

Bodman PLC

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### Import Compliance Audits: An Essential Part of a Robust Trade Compliance Program

By: Bradley T. French, Member and Chair, International Trade Team

For companies engaged in international trade, assuring compliance with import laws and regulations is a critical component of the supply chain management process. The consequences of noncompliance are potentially dire and can include significant financial, operational, and even criminal penalties. For this reason, taking a **proactive approach** to maintaining trade compliance, including performing periodic import compliance audits, is essential to satisfying an importer's reasonable duty of care.

Performing an import compliance audit involves systematically reviewing a company's import processes to ensure they comply with all applicable laws, rules, and regulations enforced by U.S. Customs and Border Protection (CBP). These audits are particularly relevant in the current economic and regulatory environment. Crucial reasons for conducting periodic audits include:

- **Avoiding Legal Penalties and Fines.** Government agencies impose strict control over imports. Proactive compliance audits can help importers avoid fines, seizures of goods, loss of import privileges and, in serious cases, criminal liability.
- **Ensuring Accurate Duty Payments.** An effective audit will determine whether products are classified and valued correctly, and that the right duties and tariffs have been paid. Overpayment or underpayment can be costly, could trigger audits, fines, and penalties from CBP, and must be corrected.
- **Preventing Supply Chain Disruption.** Non-compliance can result in delays, detentions, or rejections at the border. Audits help identify potential risks and allow proactive corrections to avoid future disruptions.
- **Maintaining Trade Program Eligibility.** Ongoing compliance is essential to stay eligible and benefit from reduced duties or faster processing.

- **Protecting Brand and Reputation.** Compliance failures can damage relationships with CBP, business partners, and customers.
- **Improving Internal Processes and Controls.** Audits often reveal inefficiencies or training gaps. They provide an opportunity to improve documentation, classification procedures, recordkeeping, and other internal controls.
- **Reducing the Risk of CBP Audits.** Conducting regular internal or third-party compliance audits shows good faith and may reduce the likelihood of more aggressive or punitive audits by customs authorities.

A comprehensive import compliance audit may vary by client but typically involves some or all of the following steps:

- Gathering and reviewing all relevant documentation (customs entries, commercial invoices, certificates of origin, import permits and licenses, etc.);
- Verifying tariff classification for each product based on the most current tariff schedules;
- Checking valuation accuracy;
- Reviewing the country of origin and marking for all products;
- Evaluating use of free trade agreements or other preference programs;
- Auditing broker and vendor performance;
- Assessing recordkeeping practices;
- Reviewing internal controls and procedures;
- Identifying risks and non-compliance issues;
- Preparing an audit report;
- Implementing corrective actions for any deficiencies identified; and
- Establishing a continuous improvement plan including a future audit schedule.

Depending upon the extent of a company's trade program, developing and maintaining an effective audit program could require a team of experienced trade compliance professionals. When developing a trade compliance audit strategy, determine whether your company's internal resources are adequate and if not, consider engaging a qualified and experienced consultant to develop and implement an audit program.

In summary, import compliance audits protect businesses from legal, financial, reputational, and operational risks, while also promoting efficiency, accuracy, and credibility in global trade operations. Today's environment of heightened awareness and increased enforcement on top of a constantly changing landscape of duties, tariffs, and trade remedies means that compliance audits should be a regular and frequent part of a healthy trade program, not a one-time effort.

If you have questions about conducting an import trade compliance audit, or any other legal aspects of your trade program, contact the author, [Bradley French](#), or another member of [Bodman's International Trade Team](#). Bodman cannot respond to your questions or receive information from you without first clearing potential conflicts with other clients. Thank you for your patience and understanding.

**Bodman' International Trade Team**

**BRADLEY T. FRENCH, Chair**

616-205-1869

[bfrench@bodmanlaw.com](mailto:bfrench@bodmanlaw.com)

**HEBBA AREF**

313-393-7525

[haref@bodmanlaw.com](mailto:haref@bodmanlaw.com)

**CARLA S. MACHNIK**

313-392-1048

[cmachnik@bodmanlaw.com](mailto:cmachnik@bodmanlaw.com)

**SUNGJIN YOO**

616-205-3328

[syoo@bodmanlaw.com](mailto:syoo@bodmanlaw.com)