



Export Control in English

A language training course book for both self-study and trainer led courses

Joe Farha & Mike Hicks

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-nd/4.0/> or send a letter to Creative Commons, PO Box 1866, Mountain View, CA 94042, USA.

6. A Compliance Visit

Getting ready for the visit

Go back to chapter 4 and re-read the letter informing you of the compliance visit, then complete the following tasks.

6.1 Match the information that is required to the person that is likely to provide it.

Position	What is needed
Project / product manager	<ul style="list-style-type: none">• List of staff nationalities• End user certificates• Technical specifications of certain items• Export control training materials• Company organigram related to export control• Physical and personal security practices• Company export control policy• Info on data security• Shipping docs / info on couriers used
Head of security	
Head of export control	
Logistics manager	
Human Resources officer	
IT officer	
Export control officer	
Chief executive officer	

Write an internal group email explaining the audit detailing what will be required and from whom. Include the following information; - see the sample email in appendix to check your answer.

- Administrative details of the audit
- Who the audit will affect and how
- What can be expected during the audit
- Any tasks that need to be done prior to the audit

6.2 Below are some of the questions that were asked during the audit. Match the sentence halves

- 1 Can you tell me exactly how many employees you have working
- 2 Could you provide me with a list of all the exports
- 3 Could you please give me a copy of your reporting structure
- 4 Could you give me a current list of all your overseas agents
- 5 Can you please explain when you make a decision
- 6 Your records state that you made an export under EU GEA 3 of software and that
- 7 Who is responsible for
- 8 Could you provide me with a list of the training courses and workshops etc. that
- 9 Can you please give me the original
- 10 Where do you store or archive licences, end user certificates etc. after
- 11 Who is able to access this area, and what are the

- and distributors along with their addresses, email and telephone numbers?
- about requiring an export licence in your order process?
- this was sent electronically. Can you provide me with a copy of the email that was sent along with the software?
- approving exports to agents and distributors?
- in your company, and also provide me with a list of their nationalities?
- the staff in your export control department have attended in the last twelve months?
- you made under EU GEA 4?
- an order has been processed, and what is the retention policy?
- or organigram for your Export Control department?
- access controls systems in place to prevent unauthorized access?
- end user certificate for this export?

6.3 Now Match the above sentences to the categories that you think they belong to (some categories have more than one answer).

1. Company Information _____
2. Customers and Market _____
3. Licences _____
4. Responsibility _____
5. Order Process _____
6. Record Keeping _____

6.4 Listen to the answers given by Kahn to the questions, and match the answer to the question.

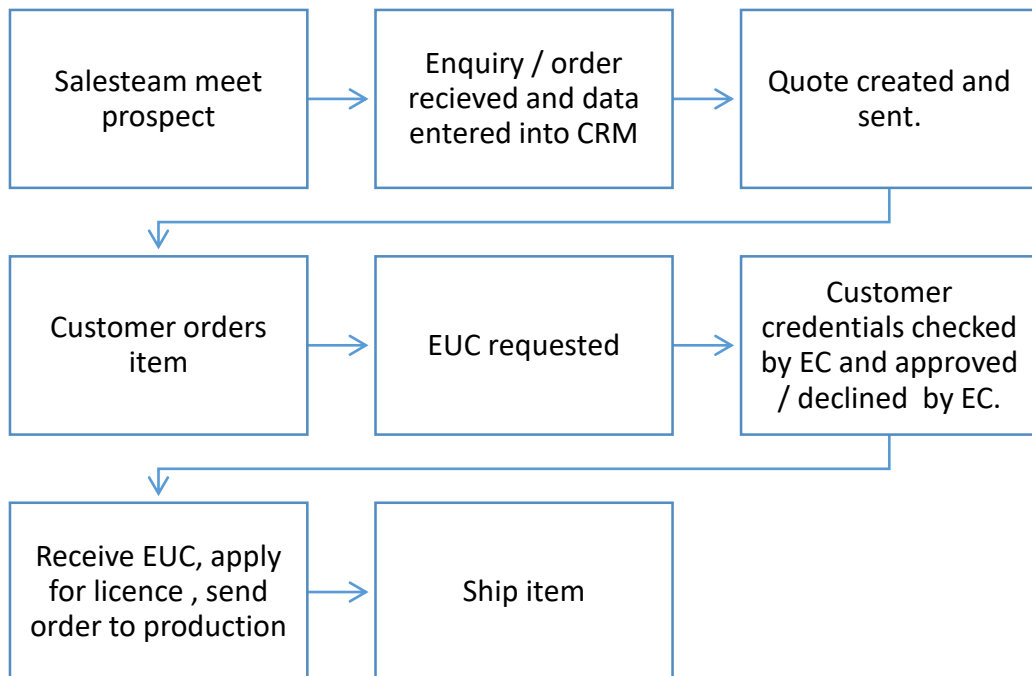
Do you think the auditors will be satisfied with the outcome of the audit?

Has your company ever been through an audit? What questions were asked? How did you answer?.

Question Number	Answer Number
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	

After the audit team leaves, the team at Kahn Chemical and Laboratory Supplies are sitting down in a panic to brainstorm ways they can improve their export control processes.

Examine the steps for each stage of the order process that Kahn Chemical use and think of improvements that could be made. Are there any other steps that could improve compliance that are not part of the order process?



Discuss and make a list of improvements for Kahn Chemical and Laboratory Supplies you have come up with.

Best Practice

Examine the below points. Did you think of any of these in the previous exercise?

- A. Self-classification - Product manager classifies item – is it a controlled item? Does it contain controlled parts / sub-assemblies etc?
- B. Manufacturer classification - Suppliers are asked to classify their products.
- C. Government classification - If uncertain about an item, a classification request is submitted to the authorities.
- D. Update Item and Country decision tables / software
- E. Training of sales staff in role and importance of Export Control
- F. Clear, documented accountability for each stage of the check – who is responsible?
- G. Plan for the retention of all relevant documents – how and where will they be kept?
- H. Sensitive data is kept on a secure server, and where needed, is encrypted.
- I. Password protection at folder level on file servers
- J. Highly sensitive information is only kept on individual PCs for the time needed to work on it.
- K. Unannounced checks of employee’s email accounts
- L. Access control system to prevent unauthorized access to sensitive areas

- M. Review stated end use of the item, the end user themselves and the stated destination of the item. Does it all make sense?
- N. Document the decision making process formally.
- O. Item and Country decision tables / software are used and understood by ALL staff when making decisions (from sales to logistics)
- P. Four eyes principal for all online licence applications made to licensing authorities.
- Q. If transactions are not in line with documented procedure, then case escalated to Manager Export Control.
- R. Collection, filing and retention of all relevant documents for that transaction.

6.5 Organize the previous points in the table below according to where you think they belong, some may fit in more than one category.

During product development	Ongoing, daily basis	During sales process

Read and discuss; Kahn Chemical has received the following letter from the licensing authorities after the recent compliance visit. Read the letter and then answer the multiple choice questions.

Dear Mr Page,

This letter serves to officially inform you of the results of the recent compliance visit that was carried out at your company on the 15th of April this year. As you are already aware, a number of deficiencies and lapses in standards and procedures were found during this visit.

These deficiencies and lapses are as follows;

1. Information held on agents and distributors is incomplete and /or inadequate
 - A. Incomplete contact details
 - B. Outdated information concerning dealer
2. Incomplete / missing paperwork concerning exports made in the last three years
 - A. Missing end user certificates
 - B. Missing Licences for exports
 - C. Missing consignee documentation
3. Unclear organizational structure
 - A. Conflicting information as to who has final responsibility for export control (department leader or board member)
4. Incorrect licence (EU004 used instead of EU001)
 - A. Item was first displayed at trade show before being handed on to customer in host country)

You are hereby advised to take immediate corrective measures and actions to rectify those issues as specified in points one to three. Where those deficiencies cannot be rectified (i.e missing paperwork) it is expected that appropriate processes and structures will be put in place to prevent such events occurring in future.

In regards to point four, this letter serves as an official warning. While we understand this incident was unintentional, it still represents a serious breach of export control laws. As discussed on the day, a lack of training has been determined to be the cause of this breach; thus you are instructed to ensure all staff have the necessary training and skills to carry out their roles within export control correctly. This training is to be carried out within the next month.

A follow up audit will be conducted on the 1st of June and will focus on your implementation of the above corrective measures. Should these corrective measures not be implemented, or not implemented to standard, one or more of your licences to export may be suspended.

Sincerely,

6.6 Read and answer the following questions based on the letter Kahn Chemicals received.

- 1) The company found out about the deficiencies and lapses
 - a. In this letter
 - b. In a previous communication
 - c. By telephone
- 2) The information the company has on agents and distributors is
 - a. Filled in completely, but not up to date
 - b. Not all filled out, but current
 - c. Not filled out in full and /or no longer valid

3. The company must start to improve its administration and processes
 - a. On the 1st of June
 - b. Now
 - c. In three months
4. The company has received an official warning
 - a. In a separate letter
 - b. In a post audit briefing
 - c. In this letter
5. The reason for the warning is
 - a. A lack of training
 - b. Using an incorrect licence
 - c. Staff not having correct skills for their job
6. The follow up audit will determine
 - a. If standard corrective measures have been implemented
 - b. If corrective measures have been implemented to standard
 - c. If standard corrective measures have been suspended

6.7 Words for work

Un-jumble the following letters to find the words.

LEENAB	_____
SUENRE	_____
PLYMOC	_____
CHCKE	_____
IEWVRE	_____
ERCORD	_____
ROVEPPA	_____
ESTQURE	_____
PLEMENTIM	_____

Read the below speech from the Head of export control

It is the 1st of June, and the auditors have returned to check on changes.

“As a result of the previous audit, we have made some very significant changes to our export control processes and procedures. The most obvious of these changes has been implementing a software tool to enable us to have both better control and also a better overview of exactly who is ordering what, and to ensure that all shipments comply with the current laws and regulations. That leads us to the biggest change that is perhaps unseen – our tolerance for risk. We have made the conscious decision to have a very low risk threshold regarding Export Control – just because it may be legal does not mean we export, it must also be a responsible export.

Our compliance program starts with our external sales team, all of whom have access via a mobile app to a portal which allows them to check a prospective client’s information and details against current black lists, these are our “front line” checks.

In addition, when a salesperson sends in a request for an offer, or when our internal sales-team receive an enquiry from a prospective client, the customer information is again entered into the system and checked against all current black lists. This check takes into account the country the item would go to and the item being ordered. In brief we check; can we export to that company or person? Can we export to that country? Can we export that item to that country?

Also, as standard operating procedure, our export control department carefully reviews all new customers and in particular, dealers – are they a licenced business? Does the address check out? Can we reach them on the contact details supplied? What info is contained on their website? Do they appear genuine and reputable? These details are recorded in our software tool.

It is only after these checks are passed and approved that our sales staff are able to create an offer for the item – included in this offer is a request for a completed end user certificate, our offer also states that the sale shall only proceed subject to completion and return of all relevant paperwork and approval by the licensing authorities.

Should the prospective customer accept the offer, we then move to the next step of the process. On return of the end use certificate etc., the order itself is reviewed by our specially trained staff to ensure that the stated use of the item matches with the item being ordered. Essentially, does everything “add up” from a technical point of view. This results in either approval, in which case the order is sent to production, a request for follow up information, or escalation when something is clearly not in order.

The above steps focus on our order intake process – but we have also made improvements in our day to day business processes and practices. We have a clear organizational structure within export control that details who is responsible for what, and all staff have been appropriately trained for their roles. We have also implemented a training program across the company to make all staff aware of what export control is, and why it is important to us as a company. We are reaching out to our suppliers who also have experience in export control and streamlining processes as well as developing best practices. We have implemented a far reaching internal audit system to ensure that we not only comply with, but exceed all regulatory requirements.”

Discuss Will the changes and improvements mentioned in the speech meet the corrective measures demanded by the auditors? Why or why not?

Case Study

The Blue Lantern Program

Since 1990 The United States has operated a process of end-use monitoring of defense articles and defense services and brokering activities which have been subject to licence or relevant approvals processes. This end-use monitoring program is known as “Blue Lantern”.

The end-use monitoring activities that are undertaken as part of the blue lantern program include pre-licence, post licence or post-shipment checks and enquiries with the aim of ensuring that the proposed end users and consignees are bona fide. Should a Blue Lantern check come back as unfavorable licences may be rejected, denied or revoked, and companies or individuals may be referred for further action. It should be noted that an unfavorable Blue Lantern report does not mean that illicit activity has been uncovered.

Two examples of transactions that have been highlighted in annual reports on the Blue Lantern Program are shown alongside.

Proposed Amendment to Manufacturing License Agreement (MLA)

Item: Technical data for digital radio

End-User: Southeast Asian company in support of US DOD contract

Reason for Check:

Sensitive technology

End-user company had subsidiaries in country subject to ITAR 126.1 (U.S. arms embargo)

Findings:

-Confirmed end-user had subsidiary and manufacturing facilities in embargoed country, though no clear indication that technical data would reach proscribed destination

-Company facilities in embargoed country had sought USML technical data for unrelated project

-Referred to DTCC's Enforcement Division for further inquiry

Request for Permanent Export

Items: Aircraft spare parts

End-User: Southeast Asian military

Foreign Consignee: Southeast Asian company

Reason for Check: Commodities in inventories of countries subject to U.S. arms embargoes

Findings:

-Transaction legitimate, but exporter exceeded quantity of authorized commodities by over 30 percent

-Foreign consignee deliberately sought to stockpile items for future sales to end-user

-U.S. company also exported commodities not listed on licences