



# CBP Audit Preparation Guide

## IS YOUR COMPANY READY FOR A CBP AUDIT?

If your company is involved in importing goods into the United States, you may be aware that **US Customs and Border Protection (CBP)** employs audits. Have you ever wondered what these audits are all about – what purposes an audit serves, what factors may increase the risk for an audit, and how to get prepared for one? You may have even questioned if your company would be ready for a CBP audit if it happened to you.

Juno Customs Solutions would like to walk you through some key information about **CBP audits** and offer tips on how to be prepared for one.

CBP has stated that they use audits to protect government revenue (duties, taxes, and fees), provide informed compliance to the trade community, deter future violators, protect domestic industries from unfair trade practices, and facilitate legitimate trade.

Statistics made available by CBP make it clear that they mean business! The amount of collections continues to rise as each year passes. In 2019, \$43.1 million was collected by CBP, \$44.6 million in 2020, and a whopping \$132.2 million in 2021.

These statistics alone show why it is a good idea to understand CBP audits and prepare for them now – before CBP initiates one.



# TYPES OF AUDITS

## Focused Assessment (FA)

Per CBP, the Focused Assessment (FA) Program is a comprehensive audit that involves an assessment of the importer's internal control over its import activities, to determine if the importer poses an acceptable risk for complying with CBP laws and regulations. There was a time when focused assessments were the primary enforcement method used by CBP, but as they come with formal procedural obligations and are time-consuming, they are no longer the most common type.

## CBP Form 28

This is CBP's "Request for Information" form used to communicate formally with importers. While also not a true audit, a CBP Form 28 is routinely used to solicit more information about a shipment even after it has been allowed entry into the United States, and audits may be preceded by a CBP Form 28. For this reason, the CBP Form 28 should be taken very seriously by responding honestly to provide clarity to CBP's inquiries.

## Risk Analysis and Survey Assessments (RASAs) Audit Survey

While technically not a true audit per CBP regulations, a RASA can be used by CBP to quickly evaluate importers and identify areas of risk for further review. CBP may collaborate and make decisions with other Department of Homeland Security entities or Partner Government Agencies (such as FDA, USDA, EPA, etc.) as part of these surveys. No formal report will be issued, but organizations will receive a letter describing the survey's outcome.

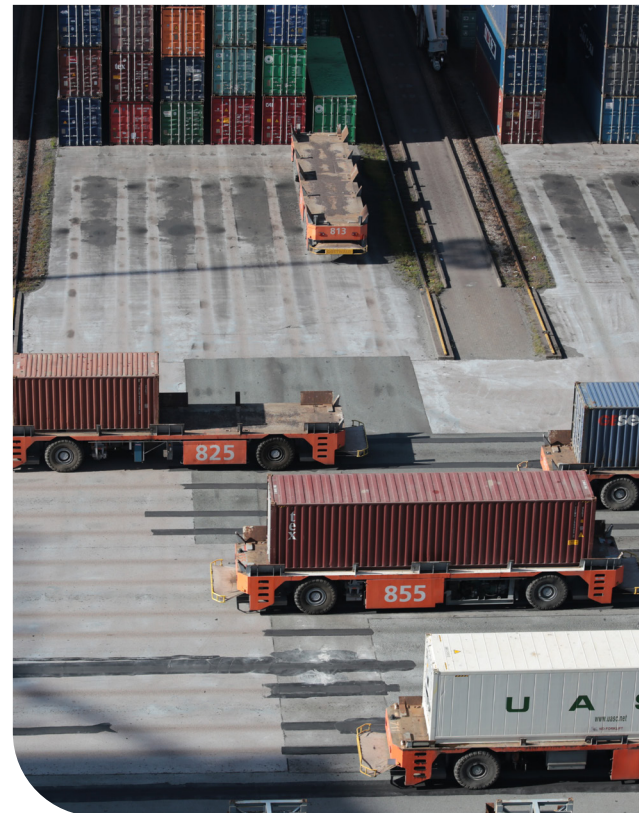
## Quick Response or Single-Issue Audits

These are risk-based audits that usually focus on a single issue. The most common focus is of duties, taxes, and fees owed to CBP. Other possible focuses for these audits may be valuation of goods, free trade agreement issues, or intellectual property rights, among others.

# WHAT TRADE ISSUES ARE CBP FOCUSING THEIR AUDITS ON

CBP is likely to focus an audit or survey on one or more subjects they have identified as priority trade issues, which could include any of the following:

- Antidumping/Countervailing duties (ADD/CVD)
- Section 301/232/201 duties
- Country of origin verification
- Exclusion from special duties, e.g., Section 301/232/201
- China origin goods
- Free Trade Agreement claims
- Provisions of HTS chapter 98
- Related party valuation
- Forced labor



# ARE THERE ANY FACTORS THAT COULD INCREASE THE RISK OF AN AUDIT?

There are certainly factors that may increase an organization's risk of being audited. Some of these are the circumstances surrounding Customs entries, such as:

- Unusually high or low values of goods
- Unusually low duties, taxes, and fees paid
- Having a large variety of countries of origin
- Using large varieties of HTS codes
- Frequent use of Free Trade Agreements and Chapter 98 provisions
- Entries of goods subject to or potentially subject to ADD/CVD
- Transactions being between related parties
- Frequent census warning overrides

Some other factors that may increase the risk of an audit but don't necessarily arise directly from Customs entries are as follows:

- Failure to respond to a CBP Form 28 or not being detailed enough on your response to CBP
- Receiving multiple issuances of a CBP Form 29 ("Notice of Action")
- Frequent requests for post-summary corrections (PSCs) or protests to correct entries, especially those without compelling or scant evidence for the corrections required
- Any evidence of failure to exercise reasonable care

It is important to note that CBP Form 28 and 29 are common forms that CBP will use to communicate formally with importers. As discussed above, audits may even be preceded by a CBP Form 28.

We, therefore, cannot stress enough that it is extremely important to take these forms seriously when they are received and work together with a Customs professional to formulate a complete, thoughtful, and timely response.



# STEPS TO PREPARE YOUR ORGANIZATION BEFORE A CBP AUDIT

An organization can always take steps to get ready for a CBP audit before it happens, potentially reducing the risk of an audit ever happening. Even if an audit does occur, the process will be made that much easier because of great preparation, and the likelihood that CBP will uncover any violations will be greatly reduced.

Here are some of Juno Customs Solutions' tips to get ready:

- Ensure someone within your organization with Customs compliance oversight has access to ACE, CBP's online portal. ACE offers some terrific reports for oversight of Customs activity and is also the primary way CBP will send Forms 28 and 29.
- JCS' trusted clients prepare by using Entry Insight, our next-generation brokerage portal custom-built for importers. Entry Insight's platform offers advanced recordkeeping capabilities, allowing business to easily demonstrate reasonable care and ongoing due diligence.
- Enlist the help of a Customs professional, like a trusted broker, and work with them to conduct a risk assessment and/or internal audit to identify areas to improve upon before CBP takes notice. Juno Customs Solutions offer these assessments as a form of compliance consulting.
- By the same token, work with a professional to create a formal Customs compliance manual and be sure to implement the procedures. The compliance manual should not be "just for show." Juno Customs Solutions is well-versed in what should be included in a comprehensive Customs compliance manual.
- Study the focused assessment, risk analysis, and survey assessment questionnaires and procedures found on CBP's website or ask your Customs broker to share some of these resources with you.
- After conducting a risk assessment, internal audit, or completing a customs compliance manual, be sure to take corrective action for any past mistakes that were turned up and/or shore up any processes/procedures that pose a risk.
- Implement an internal post-entry audit program if this has not already been done at your organization. This is another program that Juno Customs Solutions is happy to initiate with importers. A host of best practices and procedures are to be implemented within this type of program.

To meet the reasonable care requirement, CBP expects an importer to have a documented internal control program.

All of our provided tips represent a form of internal control over an organization's Customs business. CBP will request information on internal controls in all types of audits even when internal control is not the audit's focus. An importer is unlikely to pass any CBP audit without an effectively implemented internal control program.

As compliance experts, we understand that applying this information yourself can be overwhelming. No need to worry. Juno Customs Solutions can guide you through the process.

[BOOK A FREE CONSULTATION NOW](#)

