting system. This procedure will give you an understanding of what types of product- specific information is available.
2. Have the company explain how it segregated the subject merchandise from all other products produced. Where applicable, review the computer program used to identify the subject merchandise and ensure that all requested product characteristics were captured. For excluded products that are similar to the subject merchandise, examine the chemical and physical specifications to ensure that they are not subject merchandise. Finally, examine the technical characteristics of the products reported as subject merchandise to ensure that the characteristic codes assigned in the response are accurate. For continuity purposes, it is useful to use the products related to the pre-selected sales for testing reported characteristics. The resultant verified list of products is your product master list.
 3. Where appropriate, discuss the product matching with product specialists or engineers. This step could be important if the respondent had requested that additional product characteristics be considered in the product matching criteria or if the hierarchy of physical characteristics is an issue. Further, if you are verifying **difference in merchandise adjustments**, it helps to know which characteristics, both reported and unreported, affect the variable cost of manufacturing (VCOM) and total cost of manufacturing (COM).
 4. Discuss the production process to the extent necessary for the particular investigation or review. If you feel one is necessary, it is a good idea to schedule a plant tour in the verification outline to alleviate scheduling problems that can arise during verification. However, unless you have extra time, don't feel committed to the plant tour unless you consider it necessary. In a factors of production verification for a NME case, a plant tour is essential and is discussed further below.

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5. During a plant tour, observe the flow of the product through the production process, incoming raw materials, packaging of finished goods, shipping, etc. If you are verifying cost-related elements, identify those areas where cost differences between models may occur and consider whether the production differences appear consistent with the reported magnitude of cost differences. Note customer and supplier names that may be useful later in the verification process. Feel free to talk to factory personnel, especially in packing, shipping and inventory control. While the information they provide may not be appropriate as the primary source of verification of a topic, it may provide some “leads” for the verification.

F. Non-Market Economy Verification Plant Tours

1. Prior to taking the plant tour, review the product process thoroughly with the company. Take a copy of the production process diagram from the response (or have one provided at verification) and review it with the company’s technical personnel. Identify where in the process materials are added. Repeatedly ask whether all materials used in production have been reported. Similarly, ask where all by-products, co-products, scrap, and waste are generated and whether these items undergo any further treatment or processing. If so, ensure that all factors related to these steps have been reported. Ask how the energy inputs are utilized and ensure that all form of energy used in the process have been reported. Make notes as appropriate on this diagram.
2. Take your production diagram with you on the plant tour and compare it with what you observe during the tour. Confirm that the process and inputs are as described by the company. Look carefully to see if the respondent may have omitted any inputs. Don’t hesitate to ask any questions about what you see. Feel free to talk to the personnel on the factory floor (through your interpreter if necessary) and do not allow the company officials or counsel (if present) to coach the answers.

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3. If quality or specific type of input is an issue in the case, such as for purposes of assigning the appropriate surrogate value, use the factory tour to examine (if possible) the material and how it is used. Ask about all relevant characteristics of the material and what effects different specifications have on the production process.
4. Observe how labor is utilized. As you see workers on the factory floor, ask how the company classified the skill level of the labor performed. This information will be important in determining whether the company properly reported its labor factors.
5. At the shipping and packing department (or equivalent), note how the product is packed for export and ensure that all packing materials also have been reported properly. Observe packing labels, containers, etc. to identify further areas of verification attention, such as the factory's customers and export channels.
6. Incorporate your findings in the verification report. Your observations may well be as important as any document review.

G. Sales Process and Distribution System

Although this information is extensively reported in the response, it is often not focused upon in detail prior to the preliminary determination. Review the information and ask further questions if needed. Fundamental sales process and distribution system information is needed throughout the verification, particularly where level of trade, customer category, date of sale, and other such issues are contentious.

H. Date of sale/Sales Reporting

The final step in building the foundation of the verification is understanding the date of sale (DOS) methodology reported by the respondent and how the reported sales

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transactions were collected from the respondent's data base. Both of these processes are key components of the completeness tests.

1. Review all documents and discuss with the respondent how the date of sale is determined in the normal course of business.
2. The DOC now generally uses the invoice date used in the normal course of business as the date of sale except for long-term contract sales. This change in practice should make date of sale a less contentious issue and easier to verify. That said, you still have the responsibility to verify that the date reported is consistent with the normal practice of the company.
3. For long-term contract sales, you will still need to understand how price and quantity were negotiated and how that date may be reflected in company records. Even for those sales, you will want to know how the company records the date of sale for its own records. Always consult with your team lawyer prior to verification where complicated contracts are involved.
4. Unless there is clear evidence at verification that the respondent misrepresented its date of sale reasoning in the response or if you are concerned about the use of different DOS methodologies in the U.S. and home market, further verification of date of sale at this point of the verification is time-consuming and impracticable. One exception is where there are a small number of sales in a particular market, and revising date of sale would have a dramatic effect. This situation may frequently occur with large contract orders. If you have reason to believe that the respondent's date of sale methodology is not correct, collect data which supports your position. Use the sales trace segment of verification to test the respondent's methodology.
5. Once it is clear what date of sale methodology was used by the respondent, you need to know the procedure used by the company to extract the POI or POR sales from its data base. The actual procedure will range from manually reviewing sales and shipment records to complicated computer programming. A POI or POR which overlaps accounting periods or subject merchandise

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which doesn't conform to the company's record keeping will greatly complicate the process. Whatever the methodology, it forms the parameters for the first goal of the completeness test, which is to confirm that the company followed its claimed sales selection process.

6. If computer programming was used to access huge sales data bases, you will first need to verify the accuracy of the program itself. Meet with the programmer and review the critical language that covers the following.
 - a. All applicable data bases. Use your knowledge of the accounting system and the organizational structure to ensure that all applicable data bases are brought into the program.
 - b. The correct POI or POR dates.
 - c. The identification codes which capture the subject merchandise.
 - d. The date of sale methodology employed by the respondent.
 - e. Any language which otherwise excludes certain products or sales.

The company should then provide copies of all files or worksheets used in arriving at the sales transactions reported - we often ask for these worksheets in the verification outline. If you are concerned, you may ask the company to re-run the program in your presence.

VI. RECONCILIATION OF QUANTITY AND VALUE OF SALES

Reconciliation of quantity and value of sales is the transition phase between laying the foundation and conducting the completeness tests. It also serves another very important purpose in that it “baselines” accounting ledgers and worksheets that will be used to verify many other topics. “Base lining” documents means that you have established the validity of these documents by tying them into the audited financial statements and that other verified topics can be tied into these documents without having to go back to the

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general ledger. Thus, each of the documents used to reconcile the total quantity and value of reported POI or POR sales back to the financial report can be considered a source document. This exercise requires that you establish to your full satisfaction that the tie-in to the financial statement is complete and accurate. If not, where appropriate, you should continue to reconcile verified topics back to the company's general ledger. Remember that our questionnaire requires the respondent to submit a quantity and value reconciliation on the record prior to the start of verification.

The total quantity and value of sales is simply the sum of the quantity and value of individual transactions in the response's transaction data base. Thus, verification of total quantity and value is accomplished by tying selected individual sales transactions into the financial statement and by testing the ledgers and worksheets used for completeness.

Recognize that the quantity and value of sales total from the sales transaction data bases may differ from the questionnaire section A quantity and value of sales. If they do, you should obtain an explanation. Normally, you will only need to verify the section A numbers if they differ significantly or if a close decision on home-market **viability** was based on the data from the section A response.

Bear in mind that it is not always possible to tie sales transactions directly into the financial report using records and ledgers kept in the ordinary course of business. This situation occurs because our definition of the product, POI or POR, and date of sale often do not coincide with the company's accounting procedure. (With the date of sale as invoice date, we expect to find fewer problems in this regard.) Worksheets probably will be needed to bridge between accounting records and the sales data bases submitted by the respondent. These worksheets should also be tested during the completeness checks.

Top-down or bottom-up? That is, should you begin verifying from the financial statement and work your way down to the response or from the response and work your way up to the financial statement? Both approaches are acceptable; it is really up to you and how your mind best functions to decide how to proceed in tying quantity and value into the financial statement.

VERIFICATION**VII. COMPLETENESS CHECKS**

Completeness is the process in which numerous tests are conducted to confirm both the accuracy and thoroughness of the information submitted by the respondent and its affiliates. The accuracy component focuses on the worksheets, records and methodology used by the respondent to compile and support its response. The thoroughness component focuses on whether or not the worksheets, records and assumptions made by the respondent omit any data which should have been reported. The two categories of completeness tests are as follows: 1) completeness of reported sales, and 2) completeness of charges and expenses.

A. Sales Completeness

Most important to the integrity of the response is to ensure that the respondent has reported all of the required sales transactions. Thus, all of the criteria used by the respondent in preparing the sales data base, such as the date of sale methodology, product selection, and computer programming, must be verified for accuracy and completeness. The ways and means of accomplishing this varies from response to response and from respondent to respondent. Tying worksheets into ledgers and ledgers into audited financial statements are among the most basic forms of completeness tests and these are the tests that the respondent typically will present to you. The real challenge is finding a variety of alternative methods to come at the subject from different directions and to cross-check continually these sources against one another. In a sense, completeness has no defined beginning or end. You start looking for ways to probe and scrutinize the response from the first minute of verification and don't stop until the verification is over. There is no set number of tests required; you simply conduct as many as time allows. Depending upon the complexity of the response and the "comfort level" you develop with the respondent and the questionnaire response, you may conduct as few as one or two completeness tests or as many as ten. The following are samples of the types of documents and methods that can be used to conduct sales completeness tests. Please bear in mind that your ability to conduct different types of completeness tests is directly related to the knowledge obtained in the earlier phases of verification. The following list enumerates various document sources:

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1. Sales records kept in the ordinary course of business such as monthly sales journals. Such records may be on a company-wide basis, by sales office, by product codes, by customer, by country, etc.
2. Sales management reports, which come in a myriad of forms. (You should have identified these reports in the computer data base review for those companies which rely on computerized records.)
3. Hard copies of commercial invoices, preferably in sequential order. In some countries, such as Taiwan, the companies are also required to use and retain invoices issued on government forms (e.g., "GUI" or government uniform invoice).
4. Sales order or confirmation logs.
5. Customer correspondence files.
6. Shipping logs and reports that show shipments from the factory, including bills of lading and air freight bills files.
7. Export licenses, where appropriate.
8. Quality control records and certificates of inspection.
9. Inventory records for finished goods. Select shipments of finished goods for tracking back to purchase orders. Such records are also useful for ensuring that all product codes of subject merchandise were reported.
10. Production records provide the same utility as inventory records.

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11. Payment records, such as letters of credit, promissory notes and credit insurance policies. A review of files containing these documents may provide leads on sales to specific markets and customers.
12. Expense ledgers for ocean and air freight, bank charges, commissions, brokerage and handling, etc. can be used not only for completeness of these charges and expenses but also to trace back to commercial invoices.
13. Duty drawback records of export shipments.
14. Credit and debit memo journals. These records must be reviewed to determine if there were canceled or revised sales or additional debits or credits on sales.
15. Customer or product files and records maintained in other offices, such as engineering, R&D or at the factory, which refer to customers and orders.
16. Making phone calls to salesmen and branch sales offices asking about customers, orders or the existence of certain types of other information that could be used in completeness.

In conducting completeness checks using the types of records cited above, we typically select a number of transactions from the selected file, and ask the respondent to identify whether or not the transaction is included in the response and, if not, why. We also ask to see the original sales documents, such as invoices, and documentation to support the respondent's exclusion of the information from the response if the sale or other information is not part of the response. In assigning transactions to be traced, be sure to keep your own record of "starting point" documents, such as invoice or purchase order numbers selected.

The task of conducting completeness tests can be greatly facilitated if you identify the document and items of interest and have the respondent's staff prepare the completeness worksheets and supporting source documents.

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Note that in the case of NME respondents completeness checks are also useful in verifying the extent of state control with regard to a “**separate rates**” claim (see chapter 8, section XVI for information on NME analysis). As you review the types of files described above for checking sales completeness, also look for any evidence of government involvement or coordination in sales transactions. Using your interpreter, look for endorsements, certifications, approvals, etc. in the documents reviewed. Follow-up with the respondent any such items you identify.

B. Completeness of Charges and Expenses

Let the concept of "risk analysis" be your guide in determining which charge or expense you should pursue for completeness. Consider the examples noted above as possibilities for charge and expense completeness. However, the most efficient approach is to start with the chart of accounts and identify expense accounts of interest. Follow-up by examining supporting subledger accounts or account activity reports that reveal enough detail to allow you to select specific entries. Again, you may use the respondent's staff to compile the results and supporting documents. Check the results to ensure that these expenses were appropriately accounted for in the response.

VIII. TRACING SALES

A. Transaction Data

The purpose of the sales trace verification is to verify the factual information reported for the pre-selected sales identified in the outline as well as those sales identified during verification. This sales trace is a two-part process in which a sale is first traced through the customer records from the initial inquiry/order to payment by the customer. In the second part of the sales trace, charges and adjustments that represent the actual charges and adjustments for that sale are examined and verified.

You should begin the sales trace with a relatively uncomplicated sale. During the sales trace, you should be able to verify the following basic sales transaction data:

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- o sale date
- o shipment date
- o invoice date (if different from sale date)
- o payment date
- o product code reporting
- o quantity sold
- o unit price
- o some price adjustments, such as on-invoice discounts

If certain charges and adjustments (typically credit days, rebates, discounts, commissions) are the actual expenses (as opposed to allocations) for that sale, then those items should also be verified in that sales trace. Otherwise, charges and adjustments should not be included in the sales trace but should be verified as separate, stand-alone topics.

B. Verification Procedures

1. For the first sale, take as an exhibit copies of all documents which support each element of the sale. Make sure that appropriate sections of these documents are translated as these translations will serve as a source of reference later on during verification of other sales traces. Be sure to link the documents in that exhibit to one another and take ample notes on the documents if you need them.
2. You should be able to rely on the foundation and baselining established earlier in the verification process to verify the sales details relatively quickly. For example, your quantity and value examination and completeness checks should have provided you with a working knowledge of the sales and accounting documents included in the sales trace package.
3. As you verify each detail of a particular sale, check off the item on the sales trace printout. Where something doesn't check out or contains significant new findings, note the discrepancy and take copies of supporting documents.

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4. For each sale verified after the first sale, you do not need to take copies of all documents as exhibits, except where they support an unusual sales detail or finding. For those sales for which you do take copies for exhibits, include copies of key documents such as order confirmations, contracts, invoices and bills of lading.
5. Depending on how much time you have at verification and how much energy you have for verification work in the evening, you may want to consider taking some of the sales trace packages to review in the evening. In this way, you are able to confirm the transaction data reported and study the sales documents for in-depth follow-up questions the next day. This practice allows you to concentrate your verification time with company officials on items which require more of their attention than simply checking off data entries on the sales transaction printout. Some verifiers have found this procedure useful for verifications in the United States which generally last three days or less, and where all documents are in English. Overseas, you should not rely on reviewing the sales in your hotel unless you are sure you will be able to understand the sales documents on your own, without an interpreter or company official to guide you. Thus, this procedure is best used after having reviewed at least the first sales trace in each market during the verification session.

C. Sales Trace Source Documents

1. Typical sales trace source documents include:
 - o Customer contracts and purchase orders.
 - o Order confirmations and/or proforma invoices.
 - o Customer correspondence files.
 - o Purchase order logs or pending shipment files.
 - o Production control records.
 - o Invoice to customer.
 - o Shipping documents such as bills of lading, airway bills and delivery receipts.

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- o Factory shipping logs.
- o Inventory records.
- o “Base lined” internal sales reports and worksheets.
- o Sales ledgers.
- o Accounts receivable records.
- o Records of payment, such as canceled checks, letters of credit, debit/credit memos, promissory notes, bank deposit slips and/or bank statements.
- o Credit insurance.
- o Debit/credit memos for post sale price and/or quantity increases or decreases.
- o Where appropriate, invoices, expense ledgers, journal entry slips and records of payment for actual charges and adjustments.

D. Sales Traces for NME Transactions

The sales trace is a major opportunity to verify the de facto separate rates criteria. Review carefully each document for any indication of State involvement or coordination. Discuss with the exporter how the sale was negotiated and how price was set. Examine sales documentation for any indication of sale approval or coordination from outside the company. Trace the payment of the sale from the customer to the bank and the company financial records - - was the respondent able to keep all of the proceeds of the sale? If not, determine what happened to the rest of the payment.

IX. VERIFICATION OF REMAINING CHARGES AND ADJUSTMENTS

Charges and adjustments that have been reported on an aggregate (not sale specific) basis and which have been allocated to reported sales are verified as separate, stand-alone topics. Examples of such stand- alone charges and adjustments typically include interest rates, **inventory carrying costs**, advertising, freight, and packing.

A. Allocations of Expenses

Has the respondent described the calculation and presented the supporting documents it has prepared in accordance with the instructions in the verification outline? Remember

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that you must first verify the data as presented in the response. Afterwards, you should pursue any concerns you may have with the methodology or the calculation.

1. Collect sufficient information on circumstance of sale adjustments to determine whether the expense is properly categorized as a direct or indirect selling expense.
2. Whenever verifying an allocation methodology, be sure that you are verifying back to Base lined or source documents and the financial accounting system rather than simply back to a worksheet. Worksheets are useful, but they are not, in themselves, source documents.
3. Take verification exhibits which support your findings. Your exhibits may include the following source documents:
 - o Sample calculations.
 - o Allocation worksheets.
 - o Invoices to respondent.
 - o Expense ledger entries.
 - o Journal entry slips.
 - o Records of payment.
 - o Accounts receivable and payable ledgers.
 - o General ledger entries.
 - o Other ledgers and records, which may be used to support such items as calculation of credit days, interest rates, inventory carrying time, duty drawbacks.

X. NME FACTORS OF PRODUCTION VERIFICATIONS

In NME proceedings, you will be verifying the reported factors of production, which form the basis of the normal value calculation. The techniques used to verify this response are generally applicable to the factors verification as well. Keep these techniques in mind while covering the specific items to be verified in a factors verification. Ideally, you should have conducted the plant tour before beginning the verification of the reported

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consumption factors so that you are able to compare what you have seen in the production process with the documents you review.

A. Production Quantity

In most cases, the respondent has reported its consumption factors as the product of material consumed divided by subject merchandise during the period. Therefore, you should first verify the production quantity - the denominator in most or all of the respondent's calculations - before the specific factors. As you would with a sales quantity verification, use financial statements, production records, and/or inventory ledgers to verify the production amount.

Make sure that the production quantity you are verifying refers to the product as sold. In some cases, a producer will maintain its production records based on a standard that may be different from the product that is actually sold. For example, a chemical producer may sell its product at a 90% concentration level, but maintain its records on a 100% concentration level standard. Where such differences exist, make sure that all reported factors are appropriately and consistently adjusted, and discuss any inconsistencies in your report. Similarly, as you examine both production and factor inputs, be sure that the respondent has reported, and you are verifying, actual, not standard, production figures. If production yield is relevant in the case, you will also verify the net yield in this step.

B. Material Inputs

Materials consumed are often verified as the numerator in the respondent's factor calculation. Typically, the respondent has compiled the data from monthly production records, and summed the monthly figures to arrive at a consumption figure for the POI or POR that is divided by the POI or POR production total. If you have successfully verified the production denominator, all you need do is verify the numerator and check the math. A common technique is to test the material consumption figure by examining in detail the records from one or more months of the POI or POR. Source documents for such testing may include:

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- o Production records
- o Production line records
- o Material purchase receipts
- o Freight invoices
- o Material inventory subsidiary ledgers
- o Inventory in/out tickets
- o Plant workshop statistics
- o Daily production/consumption reports

As with sales verifications, you are always conducting completeness checks. Instead of sales completeness, you are checking for factor completeness - has the respondent reported all materials consumed? Are by-products, co-products, scrap, and/or waste properly accounted for? Use the knowledge gained from the plant tour and, if you visited the petitioner's plant, the U.S. producer to constantly test the questionnaire response.

Materials purchased from market-economy countries and paid for in market-economy currencies may be valued at the actual purchase price or at a weighted-average price if there are multiple purchases. Use invoices, purchases orders, inventory records, etc. to verify price, quantity, and consumption during the period. Always consider the following:

1. Be wary of price quotes used to claim a market economy purchase - such quotes may have been obtained solely for the purposes of an antidumping duty proceeding and may not reflect actual purchases or significant consumption by the company over time.
2. Note the terms of sale to determine whether or not freight from the supplier to the factory is included in the purchase price.
3. Check whether the factory purchased the material from a trading company and paid for the material in the NME currency. We may not be able to accept the market- economy price for valuation if the factory itself did not pay for the material in the market-economy currency.

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C. Labor Inputs

Factor responses report labor based on the time expended to manufacture a unit of the product and the skill level of the workers. The respondent's labor accounting, however, will normally not track labor in the same manner. Your verification of this labor input will depend on how the respondent's records are kept and how it applied this information to the response.

In some cases, the respondent will base its reporting on attendance and personnel records, counting the number of person-hours, by classification, attributable to producing the merchandise over the period, and dividing that total by the production total. For this verification, a review and sampling of those records is called for. In other cases, the respondent may use a standard formula tied to production results or to production studies. For those instances, you will need to test the reasonableness of the respondent's methodology. How to test will depend on the unique circumstances of the company, production process, and the available records. As one example, you may consider observing workers and timing how long it takes to perform a task, and comparing sample times to the standards established by the respondent.

Classifying labor as skilled, semi-skilled, or unskilled may be simply a respondent's judgement call, based on job title, or tied to wage rates at the company. In the first case, question the respondent regarding the basis of its judgement, and compare the reply to the labor observations from your plant tour. In the second case, we should not rely on the respondent's job title classification alone; question the respondent and consider your factory tour observations as well. In the last case, while we are not concerned with the actual wages paid in a NME case, the relative differences in the pay structure may be a good indication of the skill level demanded of a worker.

Another classification issue may be direct versus indirect labor. The extent to which this topic is an issue will be related to surrogate valuation. For example, if the surrogate value for factory overhead applied at the preliminary determination includes indirect labor, based on the "risk analysis" concept described above, you will want to ensure that the respondent properly accounted for all direct labor, which is separately calculated, and did not include some direct labor in its indirect labor classification, thus reducing normal.

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Question the respondent about its direct/indirect labor classification and, again, use what you learned from the factory tour. For example, if the respondent classified quality control labor as indirect labor but you observed quality control workers performing their tasks as part of the production line flow, you will want to discuss the classification with the respondent and include your findings in the verification report.

D. Energy Inputs

Energy inputs such as coal and fuel oil may be verified in the same manner as material inputs. Other energy sources such as natural gas and electricity are usually measured differently. From your factory tour and production process discussion, you should have learned how the company measures its consumption. In many cases, electricity and gas are measured by meters and meter reading records are main source documents used. During the factory tour, you may want to see where some of the meters are located so that you can see what production energy is being measured. In other cases, these energy sources may be provided from the equivalent of a utility company and the utility's invoices are then used as the source documents.

In some cases, the respondent may have reported energy consumption based on its payments to utility companies. Determine if there is a time lag between actual usage and payment. If so, verify the actual usage during the POI or POR by factoring in the lag period.

Normally, we do not include steam as a factor but rather the energy used to generate steam. Be sure you understand the respondent's methodology for calculating the per-unit energy consumption used to generate the steam.

You should always check to ensure that all energy factors have been reported. Some commonly overlooked areas include:

- o All energy sources used to produce the merchandise, not just the principal production line or machines.
- o Energy used to process by-products, co-products, scrap, and waste loss.
- o Energy lost in transmission, such as steam lost due to leaks.

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- o Energy for environmental cleanup (if part of production process).

Other energy consumed may be part of factory overhead, such as factory lighting. Keep in mind the potential surrogate values for factory overhead in the case. Where you are not sure whether a particular energy factor is part of direct production or factory overhead, describe the facts in your report and collect the information you need for further considering the issue after verification.

Water may or may not be measured separately as a distinct consumption factor. In many recent cases, the surrogate values selected for factory overhead have been analyzed and found to include water factors typically used by most production companies. Exceptions may include specially processed water, such as highly purified or distilled water. If water consumption is an issue in your case, you will want to understand and report the source of water and the level of treatment or processing.

E. Other Inputs

1. As we often need to value the transportation cost of bringing material and certain energy inputs from a supplier to the factory, we will verify the distance between the supplier and the factory and the mode of transportation. This topic is normally a minor issue and therefore not much time should be spent on it.

To confirm the respondent's reporting, we examine such documents as maps, bills of lading, trucking company and railway invoices, rate schedules, and inventory records. If multiple suppliers and/or transportation modes are involved, you will also need to test the respondent's averaging methodology.

2. Normally, we do not need to verify specific factory overhead items as the factory overhead surrogate value covers such factors. However, whether or not a given factor should be included as a direct production factor or part of factory overhead may be an issue in the case. Use the verification to gain a better understanding of the input and how its use may correspond to the surrogate value information you have developed. Observe any potential differences

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between the surrogate value overhead items and those at the factory in case these differences become an issue for the valuation in the final determination.

XI. VERIFICATION REPORTS

As noted above, the verification outline itself is the starting point for your verification report. The items listed for verification become the description of the procedures you used for verification. Below each item you fill in the results. In general, if an item checks out, all that may be necessary to report is that no discrepancies were observed or that the item was consistent with the questionnaire response. Obviously, where your findings differ in any way from the questionnaire response, you will need to provide an explanation. Ask a senior analyst, supervisor, or program manager, as appropriate, for sample verification reports to use as a guide.

Bear in mind that the verification report is the place to report on the accuracy of the questionnaire response (both submitted and omitted). The report is not an analytical decision memorandum, and you must avoid drawing conclusions about the use or application of data from the questionnaire response.

If possible, try to write, at least partially, during the verification or in the evening after verification. As a general rule, what takes you one hour to write within 48 hours of verifying a particular topic will take approximately three hours to write a week or two later back at the office. Verifications proceed at a hectic pace, requiring you to absorb vast amounts of material, so writing (or typing, as the case may be) each item as you go along, or soon afterwards, gives you the opportunity to ensure that you fully understand what you just verified. Furthermore, writing the report frequently generates new questions and clarifications, which you are then able to pursue immediately or the next day.

If you use data packages, you may want to keep your notes and exhibits together with the data packages. If you are unable to write in the evenings and your verification is scheduled to run more than a business week or you are doing back-to-back verifications, discuss with your supervisor or PM the possibility of adding an off day in the middle of verification for working on the report.

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A. Report Writing Tips

1. Include a list of major findings at the beginning of your report.
2. If you did not verify a topic due to your time and issue priorities, state in the report that: “This topic was not selected for verification examination.” If, however, you were unable to cover a major topic due to respondent’s actions at verification, such as lack of preparation or refusal to permit examination of certain records, document the incident in your verification report.
3. Well-written reports ultimately may be the difference between winning and losing in court if the DOC is sued on an issue tied to verification findings. Similarly, a well-written report permits all parties (petitioners, respondents, Import Administration managers, and, surprisingly, yourself), to have a clear understanding of the facts when the time comes in the final determination to conclude the analyses and address the issues.
4. You may find the following ideas helpful in constructing a well-written report:
 - a. Remember your reader
 - o Be sure that your report addresses pertinent points the petitioner and your team have raised, or that are likely to be raised, as issues in the proceeding.
 - o Your writing style should assume the reader is familiar with the case in general, but you may need to explain further some details on complicated items where the verification outline does not provide enough information to fully explain the topic.
 - b. Keep your narrative clear
 - o Put lists, charts, etc. in appendices, including the list of participants.

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- o Do not, however, bury pertinent facts in the report by simply referring the reader to an exhibit. For example, if the terms and conditions of a sales contract are a relevant issue, identify the key terms of the contract in the text of the report instead of directing the reader to the appropriate exhibit without any further discussion.
- o Use codes, key words and abbreviations to refer to long or awkward terms, such as certain sales ("HM1" or "US1") or proprietary data ("Form A", "HM1 Customer", "Rebate Type 2", etc).
- c. Say what you saw, not what you thought you saw
 - o The verification report must be an accurate and credible description of what was verified. Therefore, when you write that an item checked out, it should be because you are thoroughly satisfied with the verification results. Do not allow yourself to jump to conclusions or be led to accept an item as verified unless you are satisfied with it.
 - o Don't make assumptions in your verification or your report unless they are adequately supported and logical.
 - o If you are not completely satisfied with a verification item and you have pursued it as far as possible at verification, describe in your report any reservations you have about the verification of the item.
- d. Stick to the subject
 - o Avoid including extraneous details and irrelevant facts.
- e. Write public
 - o In order to make the public version of the verification report as understandable as possible, use proprietary information sparingly.

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- o Provide enough information in a public version to create as useful a public summary as possible (e.g.: \$[2.90] per kg. - the unit and currency appear in the public version, so only the figure itself is excised.).
 - o If possible, do not use customer or supplier names in your report. These details are usually unnecessary and including them may force you to prepare, in investigations, three versions of your report - Business Proprietary, APO, and Public. Normally, it is sufficient to refer to “the customer” or “the transportation company” rather than name it.
 - o Respect legitimate requests for **proprietary treatment** from the respondent, but, if you have reason to doubt the appropriateness of the request, discuss it with the respondent and its counsel.
- f. Good grammar and proper form count
- o Be sure to check spelling, grammar, diction, etc. in your report. Do not rely solely on computer aids such as spell check programs.
 - o Check the continuity of your report - are all loose ends tied up? Have you left something unexplained? Does your report make sense? Does the report flow well?
 - o Have someone in your team who was not at verification read through your draft report to check for the above items.

B. From Draft Report to Final Report

The text of your report is “final” when it is approved by your supervisor or other manager. However, the report is not ready for release to all appropriate parties until the respondent or its counsel has the opportunity to review the report for the purpose of agreeing to administrative protective order (APO) release and to request proprietary treatment for any additional material. In investigations, common practice is to allow the respondent a half business day to raise any objections to APO release of the report, and a

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full business day to comment on proprietary treatment. After the respondent has had these opportunities and you have incorporated any changes in the proprietary treatment of report information, the report is ready to be placed on the record.

- o Following the suggestions above, try to make as much of the report “public” as possible. Treat as proprietary (i.e., place between brackets) only those information items for which proprietary treatment has been requested previously in the questionnaire response or which you are certain are entitled to proprietary treatment according to the statute or regulations. If in doubt, do not treat the information as proprietary - you can be sure that if the respondent believes it should be proprietary it will let you know, while it is less likely to advise you if information does not require proprietary treatment.
- o Typically, counsel for the respondent will telephone you or fax you with additional items it believes require proprietary treatment. Review the items with counsel if you question this treatment. While legitimate requests should be granted, not all items identified by counsel or the respondent are eligible for such treatment and the request may be rejected.
- o Counsel or respondent’s comments must be limited to APO release and proprietary treatment only. This opportunity is not a forum for requests to change or “correct” the substance of the report.