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FIVE AUTOMATION STRATEGIES
To Improve Entry Compliance

INTRODUCTION
Enhanced automation can greatly improve your entry compliance rating. This paper will examine five strategies you can apply to achieve greater accuracy and consistency in your Customs entry process.

Strategy #1:

Establish a complete and accurate parts database

To ensure consistent and accurate classification of your products, you should consider establishing a parts database that automatically feeds the entry process facilitated by your Customs broker. This will result in fewer clearance delays and the avoidance of costly penalties. Knowing the classification and duty rate in advance also gives you control over the cost of your goods.

Ideally, the parts database should be indexed by the part number that appears on your supplier's commercial invoice. Your Customs broker's system should prevent users from entering invalid part numbers in a Customs entry line. If the entry is processed via an electronic invoice, lines without a valid part number will be highlighted as exceptions, which then must be handled through a separate process. The more data elements profiled in your parts table, the less data will have to be manually keyed into your Customs entry, thus reducing the potential for error.

Note: Our audits of a large online retailer demonstrate the value of establishing a parts database. The first audit revealed that only 28% of files were completely error-free. After the adoption of a parts database built using specific part numbers, the retailer now has 100% error-free files on a consistent basis.

You can provide the information for your parts database to your Customs broker via a flat or CSV (comma separated) file extracted from your internal ERP system or in an Excel spreadsheet for loading into their entry processing system.

The following is a list of recommended data elements for your parts table:

- *Part Number*
- *Commercial Description*
- *Additional Product Description*
- *HTS Number*
- *Additional HTS Numbers*
- *MID (Manufacturer ID)*
- *Preferential Duty Programs*
- *ADD/CVD Cases and Rates*
- *Country of Origin*
- *Country of Export*
- *Ruling Numbers*
- *Special IR Tax Rate*
- *Reconciliation indicators*

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- *FDA Information*
  - » *Product Code*
  - » *MID (Actual Manufacturer ID)*
  - » *Description*
  - » *Country of Production*
  - » *Compliance Codes*
  - » *FEI Number*
  - » *Width*
  - » *Height*
  - » *Length*
  - » *Storage Status*
  - » *Low Acid?*
- *Lacey Act Information*
  - » *Commercial Description*
  - » *Common Name*
  - » *Percentage (used in product)*
  - » *Genus Name*
  - » *Species Name*
  - » *Country of Harvest*
- *DOT*
  - » *HS7 Box Number*
  - » *NHSTA Importer Number*
  - » *Clarification Code*
  - » *Vehicle Eligibility Number*
  - » *Tire Manufacturer Code*
  - » *Tire Brand*
- *FCC*
  - » *Commercial Description*
  - » *Import Condition*
  - » *Quantity Approval*
  - » *FCC Identifier*
  - » *Trade name*
  - » *Model Number*
  - » *Withhold From Inspection?*

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- *FWS*
    - » *Commercial Description*
    - » *Genus*
    - » *Species*
    - » *CITES Permit Number*

Strategy #2:

Provide your Customs broker with and ASN (Advanced Shipment Notification)

Advanced Shipment Notifications will give your Customs broker the advance notice they need to ensure they have all documents and data necessary to process your entry as quickly as possible.

Added visibility and receipt of documents allows the broker to file your Customs entry data far in advance of cargo arrival, thus allowing time for the correction of potential problems.

Advance Customs entry allows the entry to be submitted for release up to 5 days prior to arrival. If CBP requires entry documents, advance selectivity allows for document review prior to arrival.   When an entry is flagged for examination, arrangements can be made in advance to expedite the process upon cargo arrival.

The most common EDI format used for an ASN is an ANSI X12 856 transaction. Your freight forwarder or supplier will most likely send this transaction at the time of shipment departure.

Essential data elements for an ASN are:

- *Shipper*
- *Consignee*
- *Master B/L Number*
- *House B/L Number*
- *Container Numbers*
- *Port Loading*
- *Export Date*
- *Port of Unloading*
- *Arrival Date*
- *Piece Count*
- *Weight*

Note: Adding the Importer Security Filing (ISF) data elements to the transmission will also ensure a more consistent and timely ISF filing.

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Strategy #3:

Provide your Customs broker with an electronic invoice.

An electronic invoice allows your Customs broker to implement an automated entry creation process. This process will typically load the commercial invoice data into the broker's entry system, cross-referencing the invoice data against the parts table and alerting the broker's entry technician of any exceptions, such as missing parts, values, or parts table data. This helps eliminate keying errors and inconsistent classification of goods.

While this process further automates the broker's job, a diligent broker will still perform a complete audit of the electronic invoice information against the hard copy commercial invoice to ensure accuracy.

The most common transaction used for communicating commercial invoice information is the ANSI X12 810 transaction. However, it may also be transmitted in other formats including flat file, CSV, and XML. This transaction will most likely come from your supplier or 3PL vendor providing you with vendor management services.

Essential data elements for a commercial invoice are:

- *Vendor*
- *Invoice Number*
- *Part Number*
- *Description*
- *HTS*
- *Invoice Quantity*
- *Invoice Quantity UOM*
- *Unit Price*
- *Unit Price Currency Code*
- *Extended Price*
- *Net Weight*
- *Country of Origin*

Note: An importer of parts for construction and agricultural equipment has entries that run into the hundreds of lines. Receiving the invoice data electronically saves the broker countless hours of keying and avoids clerical errors. Entries are presented to Customs more quickly resulting in faster clearance.

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Strategy #4:

Construct automated audit processes to supplement your spot audit procedures

Regardless of how many automation strategies are implemented, they should never replace your company's audit procedures. Your Customs broker can assist you in establishing specific processes when discussing focus items for your audit.

For example, your broker should be able to provide you with an extract of your Customs entry data or a series of analysis reports targeting specific areas of compliance emphasis. In addition, they may be able to offer you access to a business intelligence (BI) tool, allowing you to create your own ad-hoc reports.

The benefit of automating this analysis is that the reports or BI tool will permit you to examine all entries for a specified time period as opposed to doing spot audits on random entries, possibly allowing problems to persist.

Some sample audit reports might include:

- *Number of classifications used by part number*
  Parts that have been classified by more than one classification should be reviewed.

- *Check for invoice quantity errors*
  Pull entry lines where the invoice quantity is lower than a bottom threshold or higher than an upper threshold. This could highlight possible entry keying mistakes either by the broker or by the supplier in the creation of their electronic invoice.

- *Check for value errors*
  Pull entry lines where the entry value is lower than a bottom threshold or higher than an upper threshold. This could highlight possible entry keying mistakes either by the broker or by the supplier in the creation of their electronic invoice.

Note: An importer of party goods received a binding ruling with a classification for a significantly lower duty rate. By using the BI tool, he was able to identify all unliquidated entries with the part number in question to ensure the new classification and duty rate were applied.

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Strategy #5:

Construct automated audit processes to supplement your spot audit procedures

Your Customs broker can assist you in developing the metrics by which you can evaluate the effectiveness of your entire import clearance process, including your Customs broker's performance.

Some sample metrics might include:

- *Average number of days prior to cargo arrival entries are transmitted*
- *Average number of days past cargo arrival entries are released*
- *Shipments examined by port and exam type*
- *Exam/demurrage fees by month*
- *Overall shipment exception analysis*
- *Detailed exception analysis by exception code*
- *Your Customs broker can provide these metrics via their web-based customer information system so that you may review them on a regular schedule. You can also set up quarterly meetings with your broker to review the metrics and look for process improvements.*

Note: A C-TPAT importer of retail goods uses metrics to track the decrease in exam rates and costs alongside the increase in paperless Customs releases to demonstrate the value of the security program to upper management.

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Conclusion:

Using the above methodologies to improve automation will result in higher approval ratings on your internal Customs audit program by bringing the following changes to your Customs entry process:

- *Using a complete parts database paired with a Customs broker's system that requires a part number for entry purposes will bring consistency to your commodity classifications.*

- *An ASN can provide your Customs broker with earlier visibility to your shipments, which allows them to react sooner to documentation issues and/or requests from CBP for live documentation. It will also enable your broker to plan for exams in advance of cargo arrival, which will result in quicker release of your shipments.*

- *Implementing an electronic invoice program with your Customs broker will greatly reduce the potential for data entry errors, and lead to greater compliance.*

- *Constructing automated audit processes to augment your spot audit procedures will allow you to check all entries for specific problems, increasing the accuracy of your compliance audit.*

- *Established metrics will enable you to assess your compliance program's effectiveness, your Customs broker's performance, and highlight areas for improvement in your Customs entry processes.*

ABOUT SHAPIRO

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