CARIBBEAN BASIN ECONOMIC RECOVERY ACT & CARIBBEAN BASIN TRADE PARTNERSHIP ACT
TECHNICAL INFORMATION FOR PRE-ASSESSMENT SURVEY (TIPS)

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CARIBBEAN BASIN ECONOMIC RECOVERY ACT (CBERA) & CARIBBEAN BASIN TRADE PARTNERSHIP ACT (CBTPA)
TECHNICAL INFORMATION FOR PRE-ASSESSMENT SURVEY (TIPS)

PART 1 BACKGROUND

The purpose of this document is to provide guidance in performing a Pre-Assessment Survey (PAS) of the company's internal control for goods entered for preferential treatment as products of the Caribbean Basin Economic Recovery Act (CBERA) also known as Caribbean Basin Initiative (CBI) and products of the Caribbean Basin Trade Partnership Act (CBTPA), and evaluating the results.

Generally Accepted Government Auditing Standards require the PAS team to obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing, and extent of tests to be performed.

The guidelines and terms in this document are based on *Assessing Internal Controls in Performance Audits*, GAO/OP-4.1.4, published by the United States General Accounting Office, Office of Policy, September 1990; and the American Institute of Certified Public Accountant's *Statement on Auditing Standards* No. 78.

PART 2 CBERA AND CBTPA GUIDANCE

The United States Customs Service issued an Informed Compliance Publication on this area in May 2001.

Additional guidance may be found in:

- C.S.D. 85-25 (double substantial transformation);
- Ruling 556193, dated 12/23/91 (dual-sourcing);
- Ruling 557087, dated 7/22/93,T.D. 81-282, T.D. 78-399, and C.S.D. 80-208 (unallowable general and administrative costs); and
- Ruling 559010, dated 3/14/96 and T.D. 91-7 (treatment of components in sets).

2.1 CBERA INFORMATION

Subtitle A, Title II of Public Law 98-67, entitled the CBERA and referred to as the Caribbean Basin Initiative (CBI) authorizes the President to proclaim duty-free treatment for all eligible articles from any beneficiary country. CBERA is codified at 19 U.S.C. 2701-2706. CBERA allows duty-free treatment for all eligible articles from any beneficiary country. General Note 7 of the Harmonized Tariff Schedule of the U.S. (HTSUS) lists the beneficiary countries for purposes of the CBERA. Merchandise subject to CBERA preference appears as "free or at a reduced duty" by HTSUS number in the "Special" rate of duty sub-column followed by the symbol "E" or "E*" in parenthesis.

The duty free requirements of CBERA are listed in 19 CFR Part 10 sections 10.191 through 10.199. Section 10.191(b)(2) describes those items eligible for preferential treatment under the CBERA provisions. To qualify for the CBERA special trade program, goods must meet the following requirements:

- The imported goods must come to the United States directly from the beneficiary country; the direct shipment requirements are in section 10.194.

- The imported goods must meet the country of origin criteria as stated in section 10.195 and either: a) be wholly the growth, product or manufacture of the beneficiary country; or b) be transformed into new or different article that has been grown, produced or manufactured in a beneficiary country.
- The imported goods must meet the value content requirements of section 10.195, specifically, the sum of: (a) the cost or value of the materials produced in a beneficiary country or two or more beneficiary countries, plus (b) the direct costs of processing operations performed in a beneficiary country or countries is not less than 35 percent of the appraised value of the goods at the time it is entered.

2.2 CBTPA INFORMATION

Title II of Public Law 106-200 (114 Stat.251) entitled the CBTPA, amended section 213(b) of the CBERA. CBTPA allows additional trade benefits to countries designated as beneficiary countries. General Note 17 of the HTSUS lists the Beneficiary Countries for purposes of the CBTPA. Merchandise subject to CBTPA preference appears as "free or at a reduced duty" by HTSUS number in the "Special" rate of duty sub-column followed by the symbol "R" in parenthesis. The CBERA preference is claimed on the imported good by using the letter "R" in the special program indicator field of the Automated Commercial System (ACS) database.

Title 19 CFR Part 10, sections 10.221 through 10.237 divides the CBTPA regulations into separate duty free provisions for **textile/apparel** and **non-textile** goods. For purposes of this technical guide the term textile will include textile and apparel covered by the CBTPA regulations.

The duty free requirements for textile goods claiming preferential treatment under CBTPA are in sections 10.221 through 10.227. **Textile** articles described in section 10.223(a) are the textile goods subject to the CBTPA provisions. Section 10.223(b) lists the special rules for fibers and yarns. A specific Certificate of Origin described in section 10.224 is required for CBTPA textile articles. Section 10.227(b)(2) requires the importer to establish and implement internal control, to periodically review the Certificate of Origin and other records of section 10.227. To qualify for the CBTPA, textile and apparel articles must meet the following requirements:

- The imported goods must be wholly formed or assembled entirely in the territory of one or more designated beneficiary countries; the formed/assembled rules are part of section 10.223(a).
- The imported goods must meet the country of origin criteria, the goods description, and the specific manufacturing requirements, as stated in section 10.223(a)(1) through (a)(12) together with the special rules of section 10.223(b) for component materials.
- The imported goods must be imported to the U.S. directly from the CBPTA beneficiary country; the direct shipment requirements are in section 10.223(c).
- The imported goods must be supported by an original Certificate of Origin described in section 10.224.

The duty free requirements for **non-textile** goods claiming preferential treatment under CBTPA are in sections 10.231 through 10.237. **Non-Textile** goods described in section 10.233(a) are the non-textile items subject to the CBTPA provisions. Section 10.237(b)(2) requires the importer to establish and implement internal control to periodically review the Certificate of Origin and other records of section 10.237. To qualify for the CBPTA **non-textile** goods must meet the following requirements:

- The imported goods must (according to section 10.233(b)) meet the NAFTA originating good requirements of General Note 12 (NAFTA) and the Appendix to CFR 19.181 (the NAFTA Rules of Origin);
- The imported goods must be eligible non-textile goods defined in section 10.233(a);
- be imported directly from the CBERA/CBTPA beneficiary country; the direct shipment requirements are in section 10.233(d); and
- The imported goods must be supported by an original Certificate of Origin (CF-450) described in section 10.236(b)(1).

The Trade Act of 2002 (the Act) was signed by President Bush on August 6, 2002 and amended section 213(b)(2)(A) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2703(b)(2)(A). The Act changed eligibility requirements for apparel articles imported under provisions of CBTPA. Auditors must obtain current information on CBTPA provisions for imports after August 6, 2002.

2.3 EXAMPLES OF RED FLAGS

The following examples are conditions that may indicate a potential problem with CEBRA/CBTPA.

- The company has insufficiently documented, poorly defined, or no internal control for accurately declaring merchandise entered as products of CBERA/CBTPA for Customs purposes. Examples:
  - ✓ The company does not monitor or interact with the broker on merchandise entered as products of CBERA/CBTPA.
  - ✓ The company relies on one employee to handle merchandise entered as products of CBERA/CBTPA, and there are poor or no management checks or balances over this employee.
- The company staff lacks knowledge of the trade program provisions for products of CBERA/CBTPA.
- The responsible person lacks cost accounting knowledge.
- The company offers unreasonable explanations to Customs.
- The company fails to cooperate with or respond to Customs inquiries.
- The company has high turnover of people in key positions.
- A significant variance exists between the importer's data and Customs' data.
- Customs (import specialist, account manager, compliance measurement, prior audit, other profile information) shows history of problems with merchandise entered as products of CBERA/CBTPA.
- The company has not shipped goods directly from a beneficiary country into Customs territory of the United States.
- The goods were not substantially transformed into a new and different article.
- The goods were not wholly obtained or produced entirely in the territory of one or more designated beneficiary countries.
- The material cost and processing qualification is marginal, just above the required minimum percentage, increasing the importance of accurate cost computations.
- The company does not request, maintain, or review documents supporting the qualification of CBERA/CBTPA (e.g. value of material plus the direct cost of processing operations performed).
- Customs has no prior audits or reviews of the company's imports of CBERA/CBTPA.

- Specific issues are identified in the profile.
- CBERA/CBTPA imports increase sharply from a prior period.
- The importer and the CBERA/CBTPA producer are related.
- Amounts on cost sheets for unallowable general expenses and profit appear unusually low, indicating that allowable costs may be overstated.

2.4 EXAMPLES OF BEST PRACTICES

- Internal controls (as required by 19 CFR 10.217(b)(2)) for merchandise entered as products of CBERA/CBTPA:
  - ✓ Are in writing;
  - ✓ Include procedures for monitoring and feedback; and
  - ✓ Are monitored by management.
- One manager is ultimately responsible for control of the import department, including merchandise entered as products of CBERA/CBTPA. That manager has knowledge of Customs matters and the authority to assure internal control procedures for imports are established and followed by all company departments.
- Written internal control procedures assign duties and tasks to a position rather than a person.
- The company conducts and documents periodic reviews of merchandise entered as products of CBERA/CBTPA, and uses the results to make corrections to entries and changes to their import operations as appropriate.
- The company has good interdepartmental communication about Customs matters.
- Internal control involves a verification process to determine that the imported merchandise qualifies for CBERA/CBTPA:
  - ✓ Company has proof that the imported merchandise was shipped directly from a beneficiary country(s) to the United States.
  - ✓ Company can itemize the value of the materials and show that the direct cost of processing operations performed in a beneficiary country(s) is not less than the minimum required percentage of the appraised value.
- The company can provide the origin of the materials used in the production of the goods from the CBERA/CBTPA.
- The company can readily provide listing of goods that are products of CBERA/CBTPA.
- Purchasing, Engineering, other departments and suppliers provide sufficient descriptions of merchandise to permit a determination of CBERA/CBTPA eligibility.
- The company visits the plant in the CBERA/CBTPA beneficiary country(s) where the products are produced.

2.5 EXAMPLES OF CBERA/CBTPA DOCUMENTS AND INFORMATION TO REVIEW

- Internal control policies and procedures.
- The company's response to the Questionnaire.
- Interviews with company staff concerning actual procedures and controls specific to merchandise entered as products of CBERA/CBTPA.
- The company’s documentation that supports monitoring and verification of established and/or written internal control for merchandise entered as products of CBERA/CBTPA.
  - ✓ Documents showing direct shipment from the beneficiary country to the commerce of the United States. (e.g. shipping documents, invoices, or other documents).

- ✓ Producer's written statement, available upon request, on the commercial invoice provided to Customs attesting that the goods are wholly the growth or product of a single beneficiary country.
- ✓ Accounting records supporting product cost sheets, including financial statements, post-closing trial balance, detailed chart of accounts, and general ledger detail.
- ✓ Non-textile Certificate of Origin (CF-450).
- ✓ Declaration of origin signed by the person responsible for certifying that all information on the documentation is accurate and complete.
- ✓ Textile Certificate of Origin for CBTPA.
- ✓ Binding rulings concerning CBERA/CBTPA.
- ✓ The CBERA/CBTPA costing sheet.
- ✓ Country of origin markings on products and components.
- ✓ Bills of material listing country of origin for components, whether foreign vendors are related or unrelated.
- ✓ Manufacturer's affidavits as to country of origin of components.
- ✓ "Where used" reports ("exploded" bills of material) showing that components underwent "double substantial transformation."

PART 3 RISK ASSESSMENT AND INTERNAL CONTROL GUIDANCE

PAS team judgement should be used to determine the type and amount of testing needed to evaluate how effective internal control is and whether there is sufficient risk to warrant proceeding to the Assessment Compliance Testing (ACT) process.

Using the chart and the guidelines below, determine through limited judgmental testing whether the company 's internal control is effective.

To determine the extensiveness of internal control testing, it is necessary to evaluate:

1. **Risk**; and

2. The **internal control** system, by determining whether the controls are in operation, how the controls were applied, how consistently they are applied, and who applied them.

3.1 RISK

A. Preliminary Assessment of Risk

Before any audit work begins at the company the team should make a preliminary assessment of risk (PAR) using information obtained from Customs or publicly available information. The purpose of the PAR is to evaluate identified potential risks to Customs based on analytical reviews of Customs data and other Customs information. This review will identify areas of potential risk and eliminate some areas with insignificant risk. The PAR should be conducted using the form in Attachment 1 to the PAS Audit Program.

B. Evaluation of Risk Acceptability

After the audit work begins with the company the team will refine the assessment of risk. After all audit work has been completed the team will determine whether risk is acceptable or unacceptable using the PAS Audit Program as summarized in the following steps.

- Determine what activities pose a significant risk to Customs.

- Test the existence, effectiveness and implementation of internal control and determine if internal control is adequate to control risk.

- Using the results of the internal control review, develop an opinion whether risk is acceptable or unacceptable.

3.2 INTERNAL CONTROL

To evaluate the internal control system:

1. Consider the five components of internal control:

   - Control Environment.
   - Risk Assessment.
   - Control Activities.
   - Information and Communication.
   - Monitoring.

2. Review relevant Customs and company documents to identify and understand relevant internal control over merchandise entered as products of CBERA/CBTPA (Examples of documents and information to review are listed on prior page).

3. Determine whether the company established and follows procedures. Review:

   - Documentary evidence of the results of periodic internal control reviews/testing and corrective action implemented.
   - Documentary evidence of communication (such as a log) between the broker and company on merchandise entered as products of CBERA/CBTPA issues, including company testing of broker operations and verification that the broker followed company instructions.
   - The company-specific CBERA/CBPTA rulings and evidence that they are followed.
   - Documentary evidence of intra-company communications to ensure correct information is provided to Customs.
   - Training records and materials relating to CBERA/CBPTA are used to educate staff on Customs matters.

4. Review written policies and procedures and interview applicable company personnel to complete appropriate sections of the Worksheet for Evaluating Internal Control (WEIC) for CBERA/CBTPA Goods in PART 4 of this document.

   Note: The internal control assessment should include steps to:

   - Identify and understand internal control.
   - Determine what is already known about control effectiveness.
   - Assess the adequacy of internal control design.
   - Determine whether controls are implemented and effective.
   - Determine whether transaction processes are documented.

3.3 EXTENSIVENESS OF AUDIT SAMPLE TESTS (TESTING LIMIT)

The purpose of limited PAS testing is to take a survey in order to determine the necessity for and extent of substantive tests. In some circumstances, the PAS team may decide that they probably will not be able to form an opinion based on limited PAS testing. In such cases, it may be necessary to proceed immediately to the ACT process. If the PAS team believes that they can form an opinion based on limited PAS testing, it should test the appropriate number of controls and associated transactions using the table below. Tests may be appropriate for various areas below the overall CBERA/CBTPA level that will be reported on. For example, the company may import from various foreign entities and from various countries and tests may be designed for areas identified as the primary risks.

Extensiveness of Audit Tests

PAR Level	+	Preliminary Review Internal Control	=	Extensiveness of Audit Test	Testing Limit
High		Weak Adequate Strong		High Moderate to High Low to Moderate	10-20
Moderate		Weak Adequate Strong		Moderate to High Moderate Low	5-15
Low		Weak Adequate Strong		Low to Moderate Low Very Low	1-10

Source: Adapted from *Assessing Internal Controls in Performance Audits.*
Column titled "Testing Limit" reflects Customs test sizes.

3.4 EVALUATION OF PRE-ASSESSMENT SURVEY TESTING RESULTS

The following steps are guidance for determining the effectiveness of the company's internal control over merchandise entered as products of CBERA/CBTPA.

1. Complete the WEIC for CBERA/CBTPA Goods to determine whether risk is acceptable or unacceptable and to document why. Put results of testing in perspective and evaluate confirmed weakness as a whole. The evaluation should consider the results of the internal control testing, problems identified in the profile, and/or concerns raised by the import specialist or account manager. The team must evaluate the PAS results based on the specific situations.

2. The following will help the PAS team whether conditions warrant proceeding to ACT:

   <u>Do not proceed to ACT if:</u>
   - Cost-benefit analysis warrants no further effort, (do not spend a significant amount of resources to identify a potential loss of revenue considered insignificant.) and

- The result of review indicated that the error was due to an isolated incident.
- If substantive tests necessary to determine a compliance rate or revenue loss can be performed quickly and without extensive effort, the team should immediately perform the substantive tests without proceeding to ACT.

Proceed to ACT if:

- The company does not have adequate internal control and the review indicated a material loss of revenue that cannot be quantified without statistical sampling or further review.
- The importer will not quantify the loss of revenue.
- The company refuses to take corrective action on systemic errors and it is necessary to calculate a compliance rate to evidence significant non-compliance.

Note: If substantive tests necessary to determine a compliance rate or revenue loss can be quickly performed without extensive effort, the team should immediately perform the substantive tests without proceeding to ACT.

3. Determine whether referrals should be forwarded for enforcement action.

3.5 EXAMPLES

The following examples of situations that might be encountered under PAS are for clarification only.

Example A: Situation in which the team would not proceed to ACT (Revenue)

The importer has internal control for CBERA/CBTPA. The internal control includes contract provisions in which the exporter agrees to provide documentary support for CBERA/CBTPA eligibility to Customs on demand; reviews of foreign facilities to verify foreign production in the beneficiary country(s); maintenance of documentary information to support importer reviews; and testing of CBERA/CBTPA eligibility. In order to determine the importer's internal control effectiveness, the PAS team evaluated the importer's internal control procedures. Specifically, tests of CBERA/CBTPA records, including cost data, supported the eligibility of products from all manufacturers except XYZ Electronics. The team concluded that internal control was effective for shipments of all manufacturers with the exception of XYZ Electronics. The breakdown in internal control regarding XYZ Electronics was systemic because the importer had not included the CBERA/CBTPA contract provisions in the XYZ Electronics' contract. When Customs, as part of the limited testing for CBERA/CBTPA, required that XYZ Electronics provide support for CBERA/CBTPA eligibility for the items sampled, the manufacturer refused. The entries were not liquidated. The importer agreed to quantify and pay the lost revenue on the XYZ Electronics imports and change its internal control procedures. All future contracts will be amended to include CBERA/CBTPA requirements *before* merchandise is declared as eligible for CBERA/CBTPA. Since there were no other revenue issues and correction was made to avoid future problems, the team does not proceed to ACT for revenue.

Example B: Situation in which team would not proceed to ACT (Compliance)

Same as example A above, except that the importer agrees to amend the contract with XYZ Electronics to include the CBERA/CBTPA provisions immediately, and XYZ Electronics sends the requested country of origin information to Customs. Since the importer agreed to correct internal control deficiencies and XYZ Electronics' merchandise was determined to be CBERA/CBTPA eligible; there is no reason to proceed to ACT for compliance.

Example C: Situation in which the team would proceed to ACT (Revenue)

Same as example B above, except that preliminary analysis indicates that for some imports, XYZ Electronics provided the data required by the controls; thus, some of the imports from XYZ Electronics may qualify for CBERA/CBTPA (and others do not). Imports from XYZ Electronics included a large volume of low-value items. The importer is unable to quantify the CBERA/CBTPA eligible value in the XYZ Electronics account. The PAS team proceeds to ACT.

Example D: Situation in which the team would proceed to ACT (Compliance)

The same as example C above, except that preliminary analysis indicates that some of the imports from XYZ Electronics may qualify for CBERA/CBTPA. The importer agrees to pay duty on imports found during the PAS review as outside the CBERA/CBTPA internal control. The importer does not want to change its current internal control and believes that it meets an acceptable level of compliance for CBERA/CBTPA (i.e., importer indicates that the internal control breakdown was an isolated event). Since the importer will not change its internal control and the level of compliance is unknown, the PAS team proceeds to ACT to determine whether the importer meets the acceptable level of compliance for CBERA/CBTPA.

PART 4 WORKSHEET FOR EVALUATING INTERNAL CONTROL (WEIC) - CBERA/CBTPA

PURPOSE: To determine whether CBERA/CBTPA risk is acceptable.

The completion of this worksheet provides evidence that the five components of internal control: Control Environment, Risk Assessment, Control Activities, Information and Communications, and Monitoring were evaluated.

During this phase of the process, an internal control review will be completed and factors for internal control related to an assessment of Risk Exposure including Internal Control Red Flags, Susceptibility, Management Support and Competent Personnel will be considered. The completion of this worksheet provides evidence that these factors were evaluated.

All answers must be linked to supporting documentation.

OBJECTIVES:

Section 1 - Internal Control Questions	Consolidate information learned about internal control through interviews and document reviews to form a preliminary assessment of internal control before testing. For work paper reference column titled "Is Implementation of Control Supported by Documentation and/or Interviews," confirm that the control is implemented through: • Interviews and requesting evidence from the company and • Reviews of documents that provide evidence that the company completed the activity.
Section 2 - Preliminary Internal Control Assessment	Use information consolidated in Section 1 to make a preliminary assessment whether internal control is strong, adequate, weak or nonexistent.
Section 3 - Sample sizes	Use the Preliminary Assessment of Risk (PAR) Level and the Preliminary Internal Control Assessment to determine the sample size for each sample.
Section 4 - Results of Sample Testing	Use information in Section 4 to record the results of PAS testing to evaluate whether internal control is effective to provide reasonable assurance of compliance.
Section 5 - Risk Opinion	Use information in section 1-4 to record the PAS opinion that risk is acceptable or unacceptable

Section 1 – Internal Control Questions

No.	Internal Control (IC)	Yes	No	Work Paper Reference		Comments
				IC Manual Page Number	Is Implementation of Control Supported by Documentation and/or Interviews?	
1.	Are internal controls over merchandise entered as products of CBERA/CBTPA formally documented?					
2.	Are written policies and procedures approved by management?					
3.	Are written policies and procedures reviewed and updated periodically?					
4.	Is one manager responsible for control of the Import Department, including CBERA/CBTPA?					
5.	Does that manager have knowledge of Customs matters and the authority to ensure that internal control procedures for imports are established and followed by all company departments?					
6.	Does the responsible person have cost accounting knowledge?					

No.	Internal Control (IC)	Yes	No	Work Paper Reference		Comments
				IC Manual Page Number	Is Implementation of Control Supported by Documentation and/or Interviews?	
7.	Do written internal control procedures assign merchandise entered as products of CBERA/CBTPA responsibility to a position rather than an individual?					
8.	Does the company have good interdepartmental communication about merchandise entered as products of CBERA/CBTPA?					
9.	Does the company conduct and document periodic reviews of CBERA/CBTPA?					
10.	Does the company use the CBERA/CBTPA periodic review results to make corrections to past and present entries?					
11.	Does the company use the CBERA/CBTPA periodic reviews to make changes to its import operations as appropriate?					
12.	Do internal controls involve a verification process to determine that the imported merchandise qualifies for CBERA/CBTPA?					

No.	Internal Control (IC)	Yes	No	Work Paper Reference		Comments
				IC Manual Page Number	Is Implementation of Control Supported by Documentation and/or Interviews?	
13.	Is adequate descriptive information provided (by purchasing, engineering, other departments and suppliers) to the Import Department and/or broker to ensure proper CBERA/CBTPA eligibility?					
14.	Does the importer (or the importer's agent) visit the plants in the CBERA/CBTPA countries where the products are produced?					
15.	Does the company perform an annual review of changes to CBERA/CBTPA?					
16.	Does the importer have procedures to obtain any required or necessary documentation to support the claim (e.g. a contract penalty provision if CBERA/CBTPA information is not provided to Customs on demand)?					
17.	Does the company have procedures in place to ensure that the product meets the direct shipment requirements?					
18.	Does the company have procedures in place to ensure that the materials and direct costs of processing operations performed in beneficiary countries exceed the minimum required percentage of the appraised value?					

No.	Internal Control (IC)	Yes	No	Work Paper Reference		Comments
				IC Manual Page Number	Is Implementation of Control Supported by Documentation and/or Interviews?	
	New CBERA/CBTPA Merchandise					
19.	Does management review the classification and eligibility of new CBERA/CBTPA items?					
20.	Is responsibility for the CBERA/CBTPA eligibility process assigned to one knowledgeable individual or department with management oversight?					
21.	Is adequate descriptive information provided to the Import Department and/or broker by suppliers, engineers, purchasing department, etc. to ensure proper classification?					
22.	Is Customs assistance sought in classifying merchandise (e.g., requesting binding rulings)?					
	Entry Review					
23.	Does the company review entries to verify that correct classifications were used?					
24.	Does the company monitor the entry review process to verify that controls were followed?					

No.	Internal Control (IC)	Yes	No	Work Paper Reference		Comments
				IC Manual Page Number	Is Implementation of Control Supported by Documentation and/or Interviews?	
25.	Are exporters required to print the HTSUS numbers provided by the importing company on invoices and/or packing lists?					
26.	Does the individual reviewing merchandise eligibility have adequate knowledge and training of CBERA/CBTPA issues?					
27.	Are HTSUS classifications for CBERA/CBTPA maintained in a database that is provided to brokers?					
28.	Are brokers required to have written company approval to make classification changes?					
29.	Does the company provide adequate broker oversight?					
30.	Does the company identify, analyze, and manage risks related to CBERA/CBTPA?					
31.	Has the company identified any risks related to CBERA/CBTPA and implemented control mechanisms?					
33.	Does the company have internal control to address specific issues identified in the profile?					

No.	Internal Control (IC)	Yes	No	Work Paper Reference		Comments
				IC Manual Page Number	Is Implementation of Control Supported by Documentation and/or Interviews?	
34.	List company-specific procedures and controls below (if applicable)					

Section 2 - Preliminary Internal Control Assessment

Use information obtained in section 1 above to make a preliminary assessment of internal control as strong, adequate, weak, or nonexistent.

	Strong	Adequate	Weak	None*
Internal Control				

***** If the team concludes that the company does not have internal control, risk is not acceptable so proceed to Section 5 below.

Section 3 – Sample Sizes

Use the matrix for determining Extensiveness of Audit Tests in section 3.3 of TIPS to determine the extensiveness of audit tests to confirm that internal control is effective. Multiple samples are possible. Samples and sample items should concentrate on risk.

Sample Area	PAR Level (High, Moderate, or Low)	Internal Control Level (Weak, Adequate, or Strong) From Section 2 Above	Testing Limit (1-20)

Section 4 - Results of Sample Testing

Use the results of sample testing to determine if internal control is effective.

Results of Testing	Yes or No
Is IC effective to provide reasonable assurance to preclude significant risk?	

Section 5 - Risk Opinion

Use the information developed in Sections 1-4 to record the PAS opinion that risk is acceptable or unacceptable.

Risk Opinion	Yes or No	Comments
Acceptable		

If risk is not acceptable the audit team may need to proceed to ACT or have company do quantification.