GUIDELINES IN THE CONDUCT OF AN INVENTORY/AUDIT OF CUSTOMS BONDED WAREHOUSES PURSUANT TO PARAGRAPH 2 OF THE PRESIDENTIAL MEMORANDUM ORDER DATED 23 NOVEMBER 1998 CREATING THE WAR...

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A. OBJECTIVES:

1. To delineate the procedure in the inventory/audit of the Customs Bonded Warehouses; and

2. To ensure that Customs Bonded Warehouses ("CBWs") are not utilized as shields for the non-payment of the lawful duties and taxes due the government and to prevent smuggling thru the medium of such CBW.

B. SCOPE:

This Order covers the procedures for WAMU in conducting an inventory/audit of Customs Bonded Warehouses duly registered with and licensed by the Bureau of Customs (BOC) to operate as such.

C. ADMINISTRATIVE PROVISIONS:

1. Mission Orders for the conduct of inventory/audit of Customs Bonded Warehouse shall be issued by the Deputy Commissioner, IEG. The audit team shall be named in the Mission Order and shall be composed of one (1) Team Leader from WAMU, IEG or from its deputized members.

2. The WAMU-IEG shall maintain a logbook for this purpose showing the authority, date of issue, purpose, team leader and date and time of receipt and signature of the team leader.

3. Based on the Mission Order the team leader shall, when necessary, secure the issuance of appropriate travel order for the team and necessary cash advances for transportation, meals and per diems.

4. The CBW operators, Warehouse Operating Divisions and other concerned offices of the Ports shall provide all the records necessary or appropriate for an expeditious inventory/audit of CBWs.

D. CBW SELECTION PROCESS:

1. The selection of CBWs for audit/inventory shall be undertaken using the following Risk Management System:

1.01. Information/Intelligence reports from Customs Intelligence & Investigation Service (CIIS) and Enforcement and Security Service (ESS);

1.02. Referral from the District Collector or the Warehouse Operating Divisions;

1.03. Derogatory report/information from external sources (e.g. PCCI, Informers, SRA, etc.);

1.04. As a pre-requisite for renewal of license to operate a CBW when requested by the Bonded Warehouse Committee; and

1.05. As directed by the Office of the Commissioner.

E. OPERATIONAL PROCEDURES:

1. Upon receipt of the Mission Order issued by the Deputy Commissioner, IEG the following procedures shall, as far as practicable, be followed:

1.01. Upon receipt of the Mission Order, the Audit Team shall prepare:

1.01.1. The appropriate "List of Documentary Requirements in the Conduct of Audit" ("LDRCA").

1.01.2. If necessary, appropriate travel order

1.01.3. Secure cash advances for the team covering transportation, meals and per diems.

1.02. WAMU enters in the logbook the Mission Order and proper receipt of the order by the designated team leader.

1.03. The Audit Team, within three (3) days from its receipt of the Mission Order or completion of the administrative requirements, should serve the Mission Order and the LDRCA on the CBW Operator. Service thereof shall be by providing the CBW Operator or his representative a copy each of the Mission Order and LDRCA.

1.04. The Audit Team shall immediately thereafter conduct an inventory of the bonded materials (i.e raw materials, materials in process, finished goods, preferably in the presence of the CBW Operator of his representative and the assigned Customs Warehouseman. The Audit Team shall prepare a preliminary Inventory Report immediately after the physical inventory, to be signed by the Audit Team, the assigned Customs Warehouseman, and the CBW Operator or his representative. Should the assigned Customs Warehouseman and/or CBW Operator fail to sign the preliminary Inventory Report the reason thereof shall also be stated therein.

1.05. The appropriate Warehouse Operating Division shall make available to the Audit Team the Account Officer's Record of Importation, exportation and other pertaining documents attached thereon while the Bonds Division shall provide to the Audit Team a certified list of open entries of the CBW under audit.

1.06. The CBW Operator shall, within three (3) days from receipt of the LDRCA, submit to the Audit Team the required documents provided in the LDRCA, such as, but not limited to, export documents (e.g. CI, CIL, Boatnote, BL, ED for direct exports and or Approved Authority to Sell/Transfer, CI, Boat Notes and Constructive Warehousing Entry Filed by the buyer for indirect exports), ITDI Formula of Manufacture, Company Profile and other pertinent documents corollary to the audit process. Failure to do so shall be deemed as if no such documents exists.

1.07. Data gathered shall then be evaluated by the Audit Team. This evaluation stage shall consists of, among others, the following:

1.07.1 .Verification of the completeness of the Export Documents and, when necessary, other relevant supporting documents.

1.07.2. Determination if the usage of bonded materials reflected in the CI is in accordance with the ITDI Formula of Manufacture.

1.07.3 Determination of unaccounted bonded materials and unliquidated/expired entries.

1.07.4 Determination of any other violation of Custom's laws, rules and regulations related to warehousing.

1.07.5. In case of doubt, conduct a verification of the authenticity of documents.

1.08. The Audit Team shall thereafter submit to the Chief, WAMU a Report of its findings and

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recommendation/s.

1.08.1. If the Report has no adverse findings against the CBW, the Chief WAMU shall indorse the same to the Deputy Commissioner, IEG, who shall in turn endorse the same to the Commissioner of Customs.

1.08.2. Otherwise, the following procedure shall ensue.

2. The following procedure shall, as far as practicable, be observed if the Report of the Audit Team contains findings adverse to the CBW.

2.01. The Chief-WAMU shall issue a show-cause letter to the CBW Operator giving the latter opportunity to address the adverse findings of the Audit Team within seven (7) days from receipt thereof.

2.02. The Audit Team shall, whenever necessary, conduct a reconciliation between its findings and the documents/evidence additionally submitted by the CBW Operator in response to the WAMU show-cause letter. On the other hand, failure of the CBW Operator to comply within the period prescribe in the show-cause letter shall be deemed as a waiver to submit additional controverting documents/evidence.

2.03. The Audit Team shall then render its Final Report containing its findings and recommendations, which the Chief, WAMU shall endorse to the Deputy Commissioner, IEG, who in turn shall endorse the same to the Commissioner of Customs. Should the Final Report remain adverse to the CBW, the recommendation/s of the Audit Team may include, but not be limited to, any or all of the following - issuance of demand letter, suspension of warehousing privileges, placing of the CBWs future importations under Section 1508 of the TCCP, revocation of its license/permit, prosecution for criminal liability of persons who are party to the violations of the TCCP, as amended, etc.

2.04. The Commissioner of Customs shall decide on the proper action to be taken against an erring CBW.

2.05. The appropriate Office shall thereafter be notified to implement the decision of the Commissioner of Customs.

F. REPEALING CLAUSE:

Customs Memorandum Orders and other regulations inconsistent with this order are hereby revoked or modified accordingly.

G. EFFECTIVITY:

This Order shall take effect immediately.

Adopted: 22 Nov. 2004

(SGD.) GEORGE M. JEREOS
Commissioner

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