



## Three Ways to Ace the ACE Transition

By Greg Maddaleni

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The U.S. Customs and Border Protection's (CBP) comprehensive new Automated Commercial Environment (ACE) is a historic step toward modernizing inefficient customs procedures. But it also puts a greater burden on shippers and their customers to keep their data orderly and up to date.

The ACE launch date has been pushed to March 31 from Feb. 28 to give stakeholders more time to prepare. We should all use the extra time wisely.

Once ACE is implemented, as many as 47 regulatory government agencies will have greater visibility into U.S. import entries, raising the risk of penalties against those importers who knowingly or unknowingly commit violations.

A word of advice to shippers: Get your records in order now.

By the end of 2016, the CBP's comprehensive new paperless system will become the primary system through which the trade community reports imports and exports. The U.S. government will use that information to determine whether or not shipments are legal. This marks a new era of efficiency, transparency and – ultimately – compliance in U.S. customs.

Many parts of ACE are already up and running, and it is critical for importers, exporters and customs brokers to be ready for the complete transition. Customs brokers must update their software to properly file paperwork and clear goods on behalf of their customers. Importers must ensure that they are up to speed on CBP requirements and all other applicable government agency requirements. They also must work with their customs brokers to guarantee they have solid procedures in place to get required data and documents to the broker.

Compliance enforcement is on the rise – those who aren't prepared face fines and delays in getting items cleared across U.S. borders. From 2011 to 2014, total penalties assessed increased by 140 percent from \$385.4 million to \$925.9 million, far more than the corresponding increase in imports. Under ACE, these penalties could potentially increase, upping the ante for importers.

Here are some tips to help importers prepare for the ACE transition:

### 1) Assess Your Risk

As a first step, importers should conduct a risk assessment, particularly taking a fresh look at their imported parts database. It is critical to keep the database updated since an importers commodities are subject to change. The proper classification determines the duty rate on goods. And, just as important, it should address whether or not a Partner Government Agency (PGA) is involved, given their new level of visibility of ACE entries. Do Anti-Dumping Duties (ADD) apply to your products? ADD enforcement is a primary trade enforcement issue for CBP.

By not keeping your database and classifications updated, your level of risk increases and potentially leads to an assessment or audit from CBP or similar intervention by a PGA. It is especially important to do this data checking and cross referencing in advance of the official ACE deployment deadline to limit the possibility of future problems.

## **2) Analyze Your Entries**

The next step involves analyzing your customs entries. As an importer, are you taking advantage of all Free Trade Agreements (FTA), and if so, are your claims consistent and supportable? Just because you import from a country with a FTA involving the U.S. doesn't mean your products automatically qualify for duty free treatment – you need to verify the rules of origin for your specific goods. It's important to look at all your past claims and check for any unusual or inconsistent historical patterns. Doing so will help assess your level of complexity and can potentially determine whether or not the CBP or PGA will audit your entries.

One common misconception among importers is the notion that customs clearance will run smoothly once goods are cleared and enter the United States. This is by no means the case. There is now a five-year statute of limitations on the CBP auditing. Once ACE is implemented, this process will be much easier for government agencies, which are going to have more information at their fingertips. Remember, getting goods cleared at the border is just step one. CBP relies upon post-entry auditing of entries and documents to enforce compliance.

## **3) Leverage Your Resources**

Finally, importers should leverage both their internal and external resources to prepare for ACE. Your customs broker can help analyze the cleared entries and evaluate post-entry work -- they also can serve as a great resource moving forward. Trade management consultants and attorneys can also provide additional external support across all your entries.

Preparing for the ACE platform integration is no easy feat, and as an importer, you are responsible for knowing every CBP's requirement and for making sure you are compliant. By partnering with a customs broker like UPS, which has the expertise, resources and tools for the seamless implementation of ACE, you can turn the hard work over to us while you focus on what matters most – growing your business across borders.



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