

PCA

Best Practices from a Business Perspective



SESSION AGENDA

- ❖ What is PCA? What are the objectives & benefits?
- ❖ How can I (as a business) be prepared for a PCA?
- ❖ What best practices are we implementing to ensure compliance?
- ❖ How is it different from AEO?



POST-CLEARANCE AUDITS

OBJECTIVES & BENEFITS

The Post-Clearance Audit (PCA) process can be defined as the structured examination of a business' relevant commercial systems, sales contracts, financial and non-financial records, physical stock and other assets as a means to measure and improve compliance.

Customs works in partnership with the business community to improve compliance levels and facilitate trade through the administration of a post-clearance audit.

With this risk-based approach, Customs can access the whole picture and context of a commercial transaction, which is necessary to properly determine, inter alia, the correct customs value, classification and entitlement to preferential origin.

(WCO, Guidelines For Post-Clearance Audit (PCA) Volume 1)



POST-CLEARANCE AUDIT PREPAREDNESS

WHAT CAN I DO (AS A BUSINESS) TO PREPARE FOR A PCA?

Clear Understanding of the Post-Clearance Audit Process

which involves the...

- Evaluation of Company Structure
- Business Objectives
- Assessment of ERP System(s) & Accounting Records
- Transactional Audits
 - Valuation
 - Classification
 - Country of Origin (proper determination on imported goods)
 - Proper use of Special Programs
 - Documentation

(WCO, Guidelines For Post-Clearance Audit (PCA) Volume 1)



POST-CLEARANCE AUDIT PREPAREDNESS

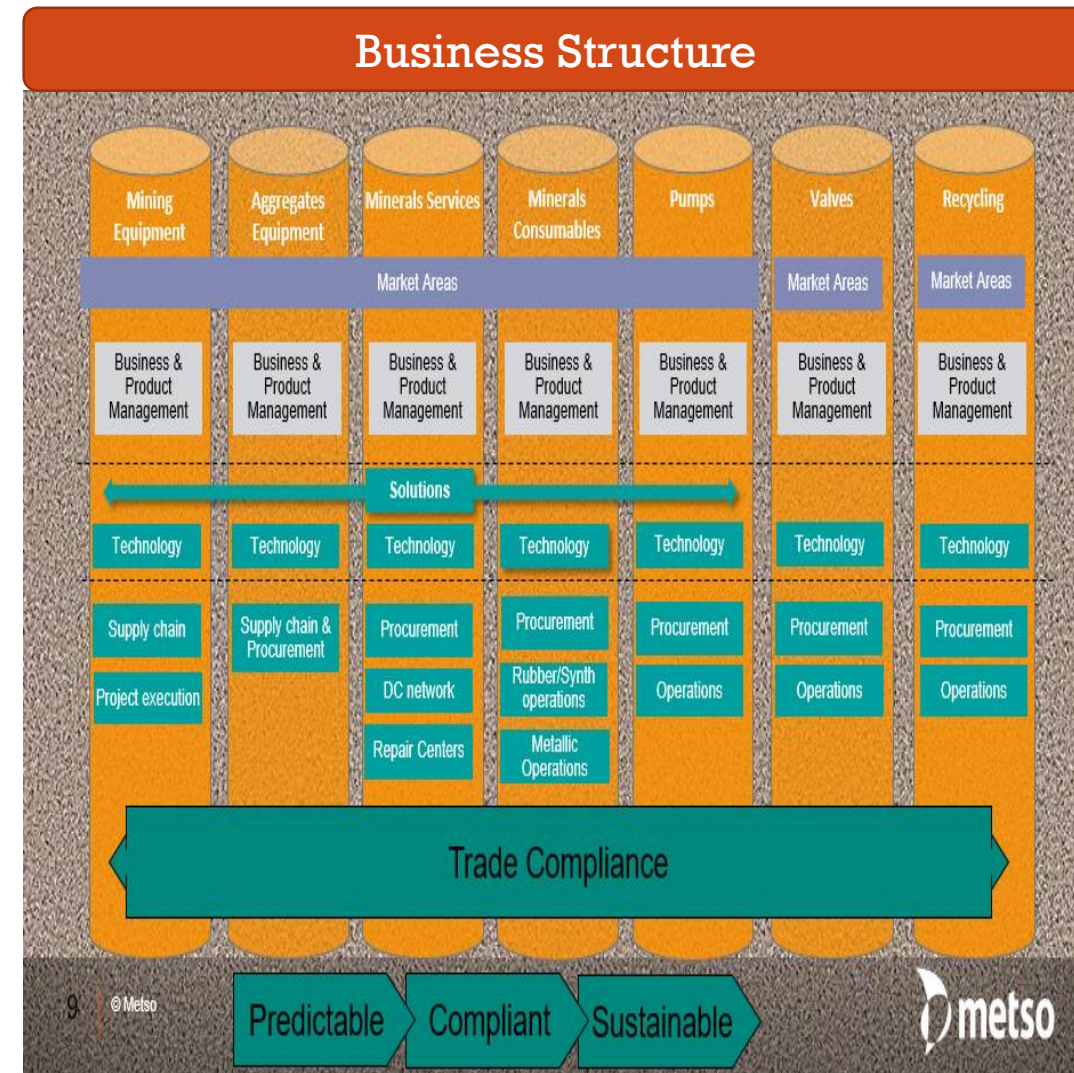
WHAT CAN I DO (AS A BUSINESS) TO PREPARE FOR A PCA?

FIRST: PROVIDE BUSINESS STRUCTURE & OBJECTIVES

- ❖ Who are we?
- ❖ What do we do?
- ❖ What is our business structure?
- ❖ Where is our global footprint?
- ❖ What is our company policy in regards to compliance?

Metso Corporation

Metso is a world-leading industrial company offering equipment and services for the sustainable processing and flow of natural resources in the mining, aggregates, recycling and process industries



POST-CLEARANCE AUDIT PREPAREDNESS

WHAT CAN I DO (AS A BUSINESS) TO PREPARE FOR A PCA?

FIRST: PROVIDE BUSINESS STRUCTURE & OBJECTIVES

Company Policy

Law & Policy – Metso intends to comply everywhere, all the time



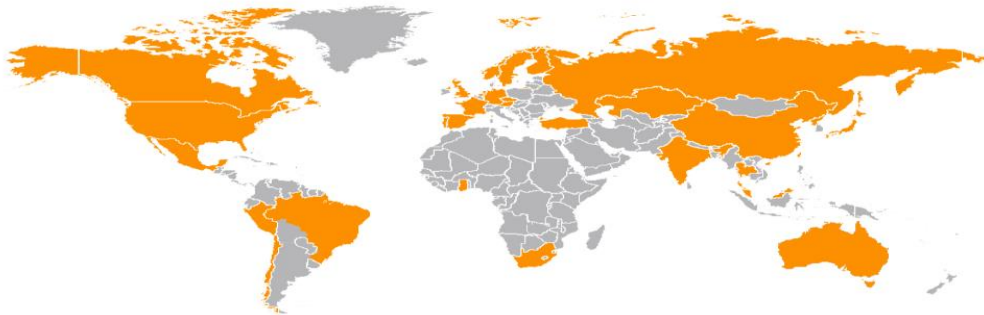
"Metso's Code of Conduct concerns every Metso employee and summarizes the key principles that guide our behavior, every day and everywhere. It underlines the importance of compliance with applicable laws and regulations. We, as a company, are committed to conducting our business responsibly and in an ethically sustainable way in every business situation and transaction."

The way we behave with our customers, business partners and each other displays our values and determines how our brand is perceived. *(Reputational risk affects stock price)*



90% Import/Export volume in 32 countries globally

>32 Countries Globally = ~45k transactions



\$23MM Euro Duty Spend Annually / >16,000 global transactions

Global
Footprint



March 8, 2018
Darlene Enlow
Director, Global Trade & Customs Compliance



GLOBAL COMPLIANCE SOLUTIONS

SECOND: COMMUNICATE THE OBJECTIVES OF THE COMPANY'S COMPLIANCE PROGRAM

Global Compliance Policy

Sets forth guidelines for (1) establishing and maintaining a process and compliance minded environment with preventative controls to support compliance, (2) assessing and addressing customs compliance risks, and (3) monitoring performance, both globally and locally, to ensure issues are promptly resolved and repetitive errors are recognized before they accumulate into potentially large liabilities for unpaid duties, fines, and penalties. **The Global Compliance Policy provides company wide standards on Valuation, Classification, Recordkeeping, Country of Origin, Special Program participation, Customs Broker Management, Metrics and Monitoring.**

Global Classification Program

A team of *Qualified Classifiers* support all 7 BAs with tariff classification. Proper audit trails are kept to support the assigned classification. Tariff classification is provided for the top 5 importing countries at time of coding.

Global Compliance Training Program

eLearning development and accreditation programs to identify SMEs on compliance related topics.

Global Special Program Management

- Country of Origin (Batch Management Process)
- Free Trade Agreement Management
- Solicitation Process
- Qualification Process

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GLOBAL COMPLIANCE SOLUTIONS

THIRD: DEFINE THE THREE-STEP AUDIT PLAN TO ENSURE DECLARATIONS ARE REPORTED ACCURATELY

- I. Pre-Entry Audit Process
- II. Broker First Audit Process
- III. Quarterly Audit Process

Step 1: Pre-Entry Audit

A “pre-entry” audit may be performed to provide import instructions to our customs broker to process the shipment for entry. This audit consists of checks for: Importer of Record, Classification, Value, Quantity, Country of Origin, and any potential special programs. These checks are all captured using a pre-entry checklist. The pre-entry audit details also indicates related party transactions and ensures all documents required for importation are received and submitted with the entry / declaration packet at time of entry. Our nominated Customs Brokers are instructed to make entry using our the pre entry instructions. **The checklist can be completed by our nominated broker or from the import team.*

Step 2: Broker First Audit

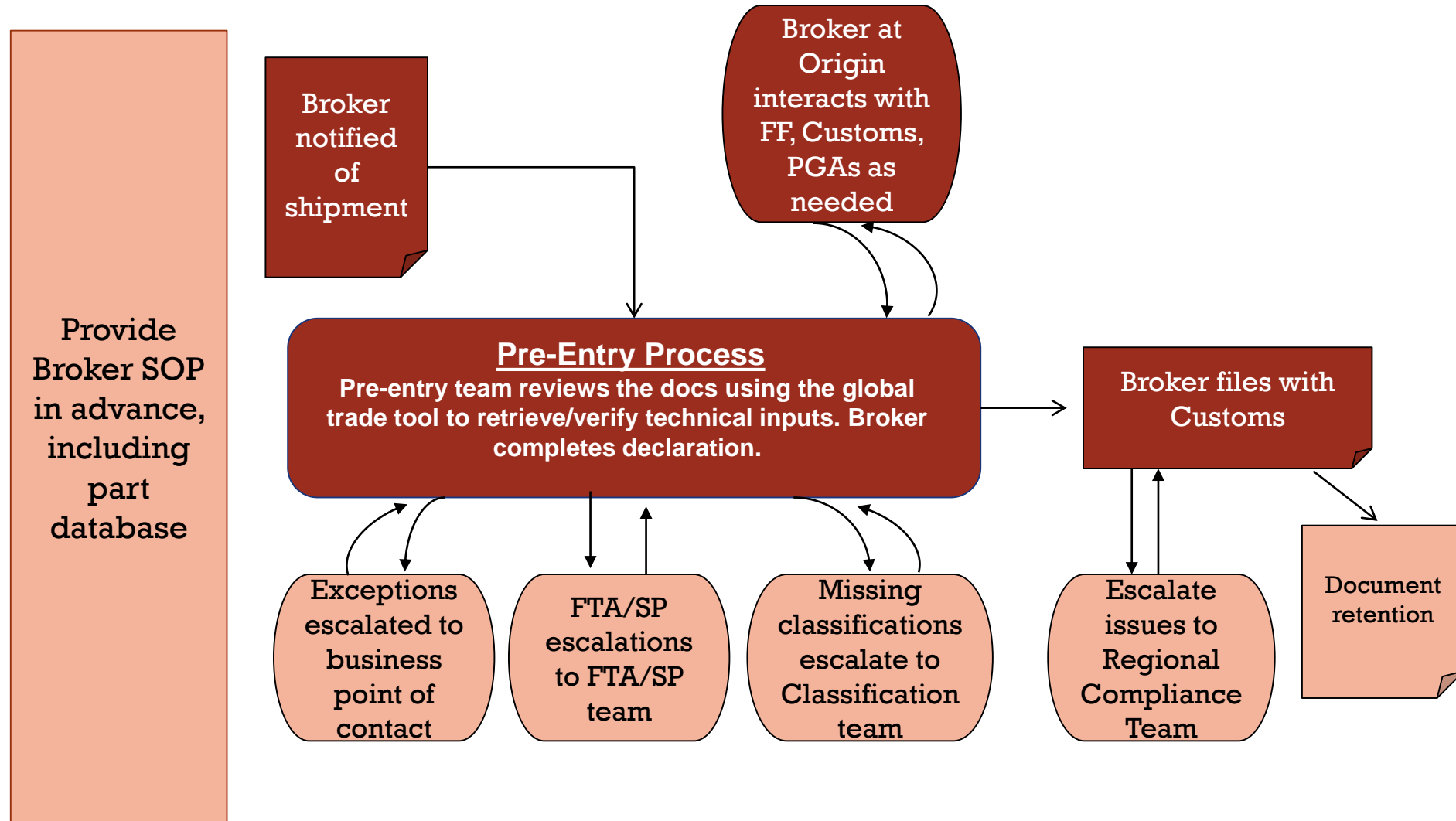
A “broker-first” transactional audit may be performed on importers who have proven to accurately file and declare customs declarations at time of entry. This allows the importer to utilize their nominated broker to pre-audit the transaction using a regionally developed SOP to ensure data accuracy. The Customs Broker then receives all import documentation, performs customs checks for compliance and submits clearance instructions and documentation to Customs Authorities for clearance.

Step 3: Quarterly Audit

A risk-based sample is pulled and a post entry compliance audit may be performed on each business based on tax id. A member of the Customs Compliance team who is also a licensed customs broker conducts the in-depth analysis of pulled samples. Samples are pulled for each participating business based on import volumes.



PRE-ENTRY AUDIT PROCESS



***BROKER FIRST* AUDIT PROCESS**



Step # 1: Supplier – Prepares Commercial Invoice and Packing List and provides to Freight Forwarder. Must advise the Freight Forwarder to forward Import Documents to Nominated Broker.

Step # 2: Freight Forwarder – Prepares Bill of Lading and Arrival Notice and attaches corresponding Commercial Invoice and Packing List. Faxes or emails to Broker.

Step # 3: Broker– Receives all Import Documentation. Performs Customs checks for Compliance. Submits clearance instructions and documentation to Customs for Clearance (ISF & Import). Makes entry declaration with Customs authorities.

Step # 4: Customs Authorities – Releases shipment.

Step # 5: Consignee – Shipment delivered to Consignee or Importer of Record.

Step # 6: Audit – Internal Transactional Audit / sample compliance audit performed using Global Trade Tool.



QUARTERLY AUDIT PROCESS

Audit Criteria:

Summarize information per unique importer showing targeted categories of:

- General Volume information
- Top Ten Declared lines by **Value**
- Ranking of use of **HS Tariff Codes**
- Ranking of **Country of Origin** usage
- Quantity** of declared goods vs. PO quantity
- Ranking of **Special Program** Usage (FTA, GSP, etc.)
- Documentation Present i.e. **Recordkeeping**

**Broker Summary Report provided to ensure accuracy of data reported at time of declaration.*

Category	Metric Name	Metric Description	Actions
International Trade Controls	Total Customs Transactions	How many Customs Transactions were tested year to date?	
International Trade Controls	Valuation	Of the audit sample above, how many transactions passed based on Valuation ?	
International Trade Controls	Classification	Of the audit sample above, how many transactions passed based on Classification ?	
International Trade Controls	Quantity	Of the audit sample above, how many transactions passed based on Quantity ?	
International Trade Controls	Record Keeping	Of the audit sample above, how many transactions passed based on Record Keeping ?	
International Trade Controls	Special Programs	Of the audit sample above, how many transactions passed based on Special Programs ?	
International Trade Controls	Additional Comments (optional)	Enter comments on any metrics within category if needed (optional).	

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WHAT IS THE DIFFERENCE BETWEEN AEO VALIDATION AND POST CLEARANCE AUDIT (PCA)?

– BEST PRACTICE

- *AEO Validation means that, either internally or externally with Customs, the criteria for the AEO are assessed, documented, and reported on a regularly scheduled basis to meet regulatory requirements. For example, it is internally assessed whether the process documentation is still up-to-date and the major stakeholders in customs have not changed and, if applicable, the system back-up still works. An initial assessment is also done by Customs when a company applies for the AEO status, then afterwards on a regular basis to assess whether the company still meets the AEO criteria. To do so, Customs usually has on-site visits to go over the criteria with the applicant, via the different chapters of the AEO questionnaire, and check to ensure if what the company responded to in its application or annual review is actually implemented in practice.*
- *PCAs (Post Clearance Audits) is more a transactional type of work conducted to ensure that either the declarations filed in house or via the broker are correct and in compliance with existing legislation. Usually, the post clearance audit is conducted based on an in depth review of all files to determine risk. For example, a risk based approach can be taken so that declarations declared on high risk transactions from sanctioned countries, on goods requiring licenses, on goods where anti-dumping duties are levied, high-value shipments or from high-risk countries are audited more than standard clearances. Basically, post clearance audits ensure the quality of customs declarations performed on behalf of the company to identify compliance gaps are performed to initiate corrective actions and to ensure proper training is conducted, if applicable.*

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QUESTIONS?

