

## Chapter 7

### OPERATOR RECORDKEEPING AND REPORTING RESPONSIBILITIES

7.1 General - Recordkeeping is an important aspect of zone supervision because this allows Customs to check the representation made in the records against the physical reality found in merchandise in the zone and against independent records of other parties, such as Customs, carriers, sellers to the zone, and buyers from the zone. When audit-inspection supervision was initiated in zones in 1986, Customs ceased to maintain inventory records in zones, turning responsibility over to zone operators, subject to Customs compliance reviews, (formerly spot checks) audits, and liquidated damages for operator failure to properly maintain required records.

7.2 Authority for Operator Recordkeeping - Regulations concerning protection of the revenue shall be approved by the Secretary of the Treasury. (19 USC 81p). Under this general authority, regulations have been established in 19 CFR Part 146, requiring zone operators to maintain certain records and make certain reports, as will be described in this part of the Manual.

7.3 Authority for Importer Recordkeeping - Any owner, importer, consignee, or agent thereof who imports or knowingly causes to be imported any merchandise into the United States shall make, keep, and render for examination and inspection such records which (1) pertain to any importation, or the information contained in documents required in connection with the entry of the merchandise, and (2) are normally kept in the ordinary course of business. (19 USC 1508). This requirement is further described and interpreted in 19 CFR Part 163.

7.4 Customs Authority to Examine Zone Records - The Port Director may direct a Customs officer to supervise any transaction or procedure at a zone. Supervision may be performed through, among other methods, a periodic audit of the operator's records or a review of recordkeeping in the zone. (19 CFR 146.3(b)). The operator shall permit representatives of the Board access to the zone. (19 CFR 146.4(b)), and see Section 3.3(c) FTZM). Although Customs laws do not, under certain circumstances, apply in zones, when merchandise is transferred from a zone to Customs territory or is otherwise not exempt from Customs laws under the FTZA, importers become subject to the records inspection requirement of Section 1508 and to the examination of books and witnesses under Section 1509, Title 19 whether or not the books or records are physically kept in the zone activated area.

7.5 Foreign-Trade Zone Board Authority to Examine Zone Records - The Board has authority to inspect the premises, operations and accounts of zone grantees and operators. (15 CFR 400.11(a)(6)).

7.6 Accessibility and Retention of Records - Records shall be readily available for Customs review. (19 CFR 146.4(d), 15 CFR 400.28(a)(7), 400.41). UIN records, open zone lot records, and zone admission files shall be considered readily available for review if they are located within the activated area, or close enough to the activated area so as not to impede, delay, or create confusion during a Customs compliance review (formerly spot check) or audit. The records should be capable of being produced for Customs review in the zone within four (4) hours of demand by a Customs officer. Automated records will be considered readily available if they are accessible through a video terminal which is located in or close to the activated area, with a capability for printing a hard copy. Records may be stored in hard copy, electronic tape/diskette/CD ROM media microfiche or as determined by company procedures. If the original records were electronic, they may be maintained in an electronic mode; however, if the original records were hard copies, they must be maintained as such unless the recordkeeper has utilized the alternative storage procedures in Part 163, Title 19, CFR (19 CFR 163.5). Closed lot records need not be retained in or adjacent to the zone, but must be retained within the area of jurisdiction of the Customs port responsible for supervision of the zone. However, if closed lot records are retained in or close to the activated area, they should be segregated from open lot records.

(a) Records Retention Period - The operator shall maintain all records, as defined in 19 CFR 163.1, and required under 19 CFR Part 146 pertaining to zone merchandise for 5 years after the merchandise is removed from the zone. (19 CFR 146.4(d)). In the case of merchandise which has been transferred from a zone to Customs territory or is otherwise not exempt from the Customs laws, records pertaining to importation which are required or made under 19 CFR 163.3 shall be kept for 5 years after the date of entry of the merchandise. (19 CFR 163.4(a)). Note that since the five (5) year requirement begins with transfer from the zone, records must be maintained for longer than five (5) years since an entry must be traceable back to the related admission.

7.7 Safekeeping of Records and Proprietary Information - The operator is responsible for safekeeping of records concerning merchandise in a zone. The operator, at its liability, may allow a zone user to store, safeguard, and otherwise maintain inventory records pertaining to their own merchandise. (19 CFR 146.4(c)). Only authorized personnel should have access to the records concerning zone merchandise. Operators shall protect proprietary information in its custody from unauthorized disclosure. (19 CFR 146.4(d)). Generally, "proprietary information" is confidential trade or business information which would be exempt from disclosure by the Government under 5 USC 552(b)(4), such as value information on invoices or Customs forms. The disclosure of confidential information by a Customs officer is punishable by dismissal, suspension, or other disciplinary action, and if done for a valuable consideration, by criminal prosecution. (19 CFR 103.34(a)).

7.8 Inventory Control and Recordkeeping System - An operator shall maintain the inventory control and recordkeeping system of the zone in accordance with the provisions of 19 CFR Part 146 (19 CFR 113.73(a)(2), 146.4(d)). An operator shall maintain either manual or automated inventory control and recordkeeping systems or a combination of manual and automated systems capable of:

- (1) Accounting for all merchandise, including domestic status merchandise, temporarily deposited, admitted, granted a zone status or status changed, stored, exhibited, manipulated, manufactured, destroyed, transferred and/or removed from a zone;
- (2) producing accurate and timely reports and documents as required by regulation;
- (3) identifying overages and shortages of merchandise in a zone in sufficient detail to determine the quantity, description, tariff classification, zone status, and value of the missing or excess merchandise;
- (4) providing all the information necessary to make entry for merchandise being transferred to the Customs territory including, but not limited to, quantities, descriptions, values, HTS classification, and status; and,
- (5) providing an audit trail to Customs of Customs forms from admission, through storage, manipulation, manufacture, destruction, exhibition and or transfer of merchandise from a zone either by a Customs-approved inventory method, i.e., zone lot number (ZLN) or unique identifier number (UIN). (19 CFR 146.21(a)).

The operator may authorize a zone user to maintain its individual inventory control and recordkeeping system. (19 CFR 146.21(b)(3)). However, the operator remains liable for complying with all inventory control and recordkeeping requirements of 19 CFR Part 146, including 19 CFR 146.21(c).

(a) Operator's Procedures Manual - The operator shall provide the Port Director with an English language copy of its written inventory control and recordkeeping systems procedures manual in accordance with the requirements of 19 CFR 146.6(b)(4) and 146.21(b). The manual shall describe, in detail, the methodology to be used in recording transactions in the operator's inventory and recordkeeping system. The purpose of the manual is to facilitate Customs compliance reviews (formerly spot checks) and audits by explaining how the recordkeeping system works; however, operators and users are responsible for further explaining their system and its operation to Customs officials upon request. The operator shall keep current its procedures manual and shall submit to the Port Director any change at the time of its implementation. (19 CFR 146.21(b)(2)).

(1) Maintenance by Zone User - An operator may authorize a zone user to maintain its individual inventory control and recordkeeping system and procedures manual. An operator shall furnish Customs a copy of the zone user's procedures manual, including any subsequent changes. However, an operator will remain responsible to Customs and liable under its bond for supervision, defects in, or failure of a system. (19 CFR 146.21(b)(3)).

(2) Significance of Customs Receipt of Manual - The operator's procedures manual and subsequent changes will be furnished to the Port Director for information purposes only. Customs receipt of a manual does not indicate approval or rejection of a system. (19 CFR 146.21(b)(4) and see Section 4.7(a)(2) FTZM).

(b) Receipt and Admission to Zone - All merchandise will be recorded in a receiving report or document using a zone lot number or unique identifier. All merchandise, except domestic status merchandise for which no permit for admission is required under 19 CFR 146.43, will be traceable or attributable to a Customs Form 214 and accompanying documentation. Quantities received will be reconciled to a receiving report or document such as an invoice with any discrepancy reported to the Port Director. (19 CFR 146.22(a), (b)).

The "unique identifier" specified in 19 CFR Part 146, Subpart B, refers to the unique numerals, letters, or other characters used to identify a specific inventory category, including fungible merchandise. It is not to be confused with the sequential zone admission number of the Customs Form 214 (19 CFR 146.32(a)) which is used to admit all merchandise to a zone, other than domestic status merchandise for which no permit is required.

(1) Suspense File - Merchandise received without complete Customs documentation or which is unacceptable to the inventory control and recordkeeping system will be recorded in an admission suspense account or record until documentation is complete or the system is capable of accepting the information, at which time it will be formally admitted to the zone under 19 CFR 146.32 or 146.40. The receiving report or document will provide sufficient information to identify the merchandise and distinguish it from other merchandise. The admission suspense account or record will be completely documented for Customs review to explain the differences noted and corrections made. (19 CFR 146.22(c)). The admission suspense file should not be confused with a temporary deposit due to incomplete documentation under 19 CFR 146.35. (See Section 6.5(c)(6) FTZM).

(2) Recording into Inventory Record System - Merchandise received will be accurately recorded in the inventory system records from the receiving report or document using the zone lot number or unique identifier number for traceability or attribution. The inventory records will state the quantity and date admitted, cost or value where applicable, zone status, and description of the merchandise, including any part or stock number. (19 CFR 146.22(d)).

(3) Zone Admission Files - The Customs Modernization Act authorizes Customs recognition of computer records. In those situations where the zone lot records are maintained by use of a computer, there is no requirement that the operator maintain a hard copy zone lot file. Instead the files authorized for a UIN system at Section 7.8(b)(4) FTZM are permissible. Except as provided in Section 7.8(b)(4) FTZM, upon receipt of merchandise in the zone, the operator shall open and maintain a zone admission file containing a copy of the Customs Form 214, the examination invoice, and all other documentation necessary to account for the merchandise covered by each Customs form 214. The zone admission file shall be maintained in sequential order by using the sequential number assigned to each Customs Form 214 as the file reference numbers. (19 CFR 146.37(a)(1)). Under a lot number inventory system, in the instance where more than one zone lot number is received under one zone admission number, i.e. Customs Form 214, the file is still maintained in the same order. The packages of merchandise shall be marked with the zone lot number, so the merchandise can be traced back to a particular Customs Form 214 that these zone lot numbers were received under. (19 CFR 146.37(d), see Section 6.9(a)(7) and 8.2(a)(1) FTZM).

(4) Authorized Inventory Method - Where a Customs authorized inventory method other than a zone lot number system (specific identification of merchandise) is used, e.g. First-in, First-Out (FIFO), the operator shall maintain a file of all Custom Forms 214 in sequential order. (19 CFR 146.37(a)(2)). If an operator wishes to identify merchandise using a system other than zone lot or FIFO they should request approval through the internal advice procedures in 19 CFR 177.11(b)(1)(ii). The request should state the sources of the merchandise to be identified and the dutiable status of that merchandise, as well as describing the zone operation to which the merchandise is subject.

(5) Temporary Deposit - The operator shall maintain an inventory and recordkeeping system capable of accounting for all merchandise temporarily deposited in a zone, whether or not it is later admitted to

the zone (19 CFR 146.21(a)(1)). Applications for temporary deposit shall be made on a sequentially numbered Customs Form 214, clearly annotated "Temporary Deposit in Zone". (19 CFR 146.35(b); see Section 6.5(c) FTZM. The unique number shall be distinct in series, suffix, prefix, or other indicator from those assigned to merchandise under admittance to a zone. A file shall be assigned a temporary deposit number. The file shall be closed when the merchandise is removed from the temporary deposit status.

(6) Direct Delivery - Under 19 CFR 146.39, certain criteria must be met to allow direct delivery to a zone without prior permit.

(c) Accountability for Zone Merchandise - The operator shall have an inventory control and recordkeeping system(s) capable of accounting for all merchandise stored, exhibited, manipulated, manufactured, processed, destroyed, or granted a zone status change. (19 CFR 146.21 (a)(1)). Merchandise admitted to a zone can be identified by either a zone lot number inventory control method (ZLN) or a unique identification number inventory method (UIN).

Zone Lot Number (ZLN) - A collection of merchandise maintained under an inventory control method based on specific identification of merchandise admitted to a zone by lot number. Use of this method requires maintenance of zone lot records, and physical segregation and marking of zone lot numbers.

Unique Identifier Number (UIN) - This inventory method controls merchandise in a zone by cumulative identification or record identity, i.e., by unique numbers and/or letters that identify merchandise admitted to a zone. Inventory levels are adjusted on a first in first out (FIFO) basis or foreign first (FOFI) basis pursuant to generally accepted accounting principles. Merchandise need not be segregated.

(1) Inventory Records - The inventory records will specify by zone lot number or unique identifier number:

1. location of merchandise;
2. zone status;
3. cost or value, unless operator's or user's financial records maintain cost or value and the records are made available for Customs review;

4. beginning balance, cumulative receipts and removals, adjustments, and current balance on hand by date and quantity;
5. destruction of merchandise; and
6. scrap, waste, and by-products. (19 CFR 146.23(b)).

A zone lot number or unique identifier number will be used to identify and trace merchandise in a zone. (19 CFR 146.23(a)(1)).

(2) Lot Number System (Specific Identification) - Under a zone lot number system of specific identification for merchandise received and admitted to a zone, the zone lot number must be assigned at admission. A zone operator may choose whatever lot number he requires. The zone lot number may be a consecutive number assigned to the merchandise, it may be the lot number already used by the company for other purposes, or the sequential number assigned by the operator to the Customs Form 214 upon admission. If there is more than one zone lot number assigned to merchandise placed on a Customs Form 214, the zone admission number should not be utilized as a zone lot number. In an instance where every admission of merchandise is only one zone lot, the sequential zone admission number assigned to the Customs Form 214 may be utilized as the zone lot number. The zone lot number must be displayed on the merchandise cartons, boxes, etc. (19 CFR 146.37(d)); also see Section 6.9(a)(7) FTZM). The merchandise shall be physically segregated to distinguish one zone lot from another. Each zone lot number shall be identified in the operator's inventory recordkeeping system. The zone admission file will be maintained as described in Section 7.8 FTZM.

When zone lot number merchandise is manipulated by combining merchandise from different zone lot numbers, a new manufacturing or finished product lot number will be established in the record to show, in addition to the information specified in 19 CFR 146.23(b); and Section 7.8(c)(1) FTZM, the original zone lot numbers from which the merchandise has been transferred.

EXAMPLE:

- 100 Fishing poles admitted under zone lot #860813
- 100 Fishing reels admitted under zone lot #860814

- 50 Fishing kits (manipulated from zone lot #'s 860813 and 860814). New finished product lot #860815A must be traceable back to zone lot numbers 860813 and 860814.

Note: The zone's Grant of Authority must authorize the activity taking place in the zone.

(3) Authorized Inventory Method - A zone operator may request, under the procedures of 19 CFR Part 177, approval from Customs Headquarters for an authorized inventory method in lieu of the zone lot number system. (19 CFR 146.23(a)(2) and 146.37 (a)(2)). Customs has already approved as inventory methods First-in, First-Out (FIFO) under CSD 81-62. An operator need not request approval for his zone of an inventory method already approved for general use by Customs Headquarters. Aside from this method, the FTZA specifically authorizes Industry Standards of Potential Production on a Practical Operating Basis as verified and adopted by the Secretary of the Treasury (known as producibility) as an inventory method for feedstocks for petroleum refineries operating in zones. (19 USC 81c(d); See Section 11.6(j) FTZM).

FIFO as approved in CSD 81-62 applies to fungible merchandise, i.e. merchandise which for commercial purposes is identical and interchangeable in all situations. (19 CFR 146.1(b)(12)).

(i) First In First Out (FIFO) - Under the FIFO method, any merchandise withdrawn from stock is assumed, in accordance with good business practice, to be withdrawn from the oldest stock first. In applying FIFO procedures, it is important to note that each zone admission is considered a layer and the zone operator is responsible for identifying the appropriate sequence of transfers from the zone to assure the proper layer was decremented. This procedure becomes critical where different costs or values and/or different zone statuses are involved in the fungible merchandise. Since fungible merchandise, is, by definition, commercially interchangeable in all situations, it should be stored together whenever practical. Identification shall be maintained in the inventory control system records, generally, by description and part or stock number. A history file, reflecting the layers by date of admission, shall be maintained by the zone operator to provide the necessary details for Customs compliance reviews (formerly spot checks) and audits.



(4) Domestic Status Merchandise - The operator shall maintain an inventory control and recordkeeping system(s) capable of accounting for all merchandise in the zone, including domestic status merchandise. Domestic status merchandise which has lost its identity as domestic merchandise will be treated as foreign merchandise in nonprivileged foreign status. It will be considered to have lost its identity as domestic merchandise if the Port Director determines that it cannot be identified positively as domestic merchandise on the basis of an examination of the merchandise or consideration of any proof that may be submitted by a party in interest. Acceptable proof includes, but is not limited to a recordkeeping system(s). (19 CFR 146.42(c); see Section 5.7(a)(3) and 5.7(d) FTZM). There is no authority under the FTZA permitting the substitution in a zone of domestic and imported merchandise, similar to the authorization found in Section 313(b) (19 USC 1313(b)) TA relating to drawback. Merchandise manufactured in a zone under such conditions is subject to full duty if sent into Customs territory. (TD 54873(2) and see comment and explanation in CSD 82-152). Inventory methods involving record identification and attribution, such as FIFO or FOFI, are not substitution as understood in TD 54873(2) and CSD 82-152.

Products derived in part from domestic status merchandise and in part from foreign status merchandise may retain their respective zone statuses when the quantities derived from the merchandise from which they were manufactured can be established through inventory control and accounting procedures approved by Customs. (CSD 81-67). For example, a known volume of one liquid in domestic status may be mixed with a known volume of another liquid in foreign status and retain its identity as domestic status merchandise when the proportion of domestic and foreign components of the mixture have been determined by independent volume measurements of each domestic and foreign component prior to their being mixed, assuming that it is possible to accurately calculate the quantity of domestic components in the mixture. (CSD 82-152).

Physical shortages identified in fungible merchandise consisting of a combination of foreign and domestic status will be treated as a shortage of foreign status merchandise unless it can be identified positively as domestic status merchandise. (19 CFR 146.42(c)). Such identification would include any evidence that status has been properly maintained under an inventory method authorized by Customs Headquarters.

Importations for which a formal entry would not be required may be admitted to a zone only in domestic or zone-restricted status after having been entered into the Customs territory with or without payment of duty, as appropriate.

(5) Petroleum Refinery Inventory Accounting - Definition and attribution of products to feedstocks for petroleum manufacturing may be either in accordance with Industry Standards of Potential Production on a Practical Operating Basis as verified and adopted by the Secretary of the Treasury (known as producibility) or such other inventory control method as approved by the Secretary of the Treasury that protects the revenue. (19 USC 81c(d), 19 CFR Part 146, Subpart H; See Section 11.6(j) FTZM).

(d) Transfer of Merchandise from Zone - All zone status merchandise transferred from a zone will be accurately recorded within the inventory control and recordkeeping systems. The inventory control and recordkeeping systems for merchandise transfers must have the capability to trace all transfers back to a zone admission under a Customs authorized inventory method or the zone lot system. (19 CFR 146.24(a)(1), (2)). This recordkeeping responsibility applies to the transfer of merchandise which has already been constructively transferred to Customs territory and entered for consumption, although it is no longer in zone status. (See Section 9.16(d)(2) FTZM).

The inventory control and recordkeeping systems must be capable of providing all information necessary to make entry for transfer of merchandise from the zone. (19 CFR 146.21(a)(4) and 146.24(b)).

(e) Physical Inventory - The operator shall take at least an annual physical inventory of all merchandise in the zone (unless continuous cycle counts are taken as part of an on-going inventory control program) with prior notification of the date(s) given to Customs for any supervision of the inventory deemed necessary. The operator shall notify the Port Director of any discrepancies in accordance with 19 CFR 146.53, 19 CFR 146.23(c). The physical inventory may, but need not be, conducted in conjunction with the annual reconciliation report under 19 CFR 146.25. Identification of overages and shortages in the inventory system are required whether or not they are recorded as an adjustment to inventory. Port Directors shall query each zone to determine their physical inventory schedule and to assure that prior notification is given of each inventory.

(f) Annual Reconciliation - The operator shall prepare a reconciliation report within 90 days after the end of the zone/subzone year unless the Port Director authorizes an extension for reasonable cause. The operator shall retain that annual reconciliation report for compliance reviews (formerly spot checks) or audit by Customs and need not furnish it to Customs unless requested. There is no form

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specified for the preparation of the report. The report must contain a description of merchandise, for each zone lot number or unique identifier number, showing zone status, quantity on hand at the beginning of the year, cumulative receipts and transfers (by unit), quantity on hand at the end of the year, and cumulative positive and negative adjustments (by unit) made during the year. (19 CFR 146.25(a), (b)).

(1) Certification to Customs - The operator shall submit to the Port Director within 10 working days after the annual reconciliation report is complete, a letter signed by the operator certifying that the annual reconciliation report has been prepared, is available for Customs review, and is accurate. The certification letter must contain the name and street address of the operator, where the required records are available for Customs review, and the name, title and telephone number of the person having custody of the records. Port Directors shall maintain a suspense file to assure that the certification of the annual reconciliation is timely received from each zone operator. Reporting of shortages and overages based on the annual reconciliation will be made in accordance with 19 CFR 146.53; see Section 10.5 FTZM). These reports must accompany the certification letter. (19 CFR 146.25(c)).

(g) Annual System Review - The operator shall perform an annual internal review of the inventory control and recordkeeping system(s) and shall report to the Port Director any deficiency discovered and corrective action taken, to ensure that the system meets the requirements of 19 CFR Part 146, Subpart B, (19 CFR 146.26).

(h) Sanctions for Recordkeeping Violations - The operator is subject to assessment of liquidated damages by the Port Director for violations of the CR involving the inventory control and recordkeeping system(s) under 19 CFR 113.73(a)(2). In addition, the activated status of the zone may be suspended by the Port Director for cause on the grounds that the inventory control and recordkeeping system is impaired to the point where the identity of merchandise in zone status has been lost and cannot be reestablished without a suspension of zone operations. (19 CFR 146.82(a)(8)).

#### 7.9 Zone Admission File Maintenance -

(a) Lot System - If the merchandise is accounted for under specific identification, and not under another authorized inventory method, the operator shall maintain a zone admission file containing a copy of Customs Form 214, the examination invoice, and all other documentation necessary to account for the merchandise covered by each Customs Form 214. There may be multiple zone lot numbers received under one Customs Form 214 sequential admission number. As previously noted in Section 7.8(b)(3) FTZM, if lot records are maintained in a computer system, there is no requirement that a zone operator maintain a hard copy file of each individual zone lot number. Instead, files maintained by a

sequential CF 214 number are permitted. The zone admission file will be maintained in sequential order by using the sequential number assigned by the operator to each Customs Form 214 as the reference number. (19 CFR 146.37(a)(1)). In those instances where computerized lot records are not maintained, then a zone admission file will be maintained in sequential CF 214 admission number order. The operator shall give a copy of the examination invoice to the person making entry to transfer the merchandise covered by the invoice from the zone upon demand of that person or the Port Director. (19 CFR 146.37(b) and see Section 9.7(a)(5) FTZM). In the zone admission file will be copies of all permits by Customs to admit, exhibit, manipulate, manufacture, process, destroy, or transfer zone merchandise, and any other documents necessary to account for any change in the condition or quantity of merchandise while it is in the zone. If a yearly blanket Customs Form 216 has been approved by Customs, it is not necessary to keep a copy in each file, but maintain it separately for reference. Each permit or other document should be recorded in the inventory and recordkeeping system within two working days after the event occurs so the file will be current when reviewed by Customs officers.

Zone Admission File Contents - Customs forms and other documents that may be expected to be maintained in the zone admission file include, but are not limited to:

FORM NUMBER AND NAME	USE
1. Deposit in Zone	
Customs Form 214, Application for Foreign-Trade Zone Admission and/or Designation	Admission to zone and selection of zone status
Customs Form 6043, Delivery Ticket	Transfer to zone pursuant to permit on CF 214
Customs Form 7512, Transportation Entry and Manifest of Goods Subject to Customs Inspection and Permit	Transfer to zone pursuant to permit on CF 214, or direct delivery to zone with concurrence of carrier
Manifest Discrepancy Report (MDR)	Quantity discrepancy found before or upon admission to zone. Free form letter with supporting documentation prepared by the carrier or operator

Customs Form 6423, Notice of Damage, Shortage, or Sample

Report of within case damage or shortage found by Customs officer, or report of sample taken by Customs officer

Customs Forms 7514, 7512, or 7551

Claim of drawback on merchandise admitted to zone

BATF Forms 5100.11, 1689, 5110.30, 1582-A, and 1582-B

Transfer of alcoholic beverages to zone without payment of Internal Revenue tax

BATF Form 5200.14

Transfer of tobacco products to zone without payment of Internal Revenue tax

## 2. Operational Activities

Customs Form 216, Foreign-Trade Zone Activity Permit

Exhibition, manipulation, manufacture, processing, or destruction of zone merchandise; temporary removal and return of zone merchandise

Customs Form 214 or Customs Form 7501

Report overage found in zone

Customs Form 7501, or Manifest Discrepancy Report (MDR)

Report shortages found in zone

Operator's form or written statement

Used for reporting shortages of less than 1% and/or \$100.00 in duty

Customs Form 214

Request for zone status change for goods in zone

Customs Forms 4315, Application for Allowance in Duties

Report of merchandise lost through casualty or other qualifying causes

Customs Form 5955A, Notice of Penalty or Liquidated Damages Incurred and Demand for Payment

Default involving merchandise

## 3. Transfers from Zone

Customs Form 3461/Estimated Customs Form 3461(Immediate Delivery)	Entry for consumption
Customs Form 7501, Entry Summary	Entry for consumption
Customs Form 7501, Entry Summary consumption	"Live" entry for consumption
Customs Form 368, or 368A	Informal Entry
Customs Form 7512, Estimated Customs Form 7512 Transportation Entry and Manifest of Goods Subject to Customs Inspection and Permit	Entry for transportation, exportation, transportation and exportation, or vessel or aircraft supply and certain other goods
Customs Form 5125, Application for Withdrawal of Bonded Stores for Fishing Vessels and Certificate of Use	Entry for supplies for fishing vessels
Customs Form 6043, Delivery Ticket, Customs 7512	Removal for transfer to another zone, or transfer to a bonded warehouse, or dock or airport for vessel or aircraft supply or for exportation
Customs Form 216, Foreign-trade zone Activity Permit	Temporary removal and return of zone merchandise; removal of zone status merchandise for which no entry is required

(b) UIN or Other Customs Authorized Systems – In a UIN or other Customs Authorized inventory system, the zone admission file consists of the CF214 Application for Foreign-Trade Zone Admission and/or Designation and supporting documentation. The zone admission file will be maintained in a sequential order based on the zone admission number. Documentation related to other zone activities and/or removal of the merchandise is kept as part of the inventory control system(s) and need not be kept in the zone admission file. (19 CFR 146.37 (a)(2)).

7.10 Transfer of Merchandise History to Another Zone - When merchandise is transferred from one zone to another, including a zone at the same Customs port, the operator of the

transferring zone shall provide the operator of the destination zone with the documented history of the merchandise being transferred. The documentation to be forwarded is set forth in 19 CFR 146.66(c) and described in Section 9.11(b) FTZM and may be transmitted by electronic means.

7.11 Record of Foreign-Trade Zone Activity Under Customs Permit - The operator shall record on Customs Form 216 the results of an approved manipulation, processing, manufacture, exhibition, temporary removal or certification of destruction, other than by a blanket application, unless the Port Director chooses to physically supervise the operation. (19 CFR 146.52(d), (e); see Section 8.3(d) and 8.4(e) FTZM).

(a) Blanket Application - The operator shall maintain a record of an approved manipulation, manufacture, process, exhibition or certification of destruction in its inventory control and recordkeeping system so as to provide an accounting and audit trail of the merchandise through the approved operation. A temporary removal from a zone must be reported on an individual Customs Form 216 unless otherwise approved by Customs. (19 CFR 146.52(d)(2)).

7.12 Reporting of Merchandise Discrepancies - Discrepancies in the quantity or condition of merchandise admitted to, within, or transferred from the zone shall be reported by the operator to the Port Director as provided in 19 CFR 146.37(c), 146.53(a), and 146.71(b). See Sections 10.4 through 10.6 FTZM.

7.13 Grantee Responsibilities - The grantee has certain recordkeeping and reporting responsibilities under the FTZA, FTZR, and instructions of the Executive Secretary.

(a) Accounts and Records - The form and manner of keeping accounts on each zone shall be prescribed by the Board. (19 USC 81p). Zone grantees shall maintain their accounts in accordance with generally accepted principles of accounting, and in compliance with any requirements of Federal, State, or local governmental agencies having appropriate jurisdiction over the grantee. (15 CFR 400.46).

(b) Annual Reports - Each grantee shall make available to the Board annually, and at such other times as the Board may prescribe, reports containing a full statement of the operations, receipts, expenditures, and such other information as the Board may prescribe. (19 USC 81p(b); 15 CFR 400.46 (d)).

(c) Operator Responsibilities to Grantee - The operator is responsible for maintaining records and making reports to the extent provided for in the operating agreement between the operator and the grantee.