



FCA Actions and Customs Enforcement: Key Takeaways for Importers

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➤ Presentation Overview

- Backdrop of Customs Enforcement Against FCA Framework
- Enforcement Case Studies
- Operational Compliance
- Risk Mitigation Strategies

> Setting the Stage

Expect the Following in 2026

- Heavy enforcement
- Aggressive tariffs
- More forced labor investigations
- Focus on high-risk commodities (e.g., Section duties, AD/CVD, etc.)
- CBP employing advanced data-driven targeting

Key Challenges for Stakeholders

- Revenue collection is a high priority for CBP
- Less flexibility by CBP in reviewing cases
- Managing more penalty actions
- DOJ directive to use False Claims Act

Customs Revenue in FY 2025

Total Revenue

- CBP collected **\$217 billion** in net duties, taxes, and fees during FY 2025 – nearly triple the prior fiscal year's total of **\$88 billion**.

Key Contributors

- IEEPA, Section 301, and 232 tariff increases drove significant revenue growth.
- The end of the de minimis exemption
- CBP issued roughly **2,200 trade enforcement penalties** in FY 2025.

Looking Ahead

- Unpredictable tariff actions used as leverage, coupled with additional **sector-specific tariffs**, ranging from **25% to 100%**, could push collections beyond **\$300 billion** by the end of **calendar year 2026**.

Trade Enforcement Trends

Trade Enforcement Activities	FY 2026 ¹	FY 2025 ²	FY 2024	FY 2023	FY 2022	FY 2021
Number of Audits Completed	34	465	417	435	430	442
Total Collected as a result of Importer Audits	\$17.67 million	\$235.46 million	\$117.67 million	\$114.5 million	\$77.7 million	\$132.2 million
Net Revenue Recovered due to Entry Summary Reviews (ESF)	\$1.81 billion	\$34.41 billion	\$667.55 million	\$256.3 million	\$267.3 million	\$473.6 million
Total Trade Penalties Issued	423	2,432	2,204	2,592	2,121	2,394
Total Trade Liquidated Damages	15,655	53,052	22,399	19,832	18,667	19,834
Total Collected from Trade Penalties and Liquidated Damages	\$5.587 million	\$46.04 million	\$26.21 million	\$33.3 million	\$19.3 million	\$21.7 million
Seizures						
Total Number of Trade Seizures ³	8,291	57,360	48,444	44,558	46,111	83,402
Total Number of IPR Seizures	3,505	25,079	20,516	19,522	20,813	27,115
Total MSRP Value of IPR Seizures	\$1.21 billion	\$7.35 billion	\$5.5 billion	\$2.4 billion	\$2.98 billion	\$3.3 billion
Total Number of Import Safety Seizures	1,363	9,116	6,888	6,183	4,484	9,145
Total Value of Import Safety Seizures	\$15.29 million	\$137.4 billion	\$60.6 million	\$44 million	\$62.4 million	\$105.5 million

^{1,2} FY 2026 and FY 2025 are updated as of October 31, 2025.

³ Includes intellectual property rights (IPR), import safety, and other trade violation seizures. IPR seizures encompass goods seized for violating trademark and/or copyright laws and regulations. Import safety seizures encompass products such as toys, pharmaceuticals, and cosmetics, and automotive/vehicle parts and accessories that are not compliant with the U.S. Consumer Product Safety Commission (CPSC), the U.S. Food and Drug Administration (FDA), the National Highway Transportation Safety Administration, or other federal standards and regulations. CBP is responsible for enforcing nearly 500 U.S. trade laws and regulations on behalf of 47 federal agencies, facilitating legitimate trade, collecting revenue, and protecting the U.S. economy and its consumers from harmful imports and unfair trade practices.

Source: <https://www.cbp.gov/newsroom/stats/trade>

> Defining the False Claims Act (FCA)

The primary statute (31 USC §§ 3729-3733) used by the DOJ to prosecute importers for misreporting goods and avoiding federal duty obligations.

The FCA makes it illegal to knowingly:

- Present a false claim for payment
- Make or use a false record or statement material to the false claim
- Knowingly avoid an obligation to pay or refund an overpayment to the government (reverse false claims).
- Conspire to violate the Act

Applies to: Anyone (companies or individuals) defrauding the government

> Primary FCA Liability Triggers

1

Misclassification of **HTS codes** to utilize lower duty rates and duty exemptions.

2

Undervaluation of imported merchandise to reduce the calculated duty amount.

3

False country of origin (**COO**) declarations to bypass duties.

4

Failure to address/prevent the presence of **forced labor** within global supply chains.

> Fraud Enforcement

- **March 2025:** Administration announces that Customs violations will be enforced using False Claims Act wherever possible
- **August 2025:** Trade Fraud Task Force
 - Joint task force between DOJ and DHS to combat trade fraud
 - DOJ: Civil and Criminal team members
 - DHS: Homeland Security Investigations (HSI) and Customs personnel
 - Conduit for FCA cases
 - Also focuses on enforcing CBP civil and criminal provisions

Fraud Enforcement

DOJ Press Release - January 16, 2026

- FCA settlements and judgments exceeded \$6.8 billion in the fiscal year ending 9/30/25 (trade is a subset)
- The highest amount ever collected in a single year in FCA history
- Whistleblowers filed 1,297 qui tam lawsuits (highest number in a single year)

Stopping rampant fraud is a top priority, and this record-breaking year proves the False Claims Act remains one of the government's most powerful weapons against fraud. We will continue to aggressively deploy it to protect taxpayer dollars and hold all fraudsters accountable.

- Deputy Attorney General Todd Blanche

THE REVERSE FALSE CLAIMS RISK

1 Reverse FCA

Customs FCA cases brought under reverse provision due to nature of duty payments

2 Reverse FCA Claims

Liability under the FCA for knowingly avoiding a financial obligation to the government (e.g., misdeclaring or misrepresenting information, falsifying documents).

3 Enforcement Depth

But FCA cases can also be enforced based on importer simply knowingly and not correcting errors and thereby depriving CBP of revenue.

> The High Stakes of Non-Compliance

FCA Penalties + Damages

3x and more

FCA provides for up to three times the amount of government duty loss and criminal penalties of up to \$28,619 per violation.

CBP Penalties

Monetary

Penalties of up to full value of imported merchandise subject of fraud imposed such as for fraudulent undervaluation or misclassification of goods.

Criminal Penalties

Criminal

Both the FCA and CBP laws provide for criminal imprisonment due to fraud.

From Audits to Investigations

- **Transition to High-Stakes Litigation:**
 - Movement from standard CBP administrative reviews to DOJ litigation occurs when trade violations are serious.
- **Criteria for Egregious Violations:**
 - Significant revenue loss—typically over **\$100,000** .
 - Indications of serious non-compliance necessitating criminal prosecution.
- **Shift from Civil Penalties to Criminal Prosecution:**

Violations escalate from civil penalty mitigation efforts to potential criminal actions, including False Claims Act (FCA) lawsuits.

> Common FCA Violations

1 Knowing Violations:
CBP/Government
Enforcement of Core Trade
Areas

Misclassification: Incorrectly
categorizing goods to reduce
tariffs

3 Undervaluation: Declaring
lower goods value to avoid
duties

2 Origin Fraud: Falsifying
country of origin to bypass
tariffs

4 Documentation Errors:
Missing or inaccurate information
can lead to shipment delays
and/or penalties.



➤ High Profile FCA Actions

High-profile 2025 FCA actions arose from two U.S. companies and their duty evasion tactics:

- Sigma Corp. (misclassification)
- Ceratizit USA (origin fraud)

Sigma & Misclassification of Goods

➤ Sigma Corporation (\$26M judgment)

➤ Key Aspects of the Case:

- **Parties Involved:** Island Industries (whistleblower/competitor) sued Sigma Corp. (importer).
- **The Fraud:** Sigma imported welded outlets from China but declared them as steel couplings (not subject to high antidumping duties) on customs forms, avoiding a significant tariff.
- **Legal Basis:** The case used the False Claims Act (FCA), which allows private citizens (relators) to sue on behalf of the government for fraud against the U.S.
- **FCA Violation:** Sigma made "reverse false claims" by knowingly submitting false information to avoid paying money owed (duties) to the government.

> Sigma Corporation (Cont'd)

Key Takeaways for CBP Compliance

- “Knowingly” misclassifying is **FRAUD**: Ignorance is not a defense; deliberate ignorance or reckless disregard of duty requirements can trigger FCA liability.
- The Court rejected arguments that ambiguity in tariff law excused Sigma's actions.
- **Competitors are watching**: Private relators (competitors/whistleblowers) can initiate cases as happened here; they may receive up to 30% of recoveries.
- The Court acknowledged that **Section 1592 is not the exclusive means for recovering fraudulently avoided Customs duties.**
 - The court rejected the defendant's argument that tariff and customs violations cannot be enforced under the FCA due to the separate remedies available under the Tariff Act.
 - Parallel Enforcement: FCA litigation can run alongside CBP investigations and may prompt criminal scrutiny.

> Ceratizit USA - Misrepresentation of COO

Ceratizit USA (\$54.4 settlement)

Key Aspects of the Case:

- **Parties Involved:** Mark Stover (whistleblower/competitor) sued Ceratizit USA (importer). He received approximately **\$9.75 million**.
- **The Fraud:** Ceratizit “knowingly misrepresented” the country of origin of its tungsten carbide imports over several years— products made in China and transshipped through Taiwan — were claimed as from Taiwan to circumvent Section 301 tariffs on China.
- **FCA Violation:** Ceratizit allegedly made “reverse false claims” by knowingly submitting false origin information to avoid paying duties owed to the government.
- **Result:** “Largest-ever settlement of a customs duties evasion case under the False Claims Act.”

> Lessons from Sigma and Ceratizit

1 Violation Details

The companies faced heightened enforcement due to tariff false claims and misreporting goods.

2 Key Takeaway

Robust internal audit and corrections processes are mandatory to prevent systemic compliance failure.

3 Financial Consequences

The settlement resulted in **significant financial penalties** and administrative oversight.

> Sigma & Ceratizit

Why is it significant?

- **Increased Risk for Importers:** Signals heightened enforcement against tariff evasion.
- **Whistleblower Role:** Empowers private citizens (qui tam relators) to bring customs fraud cases.
- **Broader Application:** Clarifies that FCA applies to knowingly failing to pay duties (reverse false claims).



Evolution Flooring and Its Owners

Paid \$8.1M

- Company and owners submitted false information to CBP regarding COO to avoid AD/CVD on wooden flooring and Section 301 on China.
- A competitor filed the lawsuit and received \$1.2M.

Global Plastics LLC & Marco Polo International LLC (Subsidiaries of MGI International LLC)

Paid \$6.8M

- **Allegations:** Knowingly failed to declare correct country of origin (China) and value for plastic resin imports, underpaying customs duties.
- **Cooperation Credit:** MGI received credit for voluntary disclosure, internal investigation, sharing facts, and remedial actions (disciplining staff, strengthening compliance).
- **Criminal Aspect:** The former COO, David Guimond, pleaded guilty to criminal charges in December 2025 for smuggling goods.
- **DOJ Action:** The DOJ declined further criminal prosecution against MGI due to their significant cooperation.



➤ Allied Stone and President


Paid \$12.4M

- **Allegations:** Knowingly evaded AD/CVD on Chinese quartz imports (Sept 2018 - Feb 2023).
- **Method:** Misrepresented quartz as lower-duty items (e.g., marble, crystallized glass)
- **Case Origin:** Whistleblower lawsuit (qui tam) by Melinda Hemphill who worked at Allied Stone and uncovered how the company misrepresented quartz products to avoid tariffs.
- **Whistleblower Share:** \$2.17M

Harmen International Industries, Inc.




Paid \$11.8M

- **Allegations:** Knowingly evaded AD/CVD on heat sinks made of extruded aluminum imported from China (June 2011 – March of 2023).
 - **Method:** When the company discovered it failed to pay these significant duties, it actively concealed this information from the U.S. government instead of disclosing it.
 - **Case Origin:** Whistleblower lawsuit (qui tam).
 - **Whistleblower Share:** \$2.3M
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Criminal Enforcement Overview




August 2025: DOJ actions against Denver area companies

- Charges against two companies and three executives for defrauding the federal government on forklift sales.
 - Allegations of conspiring to avoid tariffs on imported forklifts from China.
 - Defendants allegedly:
 - Disguised Chinese origin of forklifts.
 - Sold them to federal agencies as U.S.-manufactured.
 - Created fake invoices to evade over \$1 million in tariffs.
 - Charged with wire fraud and conspiracy; prosecution pending in District of Colorado.
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Criminal Enforcement Overview




Nov. 2025: Charges against PT Untung Bersama Sejahtera (UBS Gold)

- DOJ charged UBS Gold, its co-owner, and employees for customs evasion (2021-2025)
 - Allegations include:
 - Routing Indonesian jewelry through Jordan, claiming it was manufactured there to exploit the US-Jordan Free Trade Agreement.
 - Misrepresentation of goods during shipments involving U.S. scrap gold and Indonesian jewelry.
 - Evaded over \$86 million in U.S. customs duties on \$1.2 billion in imports; prosecution pending in District of New Jersey.
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Criminal Enforcement Overview



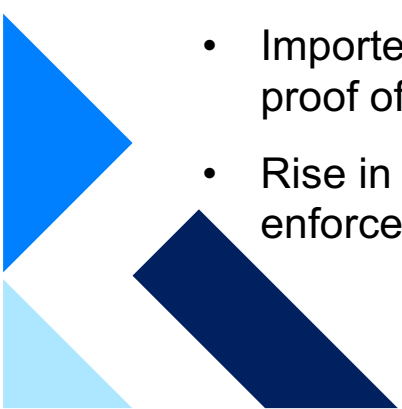
December 2025: Former COO Guilty Plea

- COO of global plastic resin distributor pled guilty to conspiracy to smuggle goods.
 - Directed subordinates to misrepresent manufacturers and countries of origin to evade Section 301 duties.
 - Awaiting sentencing; manufacturer previously disclosed issues and settled civilly under the FCA for \$6.8 million.
- 

Greater Enactment/Enforcement on AD/CVD Circumvention Cases



Enforcement Methods

- Deploying advanced analytics and trade data to identify suspect shipments and transshipment patterns.
 - Requiring detailed AD/CVD case documentation to be uploaded into ACE and increasing origin verification.
 - Importers face increased demands for complete origin documentation and proof of compliance.
 - Rise in EAPA and anti-circumvention investigations leading to more enforcement orders and 40 % transshipment tariffs.
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Key Compliance Risks in ADVCD

Changing Tariff Classifications:

Changes or updates in tariff classifications for certain goods could lead to improperly reporting AD/CVD or underpaying duties.

Import Data Accuracy:

The obligation to report accurate data regarding the origin, classification, and values of imported goods to ensure that the correct duties were assessed remained a constant risk.

Third-Party Liability:

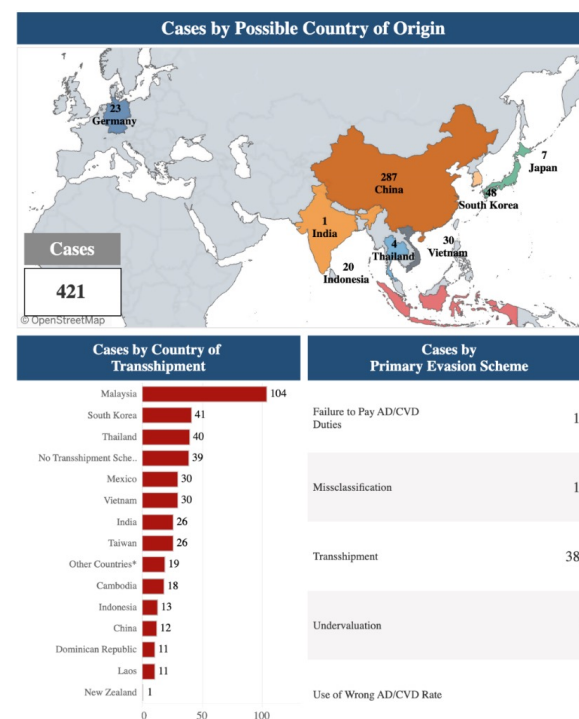
Importers also faced risks from suppliers not properly adhering to AD/CVD regulations, leading to potential liabilities.

Complex Recordkeeping Requirements:

AD/CVD compliance requires meticulous documentation. Importers faced risks if they failed to maintain and produce adequate records to support their claims related to product classification, attendant duties and sourcing.

EAPA Cases FY2016 –FY 2025

- EAPA cases continue to increase with dozens of new investigations initiated in FY 2025.
- Most cases still involve Chinese-origin goods.
- Transshipment through Malaysia and other Southeast Asian countries remains a significant focus.



Avoiding Circumvention Risks

Importance of Supplier Audits

- Regular visits and audits ensure suppliers adhere to trade regulations and ethical standards, mitigating risks of non-compliance.
- Closely engaging in transparent relationships with suppliers/partners also help ensure stronger adherence to classification, valuation, and other trade areas in imports/exports.

Key Questions To Ask Suppliers

- Can you provide detailed origin documentation for all materials?
- What measures are in place to prevent forced labor in your supply chain?
- How do you ensure compliance with international trade laws and sanctions?

Forced Labor Enforcement

The Uyghur Forced Labor Prevention Act (UFLPA)

Over \$3.79 billion in shipments detained under the UFLPA through November 2025; more than 17,000 shipments have been detained and about 11,000 rejected. The UFLPA Entity List now includes over 100 entities and continues to expand.

New Investigations Anticipated in 2026

Section 301 investigation of Nicaragua for labor-rights abuses illustrates the use of trade tools for human-rights issues; further investigations into other countries and sectors are expected in 2026.

Impact on Businesses

Businesses should prepare for expanded supply-chain audits and verification requirements, heightened due diligence obligations and potential disruptions as UFLPA enforcement expands into new regions and industries.



Strategies to Stay Ahead

Risk Mitigation Strategies

Ensure Accurate Information

- Robust internal classification, value, origin process using proper resources.
- Document processes for determining and declaring proper information to Customs and test against them.

Maintain Comprehensive Documents

- Keep thorough records, document research and customs-related analysis, all part of meeting reasonable care.

Compliance Audits and Fixes

- Implement routine internal audits to identify and rectify compliance gaps
- Ensure fixes implemented so errors do not continue
- Document processes and test against them.

Training and Education

- Provide training to to minimize inadvertent violations. Provide updates to changes in trade policies, tariffs, and CBP enforcement strategies to adapt compliance practices accordingly.

Risk Mitigation Strategies Cont.

Use Trade Experts

- Work with trusted partners to ensure adherence to changing laws and policies

Maintain Robust Compliance Program

- A program that follows COSO internal controls framework helps mitigate and proactively address potential serious violations and prevent compliance program failures.

Report Violations Promptly

- Reporting violations to the government (such as CBP, DOJ, other agencies) using a self-disclosure can either avoid or significantly reduce penalties

Implement Ethical Trade Practices

- Foster a corporate culture of integrity and a commitment to ethical sourcing and compliance to reduce the risk of violations.

Navigating Complexity with Experts

Expertise in tariff classification and import/export compliance audit “health checks” and risk assessments.

Guidance on complex regulations like valuation, UFLPA and AD/CVD

Benefit: Reduced risk and smoother operations, along with potential duty savings.



Mitigating Strategic Risk

- Proactive management of **CBP relationships** to resolve issues early.
- **Real-time monitoring** of regulatory changes to HTS and trade policy.
- Development of a **cross-departmental culture** of strict compliance.
- Implementation of a **whistleblower mechanism** to catch FCA issues internally.

> Comparative Risk Matrix

Violation Type	Likely of Enforcement	Primary Consequence
HTS Misclassification	High	Penalties, increased scrutiny, potential FCA claims
COO Fraud	High	Criminal charges, civil penalties, FCA claims
Undervaluation	High	Administrative Fines
Tariff Evasion	High	Criminal charges, civil penalties, FCA claims



➤ Protect Your Enterprise

- Move from reactive to proactive compliance to avoid the severe penalties of the False Claims Act.
- Ensure your supply chain is **documented** and **transparent** with **robust processes**.



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