

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



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The Customs Trade Partnership Against Terrorism (CTPAT) 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.

The purpose of this CTPAT Bulletin, generated in cooperation with Danbee Investigations, a respected leader in supply chain security solutions, is to highlight to CTPAT Members the three essential components of a world-class supply chain security program. These three components are reflected in the first security criteria category of the program: Security Vision and Responsibility.

The following 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.

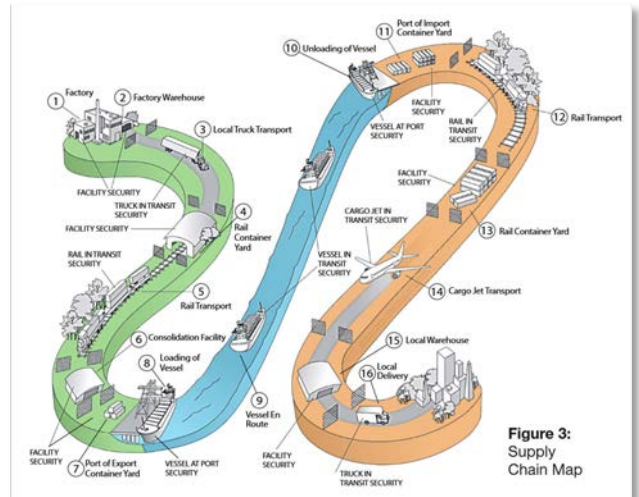


Figure 3: Supply Chain Map

1. OBTAIN THE SUPPORT OF SENIOR MANAGEMENT

While few experienced security professionals would disagree with the importance of senior level support, why is it that some find it difficult to procure? One underlying reason may be how well their message is being communicated. Here are two strategies that have proven 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, 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 substantial number of companies that now require their suppliers and business partners to be CTPAT certified/validated 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 harm to personnel and company reputation. Yet, the first time some senior executives seriously contemplate these consequences is only after being presented with this type of scenario.

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"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 our security assessments".

CEO of a global logistics company to Danbee Investigations.

If you effectively explain how upgrading your safeguards will 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. HAVE AN AUDITING SYSTEM IN PLACE TO ENSURE YOUR SUPPLY CHAIN SECURITY PROGRAM IS EFFECTIVE WHILE EXPOSING WEAKNESSES BEFORE THEY CAN BE EXPLOITED

This is essentially CTPAT's minimum security criterion 1.3 –which requires Members to have a system in place whereby personnel are held accountable for their responsibilities and all security procedures outlined by the security program are being carried out as designed.

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.

This is especially important now, with supply chains being impacted by the global pandemic. Reductions in staffing (which can include supervisory, security, and other key personnel) as well as working with new vendors and subcontractors, can create vulnerabilities that did not previously exist.

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For security audits to provide a maximum return on investment, they need to be performed by individuals with the right expertise. This is one of the reasons why the company's point of contact to CTPAT needs to know and understand the program and its requirements. This individual needs to provide regular updates to upper management on issues related to the program, including the progress or outcomes of any security audits, security related exercises, and CTPAT validations. In many organizations, this person is also tasked with coordinating a company's internal security audit or secure the assistance of a professional audit service provider.

Experience and knowledge are always critical. An Asian manufacturer, for example, experienced a security breach inside the high value inventory section of its facility. Unauthorized persons had entered after hours and caused a significant loss. Despite the sizeable investment in new state-of-the-art protective technology, the manufacturer's intrusion detection system was easily compromised and failed to stop the intruders.

During an independent post event 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.

Soon after the tour of the facility with the auditor had started, 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 many parts of the world. Many foreign manufacturing sites have a tendency to delegate security auditing to personnel with little or no asset protection experience, not because they are capable but out of operational convenience. However, assigning auditors from other disciplines, equipped only with generic checklists printed from the internet, usually results in little more than a superficial review and a false sense of security, which history has shown oftentimes precedes a major security incident.

3. ESTABLISHING A CULTURE OF SECURITY EXCELLENCE

The sheer volume of product 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 destination, all make the commercial supply chain a prime target for terrorist activity.

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.



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As if smuggling wasn't enough of a concern for those responsible for protecting their company's supply chain, the FBI estimates that cargo theft continues to cost American companies between \$15-30 billion annually (it's hard to accurately quantify because much of it goes undetected and consequently, is not reported).

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 does not exist in world-class security programs. Instead, you will typically find a relentless commitment for continuous improvement –a culture of excellence.

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

- A. Is your supply chain security program predominately composed of proactive controls, or is it more reactive, meaning that most of your efforts are focused on responding to, rather than preventing, security breaches?
- 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 CTPAT certified/validated company, has the Supply Chain Security Specialist (SCSS) team identified at least three Best Practices during every validation, or is your company simply meeting the Minimum Security Criteria?
- D. Is your training composed of overly generalized or antiquated content rather than meaningful, hands-on information that increases employee awareness to the extent that they would for example, recognize a manipulated security seal or internal conspiracy? Equally important, are your training materials regularly updated so that they are kept timely and relevant to today's security threats and best practices?

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

CTPAT Program

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