

# Customs-Trade Partnership Against Terrorism

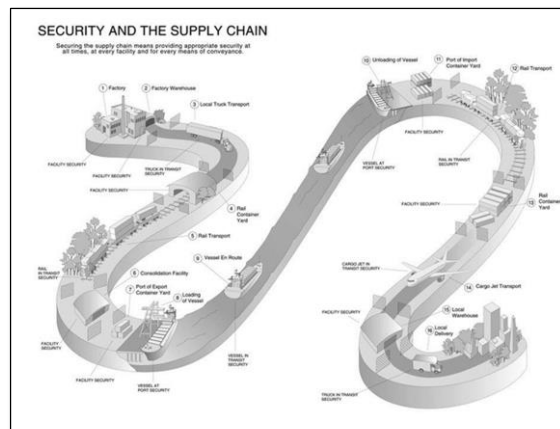
## Bulletin

### Three Essential Components of a World Class Supply Chain Security Program

The Customs-Trade Partnership Against Terrorism (C-TPAT) program is one layer in U.S. Customs and Border Protection's (CBP) multi-layered cargo enforcement strategy. Through this program, CBP works with the trade community to strengthen international supply chains and improve United States border security.

To enhance communication with its members, C-TPAT routinely highlights security matters for the purpose of raising awareness, renewing Partners' vigilance, and recognizing best practices implemented to address supply chain security concerns.

The purpose of this C-TPAT Bulletin, generated in cooperation with Danbee Investigations, a leader in supply chain security solutions, is to highlight to C-TPAT Partners the three essential components that a world class supply chain security program must have: senior management support; constant oversight of security procedures; and establishing a culture of supply chain security excellence throughout the organization.



These three components will help transform a supply chain security program that has only been moderately effective at protecting company assets into one that is exceptional.

#### 1. Obtaining The Support Of Senior Management

While few experienced security professionals would disagree with the importance of C-level support, why is it that some find it difficult to procure? One underlying reason may be how well the message is being communicated. Here are two strategies found to be extremely effective:

- A. Focus on how your security program will contribute to company profits rather than simply being an expense item on the income statement. Reducing theft-related losses, being able to negotiate reduced insurance premiums, avoiding fines and penalties, protecting the company's brand name, maintaining the C-TPAT certification, and lowering importation costs are all profit-enhancing benefits of a world class security program.

Additionally, having a robust supply chain security program will provide you with a competitive advantage when soliciting new business. The large number of retailers that

now require their suppliers to be C-TPAT certified is an example of the importance being placed on security in a post 9/11 world.

B. While contributing to profitability is compelling to a CEO or CFO, so is risk mitigation.

Explaining the consequences of having inventory disappear, law enforcement finding illegal drugs in your container, or having a biological, chemical or nuclear weapon smuggled into the United States through your supply chain are realistic threats today.

The financial ramifications of a major security breach could easily reach seven figures, in addition to the potential harm to personnel and company reputation. Yet, the first time some senior executives take the time to seriously contemplate these consequences is only after being presented with this type of scenario.

If you effectively explain how upgrading your safeguards could significantly mitigate these risks, in addition to the positive impact a top caliber security program would have on the bottom line, you dramatically increase the probability of receiving the financial, logistical and moral support needed to take your asset protection efforts to the next level.

## **2. Maintaining An Auditing Program That Exposes Weaknesses Before They Can Be Exploited**

Many companies that have been victimized by theft, sabotage, product tampering or smuggling have learned a costly lesson: there's a difference between being good and being lucky. When protecting your company's assets, relying on good luck is never a sound, long-term strategy.

The reason that many companies have suffered a major security breach was because they thought their safeguards were much better than they actually turned out to be. World class security programs operate with the understanding that vulnerabilities do exist and will be exploited if not remedied. They relentlessly evaluate and test their safeguards at each point in their supply chain so that these weaknesses are identified and subsequently converted into strengths.

One global logistics CEO recently stated to Danbee Investigations "If our audits aren't exposing vulnerabilities, I'd be naive to assume it's because our security program is perfect. I know that either our auditors are not looking in the right places or I have the wrong people conducting these security assessments."

For security audits to provide a maximum return on investment they need to be performed by individuals with the right expertise. As an example of this, an Asian manufacturer had experienced a security breach inside the high security section of its facility. Unauthorized persons had entered the facility after hours and caused a significant loss. Despite the sizeable investment in new state-of-the-art protective technology, the intrusion detection system failed to stop the perpetrators.

During the investigation of the theft, the company's security auditor explained that just one month prior to the theft he had conducted a risk assessment and found everything in proper working order. Consequently, he was puzzled as to why their security system had failed.

Within minutes of touring the high security area, the problem was identified. All of their motion detectors had been installed upside down, with the infrared and microwave technology pointing towards the ceiling instead of the ground. The auditor responded that neither he nor the vendor that had installed the system understood how this technology operated. Despite his lack of expertise, he was responsible for the selection of the company's security technology as well as conducting audits at all their company sites. He later admitted that his work experience was predominately in Quality Control and IT – not supply chain security.

This is not as unusual as you would think in parts of Asia, Europe and Latin America. Some companies have a tendency to delegate security auditing to personnel with little or no asset protection experience. However, assigning auditors from other disciplines, equipped with generic checklists printed from the internet, usually results in little more than a false sense of security, which frequently precedes a major security incident.

### **3. Establishing A Culture Of Security Excellence**

The sheer volume of products crossing borders every day, the relatively small percentage of shipments that undergo a physical inspection, as well as the number of times that shipments are handled prior to reaching their final destinations, all make the commercial supply chain a prime target for terrorists.

As previously stated, not only could a smuggled weapon of mass destruction result in the loss of life, there's little doubt that it could also cause irreparable damage to a company's reputation and bottom line. As if smuggling wasn't enough of a concern for those responsible for protecting their company's supply chain, cargo theft continues to cost American companies between \$10-20 billion annually.

Because security threats are constantly evolving, asset protection strategies and tactics cannot afford to remain stagnant. This is why the best supply chain security programs not only keep pace with these threats, they attempt to always stay one or two steps ahead of them.

Complacency doesn't exist in world class programs. It's replaced with a relentless commitment for continuous improvement - a culture of excellence.

How can you determine if your program is focused on excellence? Answering these questions may provide some insight:

- A. Is your supply chain security program predominately composed of proactive controls, or is it more reactive?
- B. Are your safeguards thoroughly audited and tested on a regular basis? If so, have you consistently identified weak links in your supply chain and converted them into strengths?

- C. If you are a C-TPAT certified company, has the C-TPAT Supply Chain Security Specialist team identified at least four Best Practices during every validation, or is your company just meeting the minimum security criteria?
  
- D. Is your training composed of hands-on information that increases employee awareness to the extent that they would for example, recognize a manipulated security seal or an internal conspiracy? Are your training materials regularly updated so that they are timely and relevant?

While these three principles are not inclusive of all the underlying factors for success, it is not a coincidence that they are almost always found in world class supply chain security programs.

## **C-TPAT Program**

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