

Focused Assessment Program

SLIDE 1

This slide represents the cover and introduces the Focused Assessment as "A Risk Based Approach to Audit." It depicts the Office of Strategic Trade, Regulatory Audit Division as the presenter.

SLIDE 2

This slide indicates that Customs goal is continuing Customs compliance in the direction of Risk Management. The slide displays Compliance Assessments (1995) on the left of a large arrow pointing to the right. On the right, at the end of the arrow, the slide displays Focused Assessments (2001). In the middle of the arrow are the words Risk Management.

SLIDE 3

This slide compares the Compliance Assessment (CA) process to the Focused Assessment (FA) process.

In terms of company compliance the CA is representative of the following:

- Starts with transaction testing
- Tests all trade areas
- Transparent on the Web
- Can result in enforcement action
- Uses a team approach

The FA, however, is representative of the following:

- Starts with Internal Control review
- Tests only areas at risk
- Transparent - On the Web and includes models for compliance
- Can result in enforcement action
- Uses a team approach

SLIDE 4

This slide describes the key elements of the Focused Assessment, as follows:

- Starts with Internal Controls (systems and processes). *Good Internal Controls equal less risk for Customs;*

- Evaluates controls to 1) Identify system strengths and weaknesses and 2) help predict future compliance;

- Zeroes in on potential material risk;

Reduces need for extensive transaction testing; and

Company gets a blueprint for future compliance.

SLIDE 5

This slide shows that the focused assessment is a two part process. Part 1 is the Pre-Assessment Survey (PAS) and part 2 is the transaction testing. This slide graphically shows that the internal control assessment is the center of the pre-assessment survey. The results of the internal control assessment will reflect the identified areas of risk for the areas being reviewed, such as transshipment, GSP, value, classification, ADD/CVD, 9802, appraisalment, etc.

SLIDE 6

This slide depicts details of Part 1 of the Pre-Assessment Survey (PAS), as follows:

Profile & research;

Internal Controls evaluation;

Risk assessed for each trade area;

If significant risk is identified, the FA proceeds to testing (Part 2); and

If no significant risk is identified, an audit opinion is recommended.

SLIDE 7

This slide shows details of Part 2 (Transaction Testing) of the Focused Assessment, as follows:

Based upon risk from Part 1, the sample is selected;

Loss of Revenue (LOR) and extent of non-compliance is quantified;

If significant non-compliance or LOR is identified, a CIP is recommended and the LOR collected; and

If no significant non-compliance or LOR is identified, an audit opinion is recommended and the LOR collected.

SLIDE 8

This slide summarizes the FA process, as follows:

Uses a structured approach and is consistent;

Is transparent on the Web;

Provides tools for informed compliance, such as the Internal Control model and Customs best practices;

Bases statistical sampling on dollar value and reflects materiality; and

Provides a company blueprint for the future.

SLIDE 9

This slide shows what a company can do and provides a list of things to do, as follows:

Check Customs Web site;

Look for strengths and weaknesses in internal controls;

Test transactions when weaknesses are identified; and

Assess your risk of non-compliance.

SLIDE 10

This slide shows in table form examples of PAS results. Listed in the first column on the left are the elements reviewed, the second column contains the various aspects of the PAS internal control review, the third column contains the results in terms of significant risk and the last column to the right shows the action needed.

The slide displays a table that depicts the risk under the PAS category (Company Profile, PAS Questionnaire, Process Review, Company Interviews, Limited Testing).

For example, in the value area, if the company profile indicates potential risk; the PAS questionnaire indicates potential risk; the process review indicates risk; company interviews indicate risk, and the limited testing indicates risk, then the conclusion would be that significant risk exists. An example of the possible action would be that statistical testing of royalties and assists is necessary to identify the loss of revenue. Also, a CIP would be recommended.

In the area of classification, if the company profile indicates potential risk; the PAS questionnaire does not indicate risk; the process review indicates risk; company interviews indicate risk, and the limited testing indicates risk, then the conclusion would be that significant risk exists. An example of the possible action would be that statistical testing of classification is necessary.

In the area of quantity, if the company profile indicates potential risk; the PAS questionnaire does not indicate risk; the process review indicates potential risk; company interviews do not indicate risk, and the limited testing does not indicate risk, then the conclusion would be that significant risk does not exist. In this case, no additional testing would be necessary.

In the area of 9801.00, if the company profile indicates potential risk; the PAS questionnaire does not indicate risk; the process review indicates risk; company interviews indicate risk, and the limited testing indicates risk, then the conclusion would be that significant risk does exist. In this case, no additional testing would be needed; however, the company should quantify the LOR and develop a CIP.

In the area of 9802.00.80, if the company profile indicates potential risk; the PAS questionnaire does not indicate risk; the process review does not indicate risk; company interviews do not indicate risk, and the limited testing does not indicate risk, then the conclusion would be that significant risk does not exist. In this case, no additional testing would be necessary.

In the area of AD/CVD, if the company profile indicates potential risk; the PAS questionnaire indicates potential risk; the process review indicates risk; company interviews indicate risk, and the limited testing indicates risk, then the conclusion would be that significant risk does exist. In this case, no additional testing would be necessary; however, the company should quantify the LOR and develop a CIP.

At the bottom of the slide a summary of the results is presented, as follows:

Summary Results: Six areas reviewed during the Pre-Assessment Survey. Part 2 of the FA, Assessment Compliance Testing (ACT), will be required in only two areas. Four of the six areas reviewed had identified risks, however, either controls were satisfactory or remedies were identified that do not require additional Customs testing. The company agreed to quantify the loss of revenue and complete a CIP in two areas, 9801 and AD/CVD. Customs will follow up on their tests and conduct its own transaction tests on value and classification.