Hilco Global
AN ORIX COMPANY

Reducing Supply Chain Exposure to Trade Fraud & Forced Labor:

Part I: Prevention & Mitigation

Tariff pressure, supply-chain shifts, whistleblower activity, and forced labor scrutiny have turned trade fraud into an enterprise compliance risk. Companies need to ensure they can identify, escalate, and remediate issues before they become enforcement problems.

This is no longer just a customs issue. Trade fraud can create criminal exposure under 18 U.S.C. § 545 and civil exposure under the False Claims Act.

Executive Perspective:

Global trade dynamics have changed. New tariffs, complex sourcing strategies, and heightened enforcement around forced labor and supply-chain integrity have elevated the potential for trade fraud. What once may have been viewed as isolated customs compliance issues can now trigger criminal, civil, regulatory, financial reporting, and reputational consequences.

Boards and senior leadership are increasingly accountable for ensuring the organization has visibility into global trade activity and the controls necessary to prevent, detect, and address misconduct. A proactive, risk-based prevention strategy is the strongest defense.

Executive Takeaways

- ✓ **Treat Trade Fraud as an Enterprise Risk**
  Trade fraud and forced labor are enterprise compliance risks that require cross-functional ownership, governance, and escalation.
- ✓ **Build Visibility into DDP and Offshore Activity**
  Lack of entry documents and limited visibility into offshore importers create significant blind spots and exposure.
- ✓ **Validate Declarations Against Economic Reality**
  Customs filings must be tested against invoices, payments, assists, rebates, and related agreements.
- ✓ **Strengthen Third-Party Oversight**
  Brokers and suppliers must provide documentation, support cooperation, and be subject to ongoing risk-based monitoring.
- ✓ **Establish Escalation Pathways Early**
  Red flags should be captured and escalated early—before regulators, whistleblowers, or enforcement authorities become involved.

Prevention Priorities

1. Conduct a Targeted Risk Assessment
Focus on high-duty products, DDP purchases, offshore importer arrangements, key suppliers, and sourcing shifts.

2. Refresh the Compliance Risk Universe
Address trade fraud and forced labor as enterprise compliance risks, not just logistics or customs issues.

3. Strengthen Broker and Supplier Oversight
Require access to entry documents, origin support, and cooperation rights.

4. Test Declarations Against Economic Reality
Compare customs filings to invoices, payments, rebates, assists, and related agreements.

5. Capture and Escalate Red Flags Early
Ensure trade, procurement, logistics, finance, and third-party channels can surface concerns before they become enforcement issues.

Questions Every GC Should Ask

- Can we independently verify country of origin?
- Do we obtain complete customs entry packets?
- Can we reconcile customs declarations to accounting records?
- Where are our highest tariff exposures?
- Are whistleblower channels reaching procurement and suppliers?
- How quickly can we preserve relevant evidence?

About Hilco Global

Hilco Global advises boards, senior leadership, investors, and legal counsel on complex, high-stakes matters involving fraud, misconduct, regulatory inquiries, accounting irregularities, and disputes, helping clients establish facts, preserve and analyze evidence, assess risk, and move decisively toward resolution.

We deliver rapid response on time-sensitive, confidential matters and act as a force enabler to support existing teams that may be resource constrained, deploying cross-trained professionals and leading technologies to support forensic analyses and ongoing monitoring.

Clients rely on our independent, defensible analysis on highly sensitive and complex matters, supported by a global, scalable, and consistent approach to deploying experts across jurisdictions.

How Hilco Global Helps

- Independent Investigations
- Trade Fraud & Customs Compliance
- Forced Labor Risk Assessments
- Supply Chain Forensic Analytics
- Valuation & Economic Analyses
- False Claims Act Exposure
- Regulatory Response & Disclosure
- Licensed Private Investigators
- CPAs, CFFs, CFEs, CAMS Professionals
- Privileged Forensic Accounting
- Technology-Enabled Investigations
- Data Analytics & Monitoring

Representative Matters

Mitigated Trade Fraud Risk
Conducted risk assessments and control enhancements for multinational importers facing misclassification and undervaluation exposure.

Strengthened DDP Oversight
Designed and implemented governance and monitoring programs for global DDP arrangements, closing critical visibility gaps.

Prevented Forced Labor Exposure
Supported a global manufacturer in building a risk-based supplier due diligence framework to identify and address forced labor vulnerabilities.

HILCO GLOBAL IS ASSET SMARTER.

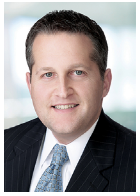
Hilco Global, a subsidiary of ORIX Corporation USA, is a diversified financial services company that delivers integrated professional services and capital solutions that help clients maximize value and drive performance across the retail, commercial industrial, real estate, manufacturing, brand and intellectual property sectors, and more.

Kristofer Swanson
CPA, CFF, CFE, CAMS

Executive Director & Practice Leader
kswanson@hilcoglobal.com
773.551.0293

Andrew Bayer
ACCA, CFE, CAMS

Senior Director
abayer@hilcoglobal.com
347.889.3837



Jordan Kraner
CPA, CFF, CFE

Senior Director
jkraner@hilcoglobal.com
317.999.9351

Hilco Global
Asset Smarter

Learn more at **hilcoglobal.com**