CHAPTER 15:
VERIFICATIONS

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I.   INTRODUCTION

This chapter describes the purpose of an antidumping verification and how to prepare for and conduct a successful verification. Analysts should use this chapter as a tool or a general guideline for planning and executing the completion of a successful verification.

Typically, two analysts are present at a verification, although skilled senior analysts may be called upon to conduct solo verifications without assistance from time to time. New analysts should always be assigned to work with a senior analyst on their first verification(s) and analysts should not be assigned to lead a verification until they have acquired demonstrated experience assisting on multiple verifications. Tips for conducting verifications with two analysts 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, no matter how much the verifier has done to ensure that the respondent is prepared in advance for the verification, it remains possible that the respondent will not be adequately prepared. No two verifications are alike, and things will happen that are unexpected. Therefore, it is important to be well prepared, flexible, and resourceful.

II.   OVERVIEW OF VERIFICATION OBJECTIVES AND PROCESS

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. As noted below, 19 CFR 351.307 provides information on when the Department will verify.

The factual information we rely on to make a final determination in an investigation or in an administrative review is contained in the questionnaire responses of the respondent. We validate this information by conducting a verification at the respondent's facility (or facilities). The

verification process is designed to focus on a prioritized, cross section of information, and to check the validity of the factual information submitted by the respondent in the questionnaire response, and therefore, confirm whether we can rely on the factual information to make our final determination.

A. Objectives

The two primary objectives of any verification are:

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 Process

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:

(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.

(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.

(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 19 CFR 351.308

(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.

(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 analysts 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.

III.   GENERAL PRINCIPLES

A. Risk Analysis

Verifiers should always have the concept of risk analysis in mind as they prepare for and conduct the verification. Verifiers should always consider which direction is to the advantage or disadvantage of the respondent. This approach will help focus the verifiers' time and energy at verification on those areas where it is needed the most (especially in completeness). For example:

1. Verifiers shouldn'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. Since claiming these expenses as deductions would only serve to lower the dumping margin, it can be assumed that the respondent has thoroughly reported such deductions. However, if the verifiers do find unreported home market expenses, they should be noted in the verification report.

2. Verifiers should be concerned about whether the respondent reported all U.S. movement expenses or other direct selling expenses. Failure to report these expenses could have the effect of decreasing any dumping margin.

B. Control the Verification Process

1. Proper time-management is a crucial aspect of all verifications. The verifiers control the verification schedule. Verifiers should always bear in mind the objectives and should not allow themselves to become bogged down in relatively insignificant topics or adjustments.

2. Verifiers should not become involved in a discussion of case related issues or attempt to justify or explain decisions made in the investigation or review.

3. Verifiers should be reasonable about the time and work demands placed on the respondent. To the extent practical, verifiers should work with the respondent in meeting the verification schedule and objectives.

4. Although the respondent may have set a schedule to accommodate the verification outline and other logistical requirements, verifiers should 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. Understanding the players at verification, their particular areas of expertise, and their personalities is important. While it is sometimes more efficient to deal with the respondent's spokesperson, verifiers should normally work with the respondent's official responsible for that topic, *e.g.*, the export sales manager for U.S. sales questions or the controller or the accountant for cost issues. If counsel for the respondent is present, verifiers should encourage the counsel to participate fully in the verification as a facilitator. However, verifiers should make it clear that the primary contacts for verification are the respondent's officials.

C. Setting Priorities for Verification

1. Usually, as there is insufficient time to verify all of the data in the questionnaire response and all of the other relevant facts, it is critical to prioritize the verification topics. Verifiers should keep in mind that theyвnot the respondent or the respondent's counsel determine the verification priorities. If due to time constraints, it is often not possible for the verifiers to verify every topic on the verification outline, verifiers should consider which items are most critical.

2. Beyond what is provided in the verification agenda discussed below, verifiers should not advise the respondent in advance which specific transactions, expenses, response questions, or issues may or may not be verified. To insure the integrity of the verification process, the respondent must always be prepared to verify all information relevant to the case.

D. Important Insights and Suggestions

1. Given the volume and complexity of information that the Department normally requires in an antidumping investigation or review, it is not uncommon for the respondent to make mistakes. Verifiers should assess the nature and gravity of mistakes uncovered in the context of the entire response and what the Department actually asked in its questionnaires.

2. Verifiers should be aware that in some parts of the world, it is an accepted business practice to have both official and unofficial accounting records, and as such, the respondent should be prepared to explain the accounting practices used for reporting to the Department, and how these practices accurately reflect their business practices. If there are concerns that the records being reviewed do not reflect the true business practices of the respondent, verifiers may overcome this situation by advising the respondent (directly or through consultation with their attorney) that they are only interested in the business facts as they pertain to the investigation or review.

If a verifier discovers at verification that the respondent has a second unofficial set of books, they must exercise extreme caution and sound judgment in determining how these books are used by the respondent. Verifiers should have the respondent describe how the official and unofficial books differ. Wherever possible, verifiers should link the second set of books to the official records. Risk analysis should be used when dealing with multiple sets of financial accounts or off-the books items. If a particular methodology is to the respondent's advantage, the respondent bears the burden of proof to directly link this information to its reported sales and expenses.

3. Verifiers should be aware of cultural differences that may arise in conducting the verification. For example, it may be the practice in some places to only answer a question exactly as asked. Therefore, if verifiers or interpreters don't phrase the question properly, they will not receive a full and complete response. Where necessary, verifiers should discuss the topic with the interpreter and ask him or her to be sensitive to the problem. If verifiers sense they are not getting complete answers to their questions, they should consider making adjustments to how questions are phrased.

4. Verifiers should not limit their discussions to the respondent's personnel (or its counsel or consultant) responsible for presenting the response. While there are advantages in having one person speak for the respondent, such as efficiency and continuity, verifiers should always be sensitive to the fact that, by using one person as a spokesman, the respondent may be controlling the information it wants the verifiers to see or hear.

a. If verifiers want an "unrehearsed" answer or explanation, they should request that certain of the respondent's personnel be called into the verification room. In order to ensure the spontaneity of the process, verifiers should ensure that the phone call to the desired person is monitored by the interpreter, and that subsequent discussions with the person are in English or are monitored by the interpreter.

b. Verifiers should consider visiting the offices of the respondent's staff responsible for key topics such as sales, shipping, inventory, and packing, in order to hold spontaneous discussions with personnel. Where the opportunity presents itself and seems appropriate, verifiers should ask the respondent's officials if they can review certain files. Also, if appropriate, verifiers should ask to be taken to the room where the respondent's personnel maintain records being presented at verification. In making this visit, verifiers should ask the respondent's personnel to show how and where they are obtaining the data brought to the verification room. They should also consider examining records in the files or on the employees' computer. Verifiers may want to ask the respondent's officials to explain the source of the information stored there. These records could also be used as the basis for completeness tests.

c. Spontaneous phone calls are also an effective and efficient way to corroborate information, particularly if the party is not at the verification site. In order to ensure the spontaneity of the process, verifiers should ensure that the phone call to the desired person is monitored by the interpreter, and that subsequent discussions with the person are in English or are monitored by the interpreter. Verifiers should always allow the respondent's officials and their counsel to listen in (use a speaker phone) to ensure that the translation is correct and that they are aware of what is being said.

E. The Two Objectives of Verification

Verifiers should not lose sight of their two primary objectives:

1. Verification of the accuracy of information submitted in the response.

a. Verifiers must first verify the data as submitted in the response unless they are absolutely certain that such data will not be used in the final determination. Verifiers should realize, however, that the number of sales or the number and complexity of the specific issues in the case may determine whether there will be time to examine all of the data. In these instances, the prioritized verification outline will be crucial to the success of the verification.

b. Even if verifiers suspect that some or all of the information that was provided is inaccurate or does not reflect the actual facts of the case, the verifiers should collect as much documentation and other information as possible about the items in question. Although the verifiers may believe that the respondent's data is flawed, failure to document discrepancies with record evidence places the DOC in a tenuous position, particularly when making its determination or when defending its conclusions before the court.

c. Verifiers should not rely solely on respondent's worksheets as the source documents for verification of a particular topic. Worksheets should be first tested for accuracy to determine if the math, formulas, and assumptions yield the results claimed in the worksheet (if these documents are already on the record, this test should be done before verification). Further, verifiers should 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 a worksheet has been examined in this manner, verifiers should, where appropriate, trace the source figures on the worksheet back to accounting records and source documents. If verifiers use a particular prepared worksheet as a verification exhibit, sample source documents used to support the exhibit should be attached to that exhibit.

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 applies to the reported sales transactions, as well as, charges and adjustments.

b. Verifiers should keep in mind that their purpose is to verify all the relevant facts pertaining to the case, including identifying any relevant information that has not been reported. If verifiers limit their verification to verifying only the information reported, they 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 that is established in the beginning of the verification, and is constantly evolving as verifiers probe and attack the response from different directions. "Risk Analysis" is a key component of completeness.

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

F. Objectivity

While the focus of the verification is the respondent's business, verifiers should conduct themselves in an impartial manner at all times. The outcome of an antidumping investigation or review is vitally important to the petitioner and respondent. Therefore, it is incumbent upon the verifier to be thoroughly familiar with the questionnaire responses, other case facts, and the issues of the investigation or review before commencing the verification. Doing so allows the verifier to stay focused on the objectives of verifying the accuracy and completeness of the information provided to the Department.

IV.   PRE-VERIFICATION PLANNING

Here, we discuss how to prepare in advance for the actual verification of the response data. While a great deal of pre-verification planning is also required on questions of time, place and travel arrangement, these logistical considerations are discussed in the Operations Handbook.

A.   Review Responses and Calculations

1. Knowing a respondent's questionnaire response thoroughly is critical for a successful verification. Prior to the verification, verifiers should conduct a thorough review of all responses as well as petitioner's pre-verification comments. Verifiers should review the product catalogs and financial statements included in the response. Verifiers should also review the ITC preliminary determination report, as it frequently has valuable information on the product and production processes.

2. After a verification has been scheduled, verifiers should contact the petitioner or its counsel to advise them of the verification schedule and invite comments as to the major elements of the verification. The petitioner should be reminded that because verification time is limited, any comments provided should be aimed at assisting the verifiers to organize their time effectively so that the response elements of most concern to petitioner may be sufficiently addressed. Verifiers should not allow the issues presented in the petitioner's comments to become the focus of the verification.

3. Verifiers should 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. From the data analysis performed during the analysis of the questionnaire responses, verifier may have identified outlier sales data, and as a result, questioned the respondent in a subsequent supplemental questionnaire. If the respondent has confirmed that this outlier sales data is correct, the verifiers should consider examining these outliers at verification. Also, verifiers should 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.

b. Verifiers should sort a variety of data by customer or groups of customers (e.g., 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 distribution, and commissions. Verifiers should also 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.

c. In investigations, verifiers should 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 the verifiers a better idea of what was relevant for the preliminary determination and what could be relevant for the final determination.

d. In reviews, verifiers should familiarize themselves with the results of the previous determinations. If the respondent has been verified previously, verifiers should examine the verification reports from earlier verifications.

e. For factors of production or cost of production responses (if Office of Accounting (OA) accountants are not assigned to verify this information), verifiers should identify those products or models with the highest and lowest consumption of inputs or costs. Verifiers should identify the models or products which generated the highest and lowest margins and

try to identify any inputs or cost elements which may have generated these results.

f.   As part of this process, verifiers should be able to identify specific transactions for inclusion as pre-selected or on-site sales at verification. Similarly, if verifiers are involved with a factors or cost verification, they may use this process to identify specific models and inputs or cost elements for detailed examination at verification.

g.   The OA maintains a library of reports which explain the types of accounting data that companies are required to maintain in different countries. Verifiers should familiarize themselves with the country's accounting reporting requirements in the pre-verification preparations.

B. Tools for the Verification

Obviously, the questionnaire responses and related documents will be needed at verification, at least in some form. Packing up the entire hard copy case workfile is not a very practical option and experienced verifiers generally use a more organized approach. These tools and techniques, described below, will help to organize the response information to make the verification proceed smoothly and efficiently. They will also help cut down on luggage requirements.

1. Electronic Files and Laptop Computers

It is strongly recommended that verifiers bring a laptop computer provided by the agency to verification. In addition to using the laptop for taking notes and the creation of a draft verification report while at verification, the computer is also useful as a verification tool for transporting electronic versions of case documents, and of responses if available in electronic form. If verifiers want to use a laptop for this purpose, encourage the respondent to submit all questionnaire responses in both electronic and paper form. This will enable verifiers to bring the entire response to verification on the computer hard-drive or a CD. Note, however, that attachments are usually not submitted electronically.

Laptop computers also provide the verifier with the opportunity to analyze and sort through large volumes of sales or cost data on-site during verification. Laptops are generally equipped with Excel and Lotus spreadsheet software which can be used to check all sorts of data calculations presented during verification. Currently, a number of Import Administration laptops also have the SAS application   It is highly recommended that for any case in which SAS is being used to analyze sales and cost data, the verifier bring a laptop loaded with the SAS application and the sales and cost databases. Before departure, the verifier should also obtain a few simple SAS data analysis programs from resident IA SAS experts which verifiers can use to sort the sales, cost, and/or factors data, and if necessary select new sales or cost models for on-site verification purposes. For purposes of case-specific analysis, it is also recommended that the verifier also

bring draft comparison market and margin calculation programs on the laptop. These computer applications and programs will allow the verifier to more readily sort and compare response data for verification purposes. The verifier will also be in a better position to measure the impact of various verification adjustments and prioritize the items that he or she reviews more closely.

2. Data Packages

Even if the verifier has the entire work file on a laptop, bringing selected hard copy excerpts of the responses to the verification in the form of data packages can greatly facilitate the process of verification. These data packages are assembled in part from sections taken from original and supplemental responses.   The idea is to bring a series of topic-specific packages to verification that correspond to the specific topics to be verified. In creating the data packages, verifiers are also helping to ensure that they have a complete picture of what the respondent has provided both in the original responses and supplemental submissions. Those who have used data packages consistently recommend using them 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. Verifiers should date the top of each page with the submission date. The petitioner's pre-verification comments should also be included 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.

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 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.

Advantages of Data Packages

a. When the responses are large and there have been multiple filings on a topic, the packages give all of the relevant data in one place without having to fumble through multiple submissions. Insofar as the data packages streamline the verification process, it is a worthwhile form of preparation.

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 verifiers to focus on the full scope of the issue. Similarly, during the verification when the verifier needs to refer back into another topic or to review some earlier exhibits, they 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 pick up the package, review the documents, and verify. In this regard, data packages are essential.

e. It shows the respondent that the verifiers is well-prepared and well-organized, all of which enhance their appearance of professionalism and objectivity.

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 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. Verifiers 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:

Accounting/Financial Practices
- Chart of accounts for Acme, Inc.; section A response; 12/22; Exhibit 7
- Financial statements (2003 & 2004) for Acme, Inc.; section A response; 12/22; Exhibit 8
- Acme, Inc. consistent with Mexican GAAP; section A response; 12/22; Exhibit 8; pg 4
- Financial accounting system flowchart for Acme, Inc.; supplemental 1 response; 01/14; Exhibit S-3, pg 4
- Tax return (2004) for Acme, Inc.; supplemental 2 response; 01/24; Exhibit S-2

Distribution Process
- Distribution process flowchart; section A response; 12/22; Exhibit 4; pg 2 & 3
- Home market - channel 1 - processing plant - customer pickup; section A response; Exhibit 5
- Home market - channel 2 - processing plant - delivery to customer; section A response; Exhibit 5
- US market - channel 1 - processing plant - port of shipment - delivery to customer; section A response; Exhibit 5

Advantages of Response indexes:

1. Can be prepared over time, as responses are received
2. Does not require disassembling responses into data packages

Disadvantages of response indexes:

1. Only provides summaries of response data
2. Where there are multiple submissions, on a topic, usually requires that all submissions be brought to the verification site

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 verifiers are able to keep track of all of the response information without these tools. Smaller responses generally are not a burden to bring to verification.

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 the verifier's purposes.

C. Selecting Sales for Verification

Prior to verification, verifiers 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 during the course of verification and will be referred to as on-site sales.

Unless the case involves an unusual product for which only a few sales were reported, verifiers will want to take advantage of SAS in analyzing and selecting sales. Verifiers should take full advantage of the sales overview provided in SAS data analysis programs (the min-max is a common variation) and use simple SAS sales selections programs as the means of creating printouts of selected sales to take to verification.

To the extent possible, the specific sales selected should cover the full spectrum of terms of sales, charges, adjustments, product models, etc., as well as sales with unusual characteristics. Data analysis prior to verification, discussed above, should provide 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, verifiers should be sure to coordinate the objects of the sales and cost verifications. For example, verifiers should make sure the cost team is aware of the sales transactions that they consider important and they can focus their verification to cover the cost side of the same transaction.

It is not uncommon for much of the same sales transaction data to be repeated for different observations (OBS) on the submitted database or for the OBS # in the program to differ from the OBS # used by the respondent. Therefore, in identifying selected sales to the respondent, verifiers should include enough unique information to allow the respondent to identify the exact sale that has been selected. Also, verifiers should be aware that respondents normally report one sale/OBS for each line item on an invoice and therefore the line items recorded on an invoice are usually reported in multiple OBS numbers.

For the pre-selected sales, verifiers should select as many sales as needed to cover the range of data they wish to examine while keeping in mind time constraints at verification. Around five pre-selected sales OBS for each market is typical for a normal market-economy case. If both EP and CEP are involved, verifiers may want to choose four to six sales OBS 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.

The term surprise sales often has been used to refer to on-site transactions presented to the respondent during verification. Generally, the "surprise" regarding these sales is limited as the respondent will typically disappear with the list in order to collect the necessary supporting documents. Verifiers should use sales selected on-site to further examine topics of interest that were identified prior to or during verification. One of the verifiers may also decide to accompany the respondent's officials as they gather the necessary documents.

Prior to departing for verification, run a printout of the complete transaction data for each of the selected sales using SAS (unless another application is being used for the AD analysis). Although it is IA practice to select sales by OBS which normally represent individual line items on an invoice, it is useful to reference the related invoice number and create a printout which includes all of the other line items (*i.e.* the other OBS) sold under that same invoice in addition to the selected sale. At verification verifiers will review the original invoice and it serves the verifiers' purpose to be able to confirm quickly that the other line items on the invoice were also correctly reported.   Each selected sale or invoice should be printed on a separate page with extra space for taking notes during the verification of that sale. Ultimately, every relevant column on the printout reflecting different adjustments and related expenses should be checked off as verification of that topic is completed.

D. Verification Agenda

The verification agenda (or outline) serves as the verifier's advance instructions to the respondent on what it must prepare in advance for the verification and, as such, is 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 a script for the verification. Note, however that verifiers should feel free to go out of order of the agenda, if needed (e.g., due to time constraints or the need for spontaneity.)

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. Standard Verification Agenda Format

Import Administration (IA) is currently using a standard verification agenda (outline) which also serves as the outline for the verification report. To the extent possible, each section of the standard agenda should address response-specific data that is to be verified. Such presentations can easily be incorporated into the verification report. The standard verification agenda is available on Lotus Notes. In an administrative review, the verifier should also review the verification reports from the investigation or the most recent reviews in which verifications were conducted to determine if there were unique issues in that proceeding which may warrant additional examination in upcoming verification.

2. Cover Letter

The cover letter to the outline should identify who will be verifying and the dates they 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 letter reminds the respondent to have verification documents translated into English in advance of the verification.

V.   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, verifiers can further help themselves 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, verifiers will be relying on an interpreter to translate questions, the respondent's answers, and many of the source documents. Occasionally, respondent's personnel will feel comfortable working in English. If the verification is conducted in English, the verifier and the interpreter should observe how this procedure is working. The interpreter should then be

used to listen to the side-discussions taking place in the native language and to translate documents as needed.

If the opportunity exists, verifiers should send or fax a copy of the public version of the verification outline to the interpreter in care of the embassy or consulate which arranged for the interpreter services. In addition to this, it is always a good idea to meet with the interpreter prior to the verification to brief the interpreter on the verification process. Verifiers should 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 (confidentiality agreement). All interpreters, except those foreign nationals working for the United States Government, are required to sign this confidentiality agreement in which they certify 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. Verifiers should obtain a copy of this statement before departing for verification.

Although verifiers will be speaking through the interpreter to the respondent's officials, they are really speaking directly to the respondent's officials. Verifiers should try to phrase questions in the first person and look at the respondent's officials, rather than the interpreter, when speaking.

As they proceed through verification, verifiers should remember that the interpreter is working for the verifiers, not the respondent. Verifiers should 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. Verifiers should observe and listen carefully to the interpreter and his/her interaction with the respondent officials during the first part of verification. If interactions are going smoothly and the interpreter has few problems understanding what verifiers and the respondent's officials are saying, then they probably have a good verification interpreter and should have few translation problems. However, if the interpreter is stumbling over words or frequently asking the respondent's officials to further explain their answer (or asking verifiers to restate questions), then the verifiers may encounter some translation difficulties. In these instances, verifiers should proceed cautiously and carefully with their questions. Verifiers should use clear and precise language, without jargon or slang, in posing questions to the respondent's officials. It may be necessary to repeat and rephrase some questions in order to be sure that both the verifiers and the respondent's officials understand what is being said.

If the verifiers has an inadequate interpreter who is seriously undermining the integrity and professionalism of the verification, verifiers should 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.

B.   Getting Started

1.   Using the Agenda as a Roadmap

Since they have prepared a meaningful agenda, the verifiers should attempt to follow the order in this outline, but should not be bound by it. The verifiers may want to discuss the order of the topics to be reviewed at the beginning of verification, particularly if part of the verification needs to take place at another site, such as a factory or affiliated party at another location. In the course of the verification when the opportunity arises to pursue another topic that was not anticipated in the agenda, the verifiers need to make a judgment call on whether to deviate from the outline. This situation frequently occurs when the verifiers 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.

2.   Using A Laptop

We have already discussed how a laptop can be an important verification tool both for on-the-spot analysis of the response data that is being verified and for recording information obtained at verification. Verifiers should include an electronic version of the verification agenda on the laptop hard drive as a template for verification notes and the draft verification report. During verification, verifiers can use the laptop for basic note-taking, to the extent the verifier is comfortable using it as a note-taking device (some may still prefer pen and notebooks, it depends on which method is the most efficient for the individual). Even for those who prefer pen and paper for their initial note-taking, the laptop is still worth bringing for data analysis, data storage and transcription of the rough notes into a draft report format. In this regard, after completing the review of each verification topic (or at a break point during a complicated topic), verifiers should take time out to summarize their notes or to actually write up that section of the report on the laptop. Even though verification time constraints often make this difficult to do, by taking this time to record the findings while they are still fresh in mind, verifiers ensure greater thoroughness during verification and greatly facilitate the subsequent completion of the report. Note: Experienced verifiers have observed that often inexperienced first-time verifiers will be absorbed in taking nearly verbatim notes of what is being said or taking place, rather than focusing on the bigger picture of what is being verified and how that process is playing out. While note taking is important, verifiers should ensure that they do so in a manner that does not detract from their ability to follow the big picture.

Experienced verifiers have learned the following:

a.   What takes 10 minutes to write during verification or afterwards that evening, will take 30 or more minutes to write back at the office.

b.   Writing some portion of the report each day allows verifiers to feel less anxiety knowing that all of that day's work is not piling up in their head and will feel refreshed to start a new topic.

c.   Writing during verification allows verifiers to go back and ask follow-up questions, or reveals new leads. It also provides a reference to refer back to as the verification progresses.

d.   Writing during the verification need not waste any of the respondent's time. The respondent can be kept busy preparing the next topic or following through on work assignments while verifiers write.

3. Effective Use of All Participants in the Verification

When two verifiers are present, both should participate in the phase where the foundation for the verification is laid. However, once the verifiers reach the point of verifying adjustments and sales traces, one person can write up a section he or she verified while the other verifies a new topic. Alternatively, two verifiers could simultaneously verify separate topics. In such instances, however, verifiers must first establish that the respondent has the ability to conduct simultaneous verifications. While division of labor is generally the most effective approach, the verifiers may determine that certain topics, such a particularly complex quantity and value reconciliation require the combined attention of both verifiers. This is a judgment call the verifiers must make based on their knowledge of the response and what they learn at verification.

Verifiers can increase their effectiveness by putting the respondent's staff to work for them, provided the respondent's officials agree. They should be given structured assignments and should 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. The verifiers should always, of course, maintain control of the verification process in such situations. Verifiers should let it be known that they will check to source documents as needed. For example, if the verifiers have decided to conduct a completeness test using the 10 branch office sales ledgers which are contained in 40 ledger books. They might select 30 sales and tab the pages. To maintain control, verifiers should note the volume, page and invoice number for each selected sale. Verifiers should then sketch out a format of what type of data (e.g., quantity, price, material spec., etc.) they would like the respondent to collect for each sale. Verifiers should then tell them to tie the sales to a variety of source documents and to bring the filled-in worksheet and source documents to the verifiers when completed. The verifiers might request that the sales staff person assigned to the verification complete this documentation as homework or, alternatively, they might assign this task to other staff members while the designated sales staff person works with on items for which documentation was already prepared. Verifiers should check the first few against source documents, and randomly check others. For other assignments, the verifiers may simply ask them to report any discrepancies and check nothing. The key is for verifiers to be unpredictable as to when and how they will actually trace the worksheet results to source documents.

If respondent's counsel or outside consultants are present at verification, the verifiers should encourage them to participate fully in the verification process, but verifiers should make it clear from the beginning that they will require the direct participation of the relevant officials as their primary contacts throughout the verification. There is a natural tendency on the part of respondent's counsel in its advocate role and the respondent's outside economic consultant as the creator of the response to try to take over the verification process. There is nothing wrong with counsel or outside consultants explaining at verification what they did in preparing certain sections of the responses. The respondent counsel and outside consultants have a pivotal role in respondent's verification logistics, beginning with pre-verification preparations and continuing with the preparation of documentation requested during verification and the compilation and review of verification exhibits. However, allowing respondent's counsel to assume the role of the spokesperson or to act as a filter of information is counterproductive to the objective of the verification process, to check the accuracy and completeness of the response directly with the responsible officials. The respondent's officials should be there to provide the ultimate answers to any questions that arise concerning the interpretation of the respondent's data. It is essential that the respondent's officials and employees be the direct sources of information. The verifiers should make this clear throughout the verification.

C. Presenting an Overview of the Verification to the Respondent

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 of the respondent's officials or upwards of twenty five individuals. Verifiers should include the following information in their overview:

1. That they are there to verify the accuracy of their responses as required by our antidumping law.

2. That they will be verifying the negative as well. That is, they 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. Verifiers should set the agenda for the first day and explain how they intend to proceed. Verifiers should let them know the types of hours they will be working and what is expected of them (in terms of after work assignments). If the respondent has a schedule planned based on the outline, the verifiers may consider it, but verifiers should emphasize that they reserve the right to deviate from it as needed. This procedure usually works out as long as verifiers give them advance warning of changes.

5. Verifiers should let the respondent's officials know that, depending on the complexity of the topics covered, the verification team may periodically take short breaks from the review of topics with the respondent's officials to complete and summarize their notes. Verifiers should inform the respondent's officials that the verification team may also request short breaks from the proceeding to consult with each other regarding issues that arise. Verifiers should ask the respondent to designate a space where the verifiers may meet in private.

6. The verifiers should discuss meal arrangements with the respondent. Verifiers 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. Any after-hours activities with respondent personnel or its counsel should be avoided.

7. The verifiers and the respondent's representatives should agree to maintain a visible check list of outstanding assignments and documents. If possible, the respondent should provide a verification room with a chalkboard or large pad on an easel to use for this purpose. Verifiers and the respondent's representatives should go over the list daily to ensure that both parties understand where things stand. This procedure is an essential task in maintaining control of the verification.

D. Exhibits

Exhibits are copies of the source documents that verifiers view at verification that support the response and/or verification findings. Verifiers will select certain key exhibits to be put on the record as attachments to the verification report depending on the support they provide to the findings. Generally, verifiers should incorporate documents as formal verification exhibits if the document supports a particular point in the verification findings. If the item is complex or contentious, verifiers will likely take most or all of the documents. In other cases, verifiers may simply take a sample of what they have seen. If accompanied by a senior verifier, she or he will help determine what is appropriate. In some cases, a respondent will create worksheets especially for the verification to facilitate understanding of how the response data ties to the original source documents. Although these worksheets are not part of the respondent's regular books and records, verifiers should include them in the appropriate exhibits if they contribute to the understanding of the source documents.
It is not uncommon for a respondent to try to explain a topic before providing the exhibit. Thus, when dealing with a particular topic for the first time, verifiers should always ask for copies of the relevant exhibit before the explanation begins. That way, they will have them to take notes on. Verifiers should also discuss with the respondent how many copies of each exhibit need to be made (include respondent's needs in the count).

Formal exhibits are given numbers in order to list them in the verification report. Verifiers should make the first exhibit 1 and number sequentially thereafter. If verifiers need to refer to specific pages within the exhibit, verifiers should 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 the verifiers' notes. It also makes a verification report citation to an exhibit more precise. A list of exhibits should be appended to the verification report and the description of each such exhibit should be sufficiently detailed to describe what it represents.

The respondent and/or, if present, its counsel needs to have the same set of exhibits and reference numbers as the verifiers' working copies. The verifiers should explain the numbering system they intend to follow and work out a system for ensuring that the respondent has the same exhibits as the verifiers. A good approach is to organize the exhibits at the end of each day's verification and go over them with the respondent either at that point or the next morning. Prior to completing verification, verifiers should reconcile the exhibits with the respondent to ensure exhibit pages and exhibit numbers are correct. Verifiers should also make certain all exhibits include adequate translations to help explain the exhibits and how they relate to one another and to the respondent's questionnaire responses or other submissions. The verifiers may wish to keep a separate working copy of the exhibits for their own use. Verifiers may write on these working copies of the exhibits whatever notes they feel will assist them in remembering necessary details about the exhibits to write the verification report. However, the verifiers should keep at least one clean copy, identical to those served on the record and other interested parties. Note the term clean copy does not refer to documents that are devoid of any notations. As noted above, these clean copies may contain translations and notations which link documents in that specific verification package.

Section 777(c)(1) of the Act, provides for the release, under administrative protective order, of all business proprietary information presented to, or obtained by, the Department of Commerce during a proceeding, except for privileged information, classified information, or specific information of a type for which there is a clear and compelling need to withhold from disclosure. Consequently, respondents must provide all verification exhibits to petitioner's counsel by the end of the third business day after the verification is completed.

E. Dealing with Response Revisions and New Information

Verifiers should conclude the introductory comments by asking if the respondent has any clerical errors to present that it may have discovered during its preparation for verification. Clerical errors or minor omissions are not the same as new information. New information would include more all-encompassing changes such as modifications 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, the benchmark for evaluating the claim that information is being presented to correct a clerical error in the response

should be its relevant significance to the response.

Verifiers should have the respondent describe the nature of each clerical error, such as the original value, the corrected value and why the error occurred. This will help them understand whether or not the error can be accepted as a minor correction. If verifiers determine that the clerical errors and minor omissions are acceptable as such, keep the list as a verification exhibit and instruct the respondent to serve the list on parties within three business days. Verifiers may be able to confirm the appropriate corrections for some of the small errors at the time the list is presented, but in many cases it will be more practical to verify the correction when they cover the relevant section of the response later in the verification. Nonetheless, verifiers must obtain sufficient understanding of the extent of the clerical error before deciding how to proceed and whether to accept the corrections.

If verifiers sense that the respondent is presenting substantially new information, either prior to or during verification, the verifiers should contact their program manager or other supervisor and ask how to proceed. Verifiers should not make any commitments to accept the new information until they have talked to their supervisor. Due to the time difference between most countries where we verify and Washington, it is likely the verifiers will not be able to reach their supervisor during that work day. To the extent possible, verifiers should attempt to determine the magnitude of the problem, as this information will be needed by the senior verifier or a supervisor in deciding how to proceed. Verifiers should use their laptop spreadsheet applications and the previously submitted response data they have brought to analyze the significance of proposed corrections. Any new information or corrections of clerical errors that is accepted during verification should be submitted for the record and served as required to all parties to the proceeding within three business days.

F. 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, they will need to evaluate the depth of the problem--does it affect only that transaction, or does it reflect systematic 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 major discrepancy in a specific section of the response would be if the completeness tests on expense accounts reveal the existence of direct U.S. advertising expenses when the respondent reported no

such expenses (a risk analysis assessment would tell the verifiers that it was to the respondent's advantage not to report direct U.S. advertising expenses). In this case, verifiers 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. 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, verifiers should contact their supervisor in Washington and ask how to proceed. Where time and resources allow, verifiers should collect sufficient information for dealing with the problem in the post-verification decision making process. It is important that verifiers make it very clear to the respondent that collection of such information does not constitute acceptance or verification of the information. Furthermore, the verifier should not discuss the possibility of using facts available for the missing data in making a final determination. Verifiers should collect the minimal amount of documentation necessary that identifies the discrepancy for reporting purposes so as not to give the perception that the item in question has been verified.

VI.   INTRODUCTORY REVIEW

Laying the foundation is essential to a successful verification. On the one hand, the verifiers are reviewing the information already on the record while, on the other, they are adding to their understanding of this information. This process will give verifiers a fuller understanding of how the respondent's company is put together and how it operates. Verifiers cannot verify the negative without this knowledge about the respondent because it provides 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 makes it clear who the players are and provides a better overview of the entire company, not just the unit involved with the merchandise under investigation or review. Such information may lead to discovery of unreported sales distribution channels or affiliated customers and suppliers. Verifiers should also make sure that they have information regarding the organizational structure in effect for the POI or POR.

For those key sections of the company relevant to the investigation or review, obtain names, the number of relevant persons in each section as well as the responsibilities of each section. Verifiers should also consider whether it is constructive or useful to question people in specific sections on the current size, structure and function of their respective section. Verifiers should also consider tying the reported corporate structure to its annual report and internal documentation. Where appropriate, verifiers should 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, verifiers will want to review the respondent's corporate structure to identify all potential areas of government involvement or coordination with other producers and exporters. The respondent's legal identity or status may also be important. Verifiers should make sure they 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 respondent has. At the same time, verifiers should not rely solely on this status to verify this issue. Verifiers should test the application of this claimed independence frequently throughout the verification.

B. Accounting Review

Verifiers must have a basic, but very clear, understanding of the respondent's accounting system in order to adequately conduct a verification of the facts as presented and to verify the negative. In the verification agenda, we ask the respondent to identify and describe the data systems used to record production and sales data and to review the manner in which source documents for production, sales and expenses flow into the financial statements via accounting vouchers, journals, subsidiary ledgers, and general ledger accounts. Verifiers should make sure they understand the respondent's particular names for these different accounting records since the actual identification of an accounting record can be easily confused in the translation. If the respondent has not already done so, verifiers should ask them to provide a flow chart that clearly shows how production costs, sales revenues and sale expenses are tracked in the respondent's accounting system and identifies the different stages of each of these accounting records by the names actually used in the respondent's accounts with accurate translations. Furthermore, since all verification steps ultimately reconcile to the financial statement, verifiers must ensure that they possess the audited financial statement applicable to the POI or POR. If two or more financial statements overlap the POI or POR, verifiers should pick one period (preferable the one that covers most of the POI or POR) and focus their attention on that document when establishing 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, verifiers may not be working with audited financial statements, or the financial statements the verifiers are working with may not closely adhere to normal accounting standards. 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. Verifiers will rarely find audited financial reports. In these instances, verifiers should identify the closest equivalent--a financial, tax payment, or other accounting document--on which the verifiers are satisfied the respondent relies as an accurate reflection of its normal record 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, verifiers 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, verifiers should confirm translations of key sections of these reports (balance sheets and profit & loss (P&L) statements) with the interpreter. Often this task can be assigned to the interpreter to work on as a side task during interpreter down time. 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. Verifiers should identify those accounts covering sales, movement charges and direct and indirect selling expenses. Similarly, if the verification includes data on cost of production or factors of production, the verifiers 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 provides a clear understanding of the types of accounting detail available and whether or not additional supporting ledgers are needed. Where appropriate, verifiers should identify account transactions of interest and ask the respondent to trace to source documents. These steps give verifiers a head-start on completeness tests and tracing sales, charges, and expenses to the general ledger.

C. Computer Data Base Review

Most businesses involved in international trade today maintain much of their basic sale and costs records and formal accounts in electronic form using some form of integrated accounting software. We are finding that much of the response material can be directly linked to on-line documentation maintained by the companies. In some instances, no hard copies of typical accounting source documents are kept. Therefore, for most companies we verify, verifiers will need to develop the integrity of the computer data bases in order to complete the 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. Verifiers should ask to meet with the person in charge of computer operations and have this person provide a complete list of the types of computer reports generated and/or available in the ordinary course of business.

2. Verifiers should review samples of the computer-generated 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 it allows verifiers to cross check different types of reports against the ones proffered by the respondent for the completeness tests. Where necessary, ask that certain reports be produced for the POI or POR.

3. As part of the introduction to the respondent's accounting system verifiers should request a tour of the respondent's electronic accounting records, preferably at the terminal of the accountant or IT person in charge of maintaining these accounts. Verifiers should have them demonstrate how data from a specific sale flows through the system and have them generate reports that can be linked to the financial statement. For cost verifications, verifiers should do the same with electronic records of purchases and input inventory. This procedure will give verifiers a good idea of what is involved in retrieving the information that is needed to match to response data.

4. Our verification outline/cover letter should ask that the databases used to generate the response be available at verification. In addition, where possible, verifiers should ask that the data base for sales listing be loaded and that a programmer be available to run various sorts of that data base. If appropriate, verifiers should ask that certain programs be run. This procedure will give a good idea of what is involved and how long it will take.

D. Affiliations

In their questionnaire responses, companies are required to report affiliates involved in the production or sale of the merchandise subject to investigation or review. Often respondents, especially large companies, will limit this reporting to affiliated companies that have a direct role in the production or sale of this 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, verifiers must also consider that affiliate's relationships with its customers and suppliers. Verification of affiliations in large, multinational 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.

1. Verification of potentially unreported affiliations means that verifiers must first become familiar with the customers and suppliers reported in the response. The list of customers can

run into the thousands; therefore, verifiers should refer to the 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 respondent'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 the respondent's 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. Verifiers 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.

3. Verification of company share holdings and investments is primarily accomplished using the asset section of the balance sheet. Asset accounts, such 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 verifiers may not have that company's financial statement on the record or the company is distant from the verification site. In these instances, verifiers may use the respondent's verified company data to check for sales, expenses, charges or production activity between the two companies or they may rely on faxed copies of source documents or express delivery 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 verifiers understand what products the company produces, where they are produced and how individual products are accounted for in the respondent's accounting system. Verifiers should begin by reviewing the scope of the investigation or review as well as the questionnaire product and product matching characteristics that the respondent was required to report. The verification will focus primarily on whether the respondent properly accounted for all scope merchandise and properly reported all product characteristics. The goal is to establish a

master list of scope merchandise that will become the source document during other phases of the verification, especially the completeness tests.

1. Verifiers should review products produced by the respondent and its affiliates that are both inside and outside of the scope of the proceeding. Verifiers should ask for a product code list covering all specific products produced by the company as well as codes for larger product groupings. Verifiers may then examine how this product coding system is integrated into the accounting system. This procedure will provide an understanding of what types of product-specific information are available.

2. The company should explain how it segregated in-scope merchandise from all other products produced. Where applicable, verifiers should review the computer program used to identify in-scope merchandise and ensure that all requested product characteristics were captured. For excluded products that are similar to in-scope merchandise, verifiers should examine the chemical and physical specifications to ensure that they are not subject merchandise. Finally, examine the technical characteristics of the products reported as in-scope 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 then becomes product master list.

3. The respondent should have already provided a clear explanation in the response of the interface between the product classification system it uses in its own books and records and the classification system that it has used to divide its production into product models (CONNUMs) for purposes of our antidumping analysis. If there is any lingering doubt regarding the linkage between the respondent's own production classification system and the reported CONNUMs, verifiers should make sure that company sales and production personnel provide a full explanation. This information will be particularly important in cost verifications.

4. Where appropriate, verifiers should 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 the verifiers are verifying difference in merchandise adjustments, it helps to know which characteristics, both reported and unreported, affect the variable cost of manufacturing and total cost of manufacturing.

5. Discuss the production process to the extent necessary for the particular investigation or review. If it would facilitate the verifiers's understanding of the production process, or if it would be appropriate for other reasons, verifiers should take the plant tour scheduled in the verification agenda. However, unless the verifiers have extra time, verifiers should not feel committed to take the plant tour unless they consider it necessary. In a factors of production verification for a NME case, a plant tour is essential and is discussed further below.

6. During a plant tour, observe the flow of the product through the production process, incoming raw materials, packaging of finished goods, shipping, etc. If they are verifying cost-related elements, verifiers should 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 any customer and supplier names that may be useful later in the verification process. Verifiers should 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 for the verification of a topic, it may provide some leads that could be useful later on in the verification.

F. Non-Market Economy (NME) Verification Plant Tours

Plant tours are essential to NME verifications. Because factors of production are the basis for calculating normal value in NME investigations and reviews, plant tours are necessary to physically verify the production process.

1. Prior to taking the plant tour, review the production process thoroughly with the company. Verifiers should 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. Verifiers should identify where in the process materials are added. Verifiers should also confirm that such inputs have been reported in the response. Similarly, verifiers should ask where all by-products, co-products, scrap, and waste are generated and whether these items undergo any further treatment or processing. If so, verifiers should ensure that all factors related to these steps have been reported. Verifiers should also 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. Verifiers should take a production diagram on the plant tour and compare it with what is observed during the tour. They should confirm that the process and inputs are as described by the company. They should look carefully to see if the respondent may have omitted any inputs. Also, they shouldn't hesitate to ask questions about what is seen. Verifiers should feel free to talk to the personnel on the factory floor (through the interpreter if necessary), without allowing the company officials or counsel (if present) to coach the answers.

3. If quality or specific type of input is an issue in the case, such as for purposes of assigning the appropriate surrogate value, verifiers should use the factory tour to examine (if possible) the material and how it is used. They should also ask about all relevant characteristics of the material and what effects different specifications have on the production process.

4. Verifiers should observe how labor is utilized. As they see workers on the factory floor, they should 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 (skilled and unskilled level of labor is applicable to NME cases).

5. At the shipping and packing department (or equivalent), verifiers should note how the product is packed for export and ensure that all packing materials also have been reported properly. Verifiers should observe packing labels, containers, etc. to identify further areas of verification attention, such as the factory's customers and export channels.

6. Verifiers should incorporate their findings in the verification report. Their 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. Verifiers should 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. The verifiers will be revisiting and verifying the sale process when they do the sales traces, but it is generally a good idea to get a general overview of the sales process in advance of the review of specific sales. It is useful to have the respondent illustrate the different stages of the sales process with sample documents (e.g. purchase orders, invoices) and accounting records.

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 this methodology was applied to the respondent's records in selecting the sales transactions reported to the Department in the respondent's sales data bases. Both of these processes are key components of the completeness tests.

Pursuant to 19 CFR 351.401(i), we normally will consider the date of invoice, as recorded in the exporter's or producer's records kept in the ordinary course of business as the date of sale. However, 19 CFR 351.401(i) also states that the Secretary may use a date other than the date of invoice as the date of sale if the Secretary is satisfied that a different date better reflects the date on which the exporter established the material terms of sale (i.e. price, quantity and terms of delivery and payment). In its questionnaire response(s), the respondent has described its date of sale methodology and supported this decision with sample documentation. It is not unusual for the Department to issue extensive supplemental questionnaires to further develop information on the date which most appropriately establishes the material terms of sale. Thus, the depth of verification of the respondent's date of sale methodology is largely dependent upon complexity of

facts developed on the record.

1. Verifiers should discuss the reported date of sale methodology with the respondent's staff responsible for negotiating and approving the terms of sale to ensure that the respondent has provided an accurate representation of the sales process. Verifiers should discuss with appropriate personnel how the respondent records sales in the ordinary course of business and how changes to material terms of sale prior to shipping are taken into account. If it has not already been established on the record, discuss respondent's policy with respect to acceptable shipping tolerances both with its customers and in the industry in general.

2. Verifiers should examine original copies of selected sample documents that had been submitted on the record. If appropriate, they should select additional sample sales, bearing in mind that they will be examining similar documentation in the course of the sales trace verification. See Section IX.

3. Once it is clear what date of sale methodology was used by the respondent, the verifiers 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 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.

4. If computer programming was used to access large sales data bases, verifiers will first need to verify the accuracy of the program itself. This is a situation where if possible, verifiers should work directly with the respondent's programmer at his or her own computer terminal. When meeting with the programmer, verifiers should review the critical language that covers the following:

a. All applicable data bases. Verifiers should use their 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 identify scope and non-scope merchandise.

d. The date of sale methodology employed by the respondent.

e. Any language which otherwise excludes certain products, sales, or time

periods.

5. As part of the quantity and value reconciliation, the company should provide copies of all files or worksheets used in arriving at the sales transactions reported. If verifiers are concerned, they may ask the company to re-run the program in their presence. If they do this, they should take careful note of how the actual records that are accessed are linked to the respondent's normal books and records. Also observe the retrieval parameters (for dates and product classifications) that are used.

VII.   RECONCILIATION OF QUANTITY AND VALUE OF SALES

Reconciliation of quantity and value of sales is the transition phase between laying the foundation and the on-going completeness tests. In verifying a respondent's quantitative sales response, this is one of the most important tasks performed. 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 verifiers 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 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 verifiers establish to their full satisfaction that the tie-in to the financial statement is complete and accurate. If not, where appropriate, verifiers 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. Verifiers should ask any relevant questions to be comfortable with the respondent's methodology (including any computer programming) used to compile this reconciliation.

The total quantity and value of sales is simply the sum of the quantity and value of individual transactions in each of the respondent's transaction data bases (i.e., US and CM). 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. Verifiers should be sure to check the verified quantity and value of each ledger or accounting system database to the respondent's sales transaction data bases using SAS (the SAS language should be written before arriving at verification - consult SAS staff at Commerce for guidance).

Verifiers should 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. Also, the sales figures from the respondent's accounting records may include amounts (e.g., taxes, fees for services reported elsewhere) which

are not reported to the Department in the gross unit price field of the sales database or in the reported quantity and value of sales figures. 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.

Verifiers should also recognize that the quantity and value of sales total from the original sales transaction data bases may have differed from the original questionnaire section A quantity and value of sales figures. If they do differ, the discrepancy should have been corrected prior to verification, or the verifiers should have obtained an explanation in a supplemental response. Regardless, verifiers should check the methodology used to calculate the original quantity and value and any subsequent corrections or revisions if they differ significantly from the most recent sales databases or the figures derived from respondent's accounting records, or if a close decision on home-market viability was based on the data from the original quantity and value figures.

Should the verification of total quantity and value of sales be conducted from the top-down or from the bottom-up? That is, should the verifiers begin verifying from the financial statement and work their way down to the response or from the response and work their way up to the financial statement? Both approaches are acceptable; it is really up to the verifier (and dependent on the respondent's capabilities) to decide how to proceed in tying quantity and value into the financial statement.

VIII. 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.

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 verifiers. The real challenge is finding a variety of alternative methods to test the financial data from different directions and to cross-check continually these sources against one another. In a sense, completeness has no defined beginning or end. Verifiers should 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; verifiers should simply conduct as many as time allows. Depending upon the complexity of the response and the comfort level the verifiers develop with the respondent and the questionnaire response, verifiers may conduct as few as one or two completeness tests or as many as twenty.

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 vary from response to response and from respondent to respondent.   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 the verifier's 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:

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. (The verifiers 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, companies are also required to use and retain invoices issued on government forms (e.g., GUI or government uniform invoice in Taiwan).

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.

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 the respondent to provide 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, verifiers should be sure to keep their own record of starting point documents, such as invoice or purchase order numbers selected.

The task of conducting completeness tests will be made much easier if verifiers identify the document and items of interest and have the respondent's staff prepare the completeness worksheets and supporting source documents. Completeness tests can also be performed on subsets of the totals such as quantity and value by customer or sales month (these tests can be tied to SAS programming of the respondent's data).
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 verifiers review the types of files described above for checking sales completeness, they should also look for any evidence of government involvement or coordination in sales transactions. Using the interpreter, verifiers should look for endorsements, certifications, approvals, etc. in the documents reviewed. Verifiers should also follow-up with the respondent if any of these documents are found.

The respondent will normally need some time to compile the appropriate source documents and to generate any explanatory worksheets for the completeness tests. Because of this and because completeness tests are ongoing throughout the course of the verification, it is essential that uncompleted assignments related to completeness tests are recorded on a list of open assignments. Chalk or dry-erase boards are ideal tools for open assignments lists because they are clear visible to all.

B. Completeness of Charges and Expenses

Verifiers should let the concept of "risk analysis" be their guide in determining which charge or expense they 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 (these could be accounts where expenses from the data bases are reported or accounts that could potentially contain unreported expenses). Verifiers should follow-up by examining supporting sub-ledger accounts or account activity reports that reveal enough detail to allow them to select specific entries. (Another possibility is to sum a column of expenses (e.g., international freight) from the data bases and tie to worksheets or the general ledger.) Again, verifiers may use the respondent's staff to compile the results and supporting documents. Verifiers should check the results to ensure that these expenses were appropriately accounted for in the response.

IX.   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 (i.e., on-site sales). This sales trace is a two-part process (that includes reviewing corresponding accounting entries). First, a sale is traced through the customer records from the initial inquiry/order to payment by the customer. Second, charges and adjustments that represent the actual charges and adjustments for that sale are examined and verified.

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

- sale date
- shipment date
- invoice date (if different from sale date)
- payment date
- product code and control number reporting
- quantity sold

- unit price
- customer information and customer relationship
- channel of distribution
- destination
- some price adjustments, such as on-invoice discounts

If certain charges and adjustments (typically credit days, rebates, discounts, commissions, freight) 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 (including corresponding accounting entries). Verifiers should ensure 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. Verifiers should link the documents in that exhibit to one another and take ample notes on the documents if they need them.

2. Verifiers should be able to rely on the foundation and base-lining established earlier in the verification process to verify the sales details relatively quickly. For example, the quantity and value examination and completeness checks should have provided the verifiers with a working knowledge of the sales and accounting documents included in the sales trace package.

3. As the verifiers 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.

4. For each sale verified after the first sale, verifiers do not need to take copies of all documents as exhibits. Verifiers should take only those documents necessary to illustrate how the sales trace was conducted and to support the verifiers' conclusions (circumstances including complexity of sales process and the experience level of the verifier will help guide). However, verifiers should be sure to take copies where they support an unusual sales detail or finding. For those sales for which the verifiers do take copies for exhibits, verifiers should include copies of key documents such as order confirmations, contracts, invoices and bills of lading.

5. Depending on how much time the verifier has, verifiers may want to consider taking some of the sales trace packages to review in the evening. In this way, they 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 verifiers to concentrate their 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 especially useful for verifications in the United States which generally last three days or less, and where all documents are in English.

C. Sales Trace Source Documents

1. Typical sales trace source documents include:

- Customer contracts and purchase orders.
- Order confirmations and/or pro-forma invoices.
- Customer correspondence files.
- Purchase order logs or pending shipment files.
- Production control records.
- Invoice to customer.
- Shipping documents such as bills of lading, airway bills and delivery receipts.
- Factory shipping logs.
- Inventory records.
- Base lined internal sales reports and worksheets.
- Sales ledgers.
- Accounts receivable records.
- Records of payment, such as canceled checks, letters of credit, debit/credit memos, promissory notes, bank deposit slips and/or bank statements.
- Credit insurance.
- Debit/credit memos for post sale price and/or quantity increases or decreases.
- 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. Verifiers should discuss with the exporter how the sale was negotiated and how price was set. Verifiers should examine sales documentation for any indication of sale approval or coordination from outside the company. Verifiers should 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, verifiers should determine what happened to the rest of the payment.

X.   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, indirect selling expenses, and packing.

A. Allocations of Expenses

The respondent should describe the calculation and supporting documents it has prepared in accordance with the instructions in the verification outline. Remember that verifiers must first verify the data as presented in the response. Afterwards, they should pursue any concerns they may have with the methodology or the calculation.

1. Verifiers should 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, verifiers should be sure that they 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. Verifiers should take verification exhibits which support their findings. The exhibits may include the following source documents:

    - Sample calculations.
    - Allocation worksheets.
    - Invoices to respondent.
    - Expense ledger entries.
    - Journal entry slips.
    - Records of payment.
    - Accounts receivable and payable ledgers.
    - General ledger entries.
    - Other ledgers and records, which may be used to support such items as calculation of credit days, interest rates, inventory carrying time, duty drawbacks.

XI.   NME FACTORS OF PRODUCTION VERIFICATIONS

In NME proceedings, the verifiers will be verifying the respondent's factors of production, which form the basis of the normal value calculation. The respondent's production process and what can be learned about the production process are essential to a proper NME factors of production verification. Ideally, the verifiers should have conducted a plant tour before beginning the

verification of the reported consumption factors so that they are able to compare what was seen in the production process with the documents reviewed. Verifiers should keep what was learned during the plant tour in mind while covering the specific items to be verified in a factors verification.

A. Production Quantity

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

Verifiers should ensure that the production quantity they 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, verifiers should make sure that all reported factors are appropriately and consistently adjusted, and discuss any inconsistencies in the report. Similarly, as they examine both production and factor inputs, verifiers should be sure that the respondent have reported, and they are verifying, actual, not standard, production figures. If production yield is relevant in the case, the verifiers 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 verifiers have successfully verified the production denominator, all that needs to be done 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:

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

- Daily production/consumption reports

As with sales verifications, the verifier is always conducting completeness checks. Instead of sales completeness, verifiers are checking for factor completeness - has the respondent reported all materials consumed? Are by-products, co-products, scrap, and/or waste properly accounted for? Verifiers should use the knowledge gained from the plant tour and 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. Verifiers should use invoices, purchases orders, inventory records, etc. to verify price, quantity, and consumption during the period. Verifiers should consider the following:

1. Verifiers should 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. Verifiers should note the terms of sale to determine whether or not freight from the supplier to the factory is included in the purchase price.

3. Verifiers should 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.

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. The 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 these types verifications, 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, verifiers 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, verifiers may consider observing workers and timing how long it takes to perform a task, comparing sample times to the standards established by the respondent.

Classifying labor as skilled, semi-skilled, or unskilled may be simply a respondent's judgment call, based on job title, or tied to wage rates at the company. In the first case, verifiers should question the respondent regarding the basis of its judgment, and compare the reply to the labor observations from the plant tour. In the second case, we should not rely on the respondent's job title classification alone; question the respondent and consider the 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, verifiers 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 value. Using what they learned from the factory tour, verifiers should question the respondent about its classification of labor inputs as direct or indirect. For example, if the respondent classified quality control labor as indirect labor but the verifiers observed quality control workers performing their tasks as part of the production line flow, verifiers will need to discuss the classification with the respondent and include their 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 the factory tour and production process discussion, verifiers 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, verifiers may want to see where some of the meters are located so that they 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. Verifiers should determine if there is a time lag between actual usage and payment. If so, they should 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. Verifiers should be sure they understand the respondent's methodology for calculating the per-unit energy consumption used to generate the steam.

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

- All energy sources used to produce the merchandise, not just the principal production line or machines.
- Energy used to process by-products, co-products, scrap, and waste loss
- Energy lost in transmission, such as steam lost due to leaks.
- 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. If the verifier is not sure whether a particular energy factor is part of direct production or factory overhead, they should describe the facts in the report and collect the information needed 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, verifiers 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, verifiers 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. Verifiers should use the verification to gain a better understanding of the input and how its use may correspond to the surrogate value information they have developed. Verifiers should observe any potential differences 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.

XII.   VERIFICATION REPORTS

The Department has compiled a standard verification report format which provides detailed guidance on the form of the report. The standard verification report reflects the standard verification agenda described above. Even though both the verification agenda and the report should be modeled on these standard documents, verifiers should keep in mind that the case-specific contents of the agenda may dictate the contents of the actual verification report. The items listed for verification become the basis for a description of the procedures used for verification. What the verifiers found in applying the procedures outlined in the agenda becomes the subject of the rest of the report. In a nutshell, the report places on the record a description of the techniques the verifiers employed to check the accuracy of the response and a summary of what the verifiers actually found using these techniques. 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 the findings differ in any way from the questionnaire response, the analyst should try to get an explanation from the respondent.

Verifiers should 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 verifiers must avoid drawing conclusions about the use or application of data from the questionnaire response.

If possible, verifiers should begin to write the report during the verification or in the first few days after verification. As a general rule, what takes 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 verifiers to absorb vast amounts of material, so writing each item as the verification proceeds, or immediately afterwards, gives verifiers the opportunity to ensure that they fully understand what was just verified. Furthermore, writing the report frequently generates new questions and clarifications, which verifiers are then able to pursue immediately or the next day. If it is not possible to write in the evenings and the verification is scheduled to run more than one business week or the verifiers conducting back-to-back verifications, an off day in the middle of verification for working on the report may be beneficial.

A. Report Writing Tips

1. If the verifiers do not verify a topic due to time constraints and issue priorities, verifiers should indicate in the verification report that the topic was not selected for verification. If, however, the verifiers 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, the verifiers should thoroughly document the incident in the verification report by stating, for example: what was asked of the respondent; the respondent's response; whether other

suggestions were made by the company; whether these suggestions helped; and if not, why not. (note: While it is important to carefully document and report the inability to verify major items due to a refusal to permit examination or otherwise impede the Department's efforts, it is not necessary to report mistakes that are minor or immaterial to the verification as a whole.)

2. Well-written reports ultimately may be the difference between winning and losing in court if the DOC is litigated on an issue tied to verification findings. Similarly, a well-written report permits all parties (the petitioners, the respondent, Import Administration managers, and analysts) to have a clear understanding of the facts when the time comes in the final determination to conclude the analyses and address the issues.

3. Verifiers may find the following ideas helpful in constructing a well-written report:

a. Verifiers should remember the reader

- Verifiers should be sure that the report adequately addresses pertinent points the petitioner and the verifiers have raised, or that are likely to be raised, as issues in the proceeding.

- The writing style should assume the reader is familiar with the case in general, but the verifiers may need to provide additional background information for certain issues and explain complicated items in further detail.

b. Verifiers should keep the narrative clear

- Verifiers should include lists, charts, etc. in appendices, including the list of participants.

- Verifiers should 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.

- Verifiers should 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. Verifiers should say what they saw, not what they thought they saw

- The verification report must be an accurate and credible description of what was verified. Therefore, when verifiers write that an item checked out, it should be because they are

thoroughly satisfied with the verification results. Verifiers should not allow themselves to jump to conclusions or be led to accept an item as verified unless they are satisfied with it.

- Verifiers shouldn't make assumptions during the verification or in the report unless they are adequately supported and logical.

- If the respondent cannot provide further requested documentation for a particular item of interest, verifiers should make a note of this in the report.

d. Verifiers should stick to the subject

- Verifiers should avoid including extraneous details and irrelevant facts.

e. Verifiers should make the report as public as possible

- In order to make the public version of the verification report as understandable as possible, verifiers should use proprietary information sparingly.

- Verifiers should 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.).

- If possible, verifiers should not use customer and supplier names or other types of sensitive information in the report. These details are usually unnecessary and including them may force them to prepare three versions of the report: business proprietary (not to be released under APO), business proprietary (to be released under APO), and public. Normally, it is sufficient to refer to the customer or the customer code or the transportation company rather than name it. While the Department makes the final decisions regarding what information deserves business proprietary treatment and what information may be withheld from release under APO, verifiers should carefully consider requests for proprietary treatment from the respondent.

B. From Draft Report to Final Report

The text of the report is final when it is approved by the program manager or other supervisor. However, the final 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. A common practice is to allow the respondent one business day to comment on proprietary treatment of the report. After the respondent has had this opportunity and the verifiers have

incorporated any changes in the proprietary treatment of report information, the report is ready to be placed on the record. When you place the report on the record, you must also include the verification exhibits as an attachment to the report.

Following the suggestions above, verifiers should try to make as much of the report public as possible. Verifiers should 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 they are certain are entitled to proprietary treatment according to the statute or regulations.

Typically, counsel for the respondent will contact the verifiers regarding additional items it believes require proprietary treatment. Verifiers should review the items with counsel if they question this treatment. While legitimate requests should be granted, not all items identified by counsel or the respondent are eligible for such treatment. 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.