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# SCAN audits under the new MSC

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SCAN Audit Sub-committee Chair

The Home Depot Mgr. Global Trade Risk

# Who Are We?

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- Sub Committee Participants
  - David Blackorby SCAN
  - Kathy Brennen Costco
  - Stella Bray-Conrad Walmart
  - Scott Hannaford Canadian Tire
  - Lesa Hubbard JCP
  - Emma Jost Target
  - Jade Kelly Husky Injection Molding
  - Jen Kistner Newell
  - Donna Neil FGL Sports
  - Dan Purtell BSI
  - Shelley Sjerven BSI
  - Janice Sledge THD
  - Freddy Risneros JCP

# What Changed 3 New Categories

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- Security Vision and Responsibility
  - 3 New Criteria
  - Directed at CTPAT Partners
  - May translate to security basics and apply to foreign locations
- Cybersecurity
  - 9 New Criteria 3 strengthened (former IT security)
  - Fastest growing threat
  - Lack of previous focus = “Easy Targeting”
  - Focus is on controlling access and promoting recovery
    - Consider the Maersk Cyber attack
- Agriculture Security
  - 1 New Criteria
  - Pest and invasive species control
    - How many agriculture inspections do you get?

# What Did We Do?

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- Pre-publication by CBP
  - SCAN Members participated in the COAC
  - SCAN Audit subcommittee received progress updates periodically
  - Gathered feedback from audit service providers and SCAN program administration team
    - Reviewed existing questionnaire for clarity
    - Reviewed question scoring weighting
  - Discussed scoring bias
  - What is good vs great
    - If Minimum is Good
    - SCAN should strive to exceed in order to be Great

# What Did We Do?

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- Post Publication of MSC by CBP
  - Compared existing questionnaire to new MSC
  - Elicited feedback from members
  - SCAN provided official comments to CBP
  - Encouraged members to respond individually
  - Discussed the Risk/Reward of delaying work on new questionnaire
    - SCAN to lead from its strength of exceeding the MSC
  - Launched the re-write in Aug. 2018
  - Weekly 2-3 hour conference calls
  - Total of over 700 person hours invested

# What Did We **Not** Want to Do?

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- Delay the “education” process against the new criteria
- Create confusion before new criteria was required
- Overly penalize scoring during the rollout

# How do we maintain the balance

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- Incorporate all the new criteria immediately
- Raise the weighting of the long established criteria
  - All original criteria are will be “Critical and Musts”
- Underweight the New Criteria
  - All new Criteria will be “should”
- Utilize CAP/CAPA process to raise compliance
  - Continue to conduct out-reach programs at origin
  - Encourage use of education programs

# Why Weight the questionnaire

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- Put an emphasis on the Critical areas
  - Original Criteria should be institutionalized
  - Reward excellence and going beyond the minimum
- Do not penalize factories during the new MSC roll out
- Create some level of flexibility as requirements change
  - Re-balance after new criteria are required



# How is SCAN Weighting



- Critical questions 60% or less of the total score
- Must questions ~ 30% of the total score value
- Should questions 10% or less of the total score

**Option 1 - New Scoring for SCAN Classification Weighting**

	<i># of Q</i>	<i>% of total Audit</i>	<i>Pt Value</i>	<i>Pts Available by classification</i>	<i>% of impact in audit</i>
None	17	13%	0	0	0%
Critical	46	35%	10	460	65%
Must	36	27%	5	180	25%
Should	34	26%	2	68	10%
	133			708	100%

**Option 2 - New Scoring for SCAN Classification Weighting**

	<i># of Q</i>	<i>% of total Audit</i>	<i>Pt Value</i>	<i>Pts Available by classification</i>	<i>% of impact in audit</i>
None	17	13%	0	0	0%
Critical	46	35%	10	460	59%
Must	36	27%	7	252	32%
Should	34	26%	2	68	9%
	133			780	100%

# Where did we Land

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- Total Questions 133
  - Security Vision and Responsibility 1
  - Risk Assessment 6
  - Business Partners 6 (1 NS)
  - Cyber and Information Technology 18 (1 NS)
  - Conveyance and ITT 24 (5 NS)
  - Agricultural 5
  - Seal Security 4
  - Procedural Security 23 (1 NS)
  - Physical Security 24 (1 NS)
  - Personnel Security 3
  - Security Training and Threat Awareness 11
  - Miscellaneous (8 NS )

# Examples of questions



- Security Vision and Responsibility

#	Class	Question Text	Possible Answers
1	Must	Is there a primary point of contact (POC) identified regarding security matters?	Yes  No POC listed in contacts on factory profile

# Examples of questions



- Risk Assessment

#	Class	Question Text	Possible Answers
5	Should	Is the facility risk assessment updated periodically?	<p>Last update reflects a date with in the past 12 months</p> <p>Last update reflects a date between 12 months and 18 months</p> <p>Last update reflects a date between 18 months and 24 months</p> <p>No updates noted or last update greater than 24 months ago</p>

# Examples of questions



- Risk Assessment

#	Class	Question Text	Possible Answers	Guidance Information
6	Should	<p>Define the facility's cargo mapping process. (Select all that apply)</p> <p>Use NA (Not Applicable) only if the arrangement of transportation at origin is strictly managed by the customer or the customer's representative.</p>	<p>A written cargo process map is available</p> <p>The cargo process map includes transit times from origin to final container yard</p> <p>The cargo process map includes locations where freight may be at rest</p> <p>No written cargo process map is available</p> <p>Not Applicable</p>	<p>Auditor should request to see a copy of a document that highlights the cargo map and includes points of transfer, transit times and potential points where freight may be at rest and thus at risk.</p>

# Examples of questions



- Business Partners

#	Class	Question Text	Possible Answers
10	Must	Does the facility have written, verifiable processes and procedures used in the selection of business partners including: material suppliers, manufacturers, and logistics service providers? (Select all that apply)	<p>Yes a documented screening process is available</p> <p>Yes a screening process takes place, but written documentation is not available</p> <p>Screening process is done on an annual basis</p> <p>Screening process includes looking for evidence of money laundering and terrorism funding</p> <p>Screening process includes monitoring for financial stability</p> <p>No screening process takes place</p>

# Examples of questions



- Business Partners

Class	Question Text	Possible Answers	Guidance Information
<i>Must</i>	<p>Does the facility require business partners to provide a statement of compliance or complete a questionnaire highlighting the Minimum Security Requirements and controls that are in place? Is the statement or questionnaire renewed annually? (Select all that apply)</p>	<p>Yes  Renewed annually  No</p>	<p>Auditor should request to see a signed agreement between the facility and its business partners outlining the agreement to meet or exceed the facilities security criteria. A spreadsheet highlighting that the business partners have agreed is also an acceptable method of proof.</p>

# Examples of questions



- Cyber and Information Technology

#	Class	Question Text	Possible Answers
14	Should	<p>Does the facility have a comprehensive written cyber security policy to protect information technology systems? Is the policy reviewed and updated annually?</p> <p>NA is only if there are no internet enabled network systems.</p>	<p>Yes - Policy is written and updated within 12 months</p> <p>Yes - Policy is written and update between 12-18 months</p> <p>Yes - Policy is written but last update is greater than 18 months</p> <p>No written policy is available</p> <p>Not Applicable</p>



# Examples of questions



- Cyber and Information Technology

#	Class	Question Text	Possible Answers	Guidance Information
17	Should	<p>Are test scenarios conducted to identify open ports and IP addresses that create vulnerable access to the internal network?</p> <p>NA is only if there are no internet enabled network systems.</p>	<p>Vulnerability tests are conducted by IT personnel</p> <p>No vulnerability tests are conducted</p> <p>Not Applicable</p>	<p>Auditor should ask for an explanation on how and when potential gaps in IT security are assessed.</p>

# Examples of questions



- Conveyance and IIT

#	Class	Question Text	Possible Answers
35	Critical	Is there a documented, comprehensive inspection of a trailer/container conducted prior to loading of the container? (Select all that apply)	<p>Checklist is utilized</p> <p>Size of container notated</p> <p>Container number notated</p> <p>Name of person performing the inspections included</p> <p>Date and time of inspection notated</p> <p>Floor and roof of container intact no holes or leaks notated</p> <p>Outside walls free of damage notated</p>

# Examples of questions



- Conveyance and IIT

#	Class	Question Text	Possible Answers	Guidance Information
34	Critical	Is there a written procedure in place to inspect the security integrity of a container or trailer prior to loading? (Select all that apply)	<p>Yes - Written procedure is in place</p> <p>Procedure includes a process to refuse to load damaged or dirty containers</p> <p>No written procedure in place</p>	Auditor should review the policy that covers how container integrity is determined.

# Examples of questions



- Agricultural

#	Class	Question Text	Possible Answers
56	Should	Does the facility run water over or otherwise remove dirt and other debris from the outside of the shipping containers prior to loading and before departure from the facility? (Select all that apply)	<p>Yes - Outside of container is inspected for dirt and evidence of pests such as egg masses</p> <p>Yes - Outside of container is run through a water bath/shower to remove dirt and loose debris and identify leaks prior to loading</p> <p>No washing or inspection for dirt/debris removal is conducted</p>

# Examples of questions



- Agricultural

#	Class	Question Text	Possible Answers	Guidance Information
57	Should	Does the facility have a procedure to inspect and review evidence of pest access such as baited traps, periodic extermination, and removal of debris from shipping and storage facilities? (Select all that apply)	<p>Yes - Bait stations are visible</p> <p>Yes - Extermination contract in available for review</p> <p>Yes - Shipping and receiving area appears clean</p> <p>No evidence of process or procedure available</p> <p>Area outside and around the shipment and container storage are noted to have trash and evidence of bugs rodents (IE droppings food sources)</p>	<p>Auditor should question management on how they promote the minimization of potentially invasive species such as seeds, pests etc. if possible make observations of containers on site or via CCTV to observe how protection from invasive species such a seeds, pest and other means is managed.</p>

# Examples of questions



- Seal Security

#	Class	Question Text	Possible Answers
63	Must	<p>Is there a procedure in place requiring management level personnel to conduct periodic audits of the seal inventory, seal log, and shipping documents and conveyances to validate that the seal controls are being followed. All steps must be documented. (Select all that apply)</p> <p>NA is only a available and appropriate response if no containers or trailers are loaded at this facility.</p>	<p>Yes - A written procedure is available</p> <p>Audits are conducted</p> <p>Audits are documented</p> <p>No written procedure or practices is in place</p> <p>Not Applicable</p>

# Examples of questions



- Seal Security

#	Class	Question Text	Possible Answers	Guidance Information
64	Critical	<p>Describe the facility's seal application process. (Select all that apply)</p> <p>NA is only an available and appropriate response if no containers or trailers are loaded at this facility.</p>	<p>VVT process included in seal application procedure</p> <p>Secondary testing and validation is checked by supervisors or security guard at time of exit from the facility</p> <p>Seal numbers are written on shipping documents</p> <p>Testing procedure recorded on CCTV footage</p> <p>Seal numbers are communicated or otherwise transmitted to the consignee</p> <p>Seal numbers are provided to consignee's</p>	<p>Auditor should review the seal application process and determine what steps being followed. Review of CCTV footage of the seal application process in practice is also an acceptable means of validation.</p>

# Examples of questions



- Procedural Security

#	Class	Question Text	Possible Answers
65	Must	Does the facility have a written process to review security procedures periodically?	<p>Yes - Security procedures are documented to include period reviews</p> <p>No periodic review is documented</p>



# Examples of questions



- Procedural Security

#	Class	Question Text	Possible Answers	Guidance Information
70	Critical	Is a written procedure in place to resolve a carton count shortage, overage, or any documentation issue found during container or trailer loading; or after the shipment has departed the facility?	Yes No Not Applicable	Review the written procedure pertaining to shipping and then discuss with applicable management their process to resolve carton count discrepancies or other documentation issues. Actions taken should closely match the requirement of the written procedure. Observe their described process if possible. Not applicable is only an option if consolidation, loading and documentation takes place at a consolidation point or an off site location.

# Examples of questions



- Physical Security

#	Class	Question Text	Possible Answers
93	Must	Does the facility have sufficient lighting at entrances, exits, cargo handling and storage areas, along fence lines, and in parking areas to detect movement during periods of darkness?	<p>Yes - Sufficient exterior and interior lighting</p> <p>Interior lighting only</p> <p>Exterior lighting only</p>
		NA is only an available and appropriate response if the location is a bulk packaging facility or a fresh fruit and vegetable packaging facility operated only during daylight hours.	<p>Nothing in place</p> <p>Not Applicable</p>

# Examples of questions



- Physical Security

#	Class	Question Text	Possible Answers	Guidance Information
105	Critical	If used, how many days are CCTV recordings kept?	<p>90 or more days</p> <p>45 - 89 days</p> <p>30 - 44 days</p> <p>Less than 30 days</p> <p>Recordings not retained</p>	<p>Auditor should review CCTV footage from one, three, twelve months ago to determine available recall achievability.</p>

# Examples of questions



- Personnel Security

#	Class	Question Text	Possible Answers
112	Must	<p>Does the facility have a written procedure in place to validate information provided on an employment application, such as an address, previous employment history, education, personal or professional references, and a certification? (Select all that apply)</p> <p>NA is an available and appropriate response only if background checks are not permitted by local law.</p>	<p>Yes - Policy is written</p> <p>Yes - Education check</p> <p>Yes - Reference check</p> <p>Yes - Previous employment check</p> <p>Nothing in place</p>

# Examples of questions



- Personnel Security

#	Class	Question Text	Possible Answers	Guidance Information
113	Critical	Are permanent and temporary job applicant(s) required to submit a written application for employment and provide proof of their identity? (Select all that apply)	<p>Yes - Written application required</p> <p>Yes - Government issued ID required</p> <p>No requirements available</p>	<p>Please note that multiple answers are possible for this question. Failure to select all the proper answers will lower the compliance score. Inspect hiring records for the past 60 days and then check 3-5 employee's personnel</p>

# Examples of questions



- Security Training and Threat Awareness

#	Class	Question Text	Possible Answers
116	Must	Are training classes or meetings conducted to explain the critical reasons why documentation and security is critical in certain departments etc.? (Select all that apply)	<p>Yes - Classes are conducted on security related issues</p> <p>Yes - Training logs are kept to insure required personnel attend the training</p> <p>Yes - Management personnel randomly reviews documentation</p> <p>No training is conducted or documentation of training is unavailable</p>

# Examples of questions



- Security Training and Threat Awareness

#	Class	Question Text	Possible Answers	Guidance Information
120	Should	Does Threat Awareness training inform employees of procedures to report suspicious activity or a security incident?	Yes No	If facility has a Threat Awareness program determine if training specifically includes a discussion on how an employee can report suspicious activity or a security issue.

# Examples of questions



- Miscellaneous

#	Class	Question Text	Possible Answers
131	None	Describe the final packaging area. Please attach a picture.	
132	None	Describe any container storage and vehicle parking areas and please attach picture.	
133	None	Did the Factory Representative and the Auditor sign the Opening Meeting Letter? Please attach the signed copy.	Yes No



# Associated Testing Results

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- Weighting applied against original questionnaire
  - Original Score 90% or above minimal change
  - Original Score 80-90% score decreased by >5%
  - Score 70-80 score decreased by ~5%
    - Members whom require 75% or above Pre CAPA score may have some concerns

# Associated Testing Results

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- **Husky Injection Molding running a self assessment pilot**
- **Reporting higher than expected compliance with the New Criteria**
  - **Specifically**
    - **Security Vision and Responsibility**
    - **Cyber and IT security**
- **Because of their Industry Agriculture is NA generally**
- **Response times down**
  - **to 37 days from 87 days**
- **Overall responses up 11% vs last questionnaire**
  - **Attributed to pre-work insuring that factory vendor contact information was accurate.**
  - **Learning here for the rest of US???**
- **Over all Score result up 10%**

# Next Steps

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- Review Final Publication of MSC Document
- Determine Training dates for Service Providers
- Launch Date of New questionnaire
- Determine when where and how to introduce new criteria to Origin partners/factory's/Vendors
  - In person training at Origin (SCAN Road-Trip (s))
  - Develop or Partner to provide Net-based training
- Prepare post role out weighting revisions
- Launch post-role out questionnaire (2020)

# Self Assessment Proposal

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- CBP recognizes self -assessments
- Some SCAN members utilize self-assessments today
- Self-Assessments could be an opportunity to extend depth of penetration
  - Non-direct importers
  - Low risk locations
  - low value low volume ship from location

# Self Assessment Proposal

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- Self-assessments could be utilized as “off-cycle” of compliance (between audits)
- Self assessments could be used to “reward” highly compliant factories (2 consecutive audits above 95% i.e. skip a re-audit cycle)
- Self assessments could allow Factory/Vendor members to provide “baseline” compliance details

# Self Assessment Proposal

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- Self-assessments could provide a platform for SCAM members that are Importer/Manufacturers and CTPAT Partners to cost effectively highlight compliance for factories they own or control  
Further limiting Audit fatigue

# Self-Assessment Opportunities

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- **SCAN Member Risk tolerance differences**
  - Accepting self-assessments or not
- **Explaining issues to Vendors/Factories**
  - What happens if a member will not accept a recent self-assessment
- **SCAN self-assessments will have a cost associated**
  - Who pays the fee?
    - Management fee
    - CAP/CAPA review
- **How important is “Trust but Verify”**
- **Validity period for self-assessments?**
- **Does a Serious Breach invalidate a Self –assessment?**

# Questions/Comments

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