Subject: 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 Warehousing Monitoring and Audit Unit (WAMU) in the Bureau of Customs.

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 and at least two (2) members, from the Warehousing Audit and Monitoring Unit (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,

   1.06 As directed by the Office of the Commissioner.

E. Operational Procedure:

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 or 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 Warehouserman 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 document 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 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.