AFRICAN GROWTH AND OPPORTUNITY ACT
TECHNICAL INFORMATION FOR PRE-ASSESSMENT SURVEY (TIPS)

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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 articles entered for preferential treatment as products of the African Growth and Opportunity Act (AGOA) 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 AGOA GUIDANCE

Title I of the Trade and Development Act of 2000 (Public Law 106-200) entitled the AGOA. Codified at 19 U.S.C. 3721 through 3724, AGOA is a special trade program authorizing the president to extend certain trade benefits for eligible articles of designated beneficiary countries (BCs) in sub-Saharan Africa.

General Note 16 of the Harmonized Tariff Schedule of the United States (HTSUS), designates the BCs eligible to claim preference under AGOA. The merchandise subject to AGOA preference appears as "free or at a reduced rate of duty" by HTSUS number in the HTSUS "Special" Rate of Duty sub-column followed by the symbol D in parenthesis. The African Growth Preference is claimed on the imported good by using the letter D in the Special Program Indicator field of the Automated Commercial System (ACS) database. AGOA **textile/apparel** and **non-textile** article requirements are in separate sections of 19 CFR Part 10. For purposes of this technical guide the term textile will include textile and apparel covered by the AGOA regulations. In addition to the General Note and the Customs regulations there is a Customs Informed Compliance Pamphlet for AGOA dated 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).

The Trade Act of 2002 ("the Act") was signed by President Bush on August 6, 2002, and substantially expands preferential access for imports from beneficiary Sub-Saharan African countries by modifying certain provisions of the African Growth and Opportunity Act (AGOA).

The Act clarifies and narrowly expands the trade opportunities for Sub-Saharan African countries under AGOA and encourages more investment in the region. AGOA enhancements include revisions requested by many Sub-Saharan African countries. These enhancements maximize the benefits of AGOA. Auditors must obtain current information on AGOA provisions for imports after August 6, 2002.

2.1 AGOA TEXTILE ARTICLES

The eligibility requirements for AGOA **textile** articles (as defined in 19 CFR 10.212) are found in 19 CFR 10.211 through 10.217. Section 10.213(a)(1) through (a)(10) describes those eligible **textile** articles and the specific rules that are considered for AGOA preference. Section 10.213(b) lists the additional special rules for component materials. To qualify for preferential treatment AGOA **textile** and apparel, articles must meet the following requirements:

- The imported goods must come to the United States directly from the sub-Saharan beneficiary country; the direct shipment requirements are in section 10.213(c).
- The imported goods must meet the country of origin criteria, the goods description, and the specific manufacturing requirements, as stated in section 10.213(a)(1) through (a)(10) together with the special rules of section 10.213(b) for component materials.
- The imported goods must be supported by an original Certificate of Origin described in section 10.214.

2.2 AGOA NON-TEXTILE ARTICLES

The AGOA rules for **non-textile** articles, are an extension of the Generalized System of Preferences (GSP) regulations (contained in 19 CFR 10.171 through 10.178). Regular and enhanced GSP benefits for the AGOA countries were extended until September 30, 2008. The GSP treatment of AGOA **non-textile** articles is reported in section 10.178a. Specific AGOA modifications to the GSP regulations are noted in section 10.178a (d) and (e). To qualify for preferential treatment AGOA, **non-textile** articles must meet the following requirements:

- The imported goods must come to the United States directly from the sub-Saharan beneficiary country; the direct shipment requirements are in section 10.178a (e)(4) that refers to the GSP provision of section 10.175.
- The imported goods must meet the country of origin criteria as stated in section 10.178a (e)(2). This section defines the qualified merchandise as either: a) wholly the growth, product or manufacture of the beneficiary country; or b) transformed into new or different article that has been grown, produced or manufactured in a beneficiary country. Section 10.178a (e)(5) refers to the GSP provision of section 10.173.
- The imported goods must meet the value content requirements of section 10.178a (d)(4); the sum of materials and direct cost of processing must represent not less than 35% of the goods' appraised value at the time it is entered.

2.3 EXAMPLES OF RED FLAGS

The following examples are conditions that may indicate a potential problem in AGOA.

- The company has insufficiently documented, poorly defined, or no internal control for accurately declaring AGOA for Customs purposes. Examples:
  - ✓ The company does not monitor or interact with the broker on AGOA issues.
  - ✓ The company relies on one employee to handle AGOA issues, and there are poor or no management checks or balances over this employee.
- The company staff lacks knowledge of AGOA eligibility requirements.
- The company offers unreasonable explanations to Customs.
- The company fails to cooperate with or respond to Customs.

- The company has high turnover of people in key positions.
- Significant variance exists between the importer's data and Customs' data.
- Customs (import specialist, account manager, compliance measurement, prior audit) shows history of problems AGOA (e.g., AGOA eligibility issues or reporting incorrect country of origin).
- HTSUS numbers that the company frequently uses for AGOA have high compliance measurement error rates.
- Company imports from a specific exporter, or under an HTSUS number or country of origin, that have been identified by Customs because of known or suspected AGOA problems.
- Company has a large number of AGOA exporters or a large number of articles for which AGOA is claimed.
- The importer does not request, maintain, or review documents supporting the qualification of AGOA imports.
- Company has a sharp increase of AGOA imports from a prior period.
- The importer claiming AGOA and the exporter are related parties.
- There have been no prior audits or Customs reviews of AGOA imports.
- The profile identified specific AGOA issues.
- The company dual sources or obtains an identical good from two different countries, where only one of the countries is an AGOA country.
- The articles do not have required markings to distinguish the origin.
- A declaration that assembled AGOA articles declared as wholly produced or manufactured in a beneficiary country appears to be doubtful.
- Value content qualification is marginal, just meeting the 35 percent requirement, increasing the importance of accurate cost computations.
- Direct materials alone are not adequate to meet the 35 percent value content requirement, making accurate direct processing costs particularly important.
- Textile and apparel articles imported are subject to textile restrictions.
- Responsible person lacks cost accounting knowledge.
- 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 (required by 19 CFR 10.178a (e)(3) or 10.217(b)(2)) over merchandise entered as AGOA:
  - ✓ Are in writing;
  - ✓ Include procedures for monitoring and feedback; and
  - ✓ Were monitored by management.
- One manager is responsible for control of the Import Department, including AGOA. That manager has knowledge of Customs matters and the power to ensure internal control procedures for imports are established and followed by all company departments.
- Written internal control procedures assign AGOA duties and tasks to a position rather than a person.
- The company has good interdepartmental communication regarding AGOA matters.
- The company conducts and documents periodic reviews of AGOA, and uses the results to make corrections past and present to entries, and changes to its import operations as appropriate.

- Purchasing, Engineering, other departments, and suppliers provide sufficient descriptions of merchandise to permit a determination of AGOA eligibility.
- Internal control involves a verification process to determine that the imported merchandise qualifies for AGOA.
- The importer has procedures to obtain any required or necessary documentation to support the claim (e.g. penalty provisions on suppliers if AGOA information is not provided to Customs on demand).
- The importer maintains an AGOA database or listing of imported merchandise that would readily identify AGOA transactions.
- The importer (or the importer's agent) visits the plant in the AGOA country where the products are produced.
- The importer performs an annual review of changes to AGOA.

2.5 EXAMPLES OF DOCUMENTS AND INFORMATION TO REVIEW

- Internal control policies and procedures for ensuring AGOA eligibility.
- The company's response to the questionnaire.
- Interviews with company staff concerning actual procedures and controls specific to AGOA.
- The company's documentation that supports monitoring and verification of established and/or written internal control for AGOA including:
  - ✓ For non-textile articles, an AGOA declaration signed by the exporter of the merchandise or other appropriate party having knowledge of the relevant facts.
  - ✓ A list of articles by vendor that are products of AGOA countries.
  - ✓ Invoices, specification sheets, or other documents providing a detailed description and origin of the AGOA articles.
  - ✓ For textiles, a Certificate of Origin with all of the information required by section 10.214.
  - ✓ Bills of lading or other documents that show direct transport to the United States
  - ✓ For related parties, a bill of materials listing the origin of the materials used in production.
  - ✓ Travel documents that show that the company has recently visited the AGOA manufacturer and verified the commodities are manufactured, produced, or wholly grown in the AGOA country.
  - ✓ Records from the AGOA producer supporting the company's verification for articles not wholly the growth or product of Africa, such as, cost allocation worksheets, bills of materials, product specification sheets, engineering drawings, work-in-process documents, material inventory records, purchase history reports, and/or material supplier lists.
  - ✓ Manufacturer's affidavits as to country of origin of components.
  - ✓ "Where used" reports ("exploded" bills of material) showing that components underwent "double substantial transformation."
  - ✓ Accounting records supporting product cost sheets, including financial statements, post-closing trial balance detailed chart of accounts, and general ledger detail.
  - ✓ Examples of Documents and Information to Review – Country of origin markings on products and components.
  - ✓ Bills of material listing country of origin for components, whether foreign vendors are related or unrelated.

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 entries of AGOA. (Examples of documents and information to review are listed on prior page).

3. Determine whether the company has established and follows procedures by reviewing:

   - Documentary evidence of the results of periodic internal control reviews/testing and corrective action implemented.
   - Documentary evidence (such as a log) of communication with the broker and company departments on AGOA issues, including company testing of broker operations and verification that the broker followed company instructions.
   - Company-specific AGOA rulings. Determine whether they are followed.
   - Documentary evidence of intra-company communications to ensure correct information is provided to Customs.
   - Training records and materials relating to AGOA used to educate staff on Customs matters.
   - The Textile Certificate of Origin required by and described in 19 CFR 10.214 for AGOA textiles.

4. Review written policies and procedures and interview applicable company personnel to complete appropriate sections of the Worksheet for Evaluating Internal Control (WEIC) for AGOA 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 it probably will not be able to form an opinion based on limited PAS testing. In that case, it may be necessary to proceed immediately to the ACT process. If the PAS team believes it can form an opinion based on limited PAS testing, test the appropriate number of controls and associated transactions using the table below. Tests may be appropriate for various areas below the total AGOA level that will be reported on. For example, the company imports from several foreign companies, but testing may be necessary only for certain companies or only certain products that have been identified as 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 AGOA.

1. Complete the WEIC for AGOA 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.

   Customs considers risk to be unacceptable when testing reveals that internal control is not sufficient or effective in providing reasonable assurance that accurate, timely, and complete declarations are reported to Customs.

2. The following will assist the PAS team in determining if conditions warrant proceeding to ACT.

   Do not proceed to ACT if:
   - 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 and without extensive effort, the team should immediately perform the substantive tests without proceeding to ACT.

3. Determine whether EET thresholds are met or could be met and take appropriate action.

3.5 EXAMPLES

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

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

Commodities Inc (CI). imports a number of **textile** articles from sub-Saharan African countries entered duty free under the African Growth and Opportunity Act. The various AGOA goods are cut and sewn from materials obtained from the United States. All foreign components including findings, trimmings, and interlinings are reviewed and a determination is made that the costs do not exceed the 25 percent of value.

Pre-Assessment Survey
Internal control procedures indicated all AGOA goods were subject of an import department review. To determine whether the controls were working, the PAS team: (1) Selected ten textile articles (representing 50 percent of the total AGOA merchandise value) from the purchasing department files and (2) determined if there was evidence of import department approval. To determine if information was accurate and the goods were products of an AGOA beneficiary country, the purchase order information was compared to the information on the shipping documents, the supporting Certificate of Origin, and the manufacturer's statements. The PAS team also reviewed the engineer's content specifications of the produced articles beginning with the direct materials used in the manufacture of the finished articles together with any component materials.

The PAS team's review of records indicated that the company's import department failed to review and approve one of the selected ten textile articles. This one article was a "modification" of another already approved article. The modification which was not forwarded to the import department called for the application of additional "findings and trimmings". A failure of purchasing to communicate the additional costs of the modification to the import department resulted in a failure to initiate the internal control review for that article.

The PAS team's review of the materials making up this article not approved by the import department revealed that "findings and trimmings" exceeded the 25 percent maximum cost of components. As a result, the textile article no longer met the 19 CFR 10.213(b) requirements causing the article to be dutiable. The company agreed with the PAS finding and was able to determine that purchasing had made changes to an approved article and failed to send the modifications to the import department. The compliance improvement plan (CIP) reinforced all departments following existing procedures for all articles including any "modifications" to existing previously approved articles and called for improved interdepartmental communication. The company also agreed to quantify the loss of revenue (LOR) caused by the import department

not reviewing and approving the modification and would check for any additional modified articles not reviewed by the import department.

The eighteen articles making up the other 50 percent imported value not sampled by the PAS were checked by CI for any additional unauthorized (and not reviewed) modifications and verified by Customs. Of the eighteen AGOA articles, one article was found to have been modified by the purchasing department and not reviewed or approved by the import department. A further review revealed that the modified item still met the AGOA rules for preferential treatment. Since the LOR was quantified in the PAS and there were no indications of additional compliance or revenue issues, proceeding to ACT was considered unnecessary.

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

Same situation as Example A above, except that PAS testing of ten textile articles of sub-Saharan revealed that one Certificate of Origin incorrectly listed a garment's origin under the AGOA rules of section 10.213(a)(1). However, because of the additional processing of the garment (stone washing and perma-pressing), the article did qualify under section 10.213(a)(2). The PAS team checked other records and there were no other additional articles using the incorrect rule of origin.

Although the import department failed to make a proper origin determination, the article still qualified for AGOA. The cause of the incorrect determination was the failure of Purchasing to provide the import manager (IM) all of the information on the garment's production. The subsequent CIP reinforced following the existing procedures, that the IM review all imported AGOA articles. The CIP also improved interdepartmental communication (an annual import department memo to key departments). Prior to PAS closing the team determined (based on the current review of two new AGOA products) that the controls in place were working effectively. Therefore, proceeding to ACT was considered unnecessary.

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

Commodities Inc (CI). imports a number of **non-textile** articles from AGOA designated countries entered duty free under the African Growth and Opportunity Act. In order to make this determination, CI must conclude that the country of origin, the direct shipment, and the percentage of value content criteria have all been met. The AGOA goods are articles assembled from materials obtained from foreign countries. The CI Import Procedures Manual requires the import department review the evidence of origin from the AGOA producer. The review includes questions on the origin of the materials used to produce the AGOA goods. Because of confidentiality concerns each AGOA vendor gives the import department general information about an article's material costs and material origins but discloses no specific information on the materials used, the source of the materials, or material prices.

Company's Policies and Procedures

For AGOA articles CI has a written company policy that the origin information will be obtained prior to the initial entry of the goods. As a condition of export, a Statement of Manufacture from the AGOA producer indicating that the goods were produced in the beneficiary country makes up part of the import documents. Each purchase order states that for goods imported by CI, on the AGOA producer's acceptance of the PO, the producer agrees to supply detailed information on material price and material source directly to Customs on demand when requested.

Pre-Assessment Survey

Internal control procedures indicated all AGOA goods were subject of an import department review. For goods imported by CI the purchase orders were written to state "on the AGOA

producer's acceptance of the PO, the producer agrees to supply detailed information on material price and material source directly to Customs. To determine if the controls were working, the PAS team selected a total of twelve articles from the purchasing department files and determined if there was evidence of import department approval. There were 6 AGOA vendors. Two articles were selected from each vendor. The twelve articles represented 40 percent of the total AGOA merchandise value.

Because the value content requirements were totally reliant on the AGOA producer the PAS team, in the early stages of the PAS decided to test by vendor. The team prepared Customs letters requesting material cost and content data using the format of section 10.173. The Customs letter assured the vendor of Customs confidentially of the records and requested the documents be sent to the Customs Regulatory Audit Office. Although three of the twelve purchase orders tested did not contain the "supply to Customs on demand" language, the necessary information was provided to Customs by the vendor.

At the same time CI contacted the six AGOA producers attesting to the authenticity of the Customs inquiry, reminding the vendor of the information agreement, and reassuring the producer that sensitive information provided to Customs would not be shared with CI. Customs received the value content information and was satisfied with ten responses. One vendor failed to respond, even after additional inquiries by both Customs and CI. The uncooperative AGOA vendor had additional articles not tested by the PAS and a history of exporting to CI beyond the period of the PAS. CI was unable or unwilling to quantify the loss of revenue. Because of the additional time needed to determine the extent of the loss of revenue a decision was made by the PAS team to proceed to ACT to determine a revenue amount.

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

The same situation as Example C above, with the additional finding that the internal control procedures as written by CI were not followed. The IM never determined if any of the non-textile shipments qualified for the AGOA preference. The broker was instructed by the purchasing department to enter all articles from AGOA beneficiary countries as duty free. Non-textile articles entered under the AGOA represented 60 percent of merchandise value of all CI imports.

Pre-Assessment Survey

Although entry documents indicate the articles were produced by and directly shipped from an AGOA eligible sub-Saharan country, CI was not compliant with their procedures manual since the IM failed to make any determination whether the any of the goods qualified for the AGOA trade preference. Since the PAS team was unable to determine compliance with the AGOA and the merchandise value represented a large part of CI's importing activity, the PAS team decided to go directly to ACT to determine compliance rather than limited testing of a system with no internal control. Since the company did not agree to or take corrective action, and denied that there was a problem, the decision to proceed to ACT using statistical sampling was considered necessary.

PART 4 WORKSHEET FOR EVALUATING INTERNAL CONTROL (WEIC) - AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA)

PURPOSE: To determine whether AGOA 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?	
	Overall Control					
1.	Are internal controls over AGOA merchandise 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 AGOA imports?					
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 AGOA duties and tasks to a position rather than a person?					
8.	Does the company have good interdepartmental communication about AGOA matters?					
9.	Does the company conduct and document periodic reviews of AGOA?					
10.	Does the company use the AGOA periodic review results to make corrections to its import operations?					
11.	Does the company use the AGOA periodic reviews to make changes to its import declarations as appropriate?					
12.	Do internal controls involve a verification process to determine that the imported merchandise qualifies for AGOA?					
13.	Is adequate descriptive information provided (by Purchasing, Engineering, other departments, and suppliers) to the Import Department and/or broker to ensure proper AGOA eligibility?					

No.	Internal Control (IC)	Yes	No	Work Paper Reference		Comments
				IC Manual Page Number	Is Implementation of Control Supported by Documentation and/or Interviews?	
14.	Does the importer have procedures to obtain any required or necessary documentation to support the claim (e.g. a contract penalty provision if AGOA information is not provided to Customs on demand)?					
15.	Does the importer maintain an AGOA database or listing of imported merchandise that would readily identify AGOA transactions?					
16.	Does the importer (or the importer's agent) visit the plant in the AGOA country(s) where the products are produced?					
17.	Does the company perform an annual review of changes to AGOA?					
	New AGOA Merchandise					
18.	Does management review the classification and eligibility of new AGOA items?					
19.	Is responsibility for the AGOA eligibility process assigned to one knowledgeable individual or department with management oversight?					

No.	Internal Control (IC)	Yes	No	Work Paper Reference		Comments
				IC Manual Page Number	Is Implementation of Control Supported by Documentation and/or Interviews?	
20.	Is adequate descriptive information provided to the Import Department and/or broker by suppliers, engineers, Purchasing Department, etc. to ensure proper Classification?					
21.	Is Customs assistance sought in classifying merchandise (e.g., requesting binding rulings)?					
	Entry Review					
22.	Does the company review entries to verify that correct classifications were used?					
23.	Does the company monitor the entry review process to verify that controls were followed?					
24.	Are exporters required to print the HTSUS numbers provided by the company on invoices and/or packing lists?					
25.	Does the individual reviewing merchandise have adequate knowledge and training on AGOA issues?					
	Broker Oversight					

No.	Internal Control (IC)	Yes	No	Work Paper Reference		Comments
				IC Manual Page Number	Is Implementation of Control Supported by Documentation and/or Interviews?	
26.	Are HTSUS Classifications for AGOA maintained in a database that is provided to brokers?					
27.	Are brokers required to have written company approval to make classification changes?					
28.	Does the company provide adequate broker oversight?					
29.	Does the company identify, analyze, and manage risks related to AGOA?					
30.	Has the company identified any risks related to AGOA and implemented control mechanisms?					
31.	Does the company have internal control to address specific issues identified in the profile?					
32.	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.