



# U.S. Customs and Border Protection

**Office of International Trade  
Importer Self-Assessment Handbook**

**September 2005**

## **IMPORTER SELF-ASSESSMENT QUICK REFERENCE GUIDE**

### **What is Importer Self-Assessment?**

- Importer Self-Assessment (ISA) is a partnership between CBP and importers to maintain a high level of trade compliance.
- ISA is a voluntary approach to trade compliance that allows importers maximum control of their own CBP compliance.
- ISA recognizes importers who are willing to assume responsibilities for self-assessment in exchange for less CBP oversight.
- ISA is built on knowledge, trust, and a willingness to maintain an ongoing CBP/importer relationship.

### **What does participation in ISA require?**

In order to participate in the ISA program, an importer must:

- Be a member of the Customs-Trade Partnership against Terrorism (C-TPAT);
- Complete an ISA Memorandum of Understanding (MOU) and Questionnaire;
- Agree to comply with all applicable CBP laws and regulations;
- Maintain an internal control system that demonstrates the accuracy of CBP transactions:
  - ✓ Establish, document, and implement internal controls;
  - ✓ Perform periodic testing of transactions based on risk;
  - ✓ Maintain results of testing for three years and make test information available to CBP on request;
  - ✓ Make appropriate adjustments to internal controls; and
  - ✓ Maintain an audit trail from financial records to CBP declarations; or, an alternate system that ensures accurate values are reported to CBP.
- Submit appropriate disclosures to CBP upon completion of company reviews; and
- Submit an annual written notification to CBP to confirm the identity of the company ISA contact, and confirm that the importer continues to meet the requirements of the ISA program as specifically listed herein and in the MOU.
- Notify CBP of major organizational changes as soon as possible.

The importer may meet the requirements of the ISA program by using internal resources or using an objective third party exercising due diligence and reasonable care.

## **What are the benefits of participation in ISA?**

The program offers meaningful benefits that can be tailored to industry needs. An importer in the ISA program will receive the following benefits:

- CBP will provide consultation and/or guidance as requested (for compliance assistance, risk assessments, internal controls, CBP audit trails, data analysis support, etc.).
- The importer will have the opportunity to apply for coverage of multiple business units.
- The importer will be removed from the Regulatory Audit's (RA) audit pool established for Focused Assessments. (Importers will be removed from the RA's audit pool for Drawback and Foreign Trade Zones if they request to have these programs included in the ISA Program.) The audit exemption will apply to each specific area when it is determined that adequate internal controls are in place, to ensure compliance with CBP laws and regulations. (Importers may be subject to on-site examinations for single-issue reviews.)
- The importer will have access to key liaison officials.
- The importer will be entitled to receive entry summary trade data, including analysis support.
- With regard to prior disclosures, if CBP becomes aware of errors in which there is an indication of a violation of 19 U.S.C. 1592 or 1593a, CBP will provide a written notice to the importer of such errors and allow 30 days from the date of the notification for the importer to file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing CBP investigation or fraud is involved.
- In the event that civil penalties or liquidated damages are assessed against an importer, the importer's participation in ISA will be considered in the disposition of the case.
- The importer will enjoy greater business certainty because a reliable system of internal controls ensures compliant transactions.
- Additional benefits are tailored to industry needs.

## **Who is eligible for ISA?**

- To be eligible for ISA, an importer must be a member of C-TPAT, must be a resident importer in the United States, and must have two years of importing experience prior to the date the importer applies to the program.

## **How does an importer apply?**

An importer may apply by completing an ISA Memorandum of Understanding (Appendix C) and Questionnaire (Appendix D). Both documents are available on the CBP website at:

[http://www.cbp.gov/linkhandler/cgov/trade/trade\\_programs/importer\\_self\\_assessment/memorandum\\_understanding.ctt/memorandum\\_understanding.doc](http://www.cbp.gov/linkhandler/cgov/trade/trade_programs/importer_self_assessment/memorandum_understanding.ctt/memorandum_understanding.doc)

- Complete application instructions and explanations of application processing are available on the website.

### **Will CBP conduct an on-site review during the application process?**

- CBP will conduct a risk assessment of the importer to determine the review necessary.
- During the review of each ISA application, CBP will schedule an informal meeting with the applicant to introduce the CBP ISA representatives, explain the expectations for ISA, and answer any questions the applicant may have.
- If CBP has adequate knowledge of the importer and its internal control processes, an on-site review will not be necessary.
- If CBP does not have adequate knowledge of the importer, a Regulatory Auditor and Account Manager may meet with the importer for an on-site consultation to discuss and review its internal controls.
- The consultation will determine if the applicant is ready to assume responsibilities of self-assessment and will provide assistance and training as appropriate.
- The consultation will not involve substantive testing or an audit. It will be a collaborative effort.

### **When will benefits begin?**

- Benefits will begin once CBP has completed an evaluation of the importer's ISA application package and notified the importer of our findings.

### **How will the partnership work on an ongoing basis?**

- This will be a self-assessment process by the importer, not a monitoring process by CBP.
- The importer must submit an annual written notification to CBP to confirm the identity of the company ISA contact and to confirm that it continues to meet the requirements of the ISA program as specifically listed herein and in the MOU.
- Through the annual notification, the importer agrees to:
  - ✓ Comply with all applicable CBP laws and regulations;
  - ✓ Maintain a system of business (including records, procedures, and policies) that demonstrates the accuracy of CBP transactions as described herein. Specific requirements include:
    - Maintaining internal controls appropriate to provide reasonable assurance of CBP compliance, including components of internal control as outlined in Appendix G.
    - Performing periodic testing (designed by the importer) based on risk at least annually;

- Maintaining results of testing for three years and providing test results to CBP on request;
  - Making appropriate adjustments to internal controls when needs for improvements are identified; and
  - Maintaining an audit trail from financial records to CBP declarations; or, an alternate system that ensures accurate values are reported to CBP.
- ✓ Make appropriate disclosures to CBP.
- In general, ISA participants will not be subject to any routine or periodic on-site reviews or audits other than consultations with CBP Account Managers and Auditors for training, support, and compliance improvement purposes.
  - ISA participants will not be subject to comprehensive audits, including Focused Assessment, Drawback, or Foreign Trade Zones, provided that internal controls are in place for each specific area.
  - ISA participants may be subject to an audit or on-site review of a specific issue related to an identified trade compliance risk. In such instances, CBP and the importer will work together to determine a mutually acceptable course of action wherever possible.

## **FOREWORD**

The North American Free Trade Agreement Implementation Act (Public Law 103 182, 107 Stat. 2057) of 1993 includes provisions for modernization of CBP operations and became known as the Customs Modernization Act. Since 1993, the primary goal of CBP in the trade compliance process has been to maximize importer compliance with U.S. trade laws while at the same time facilitating the importation and entry of admissible merchandise. To meet this goal, CBP has made a comprehensive effort to review, improve, and redesign, on an ongoing basis, the trade compliance process, using established business practices, reengineered tools, and new methodologies that improve customer service without compromising the enforcement aspect of the CBP missions. One of the new methodologies developed by CBP is the Importer Self-Assessment (ISA) program, which allows interested importers to assess their own compliance with CBP laws and regulations. The ISA Program was officially announced in the Federal Register Notice 67 FR 41298. The ISA program is primarily based on the development and use of established business practices and good internal controls designed specifically for an importer's CBP operations. The importer may structure internal controls and procedures to meet its individual needs. This Handbook is designed to provide information about the benefits and requirements of the ISA program. The Handbook provides information an importer needs to apply for the ISA program.

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## **IMPORTER SELF-ASSESSMENT PROGRAM**

### **1. Introduction**

#### **1.1 Purpose**

CBP is committed to encouraging importers to share the responsibility for compliance with trade laws and regulations. The Importer Self-Assessment (ISA) program is a partnership between CBP and importers to maintain a high level of trade compliance. ISA is a voluntary approach to trade compliance, which provides recognition and support to participating companies.

#### **1.2 Background**

The passage of the Customs Modernization Act (Customs Mod Act) in 1993 ushered in an era of new partnership concepts between the importing community and the United States Customs Service (Customs and Border Protection - CBP). Under the Mod Act, CBP and the importer share the responsibility for compliance with trade laws and regulations. The importer is responsible for declaring the value, classification, and rate of duty applicable to entered merchandise, and CBP is responsible for informing the importer of its rights and responsibilities under the law.

#### **1.3 Program Overview**

The ISA program is a voluntary approach to trade compliance. It is built on knowledge, trust, and a willingness to maintain an ongoing CBP/importer relationship. The ISA program offers meaningful benefits that can be tailored to industry needs and requires that importers demonstrate readiness to assume responsibilities for managing and monitoring their own compliance through self-assessment.

The process starts with membership in Customs-Trade Partnership against Terrorism (C-TPAT). Membership in C-TPAT is a prerequisite for the ISA program, but the two programs are not otherwise linked. The ISA offers different benefits than C-TPAT.

#### **1.4 Summary of the ISA Process**

The following steps briefly summarize the ISA process. Details on the process are provided in sections 3 and 4 below.

- An importer may apply by completing an ISA Memorandum of Understanding (MOU) and an ISA Questionnaire.
- CBP will review the application package.
- CBP will schedule a formal meeting with the applicant.

- CBP establishes the partnership by signing the MOU when the importer has demonstrated readiness to assume the responsibilities for self-assessment.
- Under the continuing program, the importer receives the benefits of ISA participation and fulfills the continuing responsibilities of the program.

## **2. Program Description and Requirements**

### **2.1 Applicant**

Importers that apply for the program are required to identify the business units that will participate. The Importer of Record number should be written out to the twelfth (12) digit.

### **2.2 Eligibility**

To be eligible for ISA, the importer must be a known business to CBP and a resident party of the United States. To be a known business means that the importer has imported goods into the United States during the two years prior to the date the application is submitted. This criterion ensures that there has been sufficient interaction between the importer and CBP to allow CBP to evaluate the importer's trade patterns and compliance history in order to have a valid base to make a risk assessment.

To qualify, as an importer, the business entity should be permanently established, located, and managed within the United States. It will carry on business and have the general authority to do so without the approval of another person outside the United States. The importer must maintain separate books and records for its U.S. operations, prepare separate financial statements, maintain accounts for the imported goods, and are responsible for payment of import duties and taxes.

### **2.3 Benefits**

The ISA program provides opportunities for importers who want to demonstrate compliance and receive related benefits. The program offers meaningful benefits that can be tailored to industry needs. A participant in the ISA program will receive the following benefits:

- CBP will provide consultation and/or guidance as requested (for compliance assistance, risk assessments, internal controls, CBP audit trails, data analysis support, etc.).
- The importer will have the opportunity to apply for coverage of multiple business units.
- The importer will be removed from the Regulatory Audit's (RA) audit pool established for Focused Assessments. (Importers will be removed from the RA's audit pool for Drawback and Foreign Trade Zones if they request to

have these programs included in the ISA Program.) The audit exemption will apply to each specific area when it is determined that adequate internal controls are in place. (Importers may be subject to on-site examinations for single-issue reviews.)

- The importer will have access to key liaison officials.
- The importer will be entitled to receive entry summary trade data, including analysis support.
- With regard to prior disclosures, if CBP becomes aware of errors in which there is an indication of a violation of 19 U.S.C. 1592 or 1593a, CBP will provide a written notice to the importer of such errors and allow 30 days from the date of the notification for the importer to file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing CBP investigation or fraud is involved.
- In the event that civil penalties or liquidated damages are assessed against an importer, the importer's participation in ISA will be considered in the disposition of the case.
- The importer will enjoy greater business certainty because a reliable system of internal controls ensures compliant transactions.
- Additional benefits are tailored to industry needs.

## 2.4 Requirements

In order to participate in the ISA program, an importer must:

- Be a member of C-TPAT;
- Complete an ISA Memorandum of Understanding (MOU) and Questionnaire;
- Agree to comply with all applicable CBP laws and regulations;
- Maintain an internal control system that demonstrates the accuracy of CBP transactions:
  - ✓ Establish, document, and implement internal controls;
  - ✓ Perform periodic testing of transactions based on risk;
  - ✓ Maintain results of testing for three years and make test information available to CBP upon request;
  - ✓ Make appropriate adjustments to internal controls; and
  - ✓ Maintain an audit trail from financial records to CBP declarations; or, an alternate system that ensures accurate values are reported to CBP.
- Make appropriate disclosures.
- Submit an annual written notification to CBP to confirm the identity of the company ISA contact, and confirm that the importer continues to meet the requirements of the ISA program as specifically listed herein and in the MOU.
- Notify CBP of major organizational changes as soon as possible (see 4.3 for additional information).

The importer may meet the requirements of the ISA program by using internal resources or using an objective third party exercising due diligence and reasonable care.

Additional information on program requirements is provided in Appendix B.

## 2.5 Customs and Border Protection Website

CBP maintains information about the ISA on the CBP website at:

[http://www.cbp.gov/xp/cgov/trade/trade\\_programs/importer\\_self\\_assessment](http://www.cbp.gov/xp/cgov/trade/trade_programs/importer_self_assessment)

## 3. Application, Processing, and Acceptance

### 3.1 Application

Program applications will be filed by completing the ISA MOU (Appendix C) and ISA Questionnaire (Appendix D) in Microsoft Word format. After being accepted into C-TPAT an importer that wants to receive summary trade data (CBP import data) may file a request (Appendix E) concurrent with the MOU and Questionnaire. The original signed and completed MOU, Questionnaire, and trade data request (if desired) should be submitted to CBP simultaneously. Applications may be filed electronically via email to [tppb-isa@dhs.gov](mailto:tppb-isa@dhs.gov) or submitted on a 1.44 MB (3 ½ inch) computer diskette or a compact disc to:

U.S. Customs and Border Protection  
Office of International Trade  
Chief, Partnership Programs Branch  
1400 L Street, NW  
Washington, DC 20229

An authorized officer of the legal entity responsible for the ISA application must sign the MOU. The Questionnaire must identify the name, title, phone number, and e-mail address of the contact person for the ISA program.

### 3.2 Memorandum of Understanding (MOU)

The MOU (Appendix C) outlines importer and CBP responsibilities and identifies the company entities that will be covered by the MOU.

Importers with multiple divisions may submit individual MOU's for each entity they consider eligible for the ISA Program.

### 3.3 ISA Questionnaire

The ISA Questionnaire is required to determine if the importer has **documented and implemented** internal controls **over its customs-related processes**. (See

Internal Control Guidance in section 3.5 below and the ISA Questionnaire in Appendix D.)

### **3.4 Entry Summary Trade Data Request**

The entry summary trade data request will be used to authorize the release of the importer's CBP data to its authorized representative. The data can be provided on a periodic basis to fit the participant's self-assessment needs and may include additional CBP analysis support.

### **3.5 Internal Control Guidance**

Documents are available to assist importers in developing and evaluating its system of internal controls of CBP operations.

"Guidance for Developing Internal Controls" (Appendix F) is a brief explanation of components that should be part of an internal control program. This document may be appropriate for use by small importers that do not have complex organization structures or complex CBP operations.

"Internal Control Management and Evaluation Tool" (Appendix G) is a more detailed, comprehensive guide. This document may be appropriate for use by large importers that have complex organization structures or complex CBP operations.

Both documents are tools to help management and evaluators determine how well a company's internal control system is designed and functioning. The "Internal Control Management and Evaluation Tool" may help determine what, where, and how improvements may be implemented.

Internal controls put into place in one company may vary considerably from those used in a different company. The difference may occur because of:

- (1) Variations in missions, goals, and objectives of the companies;
- (2) Differences in their environment and the manner in which they operate;
- (3) Variations in degree of organizational complexity;
- (4) Differences in company histories and culture; and
- (5) Differences in the risks that the companies face and are trying to mitigate.

Even if two companies did have the same missions, goals, objectives, and organizational structures, they would probably employ different control activities. This is because different people apply their own individual judgment in implementing internal controls. All of these factors affect a company's internal control activities, which should be designed to contribute to the achievement of the company's missions, goals, and objectives.

### **3.6 Application Review**

The application review will include a risk assessment of the applicant and review of the application to determine the applicant's readiness to assume responsibilities for self-assessment. The risk assessment will include an examination of the applicant as identified by the Importer of Record number(s) on the MOU(s) and is based on:

- CBP information about the company's history of trade compliance, including such items as:
  - ✓ Compliance measurement data;
  - ✓ Previous penalty actions;
  - ✓ Previous enforcement actions;
  - ✓ Regulatory audits;
  - ✓ Account Manager history; and
  - ✓ Other information.
- Information about the company's risk exposure, such as:
  - ✓ Imports from specific suspect manufacturers or suppliers;
  - ✓ Imports from countries known as transshipment points;
  - ✓ Imports subject to quota, visa, antidumping, or other sensitive CBP issues;
  - ✓ Large volumes of imports under special duty provisions or special trade programs; and
  - ✓ Large volumes of imports under complex tariff classifications.

### **3.7 Application Review Meeting (ARM)**

The following steps briefly summarize the initial process prior to the ARM and what to expect at the ARM:

- After the introduction of participants and opening comments regarding the ISA program, the following items either occur or will be topics of discussion during the ARM visit.
- Corporate overview, which should include the areas of the company's commitment to compliance, corporate structure and line of authority. Company's customs department and staff, company's relationship with brokers, customs training, and the flow of customs related information and communication.
- Demonstrate documented internal control processes and procedures for the risk areas that the ISA team has identified. The ISA team will provide the company with the risk areas along with 3 to 5 entry numbers. The company will be asked to walk the ISA team through the entire entry process from purchase order to payment for these entries. During this process the company should demonstrate each control that is in place throughout the process.

- If a tour of the facility would be beneficial then this would take place. The purpose would be to allow the ISA team to observe the described controls and procedures as they occur.
- A Self-Testing Plan is a requirement for the ISA program. This would include both risk assessment and monitoring. Explain the annual plan layout, sampling and testing procedures, reporting format, and corrective action development and implementation (Appendix I).
- A breakout session for the ISA team will take place to provide the team an opportunity to discuss the information that was presented by the company that day.
- Discuss with the company participants any additional questions regarding the company's internal control procedures and ISA application.

### **3.8 CBP Acceptance**

When the Applicant is determined to have adequate procedures for acceptance into the ISA program, CBP will sign the MOU and send a letter with a copy of the signed MOU. The letter will advise the applicant of its acceptance into the ISA program.

It is important to note that acceptance into the ISA program does not signify certification of the participant's business systems or exemption from sanctions under CBP laws. However, maintenance of appropriate internal controls as required by the ISA program may be considered an element of reasonable care.

### **3.9 Application Denial**

If CBP determines that an application for ISA should not be approved and that participation in the ISA program should not be granted, the Partnership Programs Branch will issue a written notice of denial to the Applicant. The notice of denial shall set forth the reasons for the denial and shall advise the Applicant of its right to file a written response.

If deficiencies that were the reason for denial are corrected within 90 days, the Applicant may forward a request, in writing, for reinstatement of the application to:

U.S. Customs and Border Protection  
Office of International Trade  
Chief, Partnership Programs Branch  
1400 L Street, NW  
Washington, DC 20229

A final written decision on the reinstatement request will be issued within 30 days of receipt of the Applicant's written request.

Applicants may respond to denials, in writing, to the Assistant Commissioner, Office International Trade, at the following address:

U.S. Customs and Border Protection  
Assistant Commissioner  
Office of International Trade  
1400 L Street, NW  
Washington, DC 20229

## **4. Procedures and Acceptance**

### **4.1 Continuing Responsibilities**

ISA participants are responsible for continuing to comply with the requirements of the program as detailed in Appendix B.

### **4.2 Annual Notification**

Annually, the participant will provide written notification that it is continuing to meet the requirements of the ISA program. The annual notification should be submitted to CBP within 30 days of the anniversary date of acceptance into the ISA Program. Notification should be in writing and addressed to the Chief, Partnership Programs and a copy to the Account Manager (Appendix H).

### **4.3 Reporting Changes to Company CBP Activities**

ISA participants are required to advise the Director, ISA, of *major* changes to the company's corporate structure through reorganization, merger, acquisition, etc., that result in the need to modify existing bonds or Importer of Record numbers and suffixes. When required, such notification will be made as soon, as is practicable, but not later than 60 days after the major change has occurred or been publicly announced.

## **5. Revocation Procedures**

### **5.1 Participation Revocation**

CBP may revoke ISA participation for the following reasons:

- Participation in the program was obtained through fraud or misstatement of fact;

- The participant is convicted of any felony or has committed acts that would constitute a misdemeanor or felony involving theft, smuggling, or any theft-connected crime;
- The participant refuses to cooperate with CBP in response to an inquiry, audit or investigation; or
- The participant fails to fulfill the terms of the MOU.

### **Procedures for Revocation**

If CBP believes that there is a basis for proposing the removal of a participant, a written notice of proposed removal will be sent to apprise the participant of the facts or conduct warranting removal. The participant may respond to the proposed removal by writing to the CBP, Office of International Trade, Chief, Partnership Programs Branch, 1400 L Street, NW, Washington, D.C. 20229, or email at [tppb-isa@dhs.gov](mailto:tppb-isa@dhs.gov) within 15 days of the date of the notice of proposed removal. The response should address the facts or conduct charges contained in the notice and should state how compliance will be achieved. CBP will issue a final written decision on the proposed removal after the 15-day response period has closed. However, in the case of willfulness or where public health interests or safety are concerned, a removal from the ISA program may be effective immediately as a final action and without opportunity for written response.

## **PROGRAM BENEFITS**

### **1. Introduction**

The ISA program provides opportunities for importers who want to demonstrate compliance and receive related benefits. The program offers meaningful benefits that can be tailored to industry needs. The following information is provided to help importers understand the benefits of participation in ISA.

### **2. Consultations and/or Guidance as Requested**

Upon request, CBP will provide consultation and/or guidance in various areas such as compliance issues, data analysis, risk assessment, and internal controls. As appropriate for the issue, an Account Manager, an Auditor, a Trade Analyst, or a team representing several disciplines may provide assistance. Please email your request to [tppb-isa@dhs.gov](mailto:tppb-isa@dhs.gov) or contact your National Account Manager.

### **3. Coverage of Multiple Business Units**

CBP will provide program benefits for multiple business units as defined by Importer of Record numbers shown on the MOU. The participant will be required to modify an existing MOU or submit an additional MOU to add additional business units.

### **4. Removal from Comprehensive Audit Pools**

The importer will be removed from the Regulatory Audit's (RA) audit pool established for Focused Assessments. (Importers will be removed from the RA's audit pools for Drawback and Foreign Trade Zones if they request to have these programs included in the ISA Program.) The audit exemption will apply to each specific area when it is determined that adequate internal controls are in place, to ensure compliance with CBP laws and regulations. (Importers may be subject to on-site examinations for single-issue reviews.)

### **5. Access to Key Liaison Officials**

Participants will have access to key liaison officials to discuss any concerns relative to the ISA program. Please email your questions, concerns, suggestions to [tppb-isa@dhs.gov](mailto:tppb-isa@dhs.gov)

## **6. Access to the Participant's Summary Trade Data**

At the participant's request, CBP will provide annual, semi-annual, and/or quarterly summaries of the participant's trade data free of charge. The data can be used to review and analyze import activity, as well as, identify areas of risk, etc.

## **7. Expanded Benefits of Prior Disclosure**

With regard to prior disclosures, if CBP becomes aware of errors in which there is an indication of a violation of 19 U.S.C. 1592 or 1593a, CBP will provide a written notice to the importer of such errors and allow 30 days from the date of the notification for the importer to file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing CBP investigation or fraud is involved.

## **8. Mitigated Penalties and Liquidated Damages**

By fulfilling responsibilities under the ISA program, the Participant will be taking actions, which may be considered as mitigating factors for possible penalties or liquidated damages.

## **9. Greater Business Certainty**

Participation in the ISA program provides greater business certainty because a reliable system of internal controls ensures compliant transactions. Based on CBP experience, importers who implement effective internal controls are able to provide more accurate and reliable entry data and a better utilization of resources.

## **10. Additional Benefits**

CBP will work with industry groups to provide additional benefits that are advantageous to both CBP and the industry.

## **PROGRAM REQUIREMENTS**

### **1. Introduction**

In order to participate in the ISA program, an importer must:

- Be a member of C-TPAT;
- Complete an ISA Memorandum of Understanding (MOU) and Questionnaire;
- Agree to comply with all applicable CBP laws and regulations;
- Maintain an internal control system that demonstrates the accuracy of CBP transactions:
  - ✓ Establish, document, and implement internal controls;
  - ✓ Perform periodic testing of transactions based on risk;
  - ✓ Maintain results of testing for three years and make test information available to CBP on request;
  - ✓ Make appropriate adjustments to internal controls; and
  - ✓ Maintain an audit trail from financial records to CBP declarations; or, an alternate system that ensures accurate values are reported to CBP.
- Make appropriate disclosures.
- Submit an annual written notification to CBP to confirm the identity of the company ISA contact, and confirm that the Participant continues to meet the requirements of the ISA program as specifically listed herein and in the MOU.
- Notify CBP of major organizational changes as soon as possible (see 4.3 for additional information).

The following information is provided to help companies understand the requirements for participation in ISA.

### **2. Member of Customs-Trade Partnership Against Terrorism (C-TPAT)**

C-TPAT is a joint government-business initiative to build cooperative relationships that strengthen overall supply chain and border security. C-TPAT recognizes that CBP can provide the highest level of security only through close cooperation with the ultimate owners of the supply chain, that is, importers, carriers, customs brokers, warehouse operators, and manufacturers. ISA is designed to be complementary to the C-TPAT program. ISA is intended to offer supplemental benefits to importers in the trade compliance area while promoting compliance by importers.

### **3. ISA Memorandum of Understanding and Questionnaire**

An importer may apply to the ISA program by completing an MOU and ISA Questionnaire.

The MOU is an agreement between the importer and CBP that establishes their respective roles and responsibilities. The importer of record number(s) will denote the divisions/units applying for ISA. The importer of record numbers should be written out to the twelfth (12<sup>th</sup>) digit.

The ISA Questionnaire is a brief series of questions designed to ensure that the importer has implemented key internal controls that are important for CBP compliance. The Questionnaire and instructions for completing it are in Appendix D.

### **4. Comply with All Applicable CBP Laws and Regulations**

In order to join the ISA program, an importer must agree to comply with all applicable CBP laws and regulations. This requirement is designed to obtain the importer's commitment to CBP compliance.

### **5. Maintain an Internal Control System that Demonstrates the Accuracy of CBP Transactions**

A participant must maintain an internal control system that demonstrates the accuracy of CBP transactions. The importer needs to develop two processes in support of the system.

- First, the importer needs a framework of internal controls based on definition and description recognized by the American Institute of Certified Public Accountants in its December 1995 Statement on Auditing Standards 78. More information on internal controls for CBP in business terminology is provided in sections 5.a through 5.d and in Appendixes F and G of this handbook.
- Second, the importer needs an audit trail from accounting records and payments to CBP entry records or an alternate system that ensures accurate values are reported to CBP. The objective of this process is for importers to be able to match payments and expenses to entries starting from financial records.

#### **a. Establish, document, and implement internal controls**

Internal controls must be developed and in place to provide reasonable assurance that the importer is compliant with CBP laws and regulations.

Internal controls must incorporate the following five interrelated components.

- **Control Environment** sets the tone of an organization. It is the foundation for other internal control components. Control environment should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward CBP compliance. This can be achieved by actions such as the following:
  - ✓ Defining a company policy supportive to CBP compliance;
  - ✓ Dealing with CBP in a cooperative, open and timely manner;
  - ✓ Committing to the competence of employees responsible for CBP activities by providing adequate training, counseling, and information;
  - ✓ Assigning CBP responsibilities to personnel with appropriate authority and information to ensure CBP compliance; and
  - ✓ Placing a high degree of importance on work with CBP.
- **Risk Assessment** is an analysis of a company's CBP operations to identify risks (what could go wrong) that may prevent CBP compliance. A risk assessment should occur at least annually. Once risks have been identified, they should be analyzed for possible effect. Management then must formulate an approach for risk management and decide on internal controls to mitigate those risks. This process may result in changes to internal controls. Risk assessments are particularly important during times of change.
- **Control Activities** are the day-to-day procedures used to achieve CBP compliance. Control activities are the policies, procedures, techniques, and mechanisms that ensure management's directives are carried out. Control activities mitigate risks identified during risk assessments and are integral to the company's planning, implementing, and reviewing processes.
- **Information and Communication** refers to the accumulation and distribution of information to people who need it to ensure CBP compliance. This component includes movement of information between functional activities and upward and downward within the organization. Pertinent information related to CBP activities is identified, captured, and distributed to the right people in sufficient detail, in the right form, and at the appropriate time to enable them to carry out their duties and responsibilities efficiently and effectively to foster CBP compliance.

- **Monitoring** refers to oversight of quality of CBP performance. It includes both ongoing monitoring that occurs during normal operations and regular management and supervisory activities and actions that people take in performing their duties. In addition, monitoring includes separate evaluations, frequently referred to as periodic testing. Separate evaluations may be by the company's internal auditor, an external auditor, or third parties with required skills. Separate evaluations may include a review of the control design and direct testing of control activities.

Additional information on internal controls is in Appendixes F and G.

#### **b. Perform periodic testing of transactions based on risk**

As explained above, periodic testing is a normal part of monitoring operations. Periodic testing is necessary to determine if objectives related to CBP compliance are being met. Testing also is important to evaluate employee performance and identify training needs. An ISA participant must do periodic testing at least annually, but it is not necessary for a participant to test all areas of customs activity annually. The participant should develop a testing program to address the areas of highest risk based on the company's risk assessment. The participant may design its own testing program. Under the ISA program, CBP will allow flexibility and will not dictate specific testing requirements, because periodic testing is only part of an overall system of internal control and it is important that companies have the flexibility to design the program that they need. Testing may be by the company's internal auditor, an external auditor, or a third party with the required skills. Each company must perform its own risk assessment, develop its own control procedures, and design its own testing program to control customs risk. Since risk assessments will identify different risks at different times, a company may need to adjust its periodic testing in response to changing risk factors. Upon request, CBP will assist participants in assessing risk or developing a periodic testing program.

#### **c. Maintain results of testing for three years and make test information available to CBP upon request**

The participant will conduct periodic testing of its internal control system. The test results must be maintained for three years from the date of the test and provided to CBP upon request.

#### **d. Make appropriate adjustments to internal controls**

If needs for internal control improvements are identified through any mechanism-- risk assessment, information exchange, monitoring and testing, notification from CBP, etc.-- appropriate changes must be made to ensure CBP compliance.

## **6. Make Appropriate Disclosures**

The participant agrees to submit appropriate disclosures to CBP. The participant may make these declarations through a prior disclosure, reconciliation, post-entry adjustment, supplemental information letter, or other approved CBP method.

## **7. Submit an Annual Written Notification**

The Participant agrees to provide annual written notification (Appendix H) that it is continuing to meet requirements of the ISA program and to confirm the identify of the company contact for the ISA program with name, title, e-mail address, and mail address.

Through the annual notification, the Participant agrees to:

- Comply with all applicable CBP laws and regulations;
- Maintain an internal control system that demonstrates the accuracy of CBP transactions:
  - ✓ Maintain internal controls appropriate to provide reasonable assurance of CBP compliance, to include the five components of internal control;
  - ✓ Perform periodic testing (designed by the importer) based on risk;
  - ✓ Maintain results of testing for three years and providing test results to CBP on request;
  - ✓ Make appropriate adjustments to internal controls when needed;
  - ✓ Maintain an audit trail from financial records to CBP declarations; or, an alternate system that ensures that accurate values are reported to CBP.
- Make appropriate disclosures to CBP;
- Submit annual written notifications to CBP to confirm the identity of the company ISA contact, and confirm that it continues to meet the requirements of the ISA program; and
- Notify CBP of major organizational changes as soon as possible.

## **8. Program Feedback for Modification and Improvement**

In addition, participants are encouraged to submit feedback to CBP about the ISA program. Exchange of information between CBP and the participant is an important aspect of the ISA program and will be necessary for the continued evolution and improvement of the program for the benefit of CBP and the participant.

CBP is interested in aspects of the program that could be improved to make the program more efficient and realistic to meet participant's expectations and needs. CBP will also use the feedback to acknowledge participants that deserve special recognition for accomplishments, development of special processes and best practices.

CBP is interested in feedback on such items as:

- The relative value of different aspects of the program;
- The effectiveness of risk assessment as a control for CBP operations;
- Communication processes that work well between departments or with external agents;
- Monitoring practices that have been most effective;
- Examples of improved operations or cost-saving opportunities resulting from education or other internal control activities;
- Any aspects for which the participant would like to receive recognition; and
- Any aspects of the ISA Program which the participant recommends modifications or changes.

**U.S. CUSTOMS AND BORDER PROTECTION  
IMPORTER SELF-ASSESSMENT  
MEMORANDUM OF UNDERSTANDING**

(Company name) requests to participate in the Importer Self-Assessment (ISA) program. We acknowledge that the primary objective of the ISA program is to maintain a high level of trade compliance through a cooperative CBP/Trade partnership. This agreement is made between \_\_\_\_\_, hereinafter referred to as the Account and U.S. Customs and Border Protection, hereinafter referred to as CBP.

The Account and CBP recognize the need to jointly address trade issues in order to maintain an efficient and compliant import process. This memorandum of understanding is designed to strengthen the Account's ability to maintain a high level of compliance with CBP requirements through effective internal controls of CBP activities and a cooperative interchange of ideas and information with CBP.

The ISA program represents an opportunity to establish a joint informed compliance effort, in a process built on knowledge, trust, and the desire to maintain an ongoing CBP/Account relationship. The ISA program provides CBP with the means to recognize and support the Account's efforts to achieve compliance and offers the Account the opportunity to demonstrate compliance and receive related benefits.

This memorandum of understanding does not exempt the Account from statutory penalties or sanctions in the event of noncompliance. However, the extent to which the Account has shown compliance with the terms of this memorandum of understanding will reflect favorably and may be a mitigating factor toward any CBP decision or recommendation on final case disposition.

The following are the Account and CBP's responsibilities under this memorandum of understanding. More specific information detailing the roles and responsibilities of the Account and CBP are provided in the ISA Handbook.

**ACCOUNT ROLES AND RESPONSIBILITIES**

- Be a member of C-TPAT;
- Complete an ISA Memorandum of Understanding (MOU) and Questionnaire;
- Agree to comply with all applicable CBP laws and regulations;
- Maintain an internal control system that demonstrates the accuracy of CBP transactions:
  - ✓ Establish, document, and implement internal controls;
  - ✓ Perform periodic testing of transactions based on risk;
  - ✓ Maintain results of testing for three years and make test information available to CBP on request;

- ✓ Make appropriate adjustments to internal controls; and
- ✓ Maintain an audit trail from financial records to CBP declarations; or, an alternate system that ensures that complete and accurate values are reported to CBP.
- Make appropriate disclosures;
- Submit an annual written notification to CBP to confirm the identity of the Account ISA contact, and confirm that the Account continues to meet the requirements of the ISA program as specifically listed in this MOU and the ISA Handbook.
- Notify CBP of major organizational changes as soon as possible (See 4.3 of the ISA Handbook for additional information.)

### **CBP ROLES AND RESPONSIBILITIES**

- CBP will provide consultation and/or guidance as requested (for compliance assistance, risk assessments, internal controls, CBP audit trails, data analysis support, etc.).
- The Account will have the opportunity to apply for coverage of multiple business units.
- The Account will be removed from the Regulatory Audit's (RA) audit pool established for Focused Assessments. (Accounts will be removed from the RA's audit pools for Drawback and Foreign Trade Zones if they request to have these programs included in the ISA Program.) The audit exemption will apply to each specific area when it is determined that adequate internal controls are in place, to ensure compliance with CBP laws and regulations. (Accounts may be subject to on-site examinations for single-issue reviews.)
- The Account will have access to key liaison officials.
- The Account will be entitled to receive entry summary trade data, including analysis support.
- With regard to prior disclosures, if CBP becomes aware of errors in which there is an indication of a violation of 19 U.S.C. 1592 or 1593a, CBP will provide a written notice to the Account of such errors and allow 30 days from the date of the notification for the Account to file a prior disclosure pursuant to 19 CFR 162.74. This benefit does not apply if the matter is already the subject of an ongoing CBP investigation or fraud is involved.
- In the event that civil penalties or liquidated damages are assessed against the Account, the Account's participation in ISA will be considered in the disposition of the case.
- The Account will enjoy greater business certainty because a reliable system of internal controls ensures compliant transactions.
- Additional benefits are tailored to industry needs.

This MOU governs the Account's activities under the following Importer of Record (IR) numbers.

| COMPANY NAME | ADDRESS | IR NUMBER (S) |
|--------------|---------|---------------|
|              |         |               |
|              |         |               |
|              |         |               |

The Account may use third parties to fulfill roles and responsibilities of this agreement.

This agreement shall enter into force upon each party's signature and shall remain in effect until notification of termination or failure to perform as agreed.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have signed this agreement.

FOR U.S. CUSTOMS AND BORDER  
PROTECTION

FOR THE ACCOUNT

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**U.S. Customs and Border Protection  
Office of International Trade  
Importer Self-Assessment Questionnaire**

**Introduction**

Importer Self-Assessment (ISA) is a program for companies that have documented internal controls and are certified partners in Customs-Trade Partnership Against Terrorism (C-TPAT).

The ISA questionnaire is designed to help us determine whether the applicant is indeed ISA ready. The questions and attachments will also provide the Customs ISA review team the information necessary to prepare them for the Application Review Meeting (ARM). This will ensure that they use the minimum amount of the applicant's time in conducting the meeting and approving the application so the applicant can begin receiving benefits as soon as possible.

The ISA questionnaire will also allow the ISA applicant to determine whether they are actually ready to apply for the ISA Program. Applicants who are able to answer "Yes" to all of the questions on the ISA questionnaire; are able to support the "Yes" responses; and, can provide the information required in the attachment to the ISA Questionnaire, would be deemed ready to apply to the ISA program.

An ISA applicant must have established internal controls over Customs activities that are both implemented and documented.

The ISA team will use the ISA Questionnaire along with the attachment information to gain an understanding of the company's import operations and internal control structure.

**Review Scope**

The following steps briefly summarize the initial process prior to the ARM and what to expect at the ARM:

- When the applicant responds to the ISA questionnaire completely, the ISA team can plan its approach for the ARM. Once the ISA team receives the completed application package, the ISA team (consisting of a Team Leader, one or multiple Consultants, Account Manager, and the Trade Specialist) reviews the entire information available and then meet to discuss the risks that may exist with the applicant.

- Next the ISA team contacts the applicant to discuss a date for the ARM. The agenda for the ARM will be sent 2-3 weeks prior to the ARM to the applicant along with multiple entry numbers so the applicant can walk the ISA team through the entire flow from import to payment during the on-site visit.
- During the ARM, the ISA applicant will need to be prepared to demonstrate and support each question on the ISA questionnaire. The “Yes” responses answered initially by the applicant on the ISA questionnaire will now need to be demonstrated in detail to the team. The team will verify that the company does in fact, maintain a system of business records that demonstrates the accuracy of customs transactions.

Answering the ISA questionnaire allows the applicant the opportunity to evaluate its own internal controls and operations pertaining to customs activities.

**Applicants for the ISA Program will complete the ISA Questionnaire. The following instructions are provided to help importers complete the ISA Questionnaire.**

**Company Name:**

Enter the name of the legal entity that is applying to the Importer Self-Assessment (ISA) program.

**Importer of Record Number:**

Enter the Importer of Record number of the legal entity that is applying to the ISA program. This identifies the entity that will receive the benefits of the ISA program. Multiple numbers may be entered to the 12<sup>th</sup> digit.

**Business Year:**

Enter the twelve-month reporting period that designates the financial year for the legal entity that is applying to the ISA program.

**Signature of Company Contact:**

The company contact that will be the Account representative for ISA must sign the ISA Questionnaire.

**Title of Company Contact:**

The title is the corporate position of the company contact that signs the questionnaire.

**Date:**

This is the date the questionnaire is signed.

**Phone Number:**

This is the phone number of the contact person.

**E-mail Address:**

This is the e-mail address of the contact person, if available.

**Business Address:**

This is the mail address of the contact person.

**Guide:**

The questions under this column are designed as a guide to allow CBP to determine if the applicant is ready to assume the responsibilities of self-assessment. The questions are designed to determine if the importer has made a commitment to institute specific actions (internal controls) that will enhance compliance.

**Response (Yes or No):**

Respond "Yes" or "No" in this column to indicate whether you have implemented procedures and controls in response to the question. If you have adequate procedures and controls so that you believe that you are ready to assume the responsibilities of self-assessment, answer, "Yes" to the question. If you do not have adequate procedures, whether they are generally adequate or need significant improvement, answer, "No" under this column.

**Guidance for Questions:**

Guidance on the program requirements and questions in the questionnaire, including guidance on internal controls, is in Appendix B. Additional guidance on internal controls is in Appendixes F and G. If you have additional questions, submit them to the CBP website:

**ISA QUESTIONNAIRE**

Company Name: \_\_\_\_\_  
 Importer of Record No(s): \_\_\_\_\_  
 Business Year End: \_\_\_\_\_  
 Printed Name of Company Contact: \_\_\_\_\_  
 Signature of Company Contact: \_\_\_\_\_  
 Title of Company Contact: \_\_\_\_\_  
 Date Prepared: \_\_\_\_\_  
 Phone No.: \_\_\_\_\_  
 E-mail Address: \_\_\_\_\_  
 Business Address: \_\_\_\_\_  
 \_\_\_\_\_  
 Company Website Address: \_\_\_\_\_  
 Include Drawback in review:        Y or N  
 If 'Y', List the offices you file drawback with: \_\_\_\_\_  
 Include FTZ in review:        Y or N

| <b>Guide</b>   | <b>Response<br/>(Yes or No)</b> |
|--|---------------------------------|
| 1. Does your company have documented internal controls?<br><br><ul style="list-style-type: none"> <li>• Do the documented internal controls include individual desktop procedures?</li> </ul>  |                                 |
| 2. Does your company maintain an internal CBP department dedicated to maintaining and updating regulations, laws, and procedures that will affect your CBP operations?   |                                 |
| 3. If not in house, do you have a contract with a CBP brokerage house or consulting service to provide this advisory assistance?   |                                 |
| 4. (For companies with multiple divisions/subsidiaries applying for ISA) Does your company operate under a centralized CBP compliance policy?  |                                 |
| 5. Do you have a system in place to ensure that all elements of costs associated with imported products are declared to Customs? Also, do you have an audit trail to verify this?  |                                 |
| 6. Are your CBP internal control processes consistent with the five interrelated components of internal control as defined by the American Institute of Certified Public Accountants? See Statement on Auditing Standards 78, dated December 1995, effective January 1, 1997 (Consideration of Internal Control in |                                 |

| Guide   | Response<br>(Yes or No) |
|---|-------------------------|
| a Financial Audit: An Amendment to SAS No. 55 – AICPA Statement on Auditing Standards). <ul style="list-style-type: none"> <li>• Control environment</li> <li>• Risk assessment</li> <li>• Control activities</li> <li>• Information and communication</li> <li>• Monitoring</li> </ul> |                         |
| 7. Are the CBP internal control procedures implemented in the divisions that participate in or effect importation of merchandise?   |                         |
| 8. Do you have compliance requirements in place for suppliers and Customs brokers?  |                         |
| 9. Have you identified CBP risks related to your company's import operations?   |                         |
| 10. Does your company have procedures to monitor and correct compliance deficiencies?   |                         |
| 11. Has your organization set up a plan to perform periodic testing (at least an annual review of significant risk areas) in the company's divisions that have an effect on imported merchandise?   |                         |
| 12. Do you have meetings to discuss and coordinate changes to your CBP internal control system when tests or other information show a need for compliance improvement?  |                         |
| 13. Do you have an assigned officer who will initiate appropriate disclosures to CBP when indicated through system testing?   |                         |
| 14. Do you have a recordkeeping program in place and are you able to submit documents in a timely manner to CBP upon request?   |                         |
| 15. Is your internal control documentation, including tests and test results, maintained for three years and available for CBP review?  |                         |

## ATTACHMENT TO ISA QUESTIONNAIRE

1. How many employees are there in the internal compliance department and how long has the office been in place?
2. What brokerage house and/or consulting service do you have contracts with?
3. Provide a copy of the company's organizational chart and related department descriptions.
  - Include the detail to show the location of the import department identified and any structure descriptions that are relevant.
  - Identify the key individuals in each office responsible for CBP compliance.
4. Provide the names and addresses of any related foreign and/or domestic companies, such as the company's parent, sister, subsidiaries, or joint ventures.
5. Provide (electronically) a copy of the company's internal control manual and all desktop procedures for Custom related individuals.
  - Include approval of the internal control manual.
  - Include how long your documented policies and procedures have been in place.
6. Provide compliance requirements for suppliers and Customs brokers (i.e., contracts, agreements, etc.).
7. Describe the training program in place with regards to the internal compliance office and other departments that are involved with Customs related activities.
  - Include evidence of the training program, such as a training log.
8. Provide (electronically) a copy of your company's self-testing plan.
9. Explain briefly the system your company has in place to ensure all elements of costs associated with the imported products have been declared to Customs.

ENTRY SUMMARY TRADE DATA REQUEST

Confidential

(Date)

U.S. Customs and Border Protection  
Office of International Trade  
Chief, Partnership Programs Branch  
1400 L Street, NW  
Washington, DC 20229

Or send via email to: [tppb-isa@dhs.gov](mailto:tppb-isa@dhs.gov)

**Re: Entry Summary Trade Data Request for ISA Account**

Dear Sir or Madam:

This request is submitted on behalf of \_\_\_\_\_. We respectfully request a listing of all import transactions entered by \_\_\_\_\_ under the company importer of record number(s) over the last business year, in electronic format.

**Description**

We request that this electronic entry summary data, maintained by the Office of Strategic Trade, be provided on an entry line level for all entries filed between (month, day, year) and (month, day, year) for the following Importer Identification Number:

| Name  | Number |
|-------|--------|
| _____ | _____  |
| _____ | _____  |

Please provide the data in electronic format on computer disk, CD-ROM, or electronic mail; whichever is most convenient for you.

**Mailing Address of Request**

The electronic files should be mailed to the following address:

Electronic mail: \_\_\_\_\_

### **Waiver of Right to Review Documents**

We do not wish to inspect the requested documents before they are mailed to the referenced address.

### **Payment**

We understand that we will receive the data without fees as long as we are an ISA Account.

### **Recurring Receipt of Data**

We would like to continue to receive the data (annually, bi-annually or quarterly) without fee and without submitting additional requests. We request that data for (month, day) through (month, day) of each year be submitted as soon as it becomes available each year.

### **Conclusion**

Thank you in advance for your attention to this matter. If you have any questions concerning this request, please call me at \_\_\_\_\_.

Sincerely,

(Print Name)

(Name)

(Title)

## GUIDANCE FOR DEVELOPING INTERNAL CONTROLS

The following guidance is provided to assist a company in developing adequate internal controls. Please note that the list is not all-inclusive and that Importer Self-Assessment (ISA) Accounts may design their program to fit the circumstances, conditions, and risks relevant to the situation of the company. A more extensive guide, which could be useful to large or complex companies, is available in Appendix G. Systems of internal control should contain the following components:

**Control Environment:** The Company establishes and maintains an environment that supports CBP compliance, including fostering a system that supports compliance, maintaining competent personnel, and maintaining an organizational structure that supports compliance.

Management conveys the message that integrity and ethical values must not be compromised. Management and employees have a positive and supportive attitude toward CBP internal controls and conscientious management of CBP-related operations. Management has a philosophy and operating style that is appropriate to the development and maintenance of effective internal controls for CBP, as evidenced by the following:

- A commitment to the competence of personnel responsible for CBP-related activities. The company educates and trains employees about CBP programs that are affected by the employees' jobs. The employees should be educated on the importance of CBP activities related to or affected by their job and the possible impact of errors. The employees should be trained adequately to successfully perform the job.
- The company's organizational structure and the way in which it assigns authority and responsibility for CBP operations contribute to effective internal controls.
- The company's management cooperates with auditors, does not attempt to hide known problems from them, and values their comments and recommendations.

**Risk Assessment:** The Company identifies risks to the goal of CBP compliance, analyzes them for possible effects, and designs control activities to manage those risks. The company has established clear and consistent company-wide objectives and supporting activity-level objectives related to CBP activities. The following evidences risk assessment activities:

- Management has made a thorough identification of risks pertaining to CBP activities, from both internal and external sources, which may affect the ability of the company to meet those objectives.
- An analysis of those risks has been performed, and the company has developed an appropriate approach for risk management.
- Mechanisms are in place to identify changes that may affect the company's ability to achieve its missions, goals, and objectives related to CBP activities.

**Control Activities:** The company documents and implements policies and procedures and other control activities to ensure complete and accurate reporting to CBP as well as compliance with other CBP requirements. Procedures should include the correct reporting of information for value, classification, special trade programs, special duty provisions, and other CBP issues such as quota, antidumping duties, and countervailing duties.

Appropriate policies, procedures, techniques, and control mechanisms must be developed and in place to ensure adherence to established CBP requirements. The following evidences control activities:

- Proper control activities have been developed and documented for each of the company's CBP activities.
- The control activities identified as necessary are actually being applied properly.
- All documentation of transactions and records are properly managed, maintained, and reviewed as necessary.
- Control procedures are reviewed and revised as necessary.

**Information and Communication:** The Company establishes and maintains processes to ensure that relevant, reliable information pertaining to CBP is recorded and communicated through the organization to those who need it and that information provided to CBP is complete and accurate.

Information systems are in place to identify and record pertinent operational and financial information relevant to CBP activities. Management ensures that effective internal communications take place. The company employs various forms of communications appropriate to its needs and manages, develops, and revises its information systems in a continual effort to improve communications. The following evidences effective information and communication for CBP:

- Appropriate information is identified, recorded, and communicated to management responsible for CBP activities and others within the company who need it, in a form that enables them to carry out their duties and responsibilities efficiently and effectively.
- Effective external communications occur with groups that can affect the achievement of the company's missions, goals, and objectives related to CBP activities.
- Individual roles and responsibilities for CBP activities are communicated through policy and procedure manuals.

**Monitoring:** The Company monitors its CBP activities to assess the quality of performance over time and ensure that issues and deficiencies are promptly resolved and that procedures are corrected to prevent recurrence. Monitoring will include some testing of CBP compliance on a periodic basis. Results of testing will be maintained for three years and will be provided to CBP on request. Company internal control monitoring assesses the quality of performance related to CBP activities over time. The following evidences monitoring:

- Procedures to monitor internal controls occur on an ongoing basis as a part of the process of carrying out regular activities.
- Separate evaluations of internal controls are periodically performed, and deficiencies found are investigated.
- Procedures are in place to ensure that the findings of all audits and other reviews are promptly evaluated, decisions are made about the appropriate response, and actions are taken to correct or otherwise resolve the issues promptly.

If you would like to know more about risk assessment and internal controls of CBP activities, extensive additional guidance and information is contained in the Focused Assessment Technical Guides available on the CBP website.

## **INTERNAL CONTROL MANAGEMENT AND EVALUATION TOOL**

### **Introduction**

This document is an Internal Control Management and Evaluation Tool. Although use of this tool is not required, it is intended to help management and evaluators determine how well a company's internal control is designed and functioning and to help determine what, where, and how improvements, when needed, may be implemented. This is a good tool for auditors to use when developing questions and conducting interviews with company personnel, particularly in large, complex companies.

The tool is presented in five sections corresponding to the five components of internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring.

Space is provided beside each issue for the user to note comments or describe the circumstances affecting the issue. Comments and descriptions usually will not be of the "yes/no" type, but will generally include information on how the company does or does not address the issue. This tool is intended to help users reach a conclusion about the company's internal control as it pertains to the particular component.

This tool could be useful in assessing internal control in compliance with laws and regulations. It could also be useful in assessing internal control as it relates to various CBP activities within a company.

This tool is not authoritative but is intended as a supplemental guide that managers and evaluators may use in assessing the effectiveness of internal control and identifying important aspects of control in need of improvement. Users should keep in mind that this tool is a starting point and that it can and should be modified to fit the circumstances, conditions, and risks relevant to the situation of the company. Not all of the issues need to be considered for every company or activity.

### **1. Control Environment**

According to the first internal control component, which relates to control environment, management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. Several key factors affect the accomplishment of this goal. Management and evaluators

should consider each of these control environment factors when determining whether a positive control environment has been achieved.

The factors that should be focused on are listed below. Management and evaluators should concentrate on the substance of controls rather than their form, because controls may be established but not acted upon.

|    | <b>Internal Control Point</b>   | <b>Comments/ Descriptions</b> |
|----|---|-------------------------------|
|    | <b>Integrity and Ethical Values</b>   |                               |
| 1. | Management has promoted a climate that emphasizes integrity and ethical behavior by its Import Department employees. The company employs a code of conduct that emphasizes proper behavior and sets penalties for unethical conduct.  |                               |
| 2. | Dealings with CBP are conducted on a high ethical plane. <ul style="list-style-type: none"> <li>• Reports to CBP are proper and accurate (not intentionally misleading).</li> <li>• Management cooperates with auditors and other evaluators, does not attempt to hide known problems from them, and values their comments and recommendations.</li> </ul>  |                               |
| 3. | The company has a well defined and understood process for dealing with CBP requests and concerns in a timely and appropriate manner.  |                               |
|    | <b>Commitment to Competence</b>   |                               |
| 1. | Management has performed analyses of the knowledge, skills, and abilities needed to perform CBP-related jobs in an appropriate manner.  |                               |
| 2. | The company provides training and counseling in order to help employees maintain and improve their competence for jobs relating to CBP. <ul style="list-style-type: none"> <li>• There is an appropriate training program to meet the needs of employees.</li> <li>• The company emphasizes the need for continuing training and has a control mechanism to help ensure that all employees actually received appropriate training.</li> </ul> |                               |
|    | <b>Management's Philosophy and Operating Style</b>  |                               |
| 1. | The company has a written policy on CBP compliance.   |                               |
| 2. | Management employs a philosophy that emphasizes the correct reporting of information to CBP.  |                               |
| 3. | Management places a high degree of importance on retaining competent personnel in key functions over its CBP transactions.  |                               |

|    | <b>Internal Control Point</b>  | <b>Comments/<br/>Descriptions</b> |
|----|--|-----------------------------------|
| 4. | The company Import Department has adequate authority to interact with other offices as needed, and strong synchronization and coordination exist between the Import Department and other departments with responsibilities or information related to CBP activities.   |                                   |
| 5. | Management places a high degree of importance on the work of CBP officers, external audits, and other evaluations and studies with CBP information and is responsive to information from such officers.  |                                   |
| 6. | There is appropriate interaction between management of the company Import Department and senior management.  |                                   |
|    | <b>Organizational Structure</b>  |                                   |
| 1. | The company's Import Department is appropriately located within the organization.  |                                   |
| 2. | <p>Key areas of authority and responsibility relative to CBP activities are defined and communicated throughout the organization. Consider the following:</p> <ul style="list-style-type: none"> <li>• Executives in charge of major activities or functions are fully aware of their duties and responsibilities.</li> <li>• Executives and key managers understand their internal control responsibilities and ensure that their staff also understands their own responsibilities.</li> </ul> |                                   |
|    | <b>Assignment of Authority and Responsibility</b>  |                                   |
| 1. | <p>The company appropriately assigns authority and delegates responsibility for CBP activities to the proper personnel to deal with organizational goals and objectives.</p> <ul style="list-style-type: none"> <li>• Authority and responsibility are clearly assigned throughout the organization and clearly communicated to employees.</li> <li>• Responsibility for decision-making is clearly linked to the assignment of authority and responsibility.</li> </ul>                         |                                   |
| 2. | Each employee knows how his or her actions related to CBP activities relate to others' actions and is aware of his or her related duties concerning CBP internal control.  |                                   |
| 3. | <p>Delegation of authority is appropriate in relation to the assignment of responsibility for CBP activities.</p> <ul style="list-style-type: none"> <li>• Employees at the appropriate level are empowered to correct problems or implement improvements.</li> <li>• There is an appropriate balance between the delegation of authority at lower levels to "get the job done" and the</li> </ul>   |                                   |

|    | <b>Internal Control Point</b>  | <b>Comments/ Descriptions</b> |
|----|--|-------------------------------|
|    | involvement of senior-level personnel.   |                               |
|    | <b>Human Resource Policies and Practices</b>   |                               |
| 1. | Employees' responsibilities for CBP activities are properly supervised.  |                               |
|    | <b>Oversight Groups</b>  |                               |
| 1. | <p>Within the company, mechanisms are in place to monitor and review operations and programs.</p> <ul style="list-style-type: none"> <li>• The company has a committee or senior management council that reviews internal audit work of CBP activities.</li> <li>• The internal audit function reviews the company's CBP activities and systems and provides information, analyses, appraisals, recommendations, and counsel to management.</li> </ul> |                               |

**2. Risk Assessment**

The second internal control component addresses risk assessment. A precondition to risk assessment is the establishment of clear, consistent company goals and objectives at both the entity level and the activity level. Once the objectives have been established, the company needs to identify the risks that could impede the efficient and effective achievement of those objectives. Internal control should provide for an assessment of the risks the company faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then must formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable CBP reporting, and compliance with laws and regulations. A manager or evaluator will focus on management's processes for setting objectives, risk identification, risk analysis, and management of risk during times of change. Listed below are factors a user might consider.

|    | <b>Internal Control Point</b>                                     | <b>Comments/ Descriptions</b> |
|----|---|-------------------------------|
|    | <b>Establishment of Activity-Level Objectives</b>                 |                               |
| 1. | Company CBP office objectives are linked with company objectives. |                               |
|    | <b>Risk Identification</b>  |                               |

|    | <b>Internal Control Point</b>  | <b>Comments/<br/>Descriptions</b> |
|----|--|-----------------------------------|
| 1. | <p>Management identifies CBP risk.</p> <ul style="list-style-type: none"> <li>• Qualitative and quantitative methods are used to identify risk and determine relative risk rankings on a scheduled and periodic basis.</li> <li>• How risk is to be identified, ranked, analyzed, and mitigated is communicated to appropriate staff.</li> <li>• Risk identification and discussion occur in senior-level management meetings.</li> <li>• Risk identification takes place as part of short- and long-term forecasting and strategic planning.</li> <li>• Risk identification occurs as a result of consideration of findings from audits, evaluations, and other assessments.</li> </ul>   |                                   |
| 2. | <p>Adequate mechanisms exist to identify risks to CBP activities arising from external factors. Consider the risks:</p> <ul style="list-style-type: none"> <li>• Arising from changing needs or expectations by Congress, CBP officials, or the public.</li> <li>• Posed by new legislation, regulations, rulings, and court decisions.</li> <li>• Resulting from business, political, or economic changes.</li> <li>• Associated with major suppliers, brokers, contractors, and agents.</li> <li>• Resulting from interactions with other companies and outside parties.</li> </ul>  |                                   |
| 3. | <p>Adequate mechanisms exist to identify risks to CBP activities arising from internal factors. Consider the risks:</p> <ul style="list-style-type: none"> <li>• Resulting from downsizing operations and personnel.</li> <li>• Associated with major changes of operating processes, foreign sourcing, or importing operations.</li> <li>• Resulting from new lines, products, or other business activities.</li> <li>• Associated with restructuring and reorganizations.</li> <li>• Posed by disruption of information systems.</li> <li>• Posed by highly decentralized CBP operations.</li> <li>• Posed by personnel turnover or personnel who are not adequately qualified and trained.</li> <li>• Resulting from heavy reliance on agents or other parties to perform critical company operations.</li> <li>• Resulting from rapid growth or expansion of import operations.</li> </ul> |                                   |
| 4. | <p>Management assesses other factors, such as a history of compliance problems.</p>  |                                   |

|    | <b>Internal Control Point</b>  | <b>Comments/<br/>Descriptions</b> |
|----|--|-----------------------------------|
|    | <b>Risk Analysis</b>   |                                   |
| 1. | <p>After CBP risks have been identified, management should undertake an analysis of their possible effect. Consider the following:</p> <ul style="list-style-type: none"> <li>• Management has established a formal or informal process to analyze risks.</li> <li>• Criteria have been established for determining low, medium, and high risks.</li> <li>• Appropriate levels of management and employees are involved in the risk analysis.</li> <li>• Risks identified and analyzed are relevant to the corresponding activity objective.</li> <li>• Risk analysis includes estimating the risk’s significance and sensitivity.</li> <li>• Risk analysis includes estimating the likelihood and frequency of occurrence of each risk (susceptibility) and determining whether it falls into the low-, medium-, or high-risk category.</li> <li>• A determination is made on how best to manage or mitigate the risk and what specific actions should be taken.</li> </ul> |                                   |
| 2. | <p>Management has developed an approach for risk management related to CBP compliance and control based on how much risk can be prudently accepted. Consider the following:</p> <ul style="list-style-type: none"> <li>• The approach will vary from company to company based on the company’s CBP activities.</li> <li>• The approach is designed to keep risks within levels judged to be appropriate, and management takes responsibility for setting the tolerable risk levels.</li> <li>• Specific control activities are decided upon to manage or mitigate specific risks, and their implementation is monitored.</li> </ul>  |                                   |
|    | <b>Managing Risks During Change</b>  |                                   |
| 1. | <p>The company has mechanisms in place to anticipate, identify, and react to risks presented by changes in government, economic, industry, regulatory, operating, or other conditions that can affect CBP compliance.</p>  |                                   |
| 2. | <p>The company gives special attention to risks presented by changes that can have a more dramatic and pervasive effect on CBP compliance. The company is attentive to risks related to:</p>   |                                   |

|  | <b>Internal Control Point</b>   | <b>Comments/<br/>Descriptions</b> |
|--|---|-----------------------------------|
|  | <ul style="list-style-type: none"> <li>• Changes in CBP information systems.</li> <li>• Rapid growth and expansion or rapid downsizing.</li> <li>• Imports under CBP programs and activities that are new to the company.</li> <li>• Imports from a new geographical area.</li> </ul> |                                   |

### 3. Control Activities

The third internal control component addresses control activities. Internal control activities are the policies, procedures, techniques, and mechanisms that help ensure that management’s directives to mitigate risks identified during the risk assessment process are carried out. Control activities are an integral part of the company’s planning, implementing, and reviewing processes.

Control activities occur at all levels and functions of the company. They include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities, and the production of records and documentation. A manager or evaluator should focus on control activities in the context of the company’s management directives to address risks associated with established objectives for each significant activity.

Therefore, a manager or evaluator will consider whether control activities relate to the risk assessment process and whether they are appropriate to ensure that management’s directives are carried out. In assessing the adequacy of internal control activities, a reviewer should consider whether the proper control activities have been established, whether they are sufficient in number, and the degree to which they are operating effectively. This analysis and evaluation should also include controls over computerized information systems. A manager or evaluator should consider not only whether established control activities are relevant to the risk assessment process, but also whether they are being applied properly.

Given the wide variety of control activities that companies may employ, it would be impossible for this tool to address them all. However, there are some general, overall points to be considered by managers and evaluators, as well as several major categories or types of control activity factors that are applicable at various levels throughout practically all companies. In addition, some control activity factors are specifically designed for information systems. These factors and related issues are listed below to illustrate the range and variety of typical control activities.

|  | <b>Internal Control Point</b> | <b>Comments/<br/>Descriptions</b> |
|--|-------------------------------|-----------------------------------|
|  |                               |                                   |

|    | <b>Internal Control Point</b>  | <b>Comments/<br/>Descriptions</b> |
|----|--|-----------------------------------|
|    | <b>General Application</b>   |                                   |
| 1. | <p>Appropriate policies, procedures, techniques, and mechanisms exist with respect to CBP activities.</p> <ul style="list-style-type: none"> <li>• All relevant objectives and associated risks have been identified in relation to the risk assessment and analysis function of internal control.</li> <li>• Management has identified the actions and control activities needed to address the risks and directed their implementation.</li> </ul>   |                                   |
| 2. | <p>Control activities identified as necessary are in place and being applied. Consider the following:</p> <ul style="list-style-type: none"> <li>• Control activities described in policy and procedures manuals are actually applied and applied properly.</li> <li>• Supervisors and employees understand the purpose of internal control activities.</li> <li>• Supervisory personnel review the functioning of control activities.</li> <li>• Timely action is taken on exceptions, implementation problems, or information that requires follow-up.</li> </ul>  |                                   |
|    | <b>Common Categories of Control Activities</b>   |                                   |
| 1. | <p>Management tracks CBP compliance in relation to goals.</p> <ul style="list-style-type: none"> <li>• Managers at all activity levels review performance reports, analyze trends, and measure results against targets.</li> <li>• Appropriate control activities are employed, such as reconciliations of summary information to supporting detail.</li> </ul>  |                                   |
| 2. | <p>The company effectively manages its workforce to achieve CBP compliance.</p> <ul style="list-style-type: none"> <li>• Procedures are in place to ensure that personnel with appropriate competencies are recruited and retained.</li> <li>• Employees are given orientation, training, and tools to perform their duties and responsibilities, improve their performance, and meet the demands of changing organizational needs.</li> <li>• Qualified and continuous supervision is provided to ensure that internal control objectives are being met.</li> </ul> |                                   |
| 3. | <p>The company employs a variety of controls of CBP activities to ensure accuracy and completeness of information processing.</p>  |                                   |
| 4. | <p>The company has established and monitors performance</p>  |                                   |

|    | <b>Internal Control Point</b>   | <b>Comments/<br/>Descriptions</b> |
|----|---|-----------------------------------|
|    | measures and indicators for CBP activities. <ul style="list-style-type: none"> <li>• Actual performance data are continually compared and analyzed against expected or planned goals.</li> <li>• Unexpected results or unusual trends are investigated to identify circumstances where achievement of goals for CBP compliance is threatened. Corrective action is taken.</li> </ul>  |                                   |
| 5. | CBP transactions and other significant events are properly classified and promptly recorded so that they maintain their relevance, value, and usefulness to management in controlling operations and making decisions.  |                                   |
| 6. | Only authorized individuals can make adjustments to CBP information.  |                                   |
| 7. | Internal control and all transactions and other significant events related to CBP activities are clearly documented. <ul style="list-style-type: none"> <li>• Written documentation exists for the company's internal control structure and all significant transactions and events.</li> <li>• Documentation is readily available for examination.</li> <li>• Documentation for internal control includes identification of the company's activity-level functions and related objectives and control activities and appears in management directives, administrative policies, accounting manuals, and other such manuals.</li> <li>• Documentation of transactions and other significant events is complete and accurate and facilitates tracing the transaction or event and related information from before it occurs, through its processing, to after it is completed.</li> <li>• Documentation, whether in paper or electronic form, is useful to managers in controlling their operations and to auditors and others involved in analyzing operations.</li> <li>• All documentation and records are properly managed, maintained, and periodically updated.</li> </ul> |                                   |
| 8. | This analysis and evaluation should also include controls over computerized information systems.  |                                   |

#### 4. Information and Communication

According to the fourth internal control component, for a company to run and control its operations, it must have relevant, reliable information relating to external as well as internal events. That information should be recorded and communicated to management and others within the company who need it in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. Managers and evaluators should consider the appropriateness of information and communication systems to the organization's needs and the degree to which they accomplish the objectives of internal control. Listed below are factors to consider. The list is a starting point. It is not all-inclusive, nor will every item apply to every company or activity within the company. Even though some of the functions and points may be subjective in nature and require the use of judgment, they are important in collecting appropriate data and information and in establishing and maintaining good communication.

|    | <b>Internal Control Point</b>  | <b>Comments/<br/>Descriptions</b> |
|----|--|-----------------------------------|
|    | <b>Information</b>   |                                   |
| 1. | Information related to CBP activities from internal and external sources is obtained and provided to management as a part of the company's reporting on operational performance relative to established objectives.  |                                   |
| 2. | Pertinent information related to CBP activities is identified, captured, and distributed to the right people in sufficient detail, in the right form, and at the appropriate time to enable them to carry out their duties and responsibilities efficiently and effectively.   |                                   |
| 3. | <p>Management ensures that effective internal communications occur related to CBP activities.</p> <ul style="list-style-type: none"> <li>• Employees understand the aspects of internal control, how their role fits into it, and how their work relates to the work of others.</li> <li>• Employees are informed that when the unexpected occurs, they must pay attention not only to the event but also to the underlying cause, so that potential internal control weaknesses can be identified and corrected before they can do further harm.</li> <li>• Mechanisms exist to allow the easy flow of information down, across, and up the organization and between functional activities.</li> <li>• Informal or separate lines of communications exist to serve</li> </ul> |                                   |

|    | <b>Internal Control Point</b>   | <b>Comments/<br/>Descriptions</b> |
|----|---|-----------------------------------|
|    | <p>as a “fail-safe” control for normal communications avenues.</p> <ul style="list-style-type: none"> <li>• Mechanisms are in place for employees to recommend improvements in operations.</li> </ul>   |                                   |
| 4. | <p>Management ensures that effective external communications occur with groups that can have a serious impact on CBP compliance.</p> <ul style="list-style-type: none"> <li>• Open and effective communications have been established with customers, suppliers, consultants, brokers, and others who can provide significant input relative to CBP compliance.</li> <li>• Communication with external parties such as CBP and other federal agencies is encouraged, since it can be a source of information on how well internal control is functioning.</li> <li>• Management makes certain that advice, rulings, and recommendations from CBP officers are fully considered and that actions are implemented to correct any problems or weaknesses they identify.</li> </ul> |                                   |
|    | <b>Forms and Means of Communication</b>   |                                   |
| 1. | <p>The company employs many and various forms and means of communicating important information with employees and others (policies and procedures manuals, memorandums to staff, regular meetings with staff, etc.).</p>  |                                   |

## 5. Monitoring

Monitoring is the final internal control component. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly addressed. In considering the extent to which the continued effectiveness of internal control is monitored, both ongoing monitoring activities and separate evaluations of the internal control system, or portions thereof, should be considered. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions that people take in performing their duties. Separate evaluations are a way to take a fresh look at internal controls by focusing directly on their effectiveness at a specific time. These evaluations may take the form of self-assessments as well as review of control design and direct testing, and may include the use of this Management and Evaluation Tool or some similar device. In addition, monitoring includes policies and procedures for ensuring that any audit and review findings and recommendations are brought to the attention of management and are resolved

in a timely manner. Managers and evaluators should consider the appropriateness of the company's internal control monitoring and the degree to which it helps them accomplish their objectives.

|    | <b>Internal Control Point</b>   | <b>Comments/ Descriptions</b> |
|----|---|-------------------------------|
|    | <b>Ongoing Monitoring</b>   |                               |
| 1. | <p>Management has a strategy to ensure that ongoing monitoring of CBP activities is effective and will trigger separate evaluations where problems are identified or systems are critical and testing is periodically desirable.</p> <ul style="list-style-type: none"> <li>• Management's strategy provides for routine feedback and monitoring of performance and control objectives.</li> <li>• The monitoring strategy includes identification of critical operational CBP-related systems that need special review and evaluation.</li> <li>• The strategy includes a plan for periodic evaluation of control activities for critical CBP activities.</li> </ul> |                               |
| 2. | In the process of carrying out their regular activities, company personnel obtain information about whether internal control is functioning properly.   |                               |
| 3. | <p>Communications from external parties corroborate internally generated data or indicate problems with internal control.</p> <ul style="list-style-type: none"> <li>• Communications from CBP officers about compliance or other matters that reflect on the functioning of internal control are used for follow-ups on any problems indicated.</li> </ul>   |                               |
| 4. | Meetings with employees are used to provide management with feedback on whether internal controls are effective.  |                               |
|    | <b>Separate Evaluations</b>   |                               |
| 1. | <p>Scope and frequency of separate evaluations of internal control are appropriate for the company.</p> <ul style="list-style-type: none"> <li>• Risk assessment results and the effectiveness of ongoing monitoring determine the scope and frequency of separate evaluations.</li> <li>• Separate evaluations may be prompted by events such as major strategies, expansions, downsizing, etc.</li> <li>• Appropriate portions or sections of internal controls are evaluated regularly.</li> <li>• Personnel with required skills, who may include the company's internal auditor or an external auditor, conduct separate evaluations.</li> </ul>                 |                               |

|    | <b>Internal Control Point</b>   | <b>Comments/<br/>Descriptions</b> |
|----|---|-----------------------------------|
| 2. | <p>The methodology for evaluating the company's internal control is logical and appropriate. Consider the following:</p> <ul style="list-style-type: none"> <li>• The methodology used may include self-assessments using checklists, questionnaires, or other such tools, and it may include the use of this Management and Evaluation Tool or some similar device.</li> <li>• The separate evaluations may include a review of the control design and direct testing of the internal control activities.</li> <li>• The evaluation team develops a plan for the evaluation process to ensure a coordinated effort.</li> <li>• If company employees conduct the evaluation process, an executive with the requisite authority, capability, and experience manages the process.</li> <li>• The evaluation team gains a sufficient understanding of the company's objectives related to CBP compliance.</li> <li>• The evaluation team gains an understanding of how the company's internal control system is supposed to work and how it actually works.</li> <li>• The evaluation team analyzes the results of the evaluation against established criteria.</li> <li>• The evaluation process is properly documented.</li> </ul> |                                   |
| 3. | <p>Deficiencies found during separate evaluations are promptly resolved.</p> <ul style="list-style-type: none"> <li>• Deficiencies are promptly communicated to the individual responsible for the function and also to at least one level of management above that individual.</li> <li>• Serious deficiencies and internal control problems are promptly reported to top management.</li> </ul>   |                                   |
|    | <b>Issue Resolution</b>   |                                   |
| 1. | <p>The company has a mechanism to ensure the prompt resolution of findings from internal or external audits or reviews. Consider the following:</p> <ul style="list-style-type: none"> <li>• Managers promptly review and evaluate findings resulting from audits and assessments, including those showing deficiencies and those identifying opportunities for improvements.</li> <li>• Management determines the proper actions to take in response to findings and recommendations.</li> </ul>   |                                   |

|    | <b>Internal Control Point</b>   | <b>Comments/<br/>Descriptions</b> |
|----|---|-----------------------------------|
|    | <ul style="list-style-type: none"> <li>• Corrective action is taken or improvements made within established time frames to resolve the matters brought to management's attention.</li> <li>• In cases where there is disagreement with the findings or recommendations, management demonstrates that those findings or recommendations either is invalid or do not warrant action.</li> <li>• Management considers consultation with auditors when it is believed to be helpful in the audit resolution process.</li> </ul>   |                                   |
| 2. | <p>Management is responsive to the findings and recommendations of audits and other reviews aimed at strengthening internal control.</p>  |                                   |
| 3. | <p>The company takes appropriate follow-up actions with regard to findings and recommendations of audits and other reviews.</p> <ul style="list-style-type: none"> <li>• Problems are corrected promptly.</li> <li>• Management investigates the underlying causes giving rise to the findings or recommendations.</li> <li>• Actions are decided upon to correct the situation or take advantage of the opportunity for improvements.</li> <li>• Management and auditors follow up on audit and review findings, recommendations, and the actions decided upon to ensure that those actions are taken.</li> <li>• Top management is kept informed through periodic reports on the status of audit and review resolutions so that it can ensure the quality and timeliness of individual resolution decisions.</li> </ul> |                                   |

## **IMPORTER SELF-ASSESSMENT ANNUAL NOTIFICATION REQUIREMENTS**

The purpose of this document is to provide instructions for preparing the Importer Self-Assessment (ISA) Annual Notification Letter (ANL). All approved ISA companies must follow these instructions.

The purpose of the ANL is to ensure that the participant continues to meet the requirements of the ISA Program and informs U.S. Customs and Border Protection (CBP) of any business modifications that may have a potential impact on the company's CBP operations. Examples of such modifications are significant changes to the company organization, personnel, commodities, brokers, or trade programs. Additionally, CBP requests that the ANL include summaries of the participant's ISA risk assessment and self-testing, as well as corrective actions taken when deficiencies are identified.

The ISA participant must submit its first written ANL to the Chief, Partnership Programs Branch (with a copy to its CBP Account Manager) 13 months after its ISA Program acceptance date, which is the date that the Assistant Commissioner, Office of International Trade signs the ISA Memorandum of Understanding (MOU). The ANL is due every 12 months thereafter. The company representative that signed the MOU submitted to CBP, or an equivalent, should sign the ANL.

The ANL should confirm that the participant continues to meet the requirements of the Customs-Trade Partnership Against Terrorism and ISA programs, as well as, inform CBP of any business modifications that have an impact upon the participant's CBP operations.

Below is information that is required to be included in the ANL. Please note that this list is not all-inclusive and represents the minimum requirements.

- Summary of organization changes\* (e.g., mergers/divestitures, additions/deletions of importer of record numbers from the ISA Program)
- Summary of personnel changes
- Summary of import activity changes (e.g., changes in commodities imported, CBP trade programs, country of origin, brokers, compliance department organizational structure, etc.)
- Summary of internal control policy or procedure adjustments and changes
- Summary of risk assessment results
- Summary of periodic testing results
- Summary of post-entry amendments and/or disclosures made to CBP

*(\*An amended MOU must be prepared and attached to the ANL if additional importer of record numbers and/or merged/acquired entities with its own unique importer of record number will be added to an ISA approved business unit/division.)*

The ANL should be sent to the Chief, Partnership Programs Branch via email [tppb-isa@dhs.gov](mailto:tppb-isa@dhs.gov) or to the following address.

U.S. Customs and Border Protection  
Office of International Trade  
Chief, Partnership Programs Branch  
1400 L Street, N.W.  
Washington, D.C. 20229-1143

Attached is an example ANL demonstrating how the minimally required information could be incorporated. If there are any questions regarding the ANL requirements, please contact the company's national account manager or email your questions to the Chief, Partnership Programs Branch [tppb-isa@dhs.gov](mailto:tppb-isa@dhs.gov).

(Participant's Address 1)  
(Participant's Address 2)

(DATE)

(Name of Chief)  
Chief, Partnership Programs Branch  
U.S. Customs and Border Protection  
Office of International Trade  
1400 L Street, N.W.  
Washington, D.C. 20229-1143

Dear Mr./Ms. \_\_\_\_\_:

In accordance with the requirements outlined in the Importer Self-Assessment (ISA) Program Handbook, (Company Name) is hereby submitting its annual notification letter. (Company Name) was formally approved for participation in the ISA Program on (date).

During the past year, (Company Name) has complied with all applicable U.S. Customs and Border Protection (CBP) laws and regulations, Customs-Trade Partnership Against Terrorism, and ISA Program requirements. We have, and continue to maintain, a system of business records that demonstrates the accuracy of CBP transactions as described in the ISA Handbook.

(Company Name) has performed a review of its CBP internal control policies and procedures and made appropriate adjustments and/or changes to its internal control systems when necessary. (Company Name) has also performed periodic transactional testing based on its risk assessment and corrective action has been taken, where necessary, to ensure that internal control is implemented. Test results will be maintained for three years at (location) and are available for review upon request.

In compliance with ISA reporting requirements, (Company Name) has summarized (below or attached) changes to its organization, personnel, and import activity along with the results of internal control adjustments/changes and transactional testing as follows:

*(Note: The six key elements listed below are the minimum reporting areas but are not all inclusive. The key elements can be included in the body of the letter or as an attachment.)*

### **Organizational and/or Personnel Changes**

*(Note: If a company elects to add/delete business unit(s) or organization changes due to mergers and/or divestitures, an amended Memorandum of Understanding is required. Additionally, if a company has an official name change and/or importer of record number change due to a merger or divestiture, a new Memorandum of Understanding is required.)*

### **Import Activity Changes**

*(Note: Report any changes in commodities imported, CBP trade programs utilized, brokers, etc.)*

### **Internal Control Adjustments and Changes**

*(Note: Summarize adjustments and/or changes (additions or deletions) to the documented internal control policies and procedures.)*

### **Risk Assessment Results**

*(Note: Summarize the areas identified as potential risks as a result of the company's risk assessment along with tests performed to review the potential areas of risk.)*

### **Periodic Testing Results**

*(Note: Explain the methodology used for transactional/internal control testing. Summarize the test results and list them on a separate spreadsheet or a written summarization of the number of transactions tested, number of errors (identified by type), cause of error(s), and whether corrective action was taken.)*

### **Post Entry Amendments and/or Disclosures**

*(Note: Include submission dates, summary of issue(s), monies tendered, and CBP acceptance date. If this element is not applicable for the reporting period, state "Not Applicable")*

(Company Name) will continue to meet the requirements of the ISA Program as specifically listed in the ISA Handbook and Memorandum of Understanding. If you have any questions, our company contact for the ISA program is (Name, Title). You can contact him/her at (Telephone Number, e-mail address).

Sincerely,

*(Signature-should be the same individual who signed ISA MOU or company officer equivalent)*

(Your Name)  
(Your Title)  
(Company Name)

cc: CBP National Account Manager

## **Importer Self-Assessment (ISA) ISA Self Testing Plan Guidance**

The ISA self testing plan is a key component of the ISA program since it is the documented process of how a company will conduct its self-monitoring once approved for participation in the ISA program. U.S. Customs and Border Protection's (CBP) expectation is that the self-testing plan will be detailed with regard to what will be reviewed, how often, and by whom.

There is no 'cookie cutter' template nor is there a 'right' or 'wrong' when it comes to the development of an ISA self-testing plan. The plan is unique to each company based upon risk factors associated with its business, imported commodities, processes, and procedures. The factors and questions below are meant to help guide your thought process as you document your company's ISA self-testing plan.

### **Factors to Consider:**

1. Volume of imported goods by value and quantity
2. Complexity and variety of Harmonized Tariff Schedule classifications
3. Valuation Basis of Appraisalment
4. Related party transactions
5. Additional payments (e.g., assists, royalties, indirect payments)
6. Special Trade Programs
7. Free Trade Agreements
8. Special Classification Provisions (e.g., Chapter 98)
9. Priority Trade Issues
10. Requirements of other government agencies at the time of importation
11. Number of Customs brokers utilized
12. Quality/quantity of pre- or post-entry reviews

### **Questions to Consider:**

1. What areas will be reviewed, and how will that be determined (e.g., classification, valuation, special trade programs, etc.)?
2. How will the areas be reviewed (e.g., the types of documents to be reviewed, the documentation elements being reviewed, etc.)? (describe in detail)
3. How frequent are the review (i.e., daily, monthly, quarterly, and/or annually)?
4. Who will conduct the reviews (should be an independent party, not the person responsible for ?
5. How many entries or line items will be reviewed? How will they be selected?
6. How will the sampled items and results of the review be tracked and maintained?
7. How will errors be addressed (e.g., post-entry amendment, prior disclosure, etc.)?

8. What corrective action(s) will be taken to ensure the errors do not occur in the future?
9. Who will the results of the review be reported to?
10. How often are the Internal Controls reviewed?
11. How are changes to the Internal Control manual tracked, and how are users notified of these changes?

Note 1: The ISA Handbook requires that testing be based on risk. Thus a risk analysis/risk assessment must be incorporated into the ISA self-testing procedures.

Note 2: The process of documenting and submitting the company's annual notification letter should be described within the ISA self-testing plan procedure. An annual notification letter is due to CBP 13 months from the date a company is accepted into the ISA program and every 12 months thereafter. The annual notification letter should be between one and three pages containing high-level specifics regarding the results of the ISA self-testing; changes to the Customs Compliance Department or its personnel; changes to the organization (e.g., changes in ownership, acquisitions, divestitures, etc.); and utilization of special trade programs, special trade agreements, etc. not reviewed during the on-site Application Review Meeting.

# Office of International Trade Importer Self-Assessment Handbook



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Updated: August 2010