



SANDLER, TRAVIS & ROSENBERG, P.A.

An International Trade and Business Practice

INTERNAL CONTROLS

“Key’s For Strong CBP Related Internal Control”

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AGENDA

- The Why & What of CBP Related Internal Control
- Key's for strong CBP Related Internal Control
 - Build the Foundation
 - Assess, Prioritize & Plan
 - The Thing about Communication
 - The Balancing Act
 - Evaluate, Re-evaluate, Re-re-evaluate
- Concluding Comments on Internal Control

Why Have Internal Controls

- Most Frequent Answers I Hear from Importers
 - To survive a **Focused Assessment** or other CBP Review?
 - To get into the **ISA Program**?
 - To help demonstrate that I am taking the **Sarbanes-Oxley Act of 2002 (SOX)** seriously.

Why Have Internal Controls

- Better Answers

- To increase business certainty

- Avoid damage to its reputation and other consequences

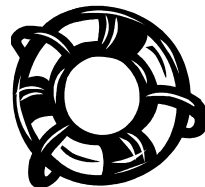


- To achieve greater consistency and uniformity

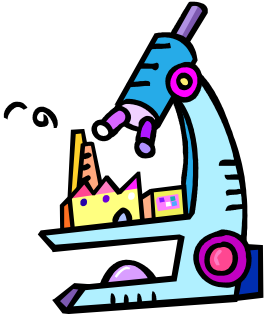
- To strive for improved efficiencies in operations

- To seek out cost cutting measures

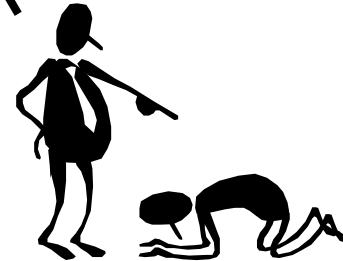
- To show your value added to the organization



Internal Controls????



WHAT ARE
CONTROLS,
WHAT DO THEY
DO, ARE THEY
NECESSARY?
WHY ME????



What Are Internal Controls?

Committee of Sponsoring Organizations of the Treadway Commission (COSO)

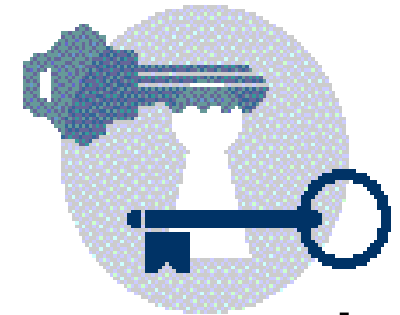


COSO Definition of Internal Control

- Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - ✓ Effectiveness and efficiency of operations
 - ✓ Reliability of financial reporting
 - ✓ **Compliance with applicable laws and regulations**

What Are Internal Controls?

Committee of Sponsoring Organizations of the Treadway Commission



Key Concepts

- Internal control is a process. It is a means to an end, not an end in itself.
- Internal control is effected by people. It's not merely policy manuals and forms, but people at every level of an organization.
- Internal control can be expected to provide only reasonable assurance, not absolute assurance, to an entity's management and board.

What Are Internal Controls?



COSO - What Internal Control Can Do



Internal control can help:

- ❖ **an entity achieve its performance and profitability targets, and prevent loss of resources;**
- ❖ **ensure reliable financial reporting;**
- ❖ **ensure that the enterprise complies with laws and regulations, avoiding damage to its reputation and other consequences; and**
- ❖ **can help an entity get to where it wants to go, and avoid pitfalls and surprises along the way.**

COSO - 5 Components of Internal Control

- **Control Environment** - The control environment sets the tone of an organization, influencing the control consciousness of its people.
- **Risk Assessment** – Every entity faces a variety of risks from external and internal sources that must be assessed. Risk assessment is the identification and analysis of relevant risks to achievement of objectives, forming a basis for determining how the risks should be managed.
- **Control Activities** – These policies and procedures help ensure management directives are carried out.
- **Information and Communication** – Pertinent information must be identified, captured and communicated in a form and timeframe that supports all other control components.
- **Monitoring** – Internal control systems need to be monitored – a process that assesses the quality of the system’s performance over time.



Key's For Strong CBP Related Internal Control



Build the Foundation

- It must come from the Top.
 - Ethic statements, compliance commitments
 - A champion with a vision and related knowledge
 - Access to decision makers
 - Delegated authority to make change
 - Access to other departments and divisions
 - Access to training
 - Input on related policy



Assess, Prioritize and Plan

- Risk Assessment:

- Know your Import Data
- Identify Stakeholder's and their Role
- Know Internal and External Risks
- Consider S.W.O.T. Analysis
- Look for Efficiency Gains
- Consider Cost/Benefit & Cost/Consequences
- Set Goals & Measures
- Assign Risk Levels and Set the Priorities
- Develop a Plan and Implement



The Thing About Communication

- **Strong Communication is Critical**
 - Communication to/from Senior Management
 - Communication to/from Other Departments
 - Communication to/from Service Providers
 - Communication to/from the Supply Chain
 - Communication to/from Trade Organization Members
- **Communication is an opportunity to sell your value added to the organization**
 - Be service oriented...how can you help
 - Share your success stories frequently

The Balancing Act

- Cost/Benefit
- Efficiency and Effectiveness
 - Ask, is this really needed
- Reasonable Care vs. Absolute Assurance
- Allow for Some Trial and Error
- Control Activities vs. Monitoring Controls



Evaluate, Re-evaluate, Re-re-evaluate

- Emphasize monitoring, assessing & testing
 - Document policies/desk procedures for who, what and when, documenting results, documenting corrective action taken.
 - Whether it's internal audit or outside consultant you need to have a qualified party from outside the import department conduct an independent review to assess internal controls and compliance.
- Re-evaluate what's working, what's not
- Report improvements, gains, savings and successes to stakeholders.
- Relate Results back to Risk Assessment and Future Plan Development

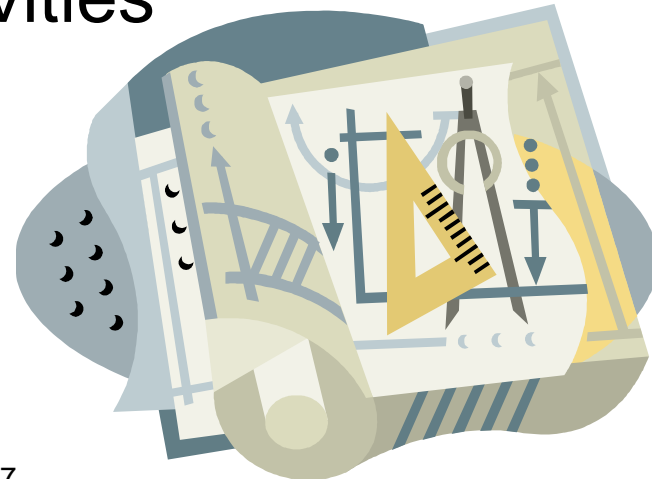
Internal Controls – Other Thoughts

- Develop Documented Policies & Procedures for all 5 components of internal control
 - Corporate, Divisional, Departmental, Individual (desk procedures)
- Be able to demonstrate that policies, procedures, internal control activities actually occur/are followed
 - Show me approach, have example documentation, have staff w/appropriate knowledge



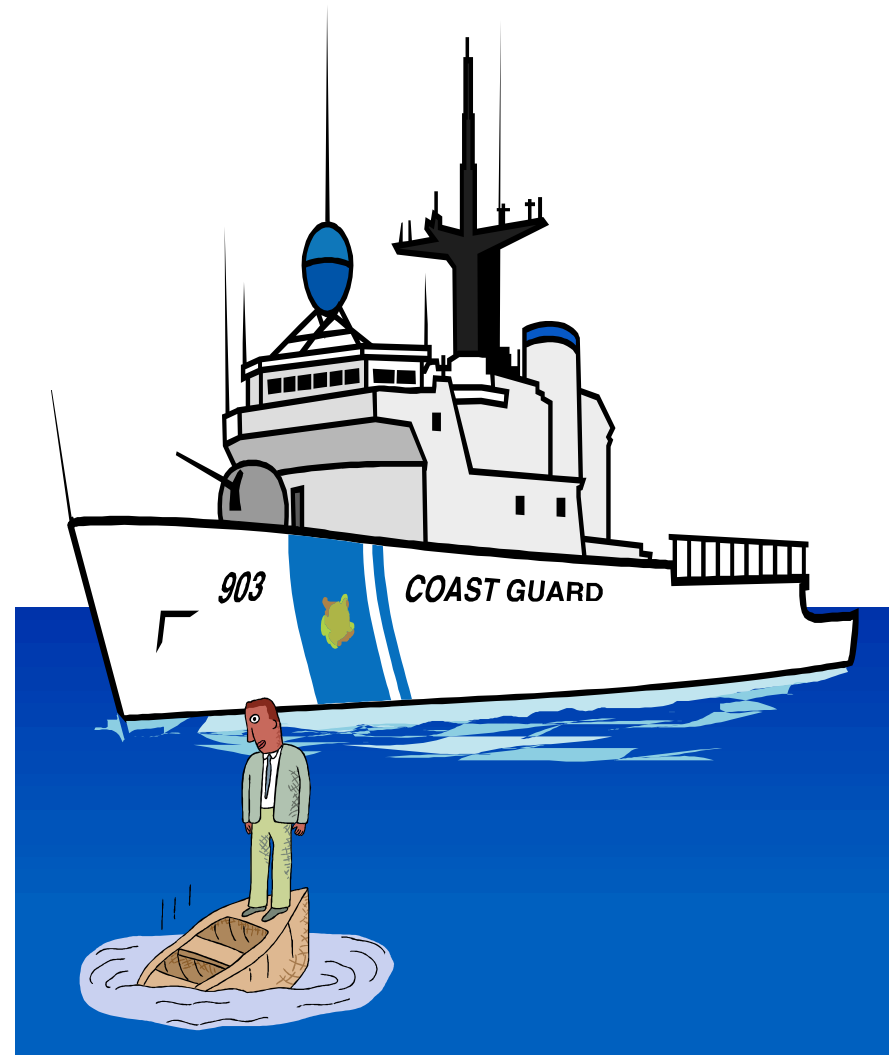
Recapping the Subject of Internal Control

- Internal controls
 - are a necessary aspect of business
 - require a commitment
 - are a continuous process
 - provide reasonable assurance for compliance
 - are value added activities



Recapping the Subject of Internal Control

In today's environment of ever increasing uncertainty (having to do more with less), understanding and implementing a strong system of internal control allows the importer to regain some control, increasing business certainty and ones odds for survival.



THE END

