

***Food and Agriculture
Border Gateway Summit***

***C-TPAT
Customs Trade Partnership
Against Terrorism***

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Feb. 20, 1014

Who can participate?

- Air/Rail/Sea Carriers
- Consolidators
 - Air Freight Consolidators
 - Ocean Transportation Intermediaries
 - Non-Vessel Operating Common Carriers (NVOCC)
- Foreign Manufacturers
- Highway Carriers
 - U.S./Canada
 - U.S/Mexico
- Domestic Importers
- Canadian and Mexican Non-Resident Importers
- Licensed U.S. Customs Brokers
- Port Authority/Terminal Operators

3 Tiered Program

- **Tier 1-Certification**

Security Profile has been submitted and approved

- **Tier 2-Validation**

- Organization has been validated, ensuring the
- minimum security standards are being met

- **Tier 3-Best Practices**

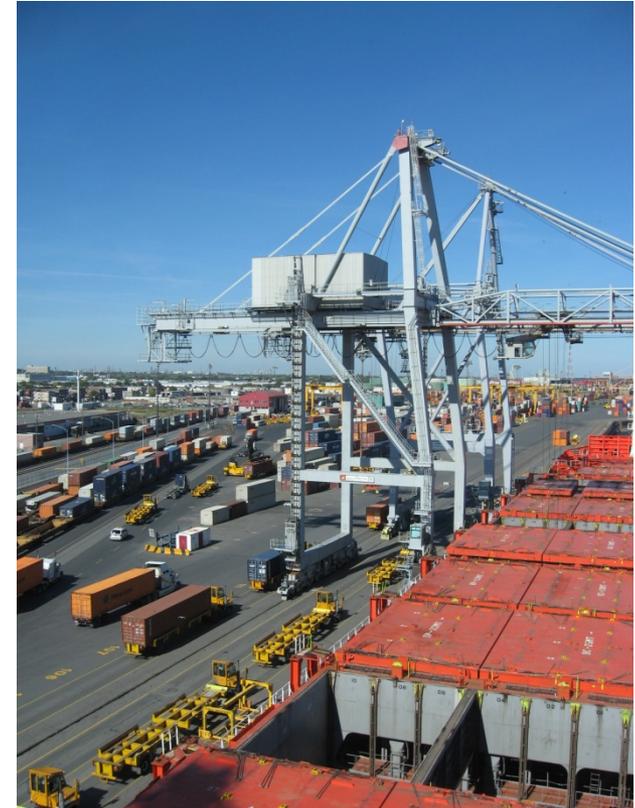
Program “exceeds” minimum security standards

C-TPAT Program Achievements

As of January 2, 2014

- 10,678 Certified Partners
- 333 Tier 3 Importers
- 24,340 Validations Completed

- 12,266 Initial Validations
- 12,074 Revalidations
- 1,768 Total Suspensions
- 1,280 Total Removals



The Supply Chain

- Starts at the foreign point of origin (manufacturer, supplier, vendor) and ends at the point of distribution in the US, unloaded from the conveyance and verified



Tiered Benefits

- **Tier I**
 - Certified Participants: Risk score reductions resulting in fewer cargo exams and lower level of random compliance measurement examination. “Front of the line” inspections should cargo exam be required.

Tiered Benefits

- **Tier II**

- **Validated Participants:** Showing that the minimum security standards have been met, the benefits of a Tier I party are further enhanced with risk scores being further reduced resulting in even fewer exams.

Tiered Benefits

■ **Tier III**

- For those companies exceeding the minimum security criteria and have adopted a “security best practices”, further reductions in the risk score and infrequent cargo examinations for security reasons are obtained.

C-TPAT Components

- Procedural Security (Inbound & Outbound)
- Physical Security
- Access Controls
- Personnel Security
- Education Training & Awareness
- Manifest Procedures
- Conveyance Security
- *Customs Compliance*



5 Step Risk Assessment Process

- Comprehensive evaluation of your partners within the supply chain through a documented “risk assessment”(Must be done yearly)
- Identify all business partners within your supply chain, and map cargo flow. For those who are C-TPAT/PIP certified you must have proof such as PIP or SVI #.
- Conduct a “Threat Assessment” focus on terrorism, smuggling, and organized crime by country/region. Rate as high, medium, or low
- Conduct a “Vulnerability Assessment” based on C-TPAT minimum security criteria and rate as high, medium, or low
- Action plan is then formulated
- Document how the risk assessment was conducted.

Post Incident Analysis and Risk Rating

- Study conducted by the C-TPAT program on factors which contributed to security breaches
- 34% Conveyance Security: Conveyances not inspected
- 35% Business Partner Requirements: Failure to screen business partners
- 41% Instruments of International traffic: Not secured or improperly loaded
- 44% Seal Controls: Lack of seal procedures
- 53% Transportation Monitoring: Inadequate transportation monitoring
- 68% Security Procedures not followed: Lack of checks and balances
- 90% of all breaches involved “trucks” as the mode of transportation

Procedural Security

- Ordering procedures
- Shipping and receiving procedures
- Seal security
- Cargo/documentation discrepancies
- Procedural reviews
- Inventory controls
- Vendor and service provider security procedure review and program certification



Physical Security

- Building Security
 - Building structure
 - Locking devices
 - Alarm Systems and cameras
- Property Security
 - Parking
 - Lighting
 - Fencing
- Inventory Storage
 - Where product is stored
 - Who is allowed Access
 - Physical Security Procedures



Access Controls

- Positive employee identification system
- Visitor identification
- Vendor/Delivery identification and verification
- Challenging unauthorized persons
- Maintaining records

Information Technology Security

- Protection of confidential information
Restricted access to information
- Password Protection
- Accountability
Restricted access to
computer programs
- Written IT policies and procedures



Personnel Security

- Pre-employment verification
- Background checks (within legal confines)
- Drug Testing
- Termination procedures



Manifest Procedures

- Document Control
 - Report accurate information (weights/quantities/descriptions)
- Verify goods to shipping/receiving documents
- Investigate and report all discrepancies (overages/shortages/etc.)
- Written procedures to monitor and manage documentation

Conveyance Security

Vehicle and Container Inspection Prior to Loading/Unloading

“7 Point Inspection” Includes

- Front wall
- Left side wall
- Right side wall
- Floor
- Ceiling and roof
- Inside and outside door
- Outside and undercarriage



Conveyance Security

- Container and trailer storage in secured areas
- Seals
 - Seals must meet or exceed PAS ISO 17712 “high security” standards
 - Verify seal number prior to off-loading goods
 - Control distribution and storage of seals to employees
 - Document seal numbers
 - Report compromised or missing seals

Security and Threat Awareness Training

Training for all employees must address the components of C-TPAT and must be repeated on a regular basis

Threat Awareness Program

- Employees must be made aware of possible threats
- Identified breaches must be immediately brought to the attention of management per “decision tree”

Security and Threat Awareness Training

- Training should include but not be limited to:
 - Maintaining cargo integrity
 - Protecting access controls
- All training must be documented and maintained in employee permanent personnel file
- Employees should be aware of the concept of C-TPAT and what they can do to enhance security

Some Procedural “Musts”

- Maintain documentation indicating whether business partners are or are not C-TPAT.
- Verify that non-C-TPAT partners have C-TPAT level security in place.
- Use seals on all containers that meet or exceed PAS ISO 17712 standards
- Have written procedures stipulating how seals are maintained, identified, and used



Some Procedural “Musts”

- Have procedures to inspect all containers.
- Have procedures for secure storage of containers
- Have procedures for reporting and neutralizing unauthorized entry into containers or storage areas
- Have positive identification of all employees, vendors, and visitors and must control ID badges and access devices
- Require photo ID's for all visitors and vendors

Some Procedural “Musts”

- Have procedures in place for employees to challenge unauthorized or unidentified persons
- Have procedures to verify information given by prospective employees
- Have procedures to remove ID, and access for terminated employees
- Have procedures to safeguard information including electronic media.

Some Procedural “Musts”

- Report all shortages, overages or other significant discrepancies to the appropriate authorities internally and externally.
- Have physical barriers and deterrents that guard against unauthorized access
- Secure and inspect all gates and control the issuance of locks and keys
- Have a system to protect against abuse of improper access of IT system

C-TPAT - Benefits of a programmatic approach

- Increased ROI
- Reduced # of inspections
- Reduced wait time
- Decreased transportation times
- Assigned CBP security specialist
- Access to SVI
- Improved asset utilization (cycle time)
- Improved workforce security
- Better comprehension of the end to end process
- Maximize cycle time (today & tomorrow)
- Good corporate citizen

C-TPAT - Benefits of a programmatic approach

- Reduced ACS compliance exams
- Access to FAST lanes
- Attendance at C-TPAT training seminars
- Incorporation of security practices into existing logistical management methods
- Greater supply chain integrity
- Reduce freight surcharges
- Customer satisfaction
- Lower insurance costs
- Reduced theft/loss of inventory

The Most Significant Perceived Benefit of Becoming C-TPAT Certified

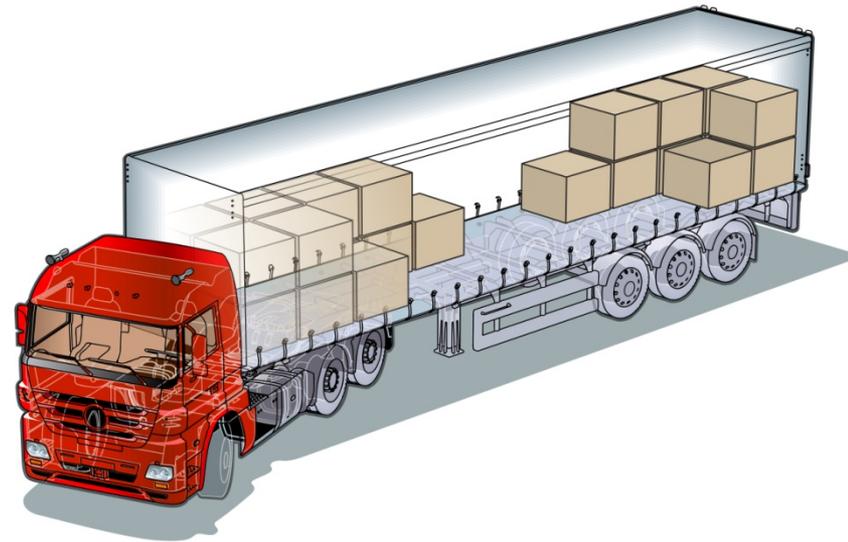
The participant is considered “Low Risk” by U.S. Customs and Border Protection.



C-TPAT Pitfalls/Roadblocks

- Upper Management buy in
- Selling the need for changes to employees
- Training all employees
- Vendor cooperation

**Don't promise more than
you can deliver!**



Agreement - Importer/Carrier/Broker

- Develop & Implement (within recommendations) Program to enhance security procedures throughout the supply chain
 - Verifiable
 - Documented
 - Security Assessment and action plan to address inadequacies
- Communicate recommendations and guidelines
 - Assessment of Tier 1 Supplier's Security Programs



Agreement - Customs

- Provide feedback within 60 days of receipt of Supply Chain Security Profile
- Consider Acceptance and Implementation of C-TPAT Guidelines in Risk Determinations
- Provide technical Guidance when Requested and Practical

Getting Started

Needs Assessment

- Internal or external experts
- Review current procedures and document if not done
- Compare to C-TPAT requirements
- Determine needed changes
- Discuss with those involved
- Draft changes
- Implement
- Train affected employees
- Verify effectiveness



Our Observations

- Procedures too general
- Procedures too specific
- Failure to use and document the 5-step risk assessment process
- Procedures do not encompass C-TPAT “Requirements”
- No upper management “Champion”
- Employees not properly trained
- Employees do not understand why the changes are necessary
- No proof that vendors are C-TPAT or have a comparable security system in place
- Companies apply for the web-portal password before application is prepared for loading

Legal Considerations

- Procedures to Verify Discrepancies
- Documentation
- Verification - Do Not Promise More Than Can Be Reasonably Delivered
- Agreement is Subject to Review by Importer and/or Customs and may be Terminated With Written Notice by Either Party



Legal Considerations



- Real benefits come only when security is combined with Customs compliance
- Importer who is C-TPAT may wish to consider ISA
- Agreement does NOT relieve the importer of any responsibilities with respect to U.S. law, including the Customs Regulations
- Currently no legal or regulatory environment

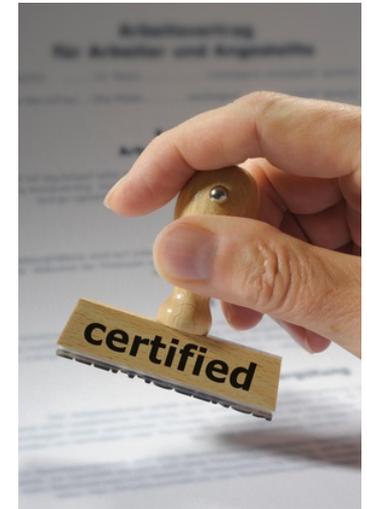
Customs Processing



- Review Submission
- May Request Additional Information
- Internal “Vetting”
 - Trade Compliance and Enforcement History
 - Field/Account Manager Comments
- “Certified Participant”

Validation

- A verification of the reported supply chain security
 - Not an audit - does not measure adherence to governmental rules, but references guidelines
 - Intended to be performed within 1 year from certification
 - Re-validation every 3 years
 - Customs intends to validate all C-TPAT participants



Revalidation

- A re-verification of the reported supply chain security:
 - Re-validation every 3 to 4 years
 - They will go back 1 or 2 years looking at forms, sign in sheets, and checklists
 - You must demonstrate automated systems
 - They will review past internal audits looking for follow-up
 - They will wish to review visitor logs
 - They will wish to validate termination logs

Revalidation

- A re-verification of the reported supply chain security:
 - Failure to show procedures were being followed in past can jeopardize revalidation
 - They expect to see improved procedures the longer you are a member (more best practices)
 - Less “wobble” room than original validation

Revalidation report

- A re-verification report will be written
 - You have 90 day to respond by updating your actions to the web portal
 - Failure to respond timely can result in suspension
 - Continued failure to respond will result in removal from the program



Key Ingredients

- Executive Sponsor
 - Establish corporate priority
 - Reach across various disciplines
 - Ensure multifunctional group cooperation
 - Long term culture change
- Champion
 - Establish project plan
 - Define functions tasks
 - Assemble team
 - Monitor, measure, evaluate, change



Designate a Point of Contact (POC)

- Loads detail to CBP C-TPAT portal.
- Reports changes through the portal.
 - Policies
 - Procedures
 - Carrier changes
 - Auditing functions – Internal/External



Initial Steps

- Policies and procedures analysis
 - Current State
 - Desired State
- Corporate Environment
 - Bond Structure
 - Organizational similarities
- Action Plan
 - Functions/components
 - Tasks
 - Carrier surveys
 - Purchasing



Long Term Considerations

- Dynamic Environment
- Expanding Supply Chain Coverage
- Oversight, control and re-evaluation into the future



Thank You.

Questions?

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