C-TPAT Validation/Revalidation Results

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Agenda

- Methodology
- Core Criteria Elements
- Validation/Revalidation Results
- Available Resources
- Questions
Methodology

Validation/revalidation results January – December 2013

Findings from over 2,100 validations:
- 578 Initial Validations
- 1,553 Revalidations
- Actions Required, Recommendations, and Best Practices

Emphasis on the following trade sectors:
- Importers / Brokers
- Consolidators / 3PLs
- Highway Carriers / Foreign Manufacturers
Nine C-TPAT Core Criteria

- Risk Assessment
- Business Partners
- Container Security
  - Inspection
  - Container Seals
  - Container Storage
- Physical Access Controls
  - Employees and visitors
  - Deliveries
- Personnel Security
- Procedural Security
- Security Training and Threat Awareness
- Physical Security
  - Cargo handling areas
  - Lighting, Key Controls
- IT Security
  - Password protection
  - Accountability
Importer - Strong Points

Physical Security
- Building structure
- Lighting
- Fencing & gates

Access controls
- U.S. facilities
- Escorting visitors
- Access limited to secure areas

Personnel Security
- U.S. facilities

Procedural Security
- Reconciliation of departing cargo
- Reconciliation of arriving cargo
Importers – Areas of Concern (Domestic)

Risk Assessment

- Not conducted / Not updated
- Results of risk assessment and follow-up not completed and/or not documented
- No written procedures outlining the risk assessment process, to include the parties responsible for conducting the risk assessment

Business Partner Requirements

- Importers were not verifying that non-C-TPAT partners were in compliance with C-TPAT criteria
- Written procedures were not in place to document the screening of business partners
- Documentation was not available indicating whether business partners had been screened
Importers - Areas of Concern
(Foreign Site)

- Written procedures were not in place for seals
  - to include controlling and affixing the seal to the loaded container and reporting compromised seals to law enforcement
- Seal logs were not maintained
- Written procedures were not in place for the issuance, removal and changing of access devices (keys, etc.)
- Procedures were not in place to identify, challenge and address unauthorized persons
- Employees were not aware of the procedures the company has in place to address a situation and how to report it
- Visitors were not required to present a valid photo ID upon arrival
Importers - Areas of Concern
(Foreign Site)

- Written procedures were not in place to verify the physical integrity of the container
- IT security policies, procedures and standards were not in place
- IT security training was not provided to employees
- IT system violators were not subject to disciplinary actions for abuse of system
- IT system passwords were not periodically changed
- Drivers delivering or receiving cargo were not positively identified before the cargo is received or released
Importers – Risk Assessment

Did the importer conduct a comprehensive risk assessment of the security practices used by the foreign business partner?

Initial Validation
- 35% of the importers had not conducted a risk assessment (Action Required)
- 12% met the criteria but had recommendations
- No Best Practices

Revalidation
- 17% of the importers had not conducted a risk assessment
- 6% met the criteria but had recommendations
- 15% exhibited Best Practices for this criteria
- 40% of Canadian based importers did not have a documented risk assessment in place
Importers – Risk Assessment

Did the importer conduct follow-up with business partners when security gaps, vulnerabilities or weaknesses are identified?

Initial Validation
- 23% of the importers did not follow-up on or have written processes in place to address vulnerabilities
- 6% met the criteria but had recommendations
- No Best Practices

Revalidation
- 13% of the importers did not follow-up on or have written processes in place to address vulnerabilities
- 3% met the criteria but had recommendations
- 4% exhibited Best Practices for this criteria
Importers – Business Partners

Did the importer have written and verifiable processes for the screening of business partners, including manufacturers, product suppliers and vendors?

- Initial Validation
  - 10% of the importers did not have written and verifiable processes for screening business partners
  - 6% met the criteria but had recommendations
  - 4% exhibited Best Practices for this criteria

- Revalidation
  - 13% of the importers did not have written and verifiable processes for screening business partners
  - 4% met the criteria but had recommendations
  - 9% exhibited Best Practices for this criteria
Importers – Business Partners

For business partners not eligible for C-TPAT certification, did the importer require their business partners to demonstrate that they are meeting C-TPAT security criteria at point of origin?

Initial Validation
- 31% of the importers did not have evidence that non-C-TPAT Business Partners were meeting C-TPAT security criteria
- No Recommendations
- No Best Practices

Revalidation
- 13% of the importers did not have evidence that non-C-TPAT Business Partners were meeting C-TPAT security criteria
- 3% met the criteria but had recommendations
- 1% had Best Practices
Brokers – Strong Points

Document Processing
- Cargo discrepancies

Physical Access Controls
- Employees
- Deliveries

Physical Security
- Lighting
- Locking devices
- Physical barriers and fencing
- Alarms / Video Surveillance

Cargo Handling Facilities (when applicable)
Brokers – Areas of Concern

Risk Assessment – not conducted

- Initial Validation – 23% / Revalidation - 20%

Business Partners – No written/verifiable processes to screen new partners

- Initial Validation – 15% / Revalidation – 14%

Other areas not meeting C-TPAT security criteria

- A documented process was not in place for handling security related client-importer inquires – 14%
- The company did not convey to business partners the criticality of having security procedures in place (seals, container inspection, etc.) – 12%
- IT security - 8% of brokers did not meet one or more IT security criteria
- Application information was not verified prior to employment – 7%
- A logbook was not maintained for unknown visitors – 3%
- Written procedures to identify/address specific factors (cash transactions, faxed power of attorney) that would trigger additional scrutiny – recommendations found in 25% of broker validations
Consolidators / 3PL – Strong Points

Physical Security
- Lighting; Locking devices
- Gates and fencing; Building structure
- Physical barriers – cargo handling areas
- Alarms / Video Surveillance

Procedural Security
- Shipping and receiving
- Documentation processing
- Manifesting

Physical Access Controls
- Employees
- Visitors
Consolidators / 3PL – Areas of Concern

Risk Assessment – not conducted
  ▪ Initial Validation – 24% / Revalidation - 19%

Risk Assessment – no follow-up when security deficiencies identified
  ▪ Initial Validation – 23% / Revalidation – 15%

Business Partners – No written/verifiable processes to screen partners
  ▪ Initial Validation – 18% / Revalidation – 15%

Other areas not meeting C-TPAT security criteria
  ▪ Written procedures were not in place for seals – 11%
  ▪ Written procedures were not in place for the issuance, removal and changing of access devices (keys, etc.) – 8%
  ▪ Procedures were not in place to notify CBP or law enforcement if illegal or suspicious activities are detected – 7%
  ▪ IT security – 6% of consolidators did not meet one or more IT security criteria
Highway Carriers

Canadian Highway Carriers
Mexican Highway Carriers

Initial Validations & Re-validations

- Best Practices
- Actions Required
- Recommendations
## Highway Carriers – Strong Points

<table>
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<th>Training</th>
<th>Trailer Security</th>
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<tr>
<td>Integrated multi-business partner security training programs</td>
<td>Unannounced verifications of conveyance inspection processes</td>
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<tr>
<td>Regular testing of security processes</td>
<td>Regular unannounced incident response exercises</td>
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<td><strong>Access Controls</strong></td>
<td><strong>Conveyance Tracking</strong></td>
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<td>Active employee rosters routinely updated/shared with critical Business Partners</td>
<td>Multiple party real time transit notifications</td>
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<td></td>
<td>‘Last Chance’ Inspection points</td>
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Carriers – Areas of Concern

Most prevalent areas of Actions Required and Recommendations:

- Training
- Access Controls
- Trailer Security
- Conveyance Tracking
- Seals
Carriers – Areas of Concern

Training

- The carrier should offer security and threat related training to employees.

- The carrier should train drivers on how to search conveyances/trailers.

- The carrier should provide training on internal conspiracies. Employees need to know how to identify and report suspicious behaviors and activities.
Carrier – Areas of Concern

Access Controls

- Gates through which all vehicles and/or personnel enter or exit must be manned and/or monitored.

- Procedures for the issuance, removal and changing of access devices must be established and documented.

- Companies must have procedures in place to remove identification, facility, and system access for terminated employees.
Carriers – Areas of Concern

Trailer Security

- Conveyance inspections must be a regular security practice that is done each day, each trip.
- Trailers and tractors must be stored in secured areas.
- Procedures must be in place for reporting and neutralizing unauthorized entry into trailers, tractors or storage areas.
Carriers – Areas of Concern

Conveyance Tracking

- Highway Carriers must ensure that conveyance and trailer integrity is maintained while en route by utilizing a tracking and monitoring activity log or equivalent technology.

- Highway Carriers management must routinely verify that conveyance tracking and monitoring logs are maintained, and procedures are being followed and enforced.

- All transit activity should be monitored in real time.
Carriers – Areas of Concern

Seals

- A high security seal must be affixed to all loaded trailers/containers bound for the U.S.

- Procedures must be in place identifying how seals are to be controlled during transit.

- Seal procedures should be explained to all drivers. Highway Carrier management needs to ensure that the procedures are understood and are being followed.
Foreign Mfg’s – Strong Points

Training

Robust training programs

Access Controls

Positive identification and limited access at all points of entry

Drivers are positively identified before cargo is received or released

Trailer Security

Verifications of container physical integrity prior to acceptance

Loading and sealing is monitored

Employee Screening

Verifications of employment history and references

Contract workers subject to same hiring standards as regular full time employees
Foreign Mfg’s – Areas of Concern

Most prevalent areas of Actions Required and Recommendations:

- Access Controls
- Employee Screening
- Trailer Security
- Reporting Procedures
- Seals
Foreign Mfg’s – Areas of Concern

Access Controls

- Drivers delivering or receiving cargo must be positively identified before cargo is received or released.
- Companies must have procedures to remove identifications, facility and systems accesses for terminated employees.
- Video recordings and equipment should be secured.
Foreign Mfg’s – Areas of Concern

Employee Screening

- Processes must be in place to screen prospective employees and to periodically check current employees.

- Employment history and references must be verified prior to employment.

- Companies should apply the same screening procedures to seasonal, temporary, and part-time employees that are used for regular/full-time employees.
Foreign Mfg’s – Areas of Concern

Reporting Procedures

- Employees must be made aware of the procedures the highway carrier has in place to address a situation and how to report it.

- The carrier must notify U.S. Customs and Border Protection of any structural anomalies with drivers, changes or hidden compartment discovered.
Foreign Mfg’s – Areas of Concern

Trailer Security

- Conveyance inspections must be a regular security practice that is done each day, each trip.

- On a random and unannounced basis, a Supervisor or Security Manager should search the conveyance after the driver has conducted an inspection

- Procedures must be in place for reporting and neutralizing unauthorized entry into trailers, tractors or storage areas.
Foreign Mfg’s – Areas of Concern

Seals

- Written procedures must stipulate how seals are to be controlled and affixed to loaded containers and/or trailers.
- A seal log must be maintained for seals that to be applied on loaded containers and/or trailers.
- Seals must be maintained in a secured location.
Final Thoughts

All procedures and processes should have:

- A system of checks and balances
- Accountability
- Oversight
- Verification process (audit)

Procedures and processes should be modified or updated if vulnerabilities are discovered, changes are made to the processes and “when necessary”
Available Resources

C-TPAT Portal Public Document Library
  ▪ 5-step Risk Assessment Guide (w/risk assessment resource list)
  ▪ Best Practice Catalog
  ▪ 2010, 2011, and 2013 C-TPAT Conference Presentations
    ▪ Conveyance inspection / Seal security
    ▪ Risk Assessment
    ▪ Protecting your company’s identity

Supply Chain Security Specialist / C-TPAT Field Office

Customs and Border Protection – www.CBP.gov
Department of Homeland Security - www.DHS.gov
U.S. Department of State - www.state.gov