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# Next Steps in the Implementation of Risk Management

## Customs General Administration

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General Administration***  
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## **ABBREVIATIONS AND ACRONYMS**

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BPI	Business Plus Initiative
CAIS	Customs Automated Information System
CGA	Customs General Administration of Mongolia
HS	Harmonized Schedule
IT	Information Technology
PCA	Post Clearance Audit
RM	Risk Management
USAID	United States Agency for International Development
VIN	Vehicle Identification

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## **GLOSSARY**

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Criteria	Data elements available in customs declarations such as importer, exporter, country of origin, broker, etc.
Customs System	Computer system used typically for customs to control its operation such as filing, payment of duties and control of clearance
Indicator	Specific criteria which, when taken together, serves as a practical tool to select and target shipments

## **SECTION I: BACKGROUND**

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Mongolian Customs has been making progress in the implementation of RM over the past years. In 2013 upper level management was changed and the organization has been fine tuning its strategic plan. RM has correctly surfaced as a priority task for the organization and therefore, work was required not only to evaluate the current implementation status but also to confirm the next steps.

The RM module was reviewed and several errors were identified which need to be fixed so that it works properly. Current risk scenarios were reviewed and several automation needs were determined to have priority so that the organization can move forward in its implementation of RM. Some of these automation needs had been previously identified.

The new management has a strong commitment with RM and they want to facilitate trade without losing control or revenue. To achieve this goal, processes need to be gradually streamlined and risk scenarios need to be eliminated by increasing automation. Therefore it is vital that the organization has a strong and proactive IT department as well as legal and operation units that are willing to be challenged with innovation and change. The elimination of risk scenarios via automation is the best road to achieve trade facilitation without losing control or revenue. However, very often, the elimination of risk scenarios hit set paradigms that can easily overcome any attempt for change. Therefore, being open minded, willing to discuss new ideas and finding ways to actually making them a reality are important requirements for making progress in RM.

## **SECTION II: ERRORS IN THE RM MODULE**

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The following errors have been detected in the RM module which have to be fixed so that it works correctly.

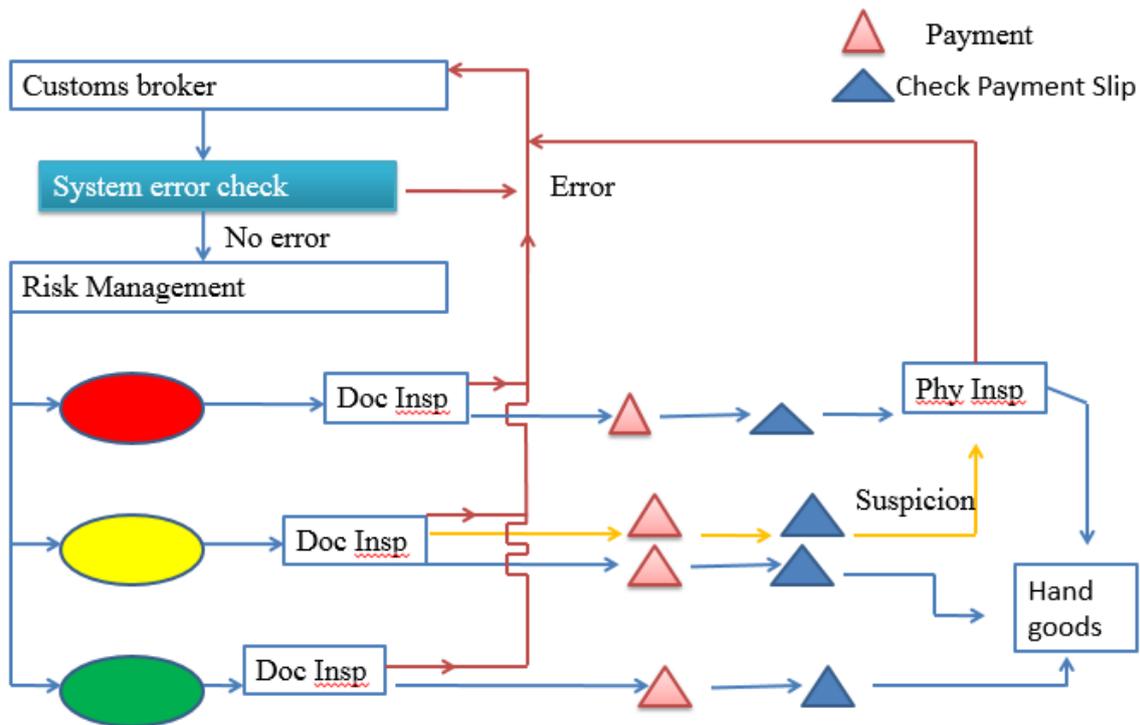
1. Originally it was decided by the RM department that the RM module should have a “hard coded” indicator which consisted in assigning a red stamp to shipments which contained a good which was imported for the first time by an importer. At the end, the indicator was implemented such that the RM department can configure the Customs System so that it assigns a red stamp to the first n times a good is imported by the importer. However, currently the RM module is not working correctly since it assigns a red stamp the first n times that a good is imported into Mongolia regardless of the importer. Therefore, the RM module instead of controlling the first time good per importer it is controlling it per country.
2. In the original technical specifications of the RM module, it was stated that if a shipment matched more than one certified indicator, the shipment should be assigned the best stamp possible. For example, if a shipment matches three certified indicators and based on the specified percentages and the random number the RM module determines that the stamps assigned are red, orange and green, then the final stamp should be green. However, currently the RM module when it verifies the certified indicators to determine if there is a match, as soon as a match is detected no further analysis is performed and therefore the stamp generated is based only on that one indicator matched. Similarly in the high risk indicators, the RM module should assign the worst stamp possible. For example, if a shipment matches more than one high risk indicator and based on the stated percentages and the random number the stamps assigned are red, orange and green, then the final stamp assigned should be red. However, similar as in the certified indicators, the RM module is incorrectly assigning the stamp based on the first high risk indicator matched.
3. In some cases when an indicator is deleted, the RM module for some reason will not detect that it has been deleted and it will continue to consider the indicator as valid. The delete process needs to be traced to try and identify the cause of the problem.
4. In high risk the RM module allows indicators to be set that target shipments made by individuals. However, when a customs declaration is process by an individual the RM module does not identify a match.
5. The RM module does not allow mandatory, certified or exclusion indicators to be set that target shipments made by individuals. The option to target shipments filed by individuals needs to be added to the stated indicators.
6. When a certified indicator is set and it is meant to be applied to a particular port and a customs declaration is processed that matches the indicator, the RM module does not detect a match.
7. The RM module has statistic reports that state the total number of customs declarations processed under a certain period of time and the corresponding red, green and red stamps. These reports have inconsistencies between the total number of declarations processed and the actual stamps assigned.
8. If an indicator is loaded which overlaps an indicator that has been deleted, the RM module tries to restore the deleted indicator warning the user that important history could be lost. The RM module should not try to restore deleted indicators. If a new indicator is loaded it should receive its own control number and it should be treated independently. Also if an indicator is modified, currently the log would show its history, however, it is simpler and more transparent if the RM module is changed such

- that if an indicator is modified then it is internally treated as a delete and an add,
9. Currently, when a red or an orange stamp is assigned to a shipment, the RM module only shows the customs agent the instructions stated on the indicator matched that caused the particular stamp to be assigned. However, since the shipment will be inspected anyway, it makes more sense to provide the customs agent with the most complete set of instructions possible. Therefore, the shipment has to be checked against all mandatory and risk indicators regardless of the random number value and a complete set of instructions should be provided. The mandatory and the high risk indicators are the only ones that contain instructions.

### SECTION III: STREAMLINING THE CLEARANCE PROCESS

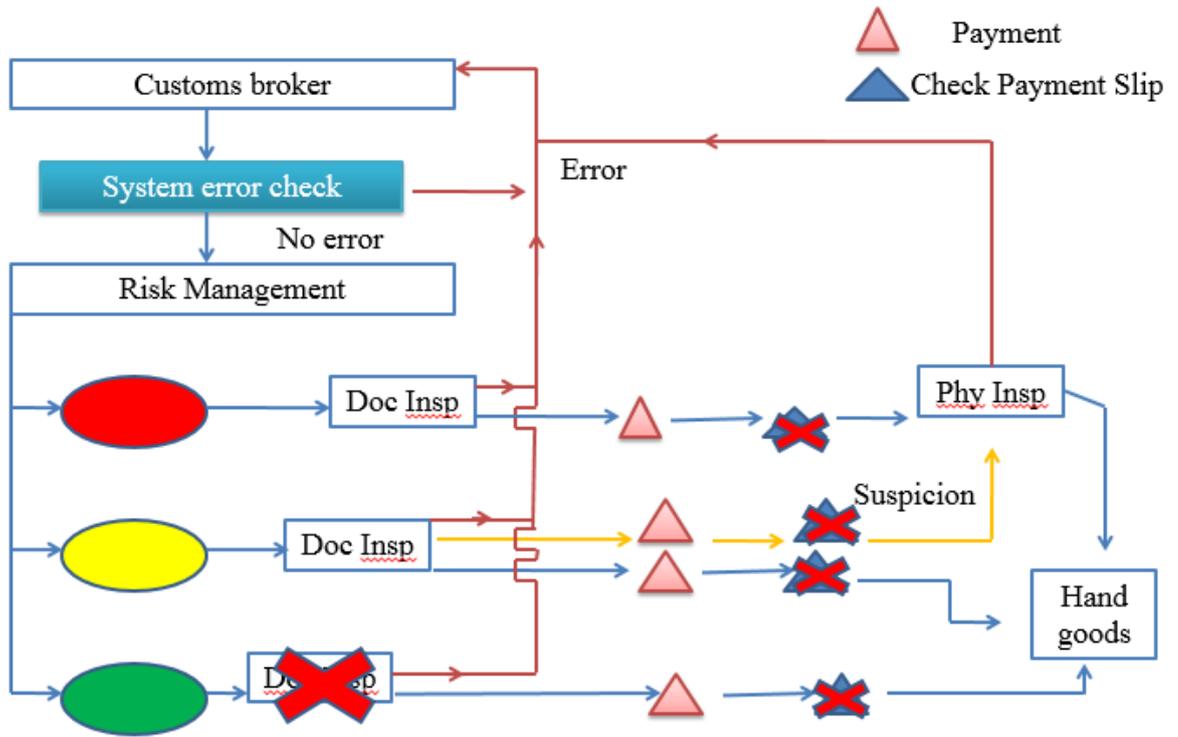
The current clearance process used is the following:

## Customs Clearance /Current/



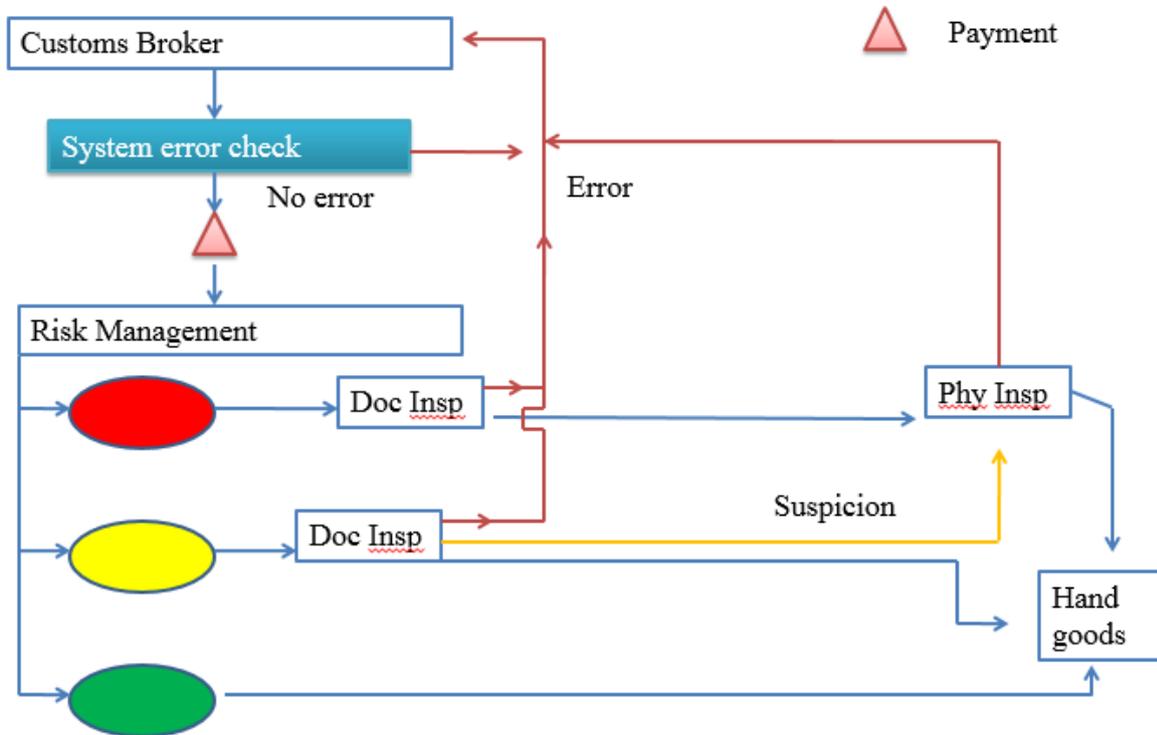
The problem with the current process is that customs declarations which receive a green stamp are placed through a light document review and they will also be inspected to verify payment. These practices are not aligned with trade facilitation since a shipment that receives a green stamp should exit customs without any inspections. Also, it is considered ideal to generate the stamps after the payment has been done so that if a shipment receives a green stamp, then it can clear customs without any further verifications. Therefore, the problems with the current clearance process are the following:

# Customs Clearance /Problems/



The immediate goal is to align the clearance process as follows:

## Customs Clearance /Ideal/



To reach the ideal model, emphasis has to be placed on eliminating the reasons why today a shipment that receives a green stamp is placed through a light document inspection. Also, emphasis has to be placed in automating the payment process so that any required verifications can be done automatically. By working on these tasks, the clearance process of all shipments will benefit since it is very likely that the verifications done on a shipment that has a green stamp are also done on shipments that have a red or orange stamps.

It's important to have the ideal clearance process in mind so that so that all modifications and enhancements are aligned with this goal. Also, based on best practices, the verifications that are made automatically by the system (system error checks) should constantly be made more robust which will allow the system to verify electronically as much information as possible.

## **SECTION IV: ENHANCEMENTS**

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The following enhancements are required to eliminate risk scenarios and therefore reduce inspections.

1. Currently all customs declarations filed have to be reviewed by a customs agent regardless of the stamp assigned so that the customs agent can determine the valuation method applicable. However, in a self-assessment environment it's the importer or the customs broker the one that chooses the corresponding valuation method and if the shipment is targeted for PCA or if the shipment is assigned an orange or a red stamp then the valuation method specified is reviewed by a customs agent. Therefore, the field which states the valuation method in a customs declaration has to be visible to the filer so that the filer can choose from a set of valid values.

2. Currently, after a customs declaration is paid at the bank, the importer or the customs broker are required to take the bank slip to customs. Regardless of the stamp assigned, the customs declaration is then reviewed by a customs agent to verify that the payment was actually made and that it was correct. In previous reports, the importance of having the banks on line with the Customs System was stated. Progress has been made, since currently the banks transfer on line to the Customs System all information regarding the payment of a customs declaration. However, this information is visible only to the financial departments. Therefore, the Customs System needs to be modified such that it can use the financial information and mark automatically customs declarations as paid. If the payment done at the bank was not correct, for example it was for a different amount or if the customs declaration referenced on the bank payment is incorrect, etc, then the Customs System should not allow the customs declaration to proceed to the next step of the process until this issue is resolved. Apparently, the Customs System currently handles adequately overpayments so in essence only underpayments would need to be addressed which implies that an additional payment would be required. Once the customs declarations are marked automatically as paid in the Customs System, there is no need for an inspector to verify the bank slip and therefore an inspection point can be eliminated.

3. Currently the exchange rate is updated on a weekly bases. However, all customs declarations are inspected regardless of the stamp assigned to determine if the correct exchange rate was applied. The exchange rate used should be verified automatically by the Customs System and if the declarations has not been paid and the exchange rate changed, then the Customs System should send the customs declaration automatically to the customs broker so that it can be corrected. If a filed customs declaration is not paid in x amount of time then the customs declarations should be eliminated automatically. There is no need to keep unpaid customs declaration in the system. Apparently there is current policy that states that the customs declaration numbers should be continuous. However, there is really no reason to obligate continues numbers since all valid customs declarations are stored in the Customs System.

4. Currently in an export declaration of a bulk shipment, a customs agent is assigned manually to inspect the bulk shipment and afterwards the customs declaration is filed. All these shipments are assigned a red stamp and the customs agent assigned by the Customs System is changed manually to force the customs agent to be the same one that performed the initial inspection of the bulk shipment. To streamline this process it is suggested that a customs agent or an authorized third party is assigned to a bulk shipment to verify the content and as a result generates a corresponding certificate which is provided to the importer / customs broker. The customs broker should then use the certificate to generate the customs

declaration and if a red or an orange stamp is assigned then the customs agent can verify that the certificate attached is authentic and valid. This process will no longer require all bulk shipments to always get assigned a red stamp.

5. Currently all vehicle shipments are inspected to verify if the model year stated is correct, On a previous report it was mentioned that the Customs System could verify automatically the model year using the VIN. The previous proposal, which is still valid, consists of the following:

When vehicles are imported, the VIN is stated on the customs declaration. Currently in Mongolia, the HS code which should be used when importing vehicles depends on the model year. Therefore, today all customs declarations which state a vehicle are assigned a red stamp to verify that the correct HS was declared. However, in the VIN, the model year is coded, which means that enhancements can be made in the Customs System so that the HS code used, based on the model year of the vehicle, can be automatically verified.

The model year of the vehicle is stated in the tenth alphanumeric character of the VIN. Also, the ninth alphanumeric character of the VIN contains a check digit which can be used to confirm that no errors occurred during data entry. Therefore, the Customs System should be modified to automatically compare the model year stated on the customs declaration with the model year coded in the VIN and also, the check digit should be automatically verified by the Customs System to ensure that the VIN number stated on the customs declaration is correct. These automation procedures apply to models starting in 1980 until present.

Note. Before automatic verifications regarding VIN information are placed in production, it is recommended to pass VINs which have been declared on previous customs declarations through the year and check digit verification rules to determine current levels of compliance.

The rules to verify the check digit are the following:

- a. A VIN number will never contain the letters (I as in India, O as in Oscar or Q as in Quebec);
- b. Each alpha character on the VIN should be assigned the following weight:

A --> 1	J --> 1	S --> 2
B --> 2	K --> 2	T --> 3
C --> 3	L --> 3	U --> 4
D --> 4	M --> 4	V --> 5
E --> 5	N --> 5	W --> 6
F --> 6	O --> Not allowed	X --> 7
G --> 7	P --> 7	Y --> 8
H --> 8	Q --> No allowed	Z --> 9
I --> Not allowed	R --> 9	

- c. Each numeric value on the VIN should be assigned a weight equivalent to its number. For example 1 --> 1, 2 --> 2, etc.

d. The assigned weight for each alphanumeric character of the VIN should be multiplied, based on its position within the VIN, according to the following table :

Position of Alphanumeric Character within the VIN	Multiplying factor	Position of Alphanumeric Character within the VIN	Multiplying factor
First	x 8	Tenth	x 9
Second	x 7	Eleventh	x 8
Third	x 6	Twelfth	x 7
Fourth	x 5	Thirteenth	x 6
Fifth	x 4	Fourteenth	x 5
Sixth	x 3	Fifteenth	x 4
Seventh	x 2	Sixteenth	x 3
Eighth	x 10	Seventeenth	X 2

Note. The ninth position (check digit) should not be included in the numbers multiplied or it can be multiplied by zero which has the same effect.

e. The result of each multiplication should be added and the total divided by 11. The remainder is the value of the check digit. If remainder is 10 then the value of the check digit is X as it is shown in the following example:

VIN	1	M	8	G	D	M	9	A	_	K	P	0	4	2	7	8	8	
Value of each character	1	4	8	7	4	4	9	1		2	7	0	4	2	7	8	8	TOTAL
Multiplying factor	x8	x7	x6	x5	x4	x3	x2	x10		x9	x8	x7	x6	x5	x4	x3	x2	
Sub total	8	28	48	35	16	12	18	10		18	56	0	24	10	28	24	16	351

$$351 / 11 = 31.90$$

$$11 \times 31 = 341$$

$$\text{Remainder} = \text{Check digit} = 351 - 341 = 10 = X$$

The check digit for the stated VIN is X.

The rules to verify the model year are the following:

- The model year of the vehicle is encoded in the tenth alphanumeric character of the VIN.
- The table to decode the model year is the following:

Code	Year										
A	1980	L	1990	Y	2000	A	2010	L	2020	Y	2030
B	1981	M	1991	1	2001	B	2011	M	2021	1	2031
C	1982	N	1992	2	2002	C	2012	N	2022	2	2032
D	1983	P	1993	3	2003	D	2013	P	2023	3	2033
E	1984	R	1994	4	2004	E	2014	R	2024	4	2034
F	1985	S	1995	5	2005	F	2015	S	2025	5	2035
G	1986	T	1996	6	2006	G	2016	T	2026	6	2036
H	1987	V	1997	7	2007	H	2017	V	2027	7	2037
J	1988	W	1998	8	2008	J	2018	W	2028	8	2038
K	1989	X	1999	9	2009	K	2019	X	2029	9	2039

- To identify model year in passenger cars and multipurpose passenger vehicles with a

Gross Vehicle Weight Rating of 10,000 Lb. (4,500 Kg.) or less, both alphanumeric characters at seventh and tenth positions of the VIN need to be analyzed. If the seventh alphanumeric character of the VIN is numeric (0 – 9) then the tenth alphanumeric character needs to be looked up in the previously mentioned table under years 1980 – 2009. If the seventh alphanumeric character of the VIN is a character (A –Z) then the tenth alphanumeric character of the VIN needs to be looked up in the previously mentioned table under years 2010 – 2039. For example, for VIN 1FALP45T4SF166725, the seventh position is numeric therefore de S means that the model year of the vehicle is 1995.

Once the VIN has been verified via the confirmation of the check digit and the model year has been verified then additional automation should be included in the Customs System to automatically confirm that the correct HS code was used based on the model year.

6. The permit verification process needs to be streamlined and automated. On a previous report a detailed proposal was made which is still valid and it consists of the following:

The goods stated in a customs declaration sometimes require a permit which shows that the importer/exporter is authorized to import/export the goods. In many cases, the permits state quantity limits which can be cleared under one or more customs declarations.

Today all customs declarations that state goods that require a permit, are assigned a red stamp to verify that in fact the permit is attached and that quotas have not been exceeded. The quota controls are conducted via manual logs. Also, other permit controls implemented cause additional inefficiencies in the clearance process. For example, a multiple entry permit can only be processed in the same port forcing all shipments covered under one permit to be cleared only in one port. Also, in one customs declaration there cannot be listed more than one item subject to a permit which means that one customs declaration cannot have more than one permit attached.

The permits are issued by other government agencies and present an additional problem because they do not specify an HS code placing extra burden on the customs agents to determine if the goods on the permit are the same as the ones stated on the customs declaration.

To help reduce the risk of shipments related to permits, it is necessary to automate the process. Under this initial phase, the permits should continue to be issued on paper by the other government agencies but before they are used they need to be presented to the CGA so that the goods indicated on the permit can be assigned an HS code and the permits need to be uploaded onto the Customs System. Once this is done, the permits can be used in a customs declaration and the Customs System will automatically verify the permit and quotas.

In preliminary discussions it was considered appropriate that the permits are uploaded at the HS department at the central office of the CGA, however, the technical solution should consider the possibility of other locations providing the service.

A special section needs to be created in the Customs System called Upload Permit, with a separate security access code. The system administrator should be able to make visible the Upload Permit option upon request. This means that perhaps initially the Upload Permit option in the Customs System should only be visible to the HS department at the central office of the CGA, but in the future, it may be decided that

the Upload Permit option should be visible in other areas of the organization so that the service related to uploading permits can be done in parallel in different points.

The Upload Permit option should have a special section where the HS codes subject to a permit control can be placed in an HS Permit Control Catalog. Each element on this catalog should have start and end dates to control when the legal frame work is changed and permits are no longer required for certain HS codes. The start date is mandatory but the end date is optional. If no end date is specified then it means that it is currently valid. If a customs declaration is filed but it contains an HS code included in the HS Permit Control Catalog and a permit is not declared, then the Customs System should mark an error. Once an HS code has been included in the HS Permit Control Catalog it can never be eliminated but it could have an end date. An HS code can also appear several times in the HS Permit Control Catalog but it cannot have overlapping start and end dates.

For each permit, the information that should be uploaded in the Customs System is the following:

Permit ID: This is the ID stated on the permit.

Date of Permit: Date on which the permit was issued as stated on the permit.

Date of Expiration: Date on which the permit expires as stated on the permit.

ID of importer/exporter: Unique ID of the importer/exporter as stated on the permit.

Item

Description: The description of the goods as stated on the permit.

HS code: HS code assigned to the goods by the CGA which can only be HS codes included in the HS Permit Control Catalog.

Quantity: Quantity allowed under the permit as stated on the permit but based on the unit of measure associated to the HS code assigned. Some permits may not specify a quantity and therefore this field should be optional.

Once a permit has been uploaded, the system should automatically assign to the permit a “Unique CGA Permit ID” which should be declared on the customs declaration.

It is possible that the goods stated on the permit are a subset of what can be declared on an HS code. For example, a permit could be issued for blue pens but the HS code for pens is applicable to any color pens. To resolve this problem, under the Upload Permit option, there should also be an HS Clarifier option.

The HS Clarifier option will allow subsets within HS codes to be identified and controlled. Initially all 8 digit HS codes contained in the HS Permit Control Catalog should have an HS Clarifier field set to zero by default. The zero value means “All Other”. If the HS code has a subset that needs to be identified and controlled, then the HS Clarifier option will make the appropriate divisions. Therefore, if the goods indicated on the permit fall in an HS code that can also identify other goods, then the HS Clarifier option should be used. When the HS Clarifier option is selected, the Customs System will assign the next available HS Clarifier value for the HS and the appropriate description for the subset should be stated. In the pen example, the next available HS Clarifier is 001 and its description should be “blue pens”.

The HS Clarifiers cannot be reused meaning that if 001 for HS X means “blue pens” then 001 for HS X can never mean something different. This will allow old customs declarations to be accessed correctly. However, each HS Clarifier should have a start

and an end date. Actually an HS Clarifier could even have multiple non overlapping start and end dates.

Continuing with the pen example, when uploading the permit for blue pens, the HS code selected will be the one that belongs to all pens, but since the HS code belonging to pens has an HS Clarifier higher than zero, the Customs System will force the permit uploader to choose between 0 which means “All Other” or 001 which means “blue pens”. Therefore, the uploaded permit will specify the appropriate HS Clarifier to make sure it is only used for the corresponding subset.

The importer/exporter should be given a printout of the uploaded permit indicating the specifics as to what was uploaded in the Customs System and it should state all the information that was uploaded including the Unique CGA Permit ID assigned, the HS code assigned and the HS Clarifier (if any).

The importer/exporter will provide the permit to the broker along with the information of how it was uploaded into the Customs System. The component which is used by the brokers to upload a customs declaration should be modified so that at an item level, the broker can declare the Unique CGA Permit ID. This means, that when the broker, for example, types the HS code for pens, the Customs System will automatically detect that the HS code is subject to a permit control because it is included in the HS Permit Control Catalog. Also the Customs System will detect that it has an HS Clarifier and it will force the broker to choose between 0 (“All Other”) or 001 (“blue pens”). If the broker chooses 001, then the Customs System should ask for the Unique CGA Permit ID. With this information the Customs System will verify that the importer/exporter stated in the customs declaration is the same as the importer/exporter stated in the permit and it will verify that the permit has not expired. If the permit requires quantities to be controlled, then the Customs System will deduct the quantity from the permit centrally. If the permit is not valid or the user is not authorized to use the declared permit, then the Customs System should mark an error and roll back. If the broker chooses 0 (“All Other”) the Customs System will not request a Unique CGA Permit ID which means that the goods do not require a permit.

In the stated conceptual design, the permits are at an item level, therefore in one single customs declaration the broker could specify more than one item that requires a permit. In this case, each permit will go through its own validation process which means that each permit specified in a customs declaration has to belong to the same importer/exporter, it has to be valid and the quantities allowed should be sufficient to cover the amounts specified on the customs declaration. If at least one of the permit validations fails for any of the permits, then the customs declaration cannot be processed and the Customs System should mark an error. Also, since the permit control will be automatic and centralized, shipments under a permit no longer need to be cleared only in one port and therefore they can be processed in any port.

When a customs declaration is amended, if the amendment consists of a change in quantity of an HS code that has a permit, then the difference in quantity needs to be properly handled centrally. If the permit does not have enough quantity then the Customs System should mark an error and a new permit would be required for the amendment. With this in mind, it should be possible to state multiple permits under the same item and the Customs System should deduct from the oldest permit first. This means that for example, an item could indicate 100 units but 40 units are covered under permit A and 60 units are covered under permit B. If the amendment done is a reduction of quantity and the HS code is subject to a permit, then as a result of the

amendment, the quantities deducted should be restored (added) to the permit in the central permit control.

If a customs declarations associated to a permit is eliminated, then the quantities stated in the customs declaration should be restored to the permit in the central permit control.

The various auditing and inspection departments will need reports to confirm that permits are being handled properly. The report should allow a Unique CGA Permit ID to be specified and the report should indicate all customs declarations that have declared that permit and an audit trail should be available.

7. To help with the detection of illicit practices, it is recommended that the CGA makes public the information of all customs declarations except for the customs declaration number the information concerning the importer, the exporter and the seller. By making the information public the trade community can evaluate trends and patterns in shipments similar to their business and they can help the CGA understand and detect problem areas.

8. Currently, even if shipment does not have a finding the customs agent is expected to provide feedback. This practice causes the feedback review process in the RM department to be inefficient. Therefore, the inspection process should be changed in the Customs System so that the customs agent is forced to choose between “finding” or “no finding”. Also the Customs System would require feedback only if the “finding” option is selected. This will allow the RM department to clearly identify shipments which had a finding and they can efficiently review the feedback stated which is important to fine tune indicators.

9. The feedback review process used by the RM department should be made more efficient. Feedback needs to be placed on a list and if desired the user can select a particular feedback and access the customs declaration directory

10. The amendment process needs to be streamlined and automated. On a previous report a detailed proposal was made which is still valid and it consists of the following:

After a mistake is detected on a customs declaration, the customs broker needs to amend the customs declaration. The error could have been detected by the importer/customs broker or by a customs agent. If a customs agent detects an error it will be sent back to the customs broker so that it is amended. Amendments are required if a modification to the customs declaration is made after it was filed to customs. Therefore, if a broker detects and corrects errors before filing then these errors will not be made in an amended customs declaration.

Keeping track of amendments is important because when a custom agent sends back a customs declaration the reason why it was sent back is very important to the RM department so that risk scenarios can be analyzed. In this case it’s also important for the RM department to be able to access the original customs declaration and the amended customs declaration.

The amended customs declaration has to be checked to determine if it requires permit controls or if the new customs declaration no longer requires a permit in which case rollbacks should be performed.

The Customs System should be modified such that in the screen used by the broker to file a customs declaration, a new field should be added titled “amendment”. This field cannot be changed by the broker and it is only informative. The value of this field should be numeric (integer) and its initial value should be zero. When the broker files the customs declaration for the first time, the value of the amendment field should be

zero. If a filed declaration is changed by the broker then the broker has to amend the customs declaration. Each amendment will increment the “amendment” field by one. Therefore, if a modification is done by the broker to the customs declaration after it has been filed, then the value of its “amendment” field will one.

The general rule is that the customs broker can make amendments to a customs declaration as long as it has not been assigned a stamp. Once it has been assigned a stamp it is considered to be within the clearance process. While in the clearance process the broker can only make amendments if it is requested by a customs agent.

If the customs declaration has not cleared customs and the shipment has a finding, the customs agent will send feedback to the customs broker indicating the problem. When the broker files the amended customs declaration its “amendment” field will have a value greater than zero. The amended customs declaration should be passed through RM to determine if it should keep the same stamp or it requires a stamp change. The random number used to generate the new stamp should be the same random number used with the original customs declaration. For example if the original customs declaration received an orange stamp based on RM and the amended customs declaration simply changed a description which is not relevant to RM, then the amended customs declaration should also be assigned an orange stamp. This is achieved if both customs declarations are placed through RM using the same random number. If the amended customs declaration contains a change which is sensitive to RM, then once it is passed through RM even with the same random number, the system could assign a different stamp. Special code needs to be implemented such that if the original stamp was orange then the amended customs declaration cannot get assigned a green stamp. If the original stamp assigned was red, then the amended customs declaration cannot get assigned a green stamp or an orange stamp.

It makes sense to pass an amended customs declaration through RM only if the original customs declaration has not been cleared. If it has been cleared it means that the goods are not accessible to the customs agents and all work done is based only on documents. This implies that the only difference of how an amended customs declaration is processed when the original customs declaration has not been cleared versus when the original customs declaration has been cleared, is in the verification of RM indicators and the possible reassignment of the stamp. All other processes remain the same.

The component used by the brokers to file a customs declaration needs to be modified when working with on an amendment of a customs declaration (the value of the “amendment” field not equal to zero). The current amount paid should be displayed ghosted meaning that these fields cannot be changed by the broker. As the customs declaration is changed, it could be that the modification made requires an additional payment of duties. These additional duty payments should be displayed on a separate section and when the amended customs declaration is paid, then only the amount stated in this new section should be paid. If the customs declaration is amended again, then the sum of both payments made previously should be displayed ghosted. If as a result of an amendment the amount due is a negative value than no payment should be required and the CGA should define the corresponding procedure for overpayments.

If PCA detects a finding it will be after the customs declaration has cleared. Typically, PCA has five years to review customs declarations which means that there is a possibility that by the time that PCA detects the problem, the original broker does not exist or the importer/exporter no longer does business with the original broker. Therefore, PCA more than likely will notify the importer/ exporter of the finding and

the importer/exporter could choose a new broker to make the amendment. This means that a process needs to be implemented in the Customs System so that PCA can name a new broker for a customs declaration upon request from the importer/exporter. This will allow the new broker to view and amend the original customs declaration.

Feedback from PCA is very important to the RM department. Therefore, findings from PCA should result in feedback getting registered on the customs declaration and an amendment should be made to fix the problem. This will allow a customs to have a complete history of every shipment.

Amending customs declarations may seem a problem to the statistical department especially because amendments in reality change the original customs declaration. What is done in other economies, is that the monthly or yearly trade statistics have two sections. The declarations processed and the declarations amended. The amended declaration section states information regarding the original declaration and the amended declaration so that the user can make correct interpretations and analysis of the data.

11. At the end of the clearance process, customs declarations need to be confirmed by a senior officer. The clearance process needs to be changed so that priority is given to the confirmation of the green stamps followed by the orange stamps and leaving for last the red stamps. Within each group the customs declarations should be placed in a first come first serve order which has to be enforced by the system.

12. Currently when a customs agent selects a customs declaration for inspection, the corresponding instructions are only visible upon request. The process should be changed such that the instructions are presented to the customs agent before the content of the customs declaration can be accessed. This will force the customs agent to access the instructions prior to initiating the inspection process.

13. The RM department is concerned that when loading a high risk indicator they could be unaware that there was an overlapping certified indicator which would obviously cause the shipment to bypass the high risk control. Therefore, when loading a high risk indicator the system should generate a warning if the risk indicator is overlapped by a certified indicator. A certified indicator overlaps a high risk indicator if the criteria used in the certified indicator is a subset (contained within) of the criteria used in the high risk indicator. For example, if a certified indicator gives a benefit to a broker and a high risk indicator is loaded for the same broker then the certified indicator is contained within the high risk indicator and the high risk indicator will never be matched.

14. Currently the airline information is getting stored in a special section of CAIS. However, the functionality for a watch list which would allow passengers to be targeted efficiently has not been implemented. Implementing a watch list is similar to a mandatory indicator. The fields used would be the same ones that are contained in the data that is provided by the airlines. Some of this data contains information such as name, flight, passport number, etc. Therefore, the watch list could contain a particular passport number, a name, etc.

For each flight, once the airline data is loaded into CAIS, the information should be compared against the watch list and any matches should be displayed to the inspector. Once a match is detected, the inspector would seek the passenger and perform an inspection. History of offenses and findings can be kept on a separate excel file. This would be sufficient for a first phase. Once experience is gathered with the process, future automation needs can be introduced.

## **SECTION V: OTHER CONSIDERATIONS**

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1. It is strongly suggested that personnel from the RM department visit regularly the ports and talk to all stakeholders to understand needs and problem areas.
  - a. How thorough are the physical inspections conducted?
  - b. What are the comments or complaints of the customs agents regarding RM?
  - c. Are tasks being performed according to the stamp assigned?
  - d. Are procedures being followed at the ports according to set policy?
  - e. Were any new illicit practices detected from talking to customs brokers, importers, transport companies, etc.?
2. The personnel from the RM department should constantly review the feedback provided by the customs agents to the customs brokers to make sure that it is clear and complete. If the personnel from the RM department cannot understand what is the mistake detected in the customs declaration by simply reading the feedback registered on the Customs System, then the customs agent did not perform the assigned responsibility correctly and appropriate measures should be implemented. The feedback sent to the brokers is vital to the RM department to identify problem areas.
3. It is recommended that PCA verifies during each inspection that the customs declaration has exactly the attachments required based on set policy. One aspect which helps the trade facilitation indicators is to make sure that all attachments of a customs declarations are specified within the legal frame work.
4. It's recommended that when a finding is detected with a passenger that merits getting registered on the watch list, an entry is made on a separate file such as Excel, copying the airline information regarding this passenger, placing in additional columns the details of the findings and assigning a unique number to the entry. Once the passenger is placed on the watch list on CAIS, the unique number should also be loaded into CAIS in the corresponding watch list indicator so that a hit on a watch list can easily be traced to the history of the passenger.

## **SECTION VI: CONCLUSION**

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RM is a never ending task. However, to make progress in RM risk scenarios have to be identified and controlled. The best way to control a risk scenario it's by its elimination which is generally achieved via automation. Therefore, a strong IT department is vital for making progress in the implementation of RM along with legal and operations departments which are willing to innovate and change.