Customs' Entry Reconciliation Program

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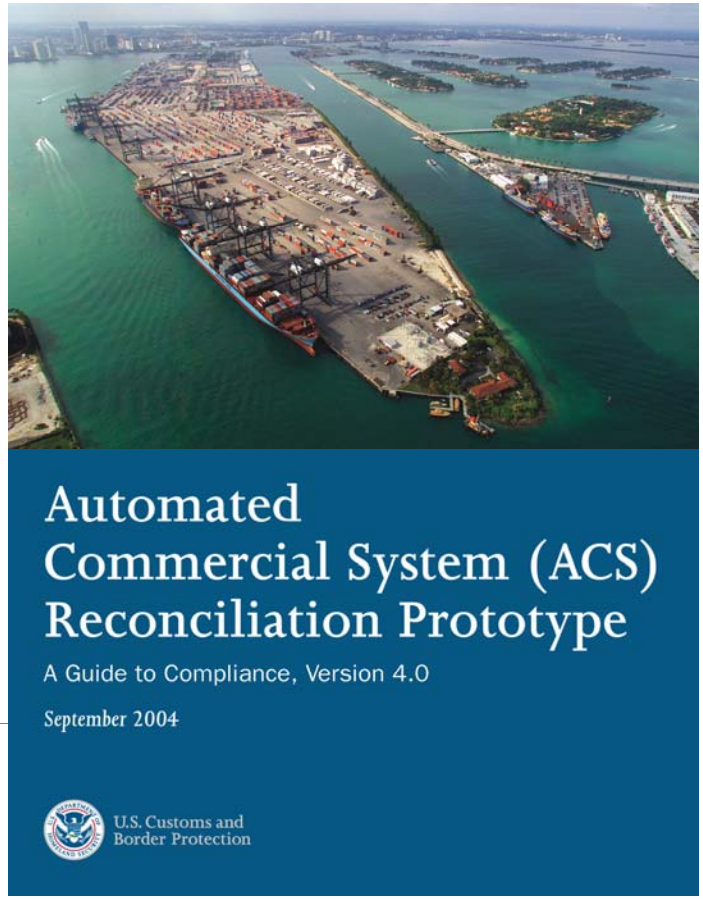

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Why Entry Reconciliation?

- Obligation to Report the Correct & Accurate Value
  - *Reasonable Care -- 19 U.S.C. § 1484*

    . . . parties qualifying as "importer of record" . . . shall, using **reasonable care** — complete the entry . . . by filing with Customs Service the **declared value**, classification and rate of duty applicable to the merchandise, . . . necessary to enable the Customs Service to— (i) properly **assess duties** on the merchandise (ii) collect **accurate statistics** with respect to the merchandise,

  - *19 U.S.C. § 1485(a)(2) & (3)*

    An importer making an entry . . . must file a **declaration under oath** stating that "the prices set forth in the invoice are true . . . [and that] all other statements in the invoice . . . or in the entry itself, are true and correct ."

  - All invoices for imported merchandise are required to set forth, among other things, " (5) the purchase price of each item …" (6) If the merchandise is shipped otherwise than in pursuance of a purchase or an agreement to purchase, the value for each item. *19 U.S.C. § 1481(a)(5)*.

Why Entry Reconciliation?

- Transaction value -- 19 U.S.C. § 1401a(b)(1)

  "the price actually paid or payable for the merchandise when sold for exportation to the United States, plus amounts equal to" …

  - the value, apportioned as appropriate
    - ✓ Commissions
    - ✓ Royalties or license fees
    - ✓ Assists
    - ✓ Proceeds of a subsequent sale or use.
  - Supplemental payments and the Generra Rule --
    - A rebuttable presumption that all payments made by a buyer to a seller, or a party related to a seller, are part of the price actually paid or payable. ("HQ") 545663 dated July 14, 1995. Generra Sportswear Co. v. United States, 8 CAFC 132, 905 F.2d 377 (1990)

Entry Reconciliation: When to Participate?

- Entry Reconciliation is not just for "transaction value" situations
  - Standard Cost / Computed Value / Maquiladora operations / Tolling contracts (Shelter Operations)
  - Related Party Transfer Pricing Adjustments
  - Imports into a Vendor Managed Inventory (VMI) warehouse (value at time of removal changes);
  - Assists that are not quantifiable at time of entry (including foreign research, development, design, etc.) ;
  - Supplemental Payments to foreign vendors (tooling, mold, equipment, or other);
  - Proceeds paid to foreign vendors (e.g. 1% of net sales are remitted to vendor after entry);
  - Material acquisition charges or surcharges that are not known at time of entry (spot buy charges, precious metal surcharges based on a market rate [e.g., LME - London Metals Exchange], etc.);
  - Product rework or testing charges;
  - Other post entry price adjustments or any adjustments to the value declared to Customs at time of entry;
- Any time the entered value is "estimated" or the true, correct and final value is not know at the time of entry filing!

Why Use Entry Reconciliation?

- Obligation to file correct and accurate entries attaches at the time of filing
- What if at entry you *don't know whether*
  - the value is accurate at time of filing (assists, additions, end-of-year adjustments, etc.)
  - Article qualifies for FTA
  - for HTS 9802 / allowance?

Why Use Entry Reconciliation?

- *19 U.S.C. § 1952*
  - *"No person, by fraud, gross negligence, or negligence--(A) may enter, introduce, or attempt to enter or introduce any merchandise into the commerce of the United States by means of—*
    - *(i) any document, written or oral statement, or act which is material and false, or*
    - *(ii) an omission which is material .. . ."*

Appendix B to Part 171-Customs Regulations: Violations of 19 U.S.C. 1592

- **Negligence** . . . failure to exercise the degree of reasonable care and competence expected from a person in the same circumstances:
  - in ascertaining the facts . . . drawing inferences . . . or ascertaining the offender's obligations under the statute

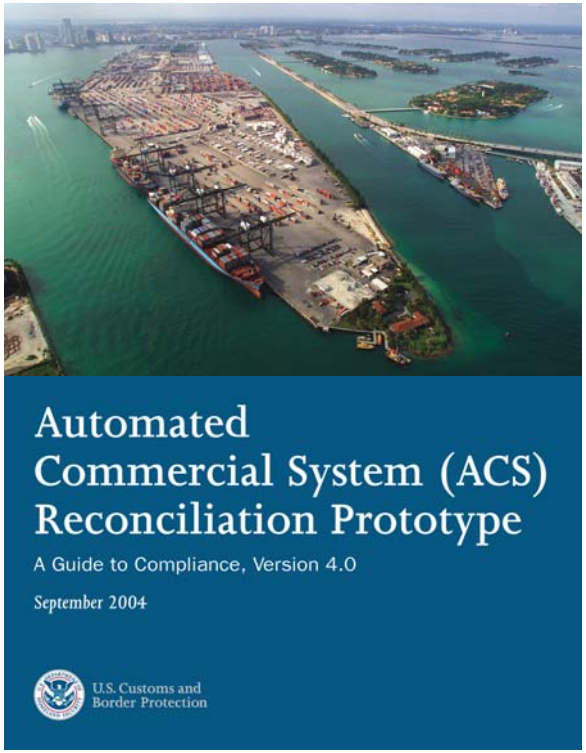
    … failure to exercise reasonable care and competence … to ensure that statements made and information provided … are complete and accurate; or … to perform any material act required by statute or regulation.
- Gross Negligence
  - an act (or omission) done with **actual knowledge** of or **wanton disregard** for the relevant facts and with indifference to or disregard for … obligations under the statute.

Why Entry Reconciliation?

- Before “reconciliation” filers and Ports made their own special arrangements to report adjustments.
- Local processes were problematic because
  - informal, no consistency from port to port
  - no legal basis, and
  - lacked adequate financial controls
  - could not contest or challenge final assessments
- 1993 -- Customs Mod Act amended sec. 1484 to include provisions for a new type of entry -- a reconciliation entry.

Customs Reconciliation Guide

- http://www.cbp.gov/sites/default/files/documents/acs_recon_guide.pdf
- Provides rules and desktop instructions for brokers and other users
- 21 months from date of importation to file reconciliation containing “correct” value
- Reconciliation entry is type “09”
- Reconciliation entry is processed ABI and will liquidate



What is Reconciliation?

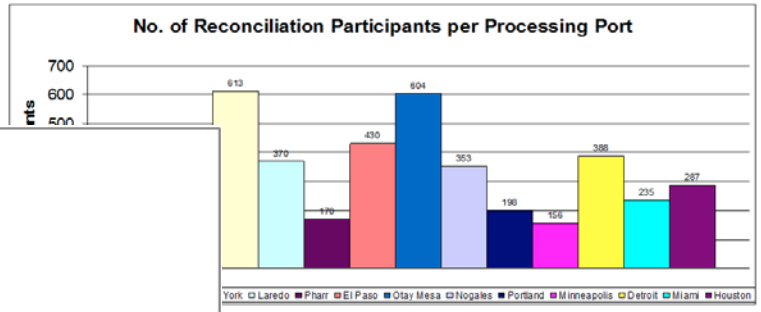
- A process that allows importers to
  - ✓ file entries using the **best available information** and
  - ✓ *electronically "flag" entry data elements that are* ***estimated***
  - ✓ "actual final information" is submitted at a later date via
- "*Reconciliation*" Entry (type 09)
  - ✓ can cover one or thousands of previously filed individual entries (only entry types 01-Consumption, 02-Quota/Visa Consumption, 06-FTZ Consumption)
  - ✓ a Reconciliation entry is "liquidated," with a single bill or refund, as appropriate
  - ✓ CBP decisions on reconciliation entries can be protested and contested in court
  - ✓ may file **multiple** recon entries

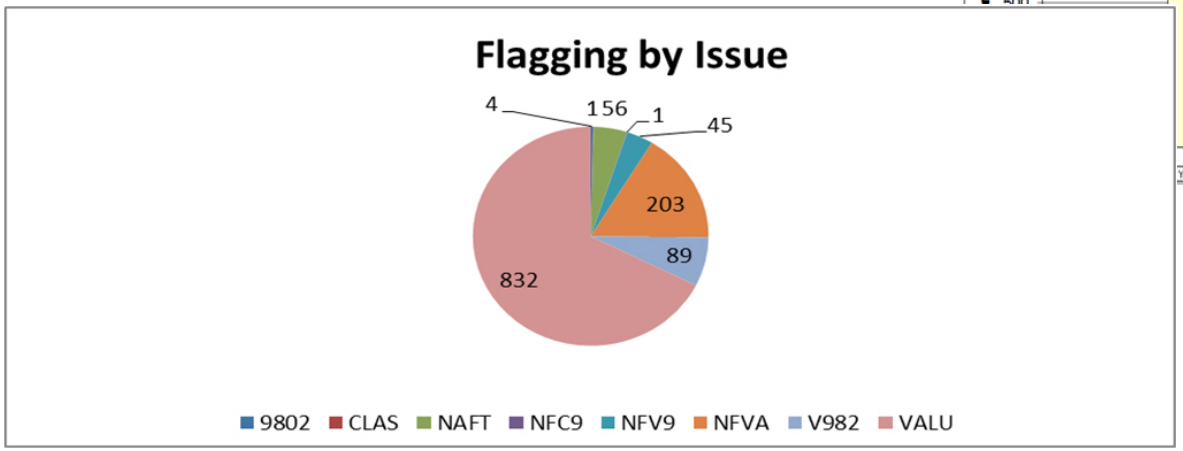
What is ACS Reconciliation?

- What Can Be Reconciled?
  - ACS Reconciliation is the **exclusive** means for reconciling post-summary adjustments to:
    - Dutiable value
    - HTSUS Heading 9802 value
    - FTA's such as NAFTA, Chile, CAFTA-DR, Colombia TPA, Korea, Oman, Panama and Peru).
    - Limited classification issues
  - Other "options" ("known" vs. "unknown" errors)
    - Add Slips? PEA or PSC?
    - Prior Disclosure?
    - Working with vendor to capture accurate value info on invoices at time of entry
    - Extension of liquidation (§ 159.12 – for proper appraisement or classification of the merchandise)

What is Entry Reconciliation?

- Approximately 4,282 importers participated in the recon program during calendar year 2012





Entry Recon flagging

- Flagging:
  - Identifies unknown information
  - Transfers liability for those issues to a Reconciliation
  - "Elements" that are flagged are withheld from liquidation
  - Permits normal liquidation of the remainder of the entry summary

- A filer may flag entries via an *individual entry flag* or a *blanket flag*
  - Individual entry flagging-- The entry filer flags the underlying entries on the header record of an entry summary at the time of filing
  - Blanket Flagging -- A flag is automatically added by CBP to <u>all</u> entries for <u>all</u> ports made under the recon-filer's importer of record number.

Recon flagging & Time Periods

- Blanket Flagging
  - Means *each* entry summary must be closed by a Reconciliation, *even those entries that do not require adjustments.*
  - *Entries that do not require adjustments* can be filed on a separate **"no change"** recon entry.
- Time Period For Filing Recon Entries
  - Participants in Recon program have up to 21 months from the flagged entry summary date to file the recon
  - Except for NAFTA/FTA claims– limit is 12 months from entry summary date
  - **Failure to file a timely reconciliation will result in the assessment of a liquidated damages.**
  - Importers who wish to obtain reports of flagged entries may do so by contacting CBP National Finance Center. ITRAC data is also used for reconciliation.

Reconciliation Flag Codes

Flag	Issue	Codes	Issue
001	VALU	VL	VALUE
002	CLAS	CL	Classification
003	9802	98	9802
004	VCLS	VC	VALUE + Classification
005	V982	V9	VALUE + 9802
006	C982	C9	Classification + 9802
007	VC98	AL	VALUE + Classification + 9802

If the issue on the entry has already been covered by a Reconciliation, the flag code in Customs system will have a '2' in the second position. (e.g. an entry flagged for '001' Value will show up as '021' after the Recon has been filed.

NAFTA is flagged under a separate Yes/No indicator

ACS RECONCILIATION PROTOTYPE: A Guide to Compliance

4. Flagged Entry Report Examples

Importer Number/Ultimate Consignee

RECN TYPE

1 04/09/01 U. S. CUSTOMS SERVICE PAGE 1

ACS LQEXT1 LIQUIDATION EXTRACT REPORT

088-1234567JD IMPORTER EXTRACT FOR FY 2000

OFY/ FLR	ENTRY NUMBER	R D P	ENTRY DATE	ENT TYP	LIQ. DATE	LIQ. TYPE	RECN TYPE	BILL/REFUND AMOUNT	ENTER VALUE	DUTY LIQUIDATION	ADD/CVD LIQUIDATION	TAX LIQUIDATION	OTHER LIQUIDATION
0MM0	79435501	74501	012799	01	121099	NO CHG	VAL	.00	9,643.00	.00	.00	.00	25.00
0MM0	79519373	63001	043099	01	031000	NO CHG	VAL	.00	1,700.00	52.70	.00	.00	25.00
0MM0	79588053	52904	072899	01	060900	NO CHG	VAL	.00	88,205.00	.00	.00	.00	110.26
0MM0	79241733	51101	080299	01	061600	NO CHG		.00	180,774.00	.00	.00	.00	225.97
0MM0	79248869	52904	080499	01	061600	NO CHG		.00	235,370.00	.00	.00	.00	294.21
0MM0	79416230	52904	081199	01	062300	NO CHG	982	.00	128,178.00	.00	.00	.00	160.22
0MM0	79225316	51902	081399	01	062300	NO CHG	NFTA	.00	238,454.00	.00	.00	.00	298.07
0MM0	79231659	51902	081699	01	063000	NO CHG	NFTA	.00	188,289.00	.00	.00	.00	235.36
0MM0	79233695	51902	082399	01	070700	NO CHG	NFTA	.00	98,519.00	.00	.00	.00	123.15
0MM0	79241733	51902	082699	01	070700	NO CHG		.00	188,790.00	.00	.00	.00	235.99
0MM0	79246922	51902	090199	01	071400	NO CHG	CLA	.00	285,047.00	.00	.00	.00	356.31
0MM0	79248869	51902	090799	01	072100	NO CHG		.00	46,262.00	.00	.00	.00	57.83
0MM0	79251805	51902	091399	01	072800	NO CHG		.00	229,997.00	.00	.00	.00	287.50
0MM0	79269593	51902	091799	01	072800	NO CHG		.00	232,607.00	.00	.00	.00	290.76
0MM0	79318220	51902	092099	01	080400	NO CHG		.00	85,245.00	.00	.00	.00	106.56
0MM0	79335238	51902	092399	01	080400	NO CHG		.00	196,154.00	.00	.00	.00	245.19
0MM0	79338242	51902	092799	01	081100	NO CHG		.00	44,718.00	.00	.00	.00	55.90

VAL	Value only
982	9802 only
NFTA	NAFTA only
CLA	Classification only
VCL	Value & Classification
V98	Value & 9802
C98	Classification & 9802
VC9	Classification, Value & 9802
NVAL	NAFTA/CFTA & Value
NCLA	NAFTA/CFTA & Classification
N982	NAFTA/CFTA & 9802
NVCL	NAFTA/CFTA, Value & Classification
NV98	NAFTA/CFTA, Value & 9802
NC98	NAFTACFTA, Classification & 9802
NVC9	NAFTACFTA, Classification, Value & 9802

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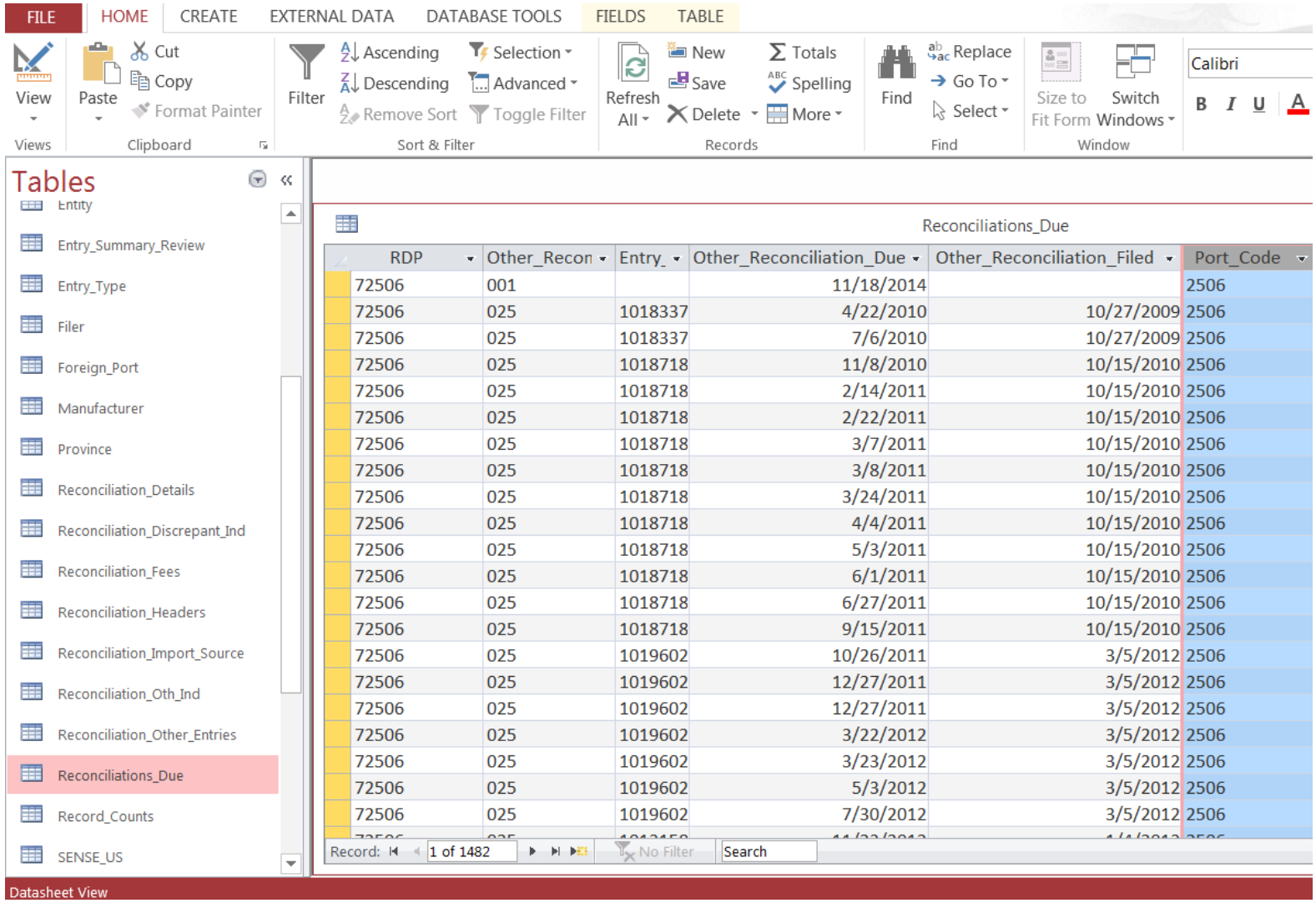
VERSION 4.0 September 2004

ITRAC Data

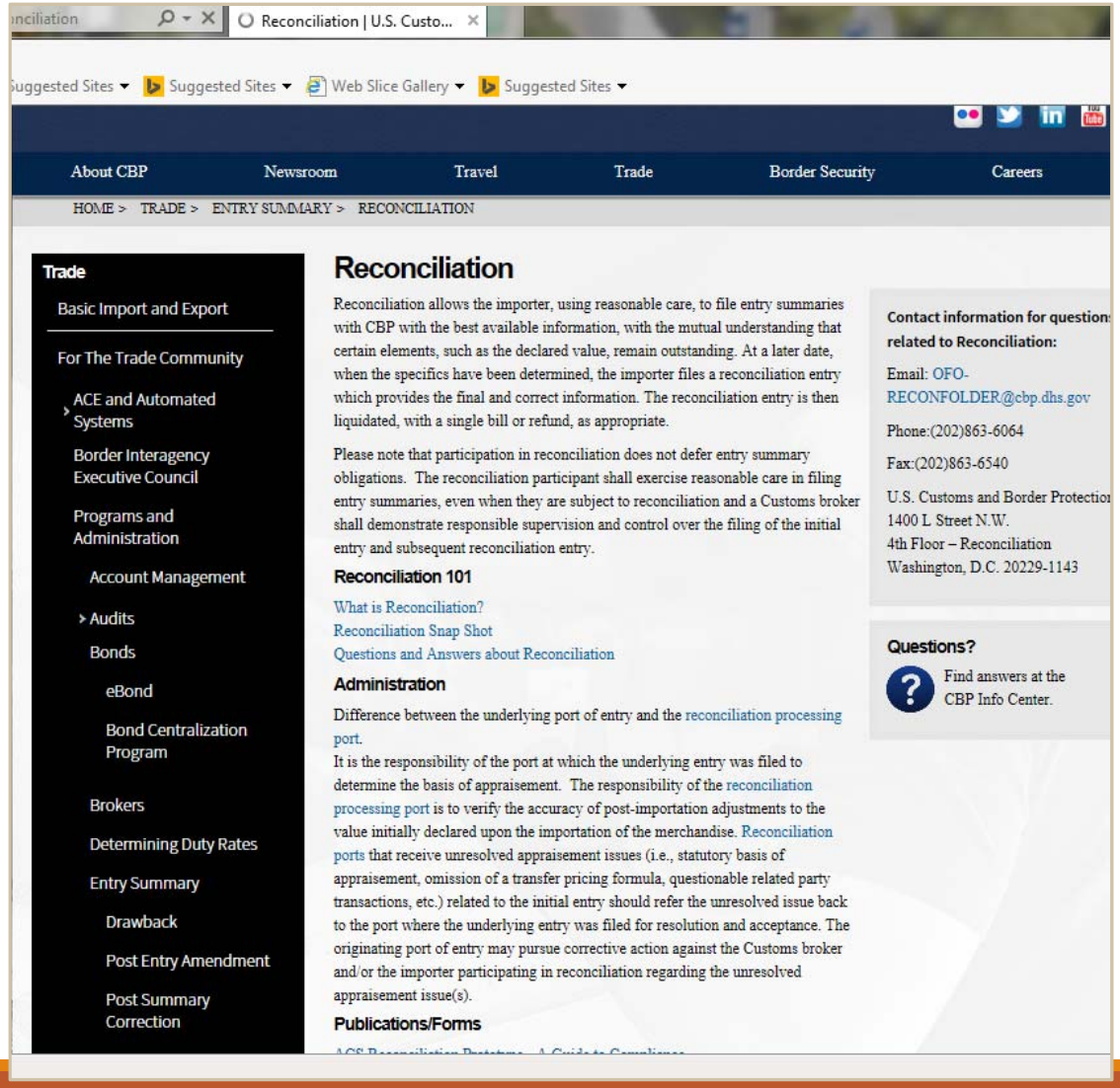
(Importer Trade Activity)



RDP	Other_Recon	Entry_	Other_Reconciliation_Due	Other_Reconciliation_Filed	Port_Code
72506	001		11/18/2014		2506
72506	025	1018337	4/22/2010	10/27/2009	2506
72506	025	1018337	7/6/2010	10/27/2009	2506
72506	025	1018718	11/8/2010	10/15/2010	2506
72506	025	1018718	2/14/2011	10/15/2010	2506
72506	025	1018718	2/22/2011	10/15/2010	2506
72506	025	1018718	3/7/2011	10/15/2010	2506
72506	025	1018718	3/8/2011	10/15/2010	2506
72506	025	1018718	3/24/2011	10/15/2010	2506
72506	025	1018718	4/4/2011	10/15/2010	2506
72506	025	1018718	5/3/2011	10/15/2010	2506
72506	025	1018718	6/1/2011	10/15/2010	2506
72506	025	1018718	6/27/2011	10/15/2010	2506
72506	025	1018718	9/15/2011	10/15/2010	2506
72506	025	1019602	10/26/2011	3/5/2012	2506
72506	025	1019602	12/27/2011	3/5/2012	2506
72506	025	1019602	12/27/2011	3/5/2012	2506
72506	025	1019602	3/22/2012	3/5/2012	2506
72506	025	1019602	3/23/2012	3/5/2012	2506
72506	025	1019602	5/3/2012	3/5/2012	2506
72506	025	1019602	7/30/2012	3/5/2012	2506

Getting Started: Applying for Reconciliation

- Must apply to participate in the program
- Once accepted, only prospective entries can be “flagged”
- Must have a “Reconciliation rider” to continuous bond.
- The Reconciliation Bond Rider must be filed and accepted at NFC prior to submitting the application
- Application is submitted to HQ for processing and acceptance.



Getting Started: Applying for Reconciliation

- Information needed
  - Importer name, IRS number (include suffix(s)), identification of Center of Excellence and Expertise, if applicable and email address.
  - Type of Flagging Requested (Blanket or individual)
  - Broker name(s), filer code(s) and email address(es).
  - Surety name(s) and surety code(s).
  - Port(s) at which underlying entries will be filed.
  - Description of specific issue(s) to be reconciled.
  - Point of contact, email, telephone and fax numbers.
  - Copy of Reconciliation rider

Getting Started: How Do I Reconcile?

- Entry summaries filed at any port may be flagged for reconciliation
- A reconciliation entry must be filed at a pre-assigned reconciliation processing port
- 13 processing ports designated for processing reconciliation entries: Boston, Champlain, New York, Laredo, Pharr, El Paso, Otay Mesa, Nogales, Portland, Minneapolis, Detroit, Miami and Houston.
- Picking an experienced broker to file reconciliations is critical:
  - ✓ Not all brokers have reconciliation experience
  - ✓ Reconciliation broker must have a national permit
  - ✓ Any broker can file the type 09 recon entry (they must have access to all entry data)

Getting Started: How Do I Reconcile?

- The role and responsibility of the reconciliation processing port is to address the reconciliation **not the underlying issues**.
- Legal issues, such as:
  - Basis of appraisement, method of determining value addition, or method of apportionment
  - FTA eligibility, etc.,
  - Must be resolved with Customs entry port I/S team, CEE or account manager before filing

Getting Started: How Do I Reconcile?

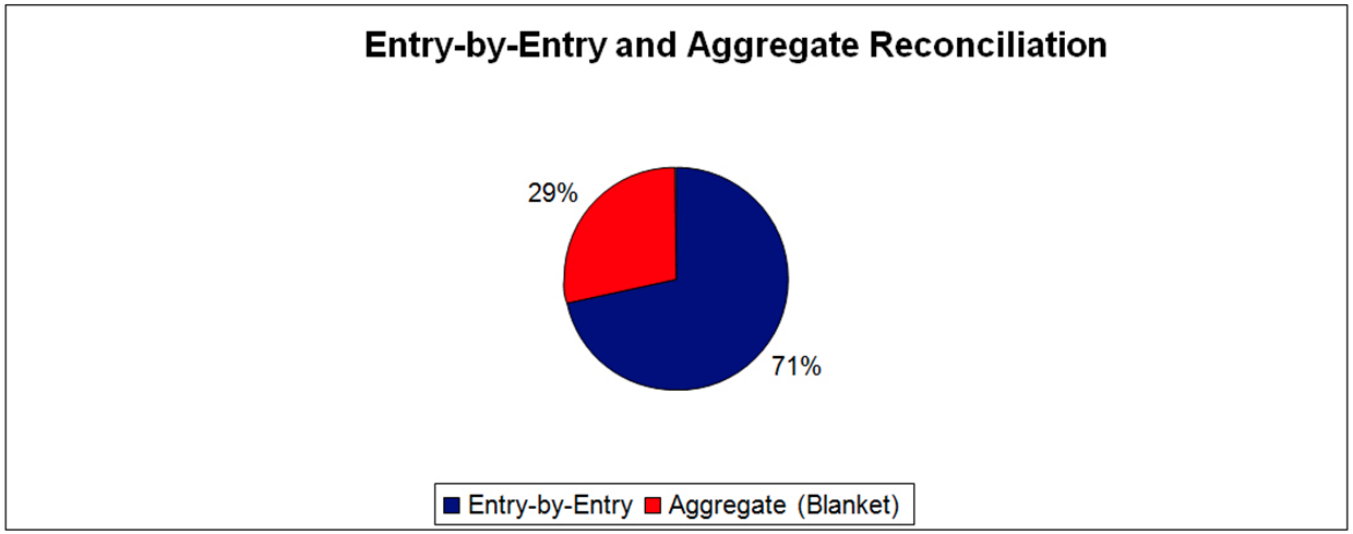
Administration

Difference between the underlying port of entry and the reconciliation processing port.

It is the responsibility of the port at which the underlying entry was filed to determine the basis of appraisement. The responsibility of the reconciliation processing port is to verify the accuracy of post-importation adjustments to the value initially declared upon the importation of the merchandise. Reconciliation ports that receive unresolved appraisement issues (i.e., statutory basis of appraisement, omission of a transfer pricing formula, questionable related party transactions, etc.) related to the initial entry should refer the unresolved issue back to the port where the underlying entry was filed for resolution and acceptance. The originating port of entry may pursue corrective action against the Customs broker and/or the importer participating in reconciliation regarding the unresolved appraisement issue(s).

Types of Reconciliations

- Two types of Reconciliations may be filed:
  - Entry-by-Entry
  - Aggregate



The Recon Entry – What it looks Like

- Reconciliation Entry consists of:
  - A Header Page,
  - Association file, and
  - Summarized line item data spreadsheet
- Other components (e.g., the spreadsheet diskettes and supporting documentation) are sent directly with the designated processing port.

The Recon Entry

- The Header Sheet
  - The Reconciliation header provides general information about the recon, including:
    - Reconciliation entry number
    - Type of Reconciliation
    - Issues on Reconciliation
    - Grand totals for duties and fees, both original and reconciled
    - Interest

SAMPLE RECONCILIATION HEADER

*Filer:	MM0 - Miracle Customs Brokerage
Reconciliation Entry Number:	MM0-8801108-8
Processing Port:	8801
Commodity Team:	898
Recon. Type:	__ Entry-by-Entry __ Aggregate
Recon. Filing Date:	May 5, 2004
Reconciled Issues:	Value, Classification, 9802
*Importer:	Durant Motor Corporation
Contact Name:	Joe Smith, 202-555-1234
Association Count:	49 entries
Recon. Years:	2003-2004
Importer IRS No:	88-1234567JD
Date of Oldest:	X Summary (Value, Class., 9802) 10/1/2003 __ Import Date (NAFTA) _____

Total Deposited Amounts on Underlying Entry Summaries:

	Duty (001)	$3,422,020.63
MPF	(499)	$ 23,762.00
HMF	(501)	$ 82,942.86

Total Reconciled Amounts for Underlying Entry Summaries:

	Duty (001)	$3,551,107.78
MPF	(499)	$ 23,762.00
HMF	(501)	$ 85,810.20

Total Amounts Paid with the Filing of this Reconciliation:

	Duty (001)	$129,087.21
MPF	(499)	$ 0
	HMF (501)	$ 2,867.34
	INTEREST	$ 11,601.42

The Recon Entry

- Aggregate Reconciliations
  - Consolidates all entries covered by the Reconciliation without identifying individual entry adjustments
  - Applies generally to those situations that involve only an increase
  - The Association file only requires a list of underlying entries and not the revenue adjustment broken down by entry.
  - The Importer waives any refunds through the reconciliation filing process for aggregate recon entry filing.

Sample Association File for Aggregate Reconciliation

Entry Num	Port Code		Entry Num	Port Code
MM-07913919-4	3301		MM0-7943550-1	4501
MM0-7914695-6	3001		MM0-7944782-5	4601
MM0-7916489-2	2904		MM0-7945470-5	5201
MM0-7916747-5	3001		MM0-7947187-5	1101
MM0-7920503-7	2704		MM0-7947648-0	1701
MM0-7920978-9	2809		MM0-7948972-0	2604
MM0-7922432-6	4701		MM0-7949675-7	2809
MM0-7922531-6	0712		MM0-7951306-9	2904
MM0-7923165-9	4101		MM0-7951937-3	3001
MM0-7923369-5	0401		MM07953106-9	3002
MM0-7924173-3	1101		MM0-7954607-5	3301
MM0-7924692-2	1701		MM0-7954819-5	3601
MM0-7924886-9	2809		MM0-7956015-9	4101
MM0-7925180-5	5204		MM0—795638-9	4501
MM0-7926959-3	3301		MM0-7956890-4	4601
MM0-7931822-0	1101		MM0-7957108-3	5201
MM0-7933523-8	1701		MM0-7957315-4	1001
MM0-7933824-2	2604		MM0-7957599-0	4601
MM0-7935697-7	2809		MM0-7957694-7	2709
MM0-7936691-0	2904		MM0-7957973-5	1301
MM0-7936861-7	3001		MM0-7958561-7	2305
MM0-7936886-5	3002		MM0-7958632-0	2704
MM0-7940815-4	3301		MM0-7958791-2	2809
MM0-7941030-6	3601		MM0-7958805-3	2904
MM0-7941623-0	4101			

The Recon Entry

- The major difference between Aggregate and Entry-by-Entry Reconciliation is the structure of the *association file*
  - The *association file* contains a list of affected entry summaries flagged for Reconciliation sorted by Port code where they were filed.
  - For Entry-By-Entry Reconciliation, the following elements are also required:
    - The actual amount of fees (broken out by class code), duties and fees, deposited per underlying entry summary
    - The reconciled amount of fees (broken out by class code), duties, and fees owed for each underlying entry
  - A detailed submittal at the entry line level in which the adjustment is specifically provided for each entry summary identified in the *association file*.
  - Can include upwards and downward adjustments in value and can provide for duty refunds at the entry level.

Entry-by-Entry Reconciliation: Association File Structure

NAFTA Line Item Spreadsheet

Durant Motor Corp.
IR 10-1234567-00
ABC-123456789
RECONCILIATION DETAILS - LINE ITEM FILE
PERIOD: 1/1/2004 THRU 9/30/2004

Entry number reference

Rec. Line	Cal.Year	Reason	Port	Origin	Original SPI	Rec. SPI	HTS	Original Quant.	Rec. Quant.	Original Value	Reconciled Value	Difference in Value	Original Duty	Rec. Duty	Duty Change*	MPF Change*	HMF Change*
1	2004	NAFTA		MX		MX	8544300000			$75,231	$75,231	$0.00	5.00%	0.00%	($3,761.54)	($157.99)	$0.00
2	2004	NAFTA		MX		MX	8544300000			$54,364	$54,364	$0.00	5.00%	0.00%	($2,718.20)	($114.16)	$0.00
3A	2004	NAFTA		MX			8536908030			$17,439	$10,000	($7,438.59)	2.70%	0.00%	($200.84)	($15.21)	$0.00
3B	2004	NAFTA				MX	8536908030			$0	$7,439	$7,439.59	0.00%	0.00%	$0.00	$0.00	$0.00
4	2004	NAFTA		MX		MX	8536908030			$83,420	$83,420	$0.00	2.70%	0.00%	($2,252.33)	($175.18)	$0.00
															($8,932.91)	**($462.54)**	**$0.00**

* Duties, Taxes & All Fees must be individually broken out for each Rec. line.

The Recon Entry

Summarized Line Item Data Spreadsheet

- The third element of the Reconciliation must show, at a macro level, all substantive changes reported in the Reconciliation.
- The data must be presented in a standard format (*See sample spreadsheet).*
- The data elements in the spreadsheet are the same for both Entry-by-Entry and Aggregate Reconciliations.

The Recon Entry

Summarized Line Item Data Spreadsheet

- The summarized line item data spreadsheet captures adjustments that have an effect on reportable data elements declared throughout the reconciliation period ***without*** reference to the underlying entry numbers
- Each combination of HTS, country of origin, *Special Program Indicator (SPI),* and calendar year of release (per Census requirements) will require a separate line.
- Each spreadsheet line is to show the original and reconciled data.
  - The original data is extracted from the rolled-up groupings of the entry lines from flagged entries
  - The reconciled data is either input manually or prorated automatically via formula

Summarized Line Item data Spreadsheet

DURANT MOTOR CORP. -- AGGREGATE RECONCILIATION
PERIOD: 10/1/2003 THRU 3/31/2004; Recon Entry No. MMO-1234567-8

Rec.Line	Cal.Year	Reason	Port	Origin	Original SPI	Rec. SPI	HTS	Original Quantity	Rec. Quantity	Original Value	Reconciled Value	Additional Value	Original Duty	Rec. Duty	Duty Change*
1	2003	Royalty	All	JP			4011101000			$16,300,451	$16,544,958	$244,507	4.00%	4.00%	$9,780.28
2	2004	Royalty	All	JP			4011101000			$5,751,916	$5,838,195	$86,279	4.00%	4.00%	$3,451.16
3	2003	Assist	All	MX	MX	MX	5704900090			$685,231	$721,548	$36,317	2.60%	2.60%	$944.24
4	2004	Assist	46	MX	MX	MX	5704900090			$623,966	$657,036	$33,070	2.60%	2.60%	$859.82
5	2003	R&D	46	KR			7007110010			$3,201,101	$4,601,298	$1,400,197	5.60%	5.60%	$78,411.03
6	2004	R&D	46	KR			7007110010			$2,604,538	$3,015,562	$411,024	5.60%	5.60%	$23,017.34
7	2003	9802	All	US			9802008065			$7,801,810	$6,943,611	($858,199)	0.00%	0.00%	$0.00
7a	2003	9802	All	DE			8421394000			$4,001,201	$4,859,400	$858,199	0.80%	0.80%	$6,865.59
8	2004	9802	All	US			9802008065			$6,537,984	$5,818,806	($719,178)	0.00%	0.00%	$0.00
8a	2004	9802	All	DE			8421394000			$3,549,751	$4,269,469	$719,718	0.80%	0.80%	$5,757.74
9	2003	Assist	46	EG	A	A	8804000000			$961,000	$1,037,880	$76,880	0.00%	0.00%	$0.00
10	2004	Assist	46	EG	A	A	8804000000			$63,250	$68,310	$5,060	0.00%	0.00%	$0.00
11a	2003	Class.	46	JP			4011105000	10000	2000	$160,000	$32,000	($128,000)	3.60%	3.60%	($4,608.00)
11b	2003	Class.	46	JP			4011101000	0	8000	$0	$128,000	$128,000	4.00%	4.00%	$5,120.00

* Duties, Taxes & Fees must be individually broken out for each Rec. line.

TOTAL ADJUSTMENT

Customs Validation of Data

- Customs compares information on the reconciliation entry to the information in ACS/ACE.
  - From Header record, association file and SLDS
- Recon entry will be rejected if there is a <u>total difference</u> in duty/fees paid information of more than $20 for aggregate or $.01 for entry by entry.
- 30 days for review: if rejected filer has 30 days to refile with corrections
- These are commonly referred to as MISMATCHES!

Mismatches (the cause and solutions)?

- CAUSES (Customs will reject the reconciliation entry):
  - Differences in original duty, MPF, or HMF per Customs ACS system vs. Importer records (EVERY PENNY COUNTS!)
  - Where possible, Post Entry Amendments (PEA) should not be filed on flagged entries! The Value PEA causes the original duty and fees to change. ITRAC data and the and Customs Liquidation extract report do not reflect PEA activity until entry is liquidated.
  - Importer of record number or bond number differences
  - Rounding errors
  - Flagging errors
- SOLUTIONS
  - Don't file PEA's on flagged entries or track PEAs and make adjustments during recon process.
  - Monitor importer of record and bond changes via ACE periodically
  - Monitor flagging status via ACE.

Post Entry Amendment Tracking Worksheet

TO BE COMPLETED @ TIME OF RECONCILIATION			ENTRY LINE INFORMATION (PLEASE PROVIDE INFORMATION FOR LINE ITEM REQUIRING VALUE ADJUSTMENT)								
Reconciled?	Entry Number Allocated during Reconciliation	Reconciliation Entry Number	ENTRY NUMBER	ENTRY LINE NUMBER	ENTRY DATE	HTS NUMBER	COUNTRY OF ORIGIN	MANUFACTURER ID CODE	MANUFACTURER NAME	PART NUMBER	PART DESCRIPTION

ENTRY LINE INFORMATION (PLEASE PROVIDE INFORMATION FOR LINE ITEM REQUIRING VALUE ADJUSTMENT)								
ORIGINAL ENTERED VALUE	ORIGINAL DUTY PAID FOR ENTRY LINE	ORIGINAL MPF PAID FOR ENTRY LINE	ORIGINAL HMF PAID FOR ENTRY LINE	CORRECT VALUE FOR ENTRY LINE	CORRECT DUTY FOR ENTRY LINE	CORRECT MPF FOR ENTRY LINE	CORRECT HMF FOR ENTRY LINE	GENERAL DESCRIPTION OF VALUE ADJUSTMENT (e.g. ASSIST, BROKER CLERICAL ERROR, ROYALTY, COMMISSION, PACKING, PROCEED)

Common Broker Errors

- Errors in flagging status
- Overriding Customs Blanket flag
- Allocating adjustments over all entries vs. allocating over only entries requiring changes
- Not reconciling entries from other brokers (causes Liquidated damages)
- Importers are NOT required to use the same broker who filed the original entry to file the recon entry.
- Pick a broker with extensive recon exp.

What if I need More Time?

- Extensions are rarely allowed on Reconciliation filing deadlines. However, under certain circumstances the Port will grant a Request for an Extension and Withholding Liquidation
- If elements remain unknown when the Reconciliation is due, importer must submit a timely-filed Reconciliation with best available information or no changes
- Along with a written request explaining why liquidation of the Reconciliation should be withheld and for how long
- If the importer justifies good cause on why the extension should be granted, CBP will issue a letter of approval to the importer to document the decision and the date of that decision

The Good, the bad, the ugly

- No-File within 21 months
  - Penalty amount is the lesser of the value of all flagged entries due during the calendar month, or the value of the bond.
  - Mitigated Option 1 amount ($100-$500) offered when all flagged entries covered on the liquidated damages claim are properly reconciled.
- Late File
  - Penalty amount is greater of double the duties, fees, taxes, and interest due on the entire reconciliation or $1,000.

How do I “reconcile” Entries?

- Situation specific: what is your issue?
- Assists and supplemental payments?
- Apportionment to specific products or suppliers?
- Apportionment to flagged entries

How do I “reconcile” Entries?

- Records needed
  - ACE or ITRAC reports
  - CBP Flagged entry report
  - CBP liquidation Report
  - Financial Records for assists / additions (royalties, RP uplifts, etc.)
- Determine whether reconciliation issue affects all or only some products from supplier(s)?
- Which entry line items require adjustment (common CBP audit finding is that all lines were adjusted when only certain lines need adjustment).

How do I “reconcile” Entries?

- Importer (or service provider) should create a report at the entry line or invoice part number line level?
- Make value adjustments at the entry line or invoice part number line level
- Roll-up invoice part number line level to HTS line level for Entry
- Create association file and Summarized Line Item Data Spreadsheet from invoice part number Roll-up (using Microsoft Access).

How do I “reconcile” Entries?

- Auditable and verifiable financial records must be the basis for Reconciliation
- CBP may request documentation to support the change made at the HTSUS/country-of-origin line or part number.
- Must clearly document how the information in the Reconciliation was derived.
- Supporting documents may include:
  - CBP Form 247—Cost Submission (although this is not a required form anymore)
  - Detailed line-level spreadsheets
  - Landed cost analysis spreadsheets
  - Invoices, purchase orders, and contracts
  - Documents supporting apportionment of assists

Example Entry by Entry Adjustments

XYZ Electronics Corp.
Entry-by-Entry Reconciliation
Jan 2013 - March 2013

	A	B	C	BD	BE	BF	BG	BH	BJ	BK	BL	BM	BN	BO	BP	BQ
5	Entry Number of Import	Line Numb	Tariff Classificatio	Inter Company (Y/N)	Original Value	TP Adjustment (see sheet 2)	Assist Adjustment (see sheet 4)	Post-Importation Value Adjustments (see sheet 5)	New Valu	Original Duty	Additional Duty	New Dut	Original MPF	Additional MPF	New M	Original HMF
399	redacted	1	8536694040	N	$3,432.00	$0.00			$3,432.00	$0.00	$0.00	$0.00	$7.21	$0.00	$7.21	$0.00
400	redacted	1	8536694040	Y	$4,935.00	$114.39			$5,049.39	$0.00	$0.00	$0.00	$10.36	$0.24	$10.60	$0.00
401	redacted	2	8536694040	Y	$6,511.00	$150.92			$6,661.92	$0.00	$0.00	$0.00	$13.67	$0.32	$13.99	$0.00
402	redacted	3	8536694040	Y	$8,217.00	$190.47			$8,407.47	$0.00	$0.00	$0.00	$17.26	$0.40	$17.66	$0.00
403	redacted	1	8538906000	N	$1,375.00	$0.00			$1,375.00	$48.13	$0.00	$48.13	$2.89	$0.00	$2.89	$0.00
404	redacted	2	8538906000	N	$3,827.00	$0.00	$5,000.00	$ 650.00	$9,477.00	$133.95	$197.76	$331.71	$8.04	$11.87	$19.91	$0.00
405	redacted	3	8538906000	N	$4,260.00	$0.00			$4,260.00	$149.10	$0.00	$149.10	$8.95	$0.00	$8.95	$0.00
406	redacted	4	8538906000	N	$829.00	$0.00			$829.00	$29.02	$0.00	$29.02	$1.74	$0.00	$1.74	$0.00
407	redacted	1	8544422000	Y	$22,190.00	$514.36			$22,704.36	$0.00	$0.00	$0.00	$46.60	$1.08	$47.68	$0.00
408	redacted	2	8544429000	Y	$187.00	$4.33			$191.33	$4.86	$0.11	$4.97	$0.39	$0.01	$0.40	$0.00
409	redacted	3	8544491000	Y	$639.00	$14.81			$653.81	$0.00	$0.00	$0.00	$1.34	$0.03	$1.37	$0.00
410	redacted	1	8544422000	N	$13,799.00	$0.00			$13,799.00	$0.00	$0.00	$0.00	$28.98	$0.00	$28.98	$0.00
411	redacted	1	8538903000	Y	$6,294.00	$145.89			$6,439.89	$220.29	$5.11	$225.40	$13.22	$0.31	$13.53	$0.00
412	redacted	2	8536694040	Y	$262.00	$8.39			$270.39	$0.00	$0.00	$0.00	$0.76	$0.02	$0.78	$0.00

1-Entry by Entry Recon | 2-Transfer Price Adjustments | 3-2007 MID TABLE | 4-Assists FY07 | 5-Value Adjustments FY07 | HEADER | DETAIL | ...

Reconciliation Procedures

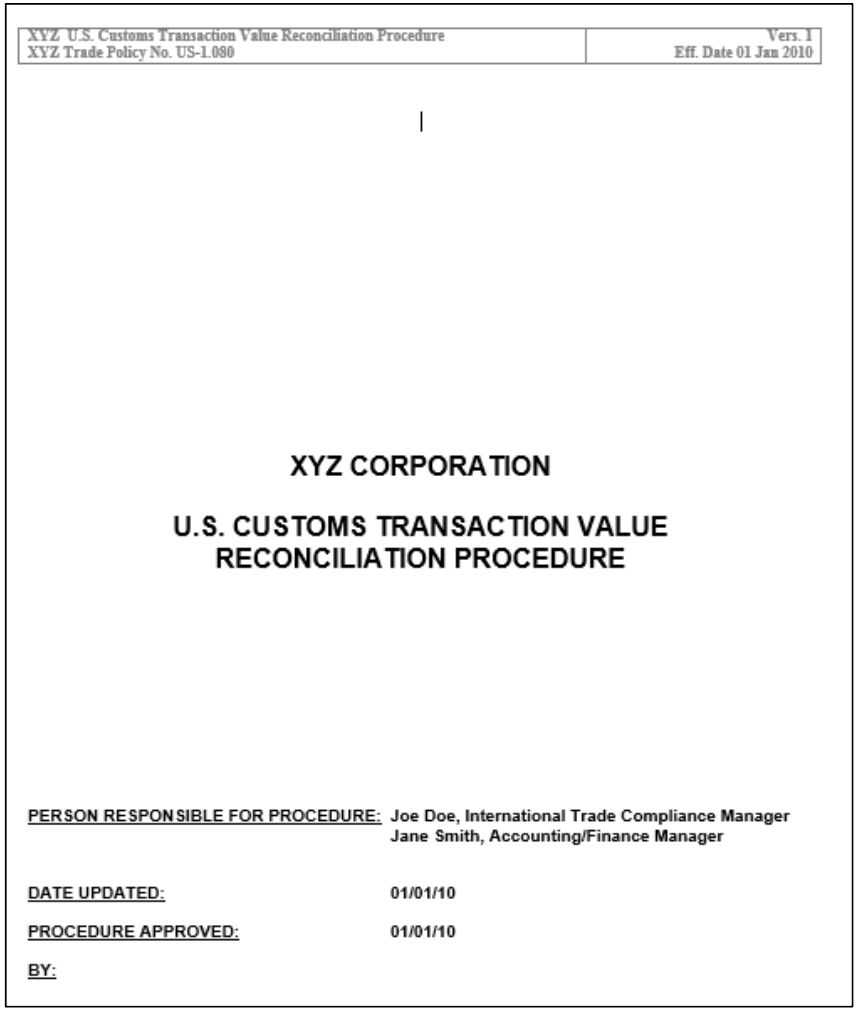
EXAMPLES OF RED FLAGS

- No Recon Internal Controls
- Importer lacks knowledge of Recon Prototype requirements.

EXAMPLES OF BEST PRACTICES

- Reconciliation Internal controls are written, accurate and complete
- Importer attends Recon seminars
- Importer maintains software application that tracks underlying entry information and ensures all underlying entry adjustments are supported.

- **MANY OTHERS! READ FOCUSED ASSESSMENT KIT – EXHIBIT 5T**



XYZ U.S. Customs Transaction Value Reconciliation Procedure
XYZ Trade Policy No. US-1.080

Vers. 1
Eff. Date 01 Jan 2010

XYZ CORPORATION

U.S. CUSTOMS TRANSACTION VALUE
RECONCILIATION PROCEDURE

PERSON RESPONSIBLE FOR PROCEDURE: Joe Doe, International Trade Compliance Manager
Jane Smith, Accounting/Finance Manager

DATE UPDATED: 01/01/10

PROCEDURE APPROVED: 01/01/10

BY:

Section 1 – Internal Control Questions

No.	Internal Control (IC)	Yes	No	Work Paper Reference	
				IC Manual Page Number	Is Implementation of Control Supported by Documentation and/or Interviews?
	Overall Control				
1.	Are internal controls for Reconciliation procedures 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 Reconciliation?				
5.	Does that manager have knowledge of Customs matters and the authority to ensure internal control procedures for imports are established and followed by all company departments?				

Exhibit 5T - Reconciliation - Technical Information for Pre-Assessment Survey (TIPS)

Reviews red flags and best practices

No.	Internal Control (IC)	Yes	No	Work Paper Refer	
				IC Manual Page Number	Is Implemen Control Su by Docume and/or Inte
	Broker Review				
19.	Does the company monitor the Reconciliation entries that the broker submits to Customs?				
20.	Do procedures ensure that the broker has all information required for the post-entry adjustments listed on the Reconciliation entries?				
21.	Does the company have adequate broker oversight?				
22.	Does the company identify, analyze, and manage risks related to reconciliation?				
23.	Has the company identified any risks related to reconciliation and implemented control mechanisms?				
24.	Does the company have adequate internal control to address specific issues identified in the profile?				

Reconciliation Procedures (Best Practices)

<u>What Customs looks for when auditing your reconciliation program</u>

Section 1 – Procedures for Identifying Annual Value Adjustments (G/L review)
Section 2 – Procedures for Ensuring all Entry Line Items Flagged are Reconciled using ITRAC/ACE data
Section 3– Procedures for Verifying that all Entries Were Flagged (flagging error identification)
Section 4 – Procedures for Creating the Association File
Section 5 – Procedures for Creating the Summarized Line Data Spreadsheet (SLDS)
Section 6 – Procedures for Creating the Header File
Section 7 – Review and Monitoring Procedures for Value Reconciliation

Reconciliation Records!

- Can't prove what you don't keep!
  - Source records from finance:
    - documenting assist values and/or supplemental payments
    - Royalty or license fee payments
    - Transfer price adjustment amounts, etc.
  - Records identifying what products or suppliers adjustments relate to
  - Reports & worksheets on method of allocation of adjustments to products, entry lines or entries
  - Roll-up worksheets