Security Breaches

U.S. Customs and Border Protection

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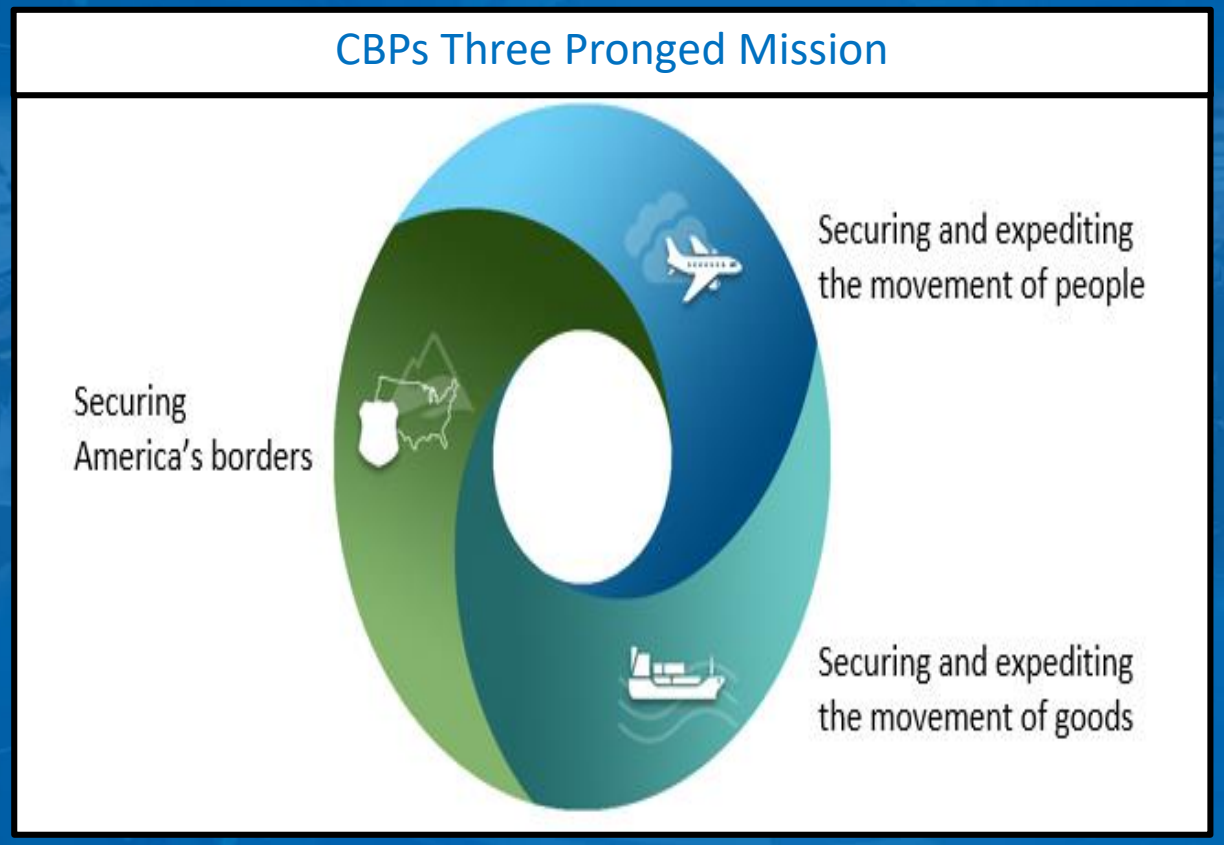
CTPAT Conference 2019

Security Breaches

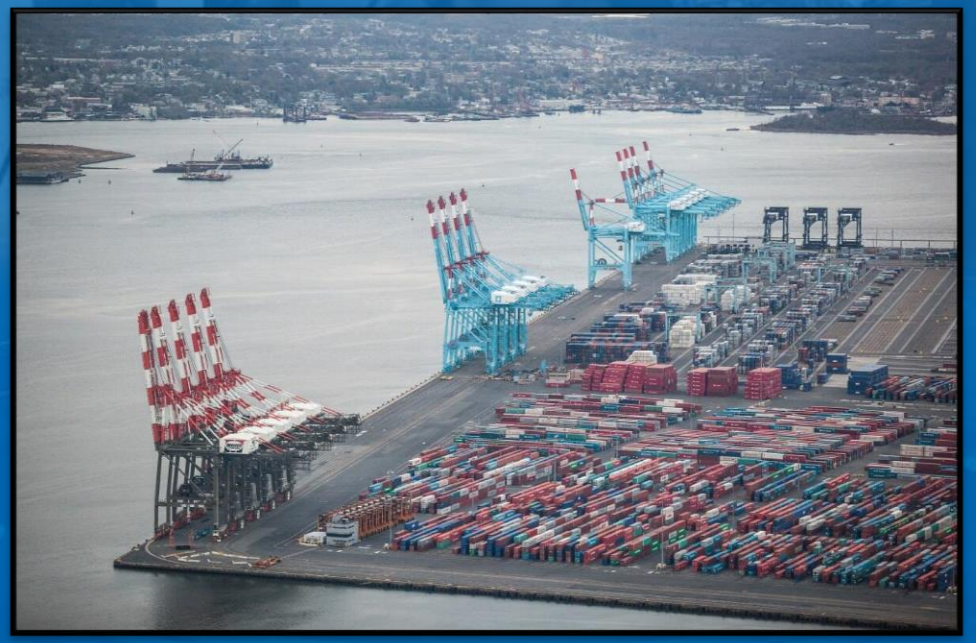
- Challenges We Face
- Meeting Those Challenges
- Cargo Disruptions
  - Land Scenarios
  - Sea Scenarios
- Seal Review



Security Breaches - Challenges We Face

- Terrorism Threats (Global)
- Insider Threats
  - Cyber Attacks
    - Not all cyberattacks are targeted
    - Organizations can find themselves the unintended victims of these events (*NotPetya Ransomware)*
  - Cargo Disruptions
    - Drug Trafficking
    - Human Smuggling/ Trafficking
    - Cargo Theft
  - Breakdown of supply chain security procedures

CTPAT™
YOUR SUPPLY CHAIN'S STRONGEST LINK.



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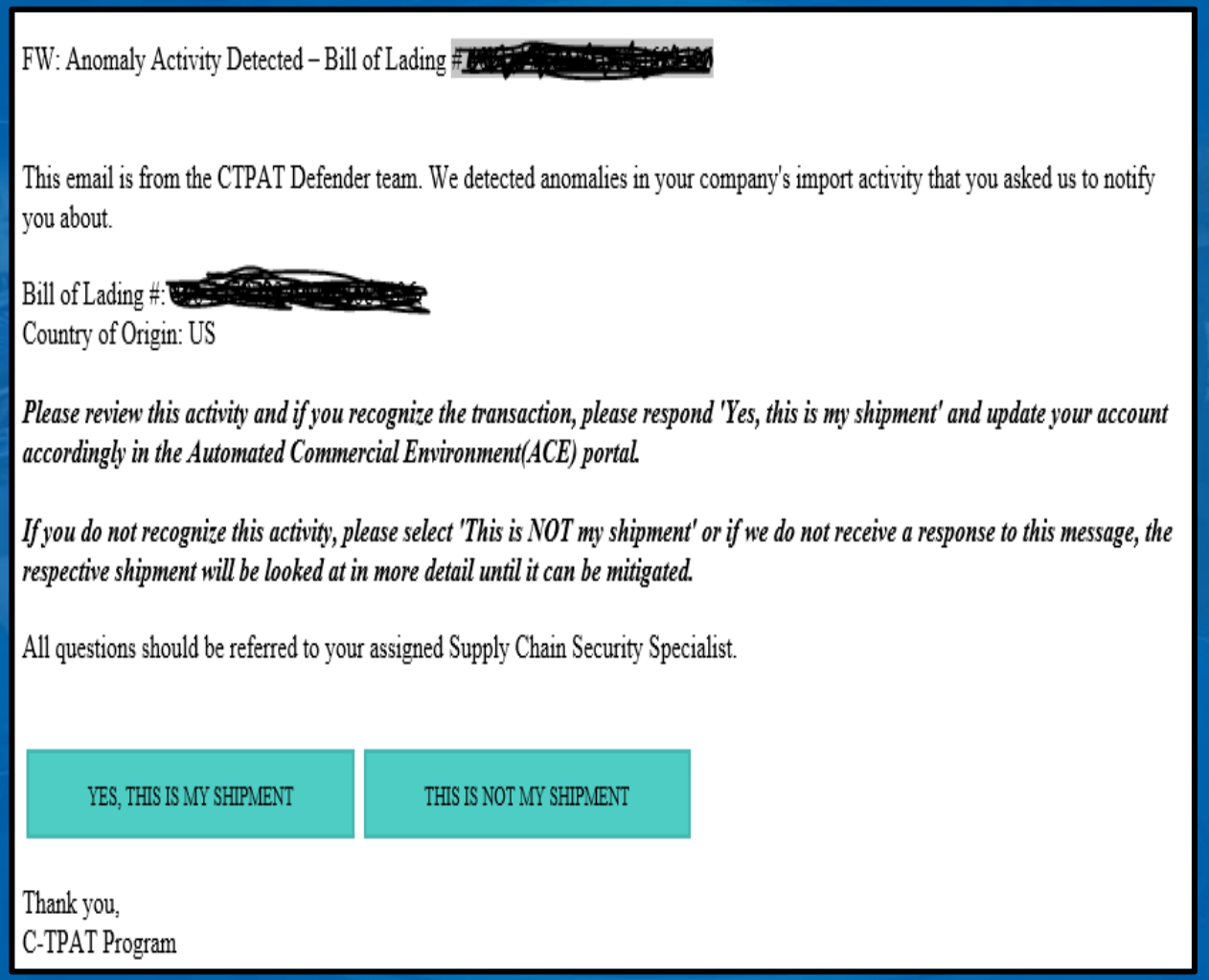
Security Breaches – Meeting Those Challenges

- CTPAT New Minimum Security Criteria
- Mutual Recognition Arrangements
- Developing New Programs and Benefits
  - Trusted Trader
  - CTPAT Compliance
  - Unified Cargo Processing Pilot (Import/Export)
  - Improving Technologies
  - CTPAT Defender
  - Security Training and Threat Awareness



FW: Anomaly Activity Detected – Bill of Lading #[redacted]

This email is from the CTPAT Defender team. We detected anomalies in your company's import activity that you asked us to notify you about.

Bill of Lading #: [redacted]
Country of Origin: US

Please review this activity and if you recognize the transaction, please respond 'Yes, this is my shipment' and update your account accordingly in the Automated Commercial Environment(ACE) portal.

If you do not recognize this activity, please select 'This is NOT my shipment' or if we do not receive a response to this message, the respective shipment will be looked at in more detail until it can be mitigated.

All questions should be referred to your assigned Supply Chain Security Specialist.

YES, THIS IS MY SHIPMENT | THIS IS NOT MY SHIPMENT

Thank you,
C-TPAT Program

FAST Benefits – Reminder * Keep in Mind

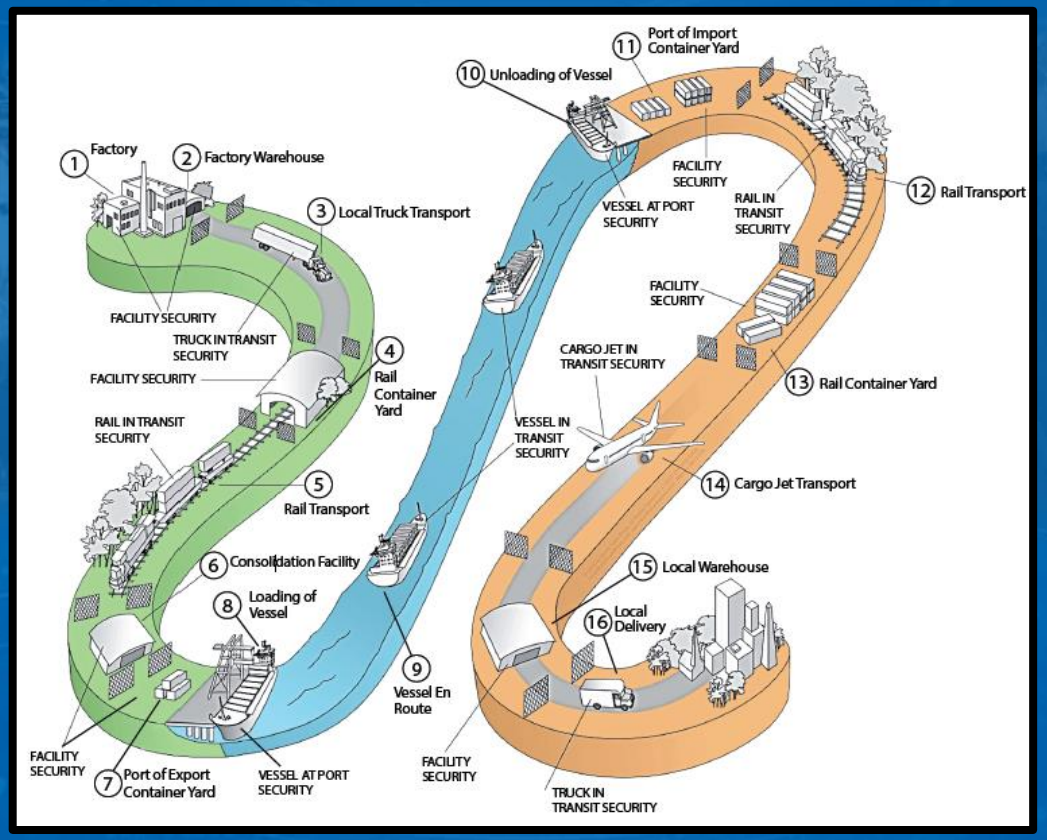
- These items must be in place to qualify for FAST access:

- CTPAT certified Importer
- CTPAT certified Manufacturer
- CTPAT **VALIDATED** Carrier
- FAST certified driver
- High Security Seal (if applicable)

- CTPAT certified Importer
- CTPAT CERTIFIED Carrier
- FAST certified driver
- High Security Seal (if applicable)

Security Breaches – Understanding the Challenges

- Understand the Risk to Your Supply Chain
  - Insider Threats
    - Internal Conspiracies
    - Corruption
  - Supply Chain Risk Assessments
  - Instruments of International Trade (IIT)
    - Inspections
    - Seals
    - Tracking/Monitoring
  - Policy Breakdown



Security Breaches – Understanding the Challenges

Insider Threat Video Link: https://www.dhs.gov/insider-threat-trailer-and-video

Security Breaches – Challenges

- Risk Assessment
  - Critical to have a solid risk assessment process in place integrated in your supply chain security program
  - Deficiencies identified in those trends are commonly missed for not having a risk assessment process of their international supply chain
  - ***Common factors*** contributing to seizures are ***failures*** in

    - Risk assessment
    - Business partner screening
    - IIT inspection process
    - Tracking and monitoring of cargo
    - Policy breakdown
      - Training and security awareness

Security Breaches – Risk Assessment

- Risk Assessments
  - Critical situational awareness
  - Assess the threat and risk to your supply chain
    - Identify vulnerabilities and threats
      - Require route changes
      - Move cargo during certain hours
    - Mitigate current threats as needed

Security Breaches Seen Through Cycles

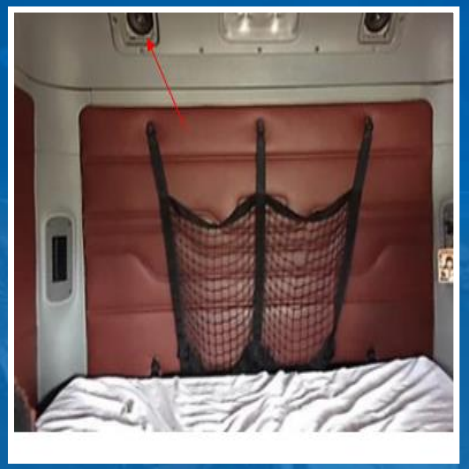
Trends are recycled along the border.

- Comingled with cargo.
- Tire loads.
- Hidden Compartments.

U.S. Customs and Border Protection

Security Breaches – Supply Chain Breaches

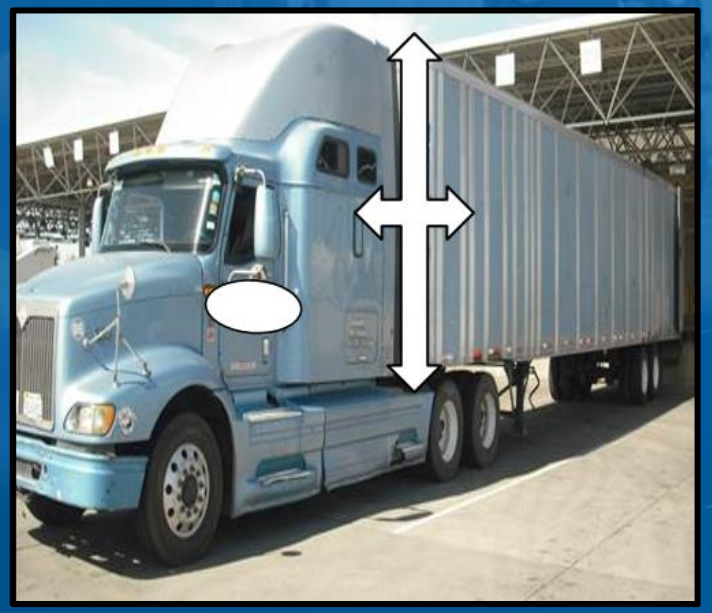
- Narcotic Smuggling 11/2018
  - **Laredo POE**
  - 25.86 KGS Cocaine
  - Tractor Sleeper-Roof



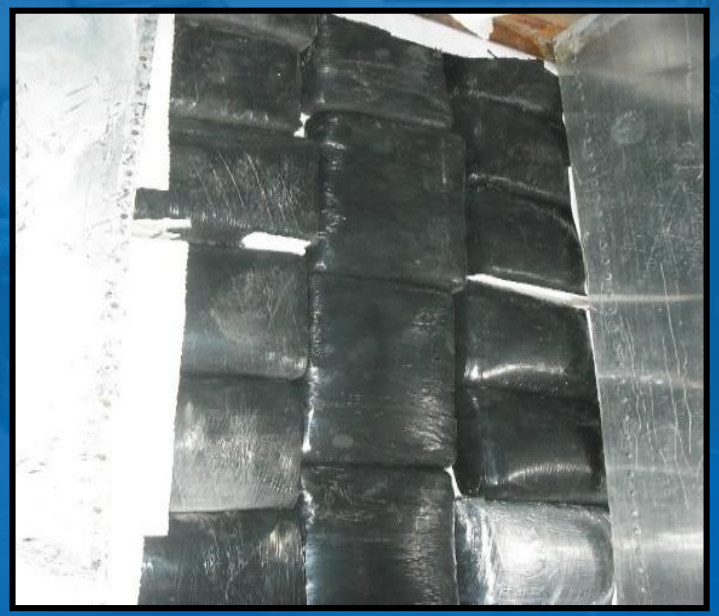
  - **Hidalgo POE**
  - 10.64 KGS Cocaine
  - Tractor Sleeper

Security Breaches – Supply Chain Breaches

- Narcotic Smuggling 02/2019
  - Empty Trailer
  - Third party
  - Three inspections



600 KGS Marijuana



Security Breaches – Supply Chain Breaches

- Narcotic Smuggling 4/23/2019
  - Fabricated Shipment
  - Rolls of sheet metal
  - Nogales POE

4,100 KGS Marijuana ($2.1 Mil)

Security Breaches – Supply Chain Breaches

- Narcotic Smuggling
  - Farm Equipment (Manure Spreader)
  - Shipment paperwork was OK
  - Santa Teresa POE

194.5 KGS Marijuana

Security Breaches – Supply Chain Breaches

- Pallets

Security Breaches – Supply Chain Breaches

- Human Smuggling & Trafficking
  - 04/23/2019 IXTEPEC, Mexico
  - The train known as “The Beast” is once again rumbling through the night loaded with people headed toward the U.S. border after a raid on a migrant caravan threatened to end the practice of massive highway marches through Mexico.

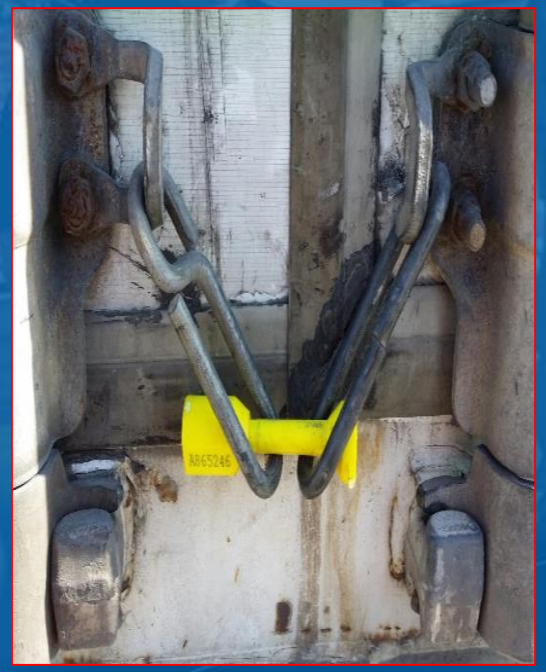
Security Breaches – Challenges

- Seal Issues
  - View
  - Verify
  - Training
  - Testing

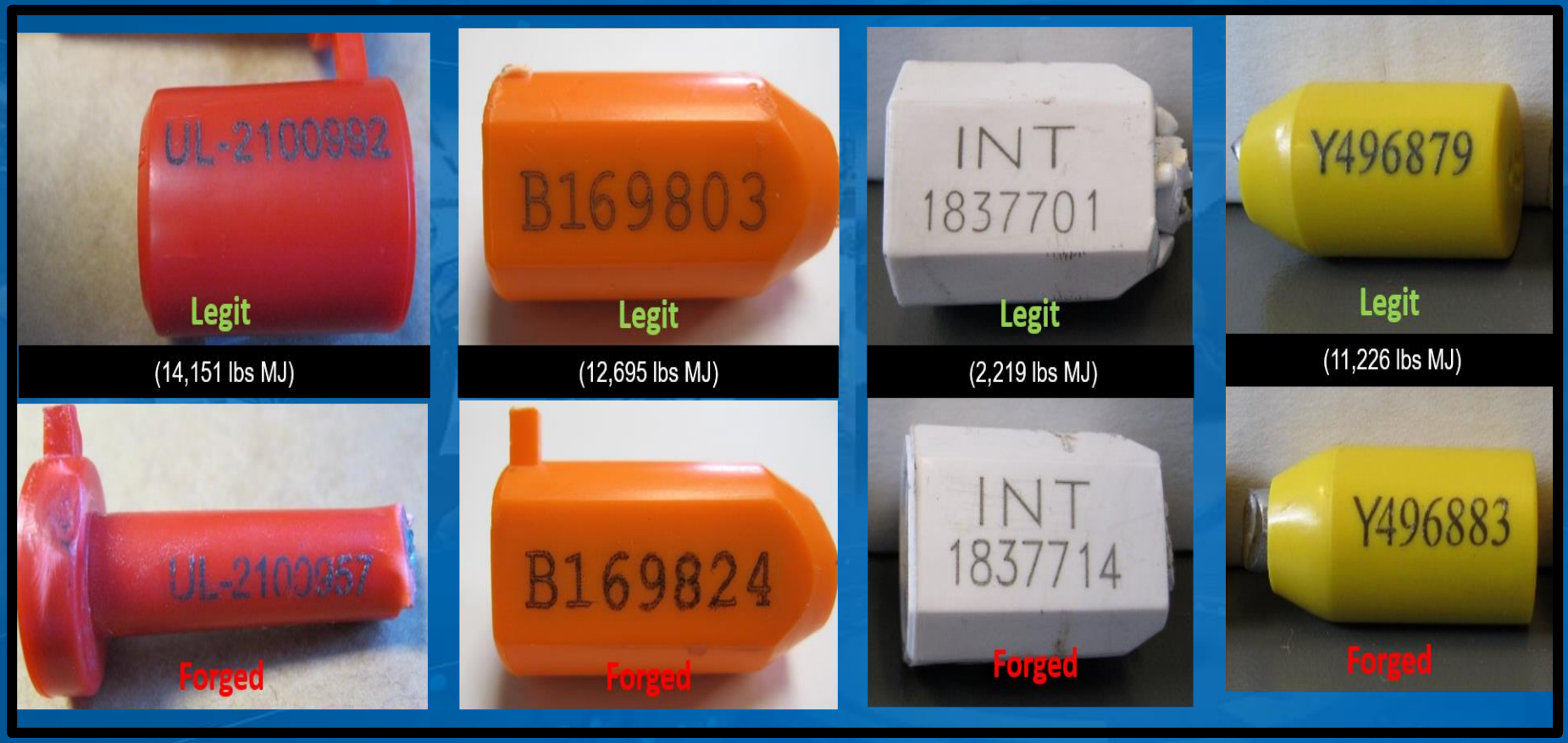
- *This shipment underwent two different inspections before the issue was identified by the CBP validation team.*

Security Breaches – Challenges

- Seal Issues



Poor Training



Duplicate/Forged Seals

Security Breaches – Supply Chain Breaches

- Narcotic Smuggling 2/28/2019
  - Dried Fruit
  - South American Origins
  - Internal Conspiracy
  - Tampered Seal

1.6 Tons of Cocaine

$77 Million

Security Breaches – Supply Chain Breaches

- Narcotic Smuggling 3/20/2019
  - Liquid Rubber shipment
  - Destined to Europe
  - Internal Conspiracy
  - Tampered Door-Bolts

538 KGS of Cocaine

$38 Million

Security Breaches – Challenges

- Even High Security seals can be compromised with enough time
- Search for telltale signs of seal attacks
- What attack signs should be detected in this scenario?

Security Breaches – New MSC

- Recommend a no-stop policy for shipments in close proximity to the U.S.
- The inspection process for IIT, tractors and trailers as specified by CTPAT is now a requirement –not just a recommendation.
- Use of a checklist – remains a should but being more specific as to what should be on that checklist.
- Formally introducing the VVTT seal verification process to the MSC as a must.

Security Breaches – New MSC/ VVTT

Seal Verification and Inspection Process:

- CTPAT's seal verification process **MUST** be followed to ensure all high security seals (bolt/cable) have been affixed properly to Instruments of International Traffic, and are operating as designed. The procedure is known as the VVTT process:

V – View seal and container locking mechanisms; ensure they are OK;

V – Verify seal number against shipment documents for accuracy;

T – Tug on seal to make sure it is affixed properly;

T – Twist and turn the bolt seal to make sure its components do not unscrew, separate from one another, or any part of the seal becomes loose.

U.S. Customs and Border Protection

Security Breaches – Notifying / Reporting

- Carriers should notify appropriate parties of any significant delays (including mechanical failures) during transit – 5.28
- Alert business partners of credible or detected threats – 5.29
- Must have written procedures for reporting an incident –including a escalation process – 7.23
- Should have a mechanism to report security related issues anonymously – 7.25

Security Breaches – MSC 7.23

- CTPAT Members must have written procedures for reporting an incident to include a description of the facility's internal escalation process.
- A notification protocol must be in place to report any suspicious activities or security incidents that may affect the security of the member's supply chain.
- As applicable, the Member must report an incident to its SCSS, the closest Port of Entry, any pertinent law enforcement agencies, and business partners that may be part of the affected supply chain.
- Notifications to CBP should be made as soon as feasibly possible and in advance of any conveyance or IIT crossing the border.

Security Breaches – MSC 7.23

- Notification procedures must include the accurate contact information that lists the name(s) and phone number(s) of personnel requiring notification, as well as for law enforcement agencies. Procedures must be periodically reviewed to ensure contact information is accurate. Examples of incidents warranting notification to CBP include (but are not limited to) the following:

  - Discovery of tampering with a container/IIT or high security seal;
  - Discovery of a hidden compartment in a conveyance or IIT;
  - An unaccounted new seal has been applied to an IIT;
  - Smuggling of contraband to include people; stowaways;
  - Unauthorized entry into conveyances, locomotives, vessels, or aircraft carriers;
  - Extortion, payments for protection, threats, and/or intimidation;
  - Unauthorized use of a business entity identifier (i.e., Importer of
  - Record (IOR) number, Standard Carrier Alpha Code (SCAC), etc.).

Security Breaches – Training/ MSC 12.10

- Personnel must be trained on how to report security incidents and suspicious activities.
- Procedures to report security incidents or suspicious activity are extremely important aspects of a security program, and training on how to report an incident can be included in the overall security training.
- Specialized training modules (based on job duties) may have more detailed training on reporting procedures to include specifics on the process - what to report, to whom, how to report it, and what to do next, after the report.
- CTPAT training that will be provided for Members will include a module on reporting procedures.

Questions

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