# noatum logistics

C-TPAT Executive Summary

C-TPAT EXECUTIVE SUMMARY

Customs and Border Protection (CBP) established the Customs-Trade Partnership against Terrorism (C-TPAT) as part of a comprehensive strategy designed to enhance national security while protecting the economic vitality of the United States.

The following is a summary of (a) the Program (b) the Benefits (c) Implementation and Maintenance Costs and (d) Estimated Return on Investment.

- C-TPAT is a voluntary, government/private sector program which, together with other CBP initiatives, focuses on gathering information on import shipments to make risk-based examinations in lieu of "the brute force of 100 percent physical inspection."
- C-TPAT certification (Tier I) and validation (Tier II) does not eliminate examinations. It does lower an importer's risk profile. Shipments made by C-TPAT members generally "will be readily and expeditiously cleared, and not be delayed for greater CBP scrutiny."

Diagram of Supply Chain Opportunities to Insert Contraband/Weapons of Mass Effect:

noatum logistics
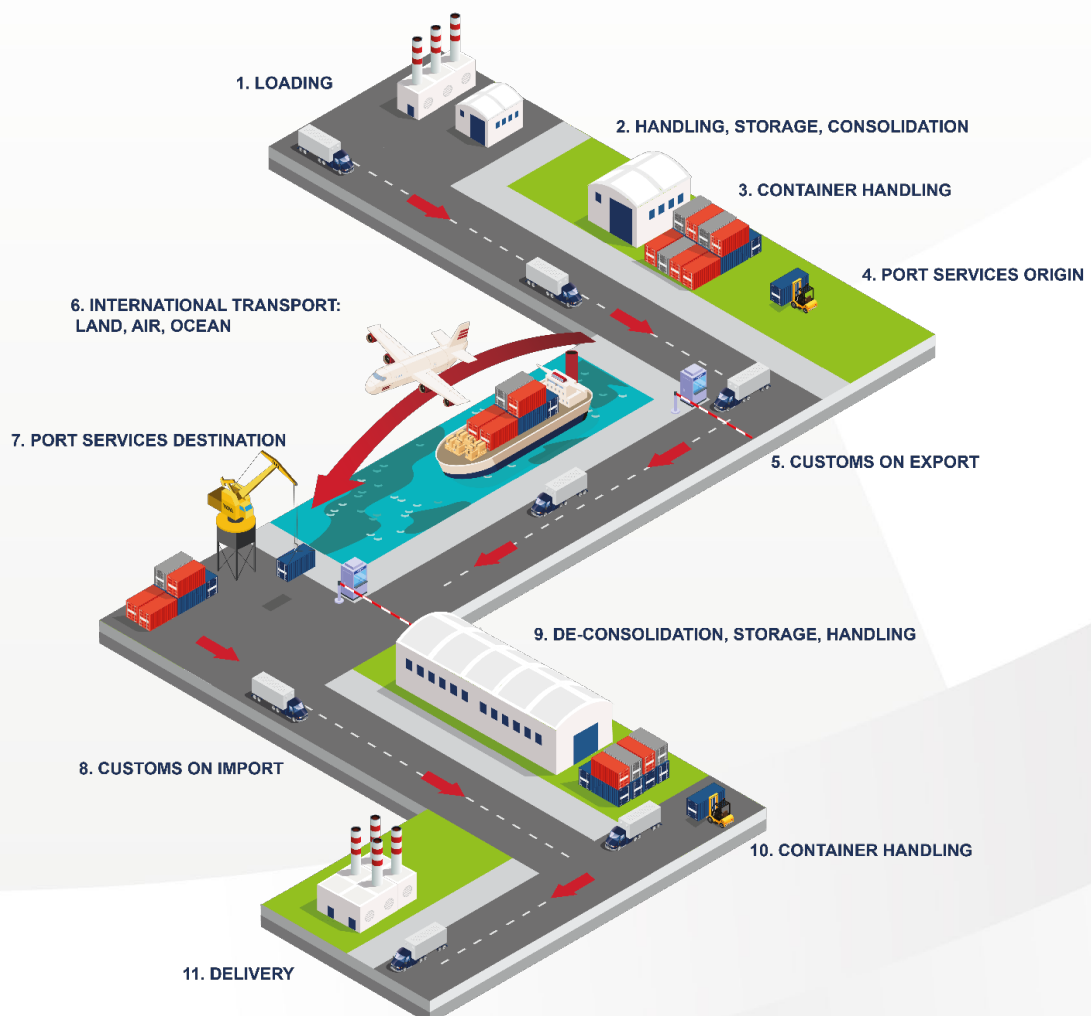
C-TPAT REVIEW ADDRESSES THE FOLLOWING TWELVE (12) BASIC SUPPLY CHAIN AREAS WHICH FALL UNDER THREE (3) FOCUS AREAS

CORPORATE SECURITY

1. **Security Vision & Responsibility –** Support from upper management to instill security as an integral part of a company's culture making it a companywide priority.
2. **Risk Assessment** - Mapping and documenting risk across the supply chain.
3. **Business Partner Requirements: *** Policies relating to selection, management and evaluation of brokers, carriers, suppliers and warehouses.
4. **Cybersecurity** – Policies designed to protect computers, networks, programs and data from unintended or unauthorized access, change or destruction.

   * Business partner requirements include using C-TPAT as a criterion for the selection, management and evaluation of suppliers, carriers, etc.   You should expect your C-TPAT status to be questioned by existing or potential clients.

TRANSPORTATION SECURITY

5. **Conveyance and Instruments of International Traffic Security**: Security measures designed to prevent, detect, and/or deter the altering of IIT Structures or surreptitious entry into them.
6. **Seal Security:** Policies for control of seals, container and seal inspection and container storage.
7. **Procedural Security**: Policies for shipping & receiving hazardous materials, overages and shortages, warehouse security, document review and recordkeeping.
8. **Agricultural Security:** Policies to eliminate the introduction of foreign animal and plant contaminants such as soil, manure, seeds, and plant and animal material which may harbor invasive and destructive pests and diseases which can harm our agriculture industry.

PEOPLE AND PHYSICAL SECURITY

9. **Physical Security**: (a) Listing of facilities, activities and hours of operation (b) Security guards, perimeter security devices, locking devices, lighting, alarms, CCTV, etc. employed at each.
10. **Physical Access Control**: Access controls for employees, visitors, vendors and vehicles
11. **Personnel Security:**   Policies for hiring, citizenship verification, employee misconduct, background investigations and termination procedures.
12. **Education, Training and Awareness:** Policies related to C-TPAT, safety and security training and related procedures.

C-TPAT BENEFITS

Mitigation of importer security filing (ISF) liquidated damages claims[1]

- An ISF Importer which is a certified Tier 2 or Tier 3 C-TPAT member may receive additional mitigation of up to 50% of the normal mitigation amount, depending upon tier of C-TPAT participation.
- CBP currently allows Tier 3 C-TPAT and Tier 2 C-TPAT members the opportunity to register with CBP to receive their ISF Progress Reports directly from CBP. All other ISF importers must obtain a copy of their ISF Progress Report from their authorized ISF Filer.

Fewer cargo exams, expedited clearances & enhanced regulatory 'risk profile'[2]

- Customs-Trade Partnership Against Terrorism (C-TPAT) members are 4-6 times less likely to undergo an inspection.[3]
- Priority processing for CBP inspections. (Front of the Line processing for inspections.)
- Assignment of a C-TPAT Supply Chain Security Specialist (SCSS) who will work with the company to validate and enhance security throughout the company's international supply chain.
- Potential eligibility for CBP Importer Self-Assessment program (ISA) with an emphasis on self-policing, not CBP audits.

C-TPAT Implementation and maintenance costs

The C-TPAT premise is that supply chain security concepts become embedded in existing, normal business processes. However, you should anticipate potential C-TPAT Implementation and Maintenance Costs. A recent CBP survey of C-TPAT members found:

- **Implementation Costs**
  - Typically, the three greatest implementation costs experienced by importers were "Improving or implementing physical security" (median = $15,000), "Improving or implementing IT systems/database development" (median = $12,500), and "Salaries and expenses of personnel hired/contracted specifically to implement and/or manage C-TPAT program" (median = $12,000).
  - Typically, the lowest implementation costs for companies involved "Developing a foreign supplier, manufacturer, or vendor security evaluation process" and "Getting foreign suppliers, manufacturers or vendors to complete your company's security evaluation survey process" (median = $1000 each).

---

[1]https://www.cbp.gov/bulletins/43genno28.pdf
[2] https://www.cbp.gov/border-security/ports-entry/cargo-security/ctpat
[3] https://www.cbp.gov/sites/default/files/documents/importer_faqs_3.pdf

- **Maintenance Costs**
  - The highest median maintenance costs for all companies involved "Salaries and expenses of personnel hired/contracted specifically to implement and/or manage the C-TPAT program" ($7,500 among those reporting), followed by "Improving or implementing use of security personnel" ($5,100 among those reporting) and "Improving or implementing physical security" ($3,000 among those reporting).
  - The lowest median maintenance costs involved "Improving or implementing identification system" ($1,000 among those reporting).

C-TPAT ROI

The specific ROI for C-TPAT participation has been a point of contention for the past several years. This is in part because of the difficulty in calculating either (a) the absence of examinations and/or (b) more expeditious releases.

- CBP acknowledged the difficulty in determining a reliable ROI in a 2011 Cost and Savings Survey: "The value of C-TPAT membership cannot be measured adequately in terms of dollars and cents. On the one hand, there are indeed implementation costs and maintenance costs, which are offset by savings in only a minority of cases. Many respondents report that they do not see the expected improvements in processes that impact their profitability such as faster border crossings, front of- the- line programs and less frequent inspections."[3]
- A 2006 Stanford University study in conducted in conjunction with IBM concluded that investments in supply chain security can help organizations to improve internal operations, strengthen relationships with their customers, and overall increase their profitability.[4]
- However, a 2006 University of Texas study prepared for the Congressional Research Service concluded that while firms at all levels of the supply chain acknowledge and support the need for an industry-wide security initiative, the lack specific advantages combined with the costs of validation outweigh the pressures for C-TPAT participation.[5]
- Noatum employs a model that emphasizes the effect on cash operating cycles to measure C-TPAT ROI. The model assumes that C-TPAT members do in fact receive more expeditious clearance by CBP and are not normally delayed for greater CBP scrutiny. According to CBP, the median value of a shipment of goods imported into the United States is approximately $37,000. A one (1) day transit time improvement resulting from quicker CBP release yields a US$101.37 per container return.

---

[3] Customs-Trade Partnership Against Terrorism:2011 Costs & Savings Survey; https://ctpatsecurity.com/wp-content/uploads/ctpat_css_survey-1.pdf
[4] Barchi Peleg-Gillai,Gauri Bhat and Lesley Sept; *Innovators in Supply Chain Security: Better Security Drives Business Value*, July 2006
[5] *Port and Supply-Chain Security Initiatives in the United States and Abroad*, prepared for the Congressional Research Service, Lyndon B. Johnson School of Public Affairs, 2006 https://apps.dtic.mil/sti/pdfs/ADA494476.pdf

Analysis

- We believe that a "risk-based" approach to security is a fact of life in global supply chains. Accordingly, importers who possess documented and verified internal compliance controls and are C-TPAT certified will enjoy a lower-risk profile leading to expedited releases and fewer examinations.
- Non-compliant and non-C-TPAT certified importers, with little or no internal controls and no ability to transmit compliant transactions in advance of the shipment, will be subject to more examination and delay.
- We expect C-TPAT certification to be applied to exports in the near term. This is the result of Mutual Recognition Agreements between the U.S. and its principal trading partners, including most recently the EU, officially acknowledging that the security requirements or standards of the foreign industry partnership program, as well as its validation or audit procedures, are the same or similar with those of the C-TPAT program.

Noatum Assistance

Noatum would be pleased to assist you become a certified participant in the C-TPAT program. We recommend that a logical first step is to identify the gap between existing security policies, procedures and processes and those required to become C-TPAT compliant. The following is a suggested outline for your consideration:

PURPOSE: The objective of the analysis is to evaluate your client's existing supply chain security policies, procedures and controls and, identify potential discrepancies measured against C-TPAT criteria. This analysis is expected to provide a foundation for measuring the investment of time, money and human resources required to achieve C-TPAT certification and ultimately, validation.

METHODOLOGY: We will conduct a non-intrusive review at the principal corporate facilities employing the following methodology:

- Evaluating overall supply chain security by employing generally CBP's recommended 5 Step Process;
    1. Map cargo flows and supply chains
    2. Conduct threat assessments with open-source information
    3. Create a security vulnerability assessment
    4. Prepare an action plan to address security vulnerabilities
    5. Document your risk assessment, audit and annual review procedures
- Reviewing the twelve (12) basic supply chain areas/processes listed above.

The review entails the following procedural steps:

noatum logistics

- Review current documented/undocumented policies, procedures and any existing procedural security programs in place. Particular emphasis will be placed on a review of any documented ISO 9001 processes and procedures.
- Interviews with executives responsible for the above listed areas.
- A reconciliation of your policies, procedures and programs to the C-TPAT criteria.
- Walk-through inspection of the principal distribution and corporate facilities.

DELIVERABLES: A final report setting forth our findings and recommendations for appropriate policies, procedures and internal controls with respect to C-TPAT certification. This report will include:

- The identification of relevant business objectives and associated security risks.
- Recommended actions and control activities needed to address the risks identified as measured against C-TPAT minimum criteria and best practices.
- Evaluation of existing ISO documentation as a basis for the C-TPAT procedural manual
- Recommended training programs/venues, if applicable.