

Customs Audit & Supply Chain Review: Managing Import Risks

In today's globalized marketplace, adherence to U.S. Customs & Border Control (CBP) requirements is critical for ensuring smooth import operations. CBP now has complete access to the data of every importer, giving it extraordinary tools to identify potential underpayments of tariffs and other import violations. Further, with the Trump administration moving rapidly to implement new tariffs, it is critical that importers take steps to manage their import operations to avoid costly fines, as well as to identify tariff-saving strategies.



CBP also is aggressively pursuing supply chain integrity issues, especially relating to the importation of goods that are connected to forced labor, child labor, victims of human trafficking, or originating in or using parts from the Xinjiang Region, in violation of the Uyghur Forced Labor Prevention Act (UFLPA). **CBP — which acts as the gatekeeper for goods entering the United States — is currently detaining billions of dollars of entries each year for supply chain integrity concerns**, which can disrupt suppliers and even shut down manufacturing operations due to a lack of needed parts and components.

Foley Service Offering

To minimize these import-related risks, Foley & Lardner has teamed up with Copper Hill, a customs broker and customs data specialist, to provide a fixed-fee import compliance review service.

Acting together, we will review:

- Your company's import operations, to assess your company's import-related risk profile.
- Your company's compliance with CBP regulations, including tariff payments, classifications, valuation, origin determinations, and free trade agreement requirements.
- Your company's import documentation and compliance with CBP recordkeeping requirements.
- The effectiveness of your company's customs compliance, including procedures for overseeing customs brokers, classification, post-entry checks, and whether your company is meeting the CBP standard of "reasonable care" in import operations.
- The effectiveness of your company's response to past import-related compliance issues.
- Your company's supply chain integrity and know-your-supplier measures.
- Any tariff-saving measures that your company could deploy to lawfully minimize tariffs.

By identifying gaps in your company's import and supply chain compliance, this review will help your company strengthen its import practices, augment its supply chain management, enhance operational efficiency, and ensure alignment with regulatory requirements. Our findings and recommendations will provide actionable insights to support informed decision making and promote a robust import compliance framework, including any potential tariff-saving opportunities.

Customs Audit & Supply Chain Review: Scope of Work

Phase 1: Detailed Review of Your Recent Entries

- A review of your customs Automated Commercial Environment (ACE) data to analyze recent import activity. ACE reports provide detailed shipment information, including the number and types of entries, the ports of entry, the products imported, how they were valued, and the duties and fees paid, providing the starting data for analysis.
- A review of the import activity and risk exposure for each Importer of Record covered in the ACE data, to determine the coverage required to give reasonable insight into the import-related risk.
- The selection of a sample set of U.S. import declarations, to determine compliance with CBP import requirements.
- A review of the top imported part numbers for the last fiscal year for Harmonized Tariff Schedule (HTS) classification determinations. The classification review will examine relevant product details, including drawings, marketing material, and other product-specific information to ensure the imported merchandise was classified appropriately and the correct duty was paid.
- A review of potential antidumping/countervailing duty, Section 232, and Section 301 coverage for each part number reviewed to determine if these additional duties properly were paid.
- A review of the general ledger trial balance for the last fiscal year to identify any instances of potential undeclared value to CBP. This review includes examining the price paid or payable for the imported merchandise, as well as potential additions to value and assists.

Phase 2: Detailed Review of Your Customs Compliance Environment

- A review of your company's customs manual/operating procedures to determine if they follow current customs requirements and are well tailored to your company's risk profile and import patterns.
- A review of your company's customs Classification Index and procedures for classifying products.
- A review of your company's procedures for identifying, attributing, and tracking assists and royalties.
- A review of your company's treatment of affiliated-party transactions, to ensure they are compatible with CBP requirements for establishing the arms-length nature of affiliated-party imports.
- A review of your company's record retention, to confirm they meet customs regulatory requirements.

Phase 3: Detailed Review of Your Supply Chain Integrity Measures

- An examination of your company's supply chain integrity measures, including:
 - The methodology and completeness of your company's supply chain mapping.
 - The completeness and coverage of your company's know-your-supplier due diligence.
 - A review of a sample of your company's contracts with suppliers to ensure they contain appropriate clauses around compliance, supply chain integrity, and security.
 - A review of the efficacy of your company's supply chain integrity compliance measures.
- A review of representative labor practices audits and supply chain due diligence reports, and your company's response to the same, as well as your company's response to supply chain red flags.

Customs Audit & Supply Chain Review: Deliverables

Upon completion of the import and supply chain compliance review, we will provide these deliverables:

- **Comprehensive Risk Assessment Report:** A detailed analysis of vulnerabilities and risks in your import operations and supply chain, including an assessment of the potential areas of underpayment identified, gaps in your import compliance environment, and other areas of concern.
- **Actionable Recommendations:** Practical, step-by-step solutions for addressing identified risks and improving the integrity, transparency, and resilience of your import operations and your supply chain.
- **Compliance Recommendations:** Concrete compliance assessment and gap analysis for your import operations, including both customs and supply chain issues.

If this proposal is accepted, we will work with your import and procurement/supply chain teams to prepare a detailed risk assessment and compliance gap analysis framework. The entire import and supply chain compliance review is estimated to take eight weeks, depending on the complexity of your import operations and your supply chain, as well as the ease of addressing documentation requests. We will develop a detailed project timeline in consultation with your team to ensure minimal disruption to your operations.

This proposal is designed to provide a systematic and complete risk assessment and compliance review, all at a fixed fee to provide budgeting certainty to your organization. If the review determines that there are areas that require remediation, such as the need to file advisory opinions with CBP, to map or renegotiate contracts with suppliers, or to conduct a Customs voluntary disclosure, we will work with you to provide a quote to handle any agreed-upon follow-up action items.



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