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AUDIT RED FLAGS

12 MISTAKES THAT COST IMPORTERS BIG

1. Undervaluing Imports

Declaring the cost of goods instead of the true transaction value — including assists, packing, or commissions — is a red flag for fraud.

2. Using Outdated or Incorrect HTS Codes

Old or misclassified codes lead to underpaid duties and denied Free Trade Agreement (FTA) benefits.

3. Overusing De Minimis (Section 321)

Breaking up shipments to stay under the \$800 threshold? CBP's AI can detect this pattern and flag abuse.

4. Flipping Incoterms® to Hide the Importer of Record (IOR)

Changing DDP to FCA or EXW on paper without reflecting true control and risk transfer can signal compliance laundering.

5. Declaring False Country of Origin

Routing through third countries (transshipping) to avoid duties or circumvent sanctions is considered fraud under 19 U.S.C. §1592.

6. Misusing Entry Types (Like Type 11)

Splitting commercial entries or misapplying entry types to avoid MPF or reduce scrutiny draws audit attention.

7. Submitting Inconsistent Documentation

Discrepancies between invoices, packing lists, and entry data create confusion—and often trigger Form 28/29 CBP requests.

8. Relying Solely on Your Broker

Importers—not brokers—are legally responsible for accuracy. CBP doesn't accept "my broker did it" as a defense.

9. Skipping Periodic Internal Audits

No review = no visibility. CBP expects importers to self-monitor, especially after tariff changes or WCO updates.

10. Failing to Update ERP or Master Data

When sourcing or specs change but internal systems don't, it creates dangerous gaps in classification and valuation.

11. Poor Recordkeeping or Missing Documents

CBP can request supporting docs up to 5 years later. Lack of organized, accurate records is a fast path to fines.

12. Ignoring Known Compliance Risks

If your team is aware of valuation gaps, misclassification, or inconsistencies—but hasn't addressed them—CBP may see this as willful negligence.

YOUR CUSTOMS RECORD IS YOUR IMPORT CREDIT REPORT.

Protect it!

Bonus Mistake: First Sale Valuation Misuse

Trying to reduce duties using First Sale valuation without a legitimate three-tier transaction (manufacturer → middleman → importer), unrelated parties, and proper documentation can lead to audit failure.

**SCAN TO
BOOK YOUR
FREE
COMPLIANCE
REVIEW**



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