

Integrity, automation and the bottom line



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Today, the bottom line tends to dominate business concerns. However, firms can enjoy tangible savings when they emphasize integrity in their supply chains and trade compliance, and have sophisticated documentation procedures to back it up.

Start with import compliance. Customs and Border Protection's focus on improving voluntary compliance through post-entry compliance reviews requires importers to establish internal controls and well-documented procedures. At the same time, relaxed compliance editing rules have heightened opportunities for errors — accidental or intentional — to go undetected until a Customs audit.

Problems discovered by Customs will translate to greater scrutiny, and direct and indirect costs and delays. Companies that are honest in self-assessments and diligent in implementing comprehensive systems can establish a record of integrity that will save them time and money.

On the export side, screening against denied-party lists may generate only approximations, which can be incorrect. The process of classifying goods can be error-prone as well. Companies with documented procedures in place show evidence of making every reasonable effort to comply and can save themselves civil penalties, which can be \$250,000 or twice the value of the transaction, criminal fines of \$1 million, 20 years' imprisonment or both.

Integrity also comes into play in security compliance. Participants in the Customs-Trade Partnership Against Terrorism reap the reward

of reduced inspections and expedited processing for their participation. There is no better business return on investment. The 10+2 security program will require importers to provide more information on inbound containers. Catching inaccuracies in data supplied by foreign agents will be challenging, but companies that do so promptly also will reap the reward of decreased Customs' scrutiny.

Operating in a global marketplace creates conditions conducive to fraud, especially fraud involving financial instruments such as letters of credit.

Computerized data analysis can help prevent and detect logistics, compliance and financial problems. Automation allows transaction data to be verified in less time than manual procedures allow. Automation also yields improved business intelligence, which lends itself to process improvements that yield economies.

Implementing a computerized global trade management system demonstrates to Customs an importer's ability to adhere to numerous and diverse compliance regulations. It also confirms the integrity of the information being supplied. The return on investment manifests itself in fewer inspections and smoother movement through Customs.

The trend to relax compliance editing rules places the burden on importers and software vendors to detect and resolve errors before they escalate into noncompliance issues. Companies must possess robust functionality and maintain in-depth content; automation simplifies both requirements.

Generally accepted government

auditing standards require computer-processed data to be valid and reliable. Moving to a system with a high level of integration and a centralized data warehouse can yield considerable savings in the event of a Customs assessment.

In general, relying on a manual system or possessing an inadequate computer system is a "red flag" that could trigger a compliance audit by Customs. Owning an integrated system demonstrates a company's intent to be compliant that yields its own return on investment.

Screenings for denied-party listings use fuzzy logic algorithms and often produce false positives that require user intervention. To save time and money — and accommodate more transaction volume — companies can implement functionality that marks false positives, does batch processing and performs automated screenings.

Likewise, automating the process of export license determination offers economic benefit. The Bureau of Industry and Security extends "great weight mitigation" to companies possessing an effective compliance program; it can reduce administrative penalties by 25 percent.

Computers cannot guarantee compliance with the myriad regulations governing global trade. Yet, it is impossible to be compliant without them. The best-positioned firms will profit from the "defensible compliance strategy" that automation affords.

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