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JAMAICA Risk Management

Risk Management Framework Modernization

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PRIDE Jamaica
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EXECUTIVE SUMMARY

The Jamaican Customs Department (JCD) is an organization in transition from a labor intensive, control oriented organization to a modern Customs operation that uses risk management principles in a data rich environment.

JCD's deployment of a modern IT hardware, the creation of a well trained and effective post clearance audit staff and the expansion of their risk management group has greatly improved their operation allowing JCD to meet their revenue targets despite a waning economy. Additionally, the Jamaica Customs Department is in process of implementing an aggressive modernization program in accord with guidelines established by the International Monetary Fund (IMF) and the Customs Modernization Plan October 2010. Transformation to an Executive Agency (EA) is actively underway. A number of other reform measures are also underway in JCD, most notably is the implementation of the AEO (Authorized Economic Operator) program that provides expedited clearance for Jamaica's largest importers. Also, a modern COTS (Computer Off the Shelf) or independently programmed ICT system is being contemplated for automation of the Customs cargo processing system. These factors will necessitate wholesale changes to JCD's business models.

The JCD is also to be commended for the implementation of the AEO (Authorized Economic Operator) program which is an innovative way to utilize Risk Management for large compliant importers. The AEO program is a "gold card" program that has been recognized as an international best practice. The program is developed on the premise that Importers who display excellence, and are competent and compliant, pose little risk to Customs. Under the program, compliant large importers are allowed and encouraged to speed their goods through Customs formalities. This in turn allows Customs' limited resources to attribute greater focus on higher-risk shipments while providing tangible benefits to legitimate businesses. Treating these AEO companies as accounts, appointing Customs employed account managers and instituting a special set of compliance, risk criteria and post-clearance audit for select companies could allow many legitimate companies true "green line" or expedited service and separate their shipments from the flow of riskier imports. Opportunities have been identified for JCD to improve this program and lower AEO risk by reorganizing the Risk Management Unit to provide individual account managers for the AEO entities. AEO declarations enjoy a low examination rate (approximately 2%) and constitute around 30-40% of entry volume. Non-AEO entries are examined at a much higher rate: 20-35%.

Despite these innovations instituted by the JCD, significant improvements can be made in the areas of:

- **Risk Management:** Risk Management is poorly supported by ICT solutions and is labor intensive. The Risk Management Unit is effective, but is an integral part of live entry processing rather than the more effective analytical, account management and criteria driven model. Despite these shortcomings, JCD does a credible job of managing major risk although at the price of lengthier and inefficient process. Additionally, JCD has an effective but overburdened Post-Clearance Audit Unit (PCAU)¹ that needs additional staff, relief from non-audit responsibilities and changes to make audit techniques more encouraging for firms to place more emphasis on compliance.
- **Private Sector Customs Compliance:** Customs Brokers and importers have unacceptable levels of errors. The errors are caught by Customs and these entries are returned to the Customs brokers for correction and resubmission. Errors are detected at many points of the process, some serious but others are relatively minor. The errors which are often the same error repeated multiple times, are due largely to flaws in the private sector processes of entry preparation, the hiring of low cost but error prone brokers, and a lack of compliance effort by the importing companies.
- **Customs Processing:** The Entry Processing Unit (EPU) and the examination sites use some automated processing but are labor intensive to both Customs and the Trade Community: Documents receive multiple stamps/approvals, and multiple ledgers are kept. Supervisors and the Risk Management Unit are an intrinsic part of the process. Documents are passed back and forth between brokers and Customs multiple times.
- **Customs and Other Government Agencies (OGAs):** Inter-agency coordination is deficient with Customs and the OGAs performing separate exams, having different hours of operation, and requiring similar data for each separate entity by agency. Also, many shipments require extensive

¹ Post-Clearance Audit is an excellent tool to verify compliance and refine risk management techniques. It assists in judging the integrity of information supplied in the Customs entry and the importer's level of compliance with Customs legislative requirements. Customs overall aim should be to achieve private sector compliance on a company-by company basis while assuring themselves that the company's import department is knowledgeable and proficient in Customs' laws and regulations. True compliance exists when systems and/or departments at importing companies are aware of and take steps to comply with Customs laws and regulations. Instead of verifying the flow of goods across the border on an instance-by-instance basis in real time, Customs is able to move most of international shipments from compliant companies (as in the AEO program) to the low-risk or Green lane in confidence after a successful audit. Another benefit is that declared values can be verified with purchase and financial records of the importer company eliminating the need for general value listings or ranges while making more reliable use of WTO transaction value in a high risk environment.

- licensing, permitting and certification beginning up to 60 days prior to cargo arrival. This process could be streamlined and the savings would greatly benefit the trade community. Although a Single Window and OGA issues are beyond the scope of this consultancy, the new Customs system could provide a viable platform for a government and private sector cooperation that would greatly improve Jamaica’s World Bank Doing Business Report standings in the “Trading Across Borders” category.²

The following section addresses these issues and makes specific recommendations to improve operations in the specific area of Risk Management.

Summary of Process Issues and Recommendations

A. Risk Management

Risk Management is a systematic approach to making decisions under uncertain conditions by identifying, assessing, understanding, and planning and communicating risk issues. It forms the basis for selectivity and is the single most important facilitative measure that a Customs administration can take. For Customs and border agencies, it means to move from an attempt to achieve total control of documents and goods for most shipments as it arrives in the country to a rational, data driven process to select only high-risk cargo for document review or intensive physical examination. Many countries have adopted the risk management approach to facilitate the international movement of goods from compliant importers while devoting their Customs and other control agency resources to goods that have the highest potential negative impact on revenue, the economy and especially the health and welfare of its citizens. Risk management deployment simply means that a large proportion of international shipments can cross the border quickly with no inspection and minimal formal requirements.

Issues: Despite a recent increase in staff, the Risk Management Unit (RMU) is still hobbled by an archaic proprietary RM system from Crown Agents called

² Jamaica could vastly improve its competitiveness through the design and implementation of a Jamaican National Single Window for JCD and the other agencies having jurisdiction over international trade—both import and export. Parliament or the government itself would need to designate a champion to lead and organize the initiative. Using the WCO data model, the team would harmonize required data elements for all agencies by replacing the current Customs entry with a single administrative document for participating agencies. Also, the submission of licenses, permits and certificates for the participating agencies would need to be simplified and automated. The final step would be to institute single inspections, harmonize agency public service hours and sampling procedures. Port Authority systems and the international trade community would need to be integrated into the Single Window.

VIRMS (Valuation, Intelligence and Risk Management System). The code is locked and delivers far too many false positives that must be reconciled by the RMU staff. Besides the RMU and the adjoining valuation, Tariff and Origin staff, EPU staff and Customs station officers perform risk management functions while noting inspection results. Despite modern Non-Intrusive Inspection (NII-X-rays, etc.) equipment, physical examinations of around 25% of cargo prevail.

Specifically:

- The current risk management I.T. system, VIRMS, does not discriminate risk well, resulting in many false positive referrals.
- The manual entry screening done by the RMU and Customs field personnel winnows the false positives at the cost of a multilayered and overly complex entry process. However, business process reengineering in entry processing could free up positions for higher-level responsibilities such as audit and RMU.³
- The AEO program is exemplary in terms of facilitation but may expose Jamaica Customs to unnecessary risk by not fully qualifying participants and administrative program weaknesses. Also, Customs audits are professional but do not contribute much to an atmosphere of voluntary compliance to the extent necessary. Compliance measurement using random valid statistical sampling could improve the process for assessing risk.
- Importers and Brokers make far too many mistakes that must be caught by the Customs manual review. The compliance level of Jamaican importing community is poor therefore overly complicating Customs Risk Management functions.
- The overall examination rate (estimated 25%) is too high. A better risk management regime including cargo selectivity could lower that rate considerably for commercial entries while enhancing revenue collection and enforcement.
- The current One-Stop Shop at the seaport is a good start but provides little relief from the importer's burden of document preparation or licensing. Improving agency coordination and reengineering the licensing, permitting and validation of certificates is the single most important factor (as stated previously—Jamaica Single Window) to improving the World Bank Doing Business scores for the "Trading Across Borders" area.
- Jamaica Customs has a well-trained and viable Post-Clearance Audit section. Unfortunately, the Jamaica Customs Act does not provide a

³ The current manual processing, despite being overly complicated and manually intensive, provides adequate revenue protection and even gives acceptable clearance times for the "Customs" part of the cargo clearance process. This is a tribute to the staff and management of the JCD.

positive compliance atmosphere for traders especially in the areas of advanced cargo reporting and the basis for Customs Audit. Lack of private sector record availability requirements, clear legal authority for inspection/audit of trade related financial records and short duration for duty/tax recovery periods stifle incentives for voluntary compliance.

- Equipment for Non-Intrusive Inspection is good but not generally used to eliminate manual inspections or conduct risk management.
- Despite improvements to the I.T. infrastructure, Risk Management is not supported well by current functionality.

As stated above, a reorganization of the RMU is needed to modernize their function in accord with international methods.

Additionally, the AEO program, may pose unacceptable risk to Customs. Since the risk assessment is being performed at the company rather than the entry transaction level, care must be given to qualify these companies according to the importing companies' levels of compliance in a systematic and objective way. Better utilization of the Post-Clearance Audit Unit (PCAU) to perform compliance audit that gauge the levels of qualifying candidate companies is a means to strengthen risk management in this area.

Extensive Risk Management classes were given during this consultancy to 27 key JCD personnel beginning on June 29, 2011 to enhance organizational knowledge in Customs risk management. Each class was 4 hours in duration and given over 5 consecutive days at JCD's training facility. Participants received instruction in:

- Introduction to the Course
- Account Management
- Risk Management: AEO & Criteria Based
- Customs Intelligence
- Monitoring & Evaluation
- Customer Service
- AEO Compliance- Post Clearance Audit

Recommendations:

Potential Changes to Risk Management Division and the AEO Program:

- Risk Management
 - Discontinue the RMU's direct role in entry processing. Currently over 25% of entries are referred to the RMU.
 - Include a Monitoring & Evaluation Section to measure performance of overall risk management and compliance.

- Establish Account Managers in AEO and take over AEO Account Processing from the Entry Processing Unit (EPU) and the Post Clearance Audit Unit (PCAU).
- Establish two additional sections for analysts/account managers: the Criteria Management and Account Management section. (See Attachment A for a suggested organization.)
- AEO Program changes to lessen risk:
 - Add company compliance level questions to the company questionnaire.⁴
 - Conduct initial and annual audits (using compliance and judgmental sampling⁵) for companies to remain in good standing for AEO.
 - Assign AEO companies to Customs account managers in the new RMU organization.
 - Do a re-certification and compliance audit for current AEO program companies using the new audit techniques
 - Better utilize X-Rays and Non-Intrusive Inspection (NII) by stationing trained Customs Officers at inspection sites.

⁴ The Importer questionnaire, included with the notification package, should drive at questions key to the Post-Clearance Audit Process. The questionnaire is a profile document for use in determining or judging overall company compliance and provides detailed information regarding the company's import operations. Sample questions include:

- Number of years importing?
- Are any of your imported goods cleared under a preferred duty program?
- Do you have an import compliance manual?
- Do you review your customs broker's performance?
- Do you have import recordkeeping procedures?
- Do you follow advance rulings for the HTS classification of your imported products or seek Customs classification advice?
- Do you have written procedures for determining your import values?
- Do you have written procedures for monitoring and declaring adjustments to the imported value?
- Do you provide specific documentation and marking instructions to foreign suppliers?
- How often do you conduct internal import training?
- Do you have an internal employee in charge of compliance?
- Has your company undergone a customs audit or internal self-review audit?
- How are import procedures and guidelines/updates communicated to other departments within your organization?
- Does the Importer have any questions?

⁵ Audits to determine the general levels of compliance of a private firm use random sampling techniques to determine sample size. If the sample size is too large, the audit branch should reduce the sample using judgmental criteria to a manageable size of 5-25 entries for a 1-year period.

Post-Clearance Audit

- Institute compliance audits using statistically valid sampling and judgmental reduction for AEO companies
- Add more positions to the PCAU. Positions could be obtained when entry processing and station clerical redundancy issues are addressed.
- Continue Targeted Audits but the referrals from other units should more fact-based and analytical.
- As mentioned above, discontinue AEO application processing and additionally collections processing should be transferred to another unit.
- Determine if the joint Tax/Customs audit training can be run in 2 tracks (Customs or Tax but not both).
- Clarify and change the confusing Jamaica statute covering duty recovery periods. (See Attachment B)

B. Customs Business Processing Reengineering (BPR)

Some business process re-engineering and standardization is necessary to ensure that efficient and streamlined business processes are readily automated. The entry and examination processes are labor intensive, time consuming and complicated. Changes to the essential business processes will free positions for Customs to reassign to higher-level and more productive areas as well a greatly simplify the design and implementation of their anticipated automated solutions.

Recommendations:

Summary of immediate suggested key next steps for BPR to begin to prepare Customs Business Processes for automation:

- Eliminate RM and Supervisor steps in entry processing
- Reduce Customs gate checks to the minimum extent possible in cooperation with terminal operators.
- Establish a Targeting/Document Analysis centralized review and decision-making facility using manually set RM parameters for Red and Green designations. Green releases should be made directly from this unit.
- Begin Business Process Reengineering on the JCD operational units.
- Capture findings/discrepancies from Customs examinations in a central file for analysis.
- Prepare a “Customs Modernization Act” for enactment prior to automation to strengthen risk management and align JCD with other Customs administrations:
 - Reporting times moving to advanced information for cargo and passenger data.

- Provide warrant-less search authority.⁶
- Lengthen 2-3 year audit recovery and recordkeeping requirements (See Attachment B).
- Increase penalties for non-compliance where appropriate.
- Provide authorization for electronic reporting, if necessary.

C. Raise Customs Compliance level of Jamaican Trade Community

Jamaican Customs has an importer population that varies in levels of compliance. The complexity of Customs processes is due in part to the large amount of errors that Customs corrects through automated and manual reviews. In interviews with the Jamaican trade community and key Customs officials, they categorized private sector compliance levels with Customs regulations to be poor with some pockets of excellence. Brokers and their importer clients have high error rates running between 5-12% of entry volume. Less serious errors are not counted but constitute a higher percentage (these errors are corrected on the spot.) Quality assurance practices are performed at the Entry Processing Unit (EPU) and also by cargo officers at pier and other field locations. Minor mistakes are handled expeditiously but constitute double handling by all concerned. Many of the mistakes are repetitive in nature.

The competence of the Jamaican brokerage community varies widely from world-class to adequate to significantly deficient. Customs brokers who are skilled practitioners of Customs laws and procedures are extremely important to the smooth flow of trade. In the very complicated processes of Jamaican Customs, documents are traded back and forth between the brokers and Customs, sometimes 8-12 times before a transaction is concluded. Customs tracks the fatal errors and classes the poor performing brokers into a lower tier. Since these Tier 2 brokers are considered more risky (and therefore convey this risk to the importer and his goods) their shipments are examined at a higher rate. Since they charge lower prices than the competition, the second-class brokers are able to stay in business. However, tolerating the poor brokers condones poor compliance and is detrimental to a modern, largely mistake-free Customs environment.

Additionally, compliance is important to facilitation because it allows Customs to focus resources on the highest risk importations. Compliance is defined as a company entering a state of being in accord with a country's Customs and other control authorities laws and regulations. Customs services worldwide in recent years have striven to increase compliance levels in various ways.

⁶ A comprehensive review of JCD's legal authority is now underway. The document is extensive with many major and technical corrections. Certainly, the changes recommended by this report, the Modernization Report as well as those of the IMF should be included.



Typically, errors must be reduced in:

- Classification
- Value
- Quantity
- Country of Origin
- Other Border Agency requirements

Compliant companies⁷ consider Customs legal compliance to be important and to have high priority. The following items detail some of the measures they take to ensure compliance:

- Policy Statement issued stating the importance of Customs compliance.
- Integration of Customs into the company's business process and I.T. system.
- Someone important is in charge of Customs Compliance.
- Establish or maintain a Customs Compliance Section that is placed high in the company hierarchy (usually best if in General Counsel or Tax Department).
- Customs experts are on staff and outside expertise is available.
- Personnel from key departments are trained in Customs requirements.
- An up-to-date Company-wide Customs procedural manual is available.
- Companies do their own Customs audits using statistical sampling and have strong internal control programs.
- Strong corrective measures are taken for deficiencies to prevent recurrence.
- They have strong control over their suppliers to ensure declaration accuracy.
- The companies monitor and measure the performance of their carriers and intermediaries such as Customs brokers/freight forwarders holding them to strict standards.
- Their company Customs declaration files are inclusive and are impeccable.

To encourage compliance, Customs services use a variety of tools to encourage (and coerce) compliance:

- Compliance Measurement
- General Compliance Audits and Assessments
- Broker Discipline

⁷ Note: These traits should be ingrained and part of the basic functions of the company. Management should be absolutely committed to excellent Customs compliance.

- Analysis of errors and violations
- Management by Account
- Activity managed Cargo Selectivity

Jamaican Customs spends a lot of time correcting errors caused by laxness or inexperience. The Trade Community badly needs to professionalize their internal Customs Compliance sections.

Recommendations

- Conduct training and outreach sessions for the Trade Community.
- Counsel poor performers based upon collected and analyzed data.
- Do a comprehensive import Compliance Measurement⁸ to determine general compliance levels and vulnerabilities.
- Establish tracking processes and performance measures for individual company compliance.
- Establish a Broker Compliance Office to reduce broker mistakes, increase levels of compliance and integrity and to reduce time Customs spends catching and correcting broker mistakes. To further this goal:
 - Establish and formalize Broker Requirements with other agencies.
 - Devise Performance measurements for broker compliance.
 - Approve, suspend and revoke license procedures for broker control.
 - Improve professionalism of the Jamaican brokerage community by eliminating Tier 2 Broker designation.

Conclusion

JCD is a small Customs administration with a dedicated workforce and an able leadership cadre. Great strides have been made in recent years through the institution of the AEO program, IT network and hardware extension and the institution of the Post-Audit Clearance Unit. An excellent modernization report has been issued and is being followed closely. Clearly, the next big step is to instill efficiency into the JCP business processes and to begin using a more robust risk management application. Based upon the excellent track record and spirit of innovation, JCD is sure to succeed.

⁸ Australia instituted a "statistical" customs compliance program in the 1990s, in which customs agents checked import shipments sporadically using statistically valid random sampling, which eventually amounted to an overall statistical report detailing the Australia's compliance record. Other Customs authorities have followed suit.

The immediate focus should be on fortifying the AEO Program and improving Customs' inefficient business processes. Additionally, taking steps to modernize risk based targeting and selectivity are vital. Another immediate action required is to begin to increase private sector compliance starting with a broker administration reform program.

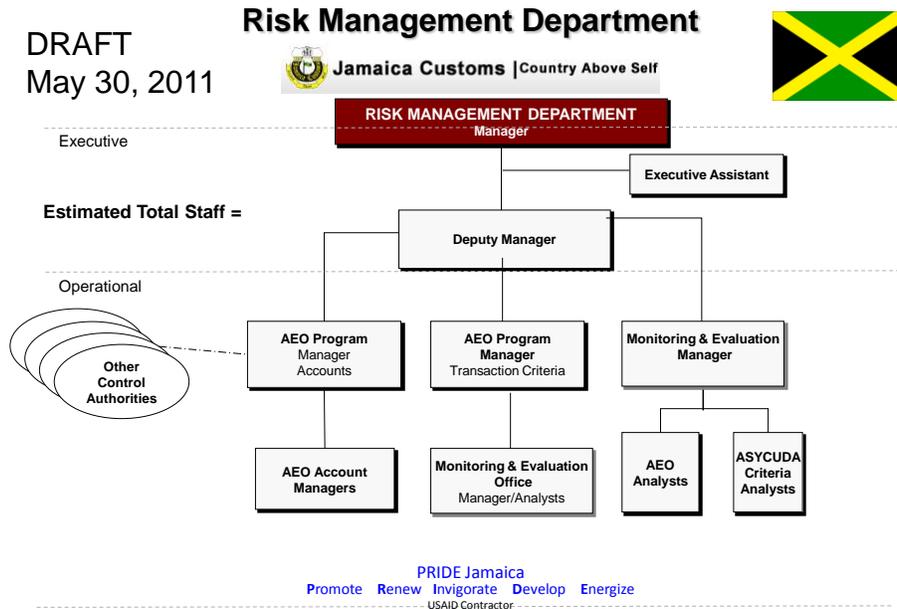
The consultant is extremely grateful for the assistance of the Customs executive team, the Risk Management Unit and the Modernization team.

Attachment A: Proposed Organization, Roles and Responsibilities, for the Jamaican Customs Risk Management Department

A new organization structure is proposed for implementation after the business processes of Customs for import declarations are improved and the Risk Management personnel are no longer involved in actual review of live entries.

The new organization will consist of an AEO Account Management Section, a group to create and maintain Risk Criteria for non-AEO entries and an Analytical section for Monitoring and Evaluating performance and program data. A chart of the new group follows:

Risk Management Division Roles and Responsibilities





The purpose of this attachment is to describe the main functions, roles and responsibilities of the sections of the proposed Risk Management Division. Using data driven techniques and analytical tools, this division manages Customs risk factors based upon large company compliance and transactional compliance.

Holding overall responsibility for Jamaica's Risk Management Program including Account Management, Risk Criteria, and Monitoring and Evaluation of the risk assessment and mitigation function is:

1. Manager/Deputy Manager, Risk Management
 - a. Provides oversight of all sections of the Risk Management Division.
 - b. Participates and leads the importer introductory meeting, as needed.
 - c. Requests Jamaica's AEO Program initial audit be performed.
 - d. Participates with the account manager in admission decision meeting.
 - e. Makes the final decision on whether to admit or deny the importer.
 - f. Follows up with the AEO Importer once the final decision is made.
 - g. Resolves legal questions with the assistance of counsel.
 - h. Ensures that the functions of the Transaction Criteria group and the monitoring and evaluation group
 - i. Confers and meets with other groups such as valuation, classification and audit to coordinate activities regarding general compliance.

2. Administrative Assistant
 - a. Maintains and manages the supply of application forms, etc. for Jamaica's AEO Program.
 - b. Processes Jamaica's AEO Program correspondence including e-mail traffic
 - c. Initiates and tracks correspondence, maintains logs and provides services for the Division director and staff.
 - d. Provides Division support as needed.

AEO Program Section

Oversees the process of establishing and maintaining compliance for new accounts Jamaica's AEO Program. The accounts are established through a series of risk management procedures and the creation of files that support the risk analysis decisions Jamaica's AEO Program is currently the joint responsibility of the Entry Processing, Post Clearance Audit and the Risk Management Division. Once accepted, risk will be mitigated by communication



between the Account manager and the company compliance department and the monitoring of the performance of the company in entry preparation and submission. Under the new organization of the Risk Management Division, this group will assume leadership and management responsibility for the AEO Program.

3. AEO Program Manager

- a. Assigns account managers to importers.
- b. Participates in introductory meeting, as needed.
- c. Solicits and compiles Compliance History (history of transactions, fines and penalties and other relevant information).
- d. Conducts interviews with candidate and broker, as needed
- e. Monitors accounts to determine progress, compliance levels.
- f. Requests that a Post Clearance audit be conducted if required
- g. Maintains active Liaison with other government agencies, particularly the Bureau of Standards and the veterinary services to improve release processes through Customs acceptance of Licenses, Permits and Certificates as well as sampling and inspections.

4. Account Manager

- a. Reviews applications for completeness for Jamaica's AEO Program, sending Notice of Incomplete Application, if needed.
- b. Schedules importer interviews.
- c. Maintains formal and informal dialog with client companies.
- d. Collect transactions and compliance history of the importer and conduct an analysis of data collected.
- e. Participates in importer/broker interview.
- f. Documents and submits to the Director a decision package for AEO company admission or if required,
- g. Maintains Jamaica's AEO Program company file.
- h. Helps businesses participating in Jamaica's AEO Program in resolving systemic barriers with other border agencies.
- i. Resolves issues raised by Jamaica's AEO Companies as necessary.
- j. Notifies the AEO Director of any problems encountered with an account that originate from other Customs entities and outside sources.



Transaction Criteria Group

The transaction criteria group manages and sets the various criteria that determine the scrutiny of the documents themselves and the associated cargo not covered by the AEO Program. Ensures that criteria are actively managed and performs liaison functions with Customs and with other government agencies to actively target and resolve compliance and enforcement issues.⁹

5. Transaction Criteria Program Manager

Has overall responsibility for the management of manual or automated criteria that is used to select shipments for document review, examination or direct release. Oversees the Criteria Analysts assigned to this section. Ensures that the criteria are effective and current to the changing environment of international trade. Performs periodic reviews of criteria findings from examinations.

6. Transaction Analysts

Reviews criteria for feasibility, efficacy and validity for all non-AEO shipments. Provides communication avenues for CET, Intelligence and Operations for the developing and honing of criteria used to select cargo for red, yellow or green tracks.

⁹ Please note: The Intelligence Group could be added to the transaction criteria group for synergy. In any event, close coordination will be necessary.

Attachment B: Recommended Jamaica Legal Changes—Post-Clearance Audit

Jamaican Customs Law needs to be modernized so that it conforms to international best practices. A time period for duty recovery of 7 years is recommended and a document retention policy is defined.

Current Jamaican Law:

Section 19 and Section 223 needs to be uniform – Section 19 speaks to Valuation audit being 2 years and Section 223 speaks to Compliance Audits being 3 years (see below):

Section 19 (8) The Commissioner may, within two years from the date of entry of imported goods, adjust the value accepted by an Officer at the date of entry of such goods, where he discovers that the value accepted by the Officer was incorrect-

Based on new information concerning the goods; or

For any other reason.

Section 223 (1). The importer, exporter or any person concerned in the importation or exportation of any goods shall, on the request of any officer made at any time within three years of the date of importation or exportation, as the case may be, or of the date of delivery to the proper officer of an entry for such goods, if the same have been entered, produce for the inspection of such officer the invoices, books of account and any other documents of whatever nature relating to such goods which the officer shall require, and shall answer such questions and make and subscribe such declarations regarding the weight, measure, strength, value, cost, selling price, origin and destination of such goods, and the name of the place whence or where any imported goods were consigned or transferred from one aircraft or ship to another, as shall be put to him by the officer, and shall produce such evidence as the officer may consider necessary in support of any information so furnished; and if the importer or exporter or other person concerned as aforesaid shall neglect or refuse to carry out any of the provisions of this section, he shall incur a penalty not exceeding five hundred thousand dollars, and subject to Section 212 and the Commissioner may on such neglect or refusal, refuse entry, delivery or shipment of the goods, or may allow entry, delivery or shipment of the goods upon such terms and conditions, and upon deposit of such sum, pending the production of the proper documents and declarations, as he shall see fit to impose or require.

Recommended Changes to clarify business records keeping and duty recovery (Based upon New Zealand Customs Code):

(1) The business records required to be kept under law shall be those records that are generated by, or that otherwise come within the possession or control of, the licensee, importer, or exporter, as the case may be, that are necessary to verify—

(a) any entry required to be made under the Act; or

(b) the importation or exportation of any goods; or

(c) the custody or movement of any goods subject to the control of the Customs; or

(d) the manufacture of any goods subject to excise duty.

(2) Without limiting the generality of subclause (1) and subject to subclauses (3) to (5), the following records are required to be kept:

(a) shipping, importation, exportation, and transportation documentation including the following:

(i) all entries required to be made under the Act:

(ii) entry documentation (including any declaration, certificate, permit, license etc):

(iii) vouchers:

(iv) bills of lading, waybills, air waybills, consolidator waybills:

(v) shipping instructions, freight forwarders instructions:

(vi) insurance papers concerning any goods:

(vii) consignment notes:

(viii) import charges accounting details (including agent's fees, customs charges, wharf charges, and other fees and charges):

(ix) packing lists:

(x) manifests:

(xi) outturn records:

(xii) goods tally records:

(b) ordering and purchase documentation including the following:

(i) orders, confirmations of orders:

(ii) purchase agreements:

(iii) products specifications:

(iv) contracts, conditions of purchase:

(v) royalty agreements, pricing agreements, negotiations on pricing agreements, warranty agreements:

(vi) invoices, proforma invoices:

(vii) commissions and brokerage agreements and details:

(viii) correspondence and any communication between the importer or exporter and any party related to the transaction:

(c) manufacturing, stock, and resale documentation including the following:

(i) inwards goods register:

(ii) stock register:

(iii) sales records:

(iv) receipts journal:

(v) costing records:

(vi) production records:

(d) banking and accounting information including the following:

(i) letters of credit, applications for letters of credit, bank drafts:

(ii) remittance advice:

(iii) receipts, cash books:

(iv) credit card transactions:

(v) telegraphic money transfers:

(vi) offshore monetary transactions:

(vii) cheque records:

(viii) evidence of payments by any other means, including information detailing non-cash compensation transactions:

(e) chart and codes of accounts, accounting instruction manuals, and system and programme documentation that describes the accounting system used by the licensee, importer, exporter, or agent:

(f) papers, books, registers, disks, films, tapes, sound tracks, and other devices or things in or on which information contained in the records described in paragraphs (a) to (e) are recorded or stored.

(3) Notwithstanding subclause (2) but subject to subclause (1), the licensee of a Customs controlled area licensed for either or both of the purposes described in section 10(c) and 10(e) of the Act, shall keep or cause to be kept the records specified in paragraph (a) and paragraph (f) of subclause (2), but shall not be required to keep any of the other records specified in that subclause.

(4) Notwithstanding subclause (2), but subject to subclause (1), the licensee of a Customs controlled area licensed for the purpose specified in regulation 6(a) shall keep or cause to be kept the records specified in paragraphs (a), (b), (c) and (f) of subclause (2), but shall not be required to keep any of the other records specified in that subclause.

(5) Notwithstanding subclause (2), but subject to subclause (1), every exporter shall keep or cause to be kept the records specified in paragraphs (a), (b), and (f) of subclause (2), but shall not be required to keep any of the other records specified in that subclause.

(6) The records shall be kept for a period of 7 years.

Retention of records and duty recovery:

(1) Every licensee, importer, exporter, and body authorized to issue a Jamaica certificate of origin under section 64B must keep or cause to be kept in Jamaica such records, for such period of time not exceeding 7 years, as may be prescribed.

(2) Every such person must, as and when required by a Customs officer,—

(a) make the records available to the Customs; and

(b) provide copies of the records as required; and

(c) answer any questions relevant to matters arising under this Act asked by any officer in respect of them.

(d) The Commissioner may, within seven years from the date of entry of imported goods recover or refund any duties and GCT and other applicable charges due for discrepancies found in business records.

(3) Where, for the purposes of complying with subsection (2), information is recorded or stored by means of an electronic or other device, the licensee, importer, exporter, or agent thereof, shall, at the request of a Customs officer, operate the device, or cause it to be operated, to make the information available to the Customs officer.

Attachment C: Methodology and Approach of this Consultancy

This assessment was undertaken within the scope of the USAID funded PRIDE Jamaica program to support the Government of Jamaica and the trading community in their effort to improve trade facilitation in Jamaica. The Government of Jamaica's (GoJ) has agreed to transform Jamaica Customs into an Executive Agency (EA) as a means to boost efficiency in trade facilitation, improve the control of imports and exports and the revenue collection from international trade.

The Customs Strategic Review and Modernization Plan identify as a priority the need for Jamaica Customs to strengthen its capacity to assess risk and implement a more robust and comprehensive ICT based risk management system. JCD risk management framework requires strengthening and systems and procedures need to be modernized. The vision is that all facets of customs operations will operate under the principles of risk management.

The scope of this consultancy includes:

- Assessing the current state of risk management methodologies within the Jamaica Customs Department.
- Outlining the future state best practices for using a risk-based approach throughout the JCD.
- Describing the future state Risk Management Framework that includes specific recommendations to strengthen the operation and effectiveness of the Risk Management (RM) framework and to assist the Jamaica Customs Department (JCD) develop a risk management framework. The RM Framework document will include:
 - A Risk Management Policy including a strategic plan to implement risk management throughout Jamaica Customs. The strategic plan should include opportunities to introduce and/or update automation, assist in preparing implementation plans for a comprehensive risk management system.
 - Propose an organization structure, optimal staffing levels, and roles and responsibilities for a Risk Management Unit and staff competency requirements.
 - Develop the capacity of staff in the Risk Management Unit through coaching, training and mentoring.
 - Provide standard operating procedures for the Risk Management Unit, identifying opportunities for automation where applicable.
 - Include strategies to integrate risk management processes throughout the organization, including automation of processes.

- Strategies should include and be identified as immediate, medium and long term.
- Make recommendations that include linkages between operations and IT support and ICT support options for risk management in Customs.
- Review the status of existing large importer management program in addition to transaction based activity, and recommend changes, if required, to improve/incorporate risk management into this process.



Attachment D: JCD Response to PRIDE Risk Management Proposals (July 8, 2011)

After a series of briefings and discussions with the Assistant Commissioner (Border Operations), the Commissioner and key staff, JCD responded with this table responding to our recommendations. Their responses are measured and practical and establish realistic priorities.

REPORT ON RISK MANAGEMENT AND AUDIT RECOMMENDATIONS		
CATEGORIES	SUB-CATEGORIES	COMMENTS
1. Potential Changes to Risk Management Division:	a. Discontinue Declaration Processing—unit will be non-operational	Agreed. Changes will take full effect by August 16, 2011
	b. Include a Monitoring & Evaluation Section	Agreed. Changes will take full effect by August 16, 2011
	c. Establish Account Managers in AEO and take over AEO Account Processing	Agreed. Changes will take place gradually commencing with top 20 AEO Companies
	d. Establish two sections for analysts/account managers: Criteria Management and Account Management	Agreed. Changes will take place gradually
2. Audit	a. Institute compliance audits using statistically valid sampling on AEO companies	Agreed -Will use this method for AEO Companies to reduce audit timelines
	b. Add more positions	Positions are in line with EA structure. Need more however if the recommendations in 3b are to be adopted
	c. Continue Targeted Audits but more fact-based.	Agreed. Improved risk management process will support this type of audit
	d. Discontinue AEO application processing and collections processing	Agreed - Would now be the purview of AEO Account Managers within RMU
3. AEO lessen Risk:	a. Add company compliance level questions to questionnaire	Agreed
	b. Conduct initial and annual audits for companies to remain in AEO	Could only be achieved if the staff complement is doubled (Support 2b recommendations)
	c. Assign AEO companies to Customs account managers	Agreed
	d. Do another certification and compliance audit—Call it Phase 2	Agreed - Second Phase could include security requirements acceptable on an international AEO scale
	a. Eliminate RM and Supervisor steps in entry processing	Agreed

CATEGORIES	SUB-CATEGORIES	COMMENTS
4. Prepare Customs Business Processes for automation:	b. Eliminate Customs gate checks except spot checks	Agreed but would be a future event depending on systems integration
	c. Establish Targeting/Document Analysis centralized review and decision making facility	Agreed
	d. Manually set RM parameters for Red and Green designations	Disagreed - Need to push for an automated system to improve the processes and ensure objectivity and reduce interference
	a. Green Releases direct from Entry Processing	Agreed for AEO and other low risk importers- If the Cargo Processing System was integrated with the Cargo Manifest System
	b. Begin Business Process Reengineering on operational units	Agreed
	c. Capture findings/discrepancies in a central file for analysis	Agreed, will be supported by an automated system
5. Prepare a Customs Modernization Act for enactment prior to automation:	a. Reporting times moving to advanced information for cargo and passenger data	Agreed - Legislative amendment submitted
	b. Warrantless search authority	Agreed - Legal Matter (legislative changes required)
	c. Lengthen 2-3 year audit recovery and recordkeeping	Agreed - Legal Matter
	d. Increase penalties where appropriate	Agreed - Legislative amendment submitted
	e. Provide authorization for electronic reporting	Agreed - Legal Matter
	f. Other loose ends for carriers, forfeiture and other pertinent matters	Agreed - Legal Matter
6. Raise Compliance level of Jamaican Trade Community	a. Conduct training and outreach sessions	Agreed - Public Relations initiative
	b. Counsel poor performers	Agreed - Public Relations initiative
	c. Do a Complete Compliance Measurement.	Agreed - RMU to formalized
	d. Establish measures for individual company compliance.	Agreed - RMU to formalized



Attachment E: Jamaican Customs Department Options for an I.T. System

The consultant posed these questions to a number of well-known Customs Subject Matter Experts to get their ideas about the issues that JCD faces. It is hope that JCD will find this helpful. The PRIDE Consultant favors a general operating system (like ASYCUDA World) with a targeting/selectivity function.

Jamaica Customs is in need of an operating system that does Risk Management and Targeting. They have several systems including a 2003 Crown Agent program (VIRMS) that captures manifest and declaration data but doesn't do much with it. Intense manual process stamping and logging characterize the current business process.

JCD is thinking about buying a targeting system (AKA Greenline Systems: <http://www.greenlinesystems.com/>) to sit on top of the database and cut and slice it for selectivity. They also are bringing in ASYCUDA and other operating systems for briefings. Programming from scratch is also a possibility.

The data is edited for validity but it is rather late--no advanced data: Carrier data 24 hours after arrival and entry data in dribs and drabs thereafter.

Your experience with countries doing a targeting system before getting a decent operating system would be appreciated? Pitfalls/advantages?

From Irina Swift (US)—"I am skeptical too when it comes to buying a system. Just like the Crown Agents one it will become useless unless they keep buying into more applications. I looked at it and like other systems for sale I didn't notice an actual country that uses it just demo projects are noted. I can tell you from experience that they could build a simple stand alone system like we started with - remember ACCEPT¹⁰ - it didn't take much to integrate it into the more modern ACS once we knew what we wanted it to do. I worked on it from the start in one capacity or another

What are they thinking in terms of the declaration system- will they build their own??- What do they have about 250,000 declarations a year? With advance declaration filing that should be easy to manage -one thing if you work up your own targeting system you understand what it is doing and how you want it to work and not be at the mercy of someone else's ideas or proprietary software. It does not have to start being sophisticated -I have seen a "to die for" targeting system in Kiev that is fantastic but not properly utilized because of various factors. My opinion start simple and build on it those features you want that is how we did it and don't buy anyone else's folly...is a useable and inexpensive system which is operational in the Caribbean - they should look at it ASYCUDA again better than some unknown entity being sold by a private party with no track record which firm could disappear in short order. At least with ASYCUDA they know what they get. And there is support and upgrades since it does operate in some 80 + or - countries - I would highly recommend revisit- IDB could buy them the hardware and pay for the implementation personnel."

From Tony Mort (NZ)—"Now as I understand the situation, you say Jamaica Customs operate the 2003 version of Crown Agents original manifest / declaration system. Am I correct in assuming it is an early version of Crown Agent's TIMS system?

I also note from the Jamaica Customs website they have moved into various aspects of an E-customs environment, notably for manifest submission / update and enquiry, and also appear to

¹⁰ ACCEPT was a 1980s U.S. primitive Customs operating system.



have electronic lodgment of goods declarations with supporting lodgment of hardcopy declaration as well.

I also note there is an EU / UNCTAD ASYCUDA project in the Caribbean to install a regional Customs goods declaration solution using ASYCUDA World across most of the island nations in the region, but NOT in Jamaica!

I was looking on the Jamaica Customs Web site for some form of business / IT strategy that outlined a modernization strategy supported by IT with an indicative timeline – unfortunately I could not find any such document.

I was unable to establish whether Jamaica Customs has an existing active “selectivity extraction component” in their goods declaration processing system or not. This is a key component for any automated goods declaration processing system and is the element that gives operational effect to risk profiles or “alerts” created elsewhere and applied in the goods declaration-processing environment.

To give effective application of a risk management regime for customs clearance of goods we need a number of components, namely: A) A mechanism to collect, collate and analyze commercial and personal data. Historically this role would be undertaken by the Intelligence Unit (later to be merged into an integrated Risk Management operation). The analysis by this unit would give rise to creation of “Risk Profiles” or “Alerts”; B) Operational systems (whether manual or automated) need to take the “Risk Profiles” or “Alerts” and insert them into operational systems or processes where they are used to selectively target transactions that meet the criteria associated with the profile or alert, and then process the transaction as per directives contained within the Profile or Alert. C) The third component is an information feedback loop to the originator of the Profile or Alert to enable to risk to be further refined if necessary or associated follow up action taken. D) The final component is some sort of managerial overview through use of key performance indicators that measure the effectiveness and efficiency of the organizations risk management policies and procedures.

Each of these four components are inter-related, but can be separate. Similarly each of these four risk management components could, if necessary, be applied manually (if volumes permit)– but all of them are significantly enhanced and made more effective and efficient if supported by automated tools.

All of this background research was necessary to try and see how or where the Greenline risk system fits into the overall picture for Jamaica Customs.

From my understanding of the current situation the proposed Greenline system is intended to address component (A) above. In other words to help address the risk profiling component by using data extracted from existing operational systems in an offline database that is used for research and data matching. Following data matching between manifest and historical goods declaration data, potential risk profiles would be developed and / or refined. The resultant risk profiles or alerts would still need to be feed back into the operational systems so future consignments could be checked against such profiles. Without such interaction between the front-office operational systems and the back-office intelligence / risk analysis systems it is hard to see where significant operational benefits could be achieved from investment in back-office functions.

The current I-manifest initiative could possibly be enhanced to incorporate some element of “selectivity” risk profile extraction, using profiles created via the proposed Greenline analysis system. However manifest information has historically been unreliable as the sole source of information for customs risk management purposes. It is a proven fact that most manifest data items with the exception of “marks and numbers” are regularly manipulated or misreported in

order to minimize risk of pillage, and / or secure cheaper freight or insurance rates. Unfortunately most manifests (especially maritime manifests) do not carry HS Tariff Heading data, thereby making it very difficult to automate the clearance of goods directly against the manifest. However access to automated manifest data as a data-matching source to detect miss-matching of data between that submitted by carriers and importers / brokers can be very useful in identifying higher risk traders who are prepared to alter data to manipulate or leverage elements of the trade cycle.

This is becoming rather a long-winded email.

Depending on the volume of trade Jamaican Customs is expected to handle there is no doubt a good automated goods declaration clearance environment is required which incorporates the necessary risk management elements of “selectivity extraction”, “risk profiling”, feed-back loop for continued refinement, and executive overview via use of meaningful key performance indicators. Having said this however, the question is what comes first? An effective back-office risk analysis and profiling capability, or an effective front-office goods declaration-processing environment. A bit like what comes first – the chicken or the egg? Ideally both elements are required to be addressed concurrently as they are inter-dependent on each other.

What I would be wanting to see as a pre-requisite to donor funds being made available, would be an agreed customs business and IT strategy document covering the next five year period, clearly laying out a reform timeline which brings together the key elements for a modern customs service. In this regard the Greenline product may well form one of the necessary building blocks for more effective back-office activities. This would be in addition to more streamlined, automated and integrated front-office services to create a total client oriented, web-enabled, E-customs environment. Such a document should also address the sequencing and timeframe for delivery of each of the necessary building blocks to create such an environment.

The risks associated with moving ahead without an agreed clear managerial vision are: inappropriate long term solutions being implemented; waste of donor funding; stop-start progress in any reform program; limited positive improvement in processing times for clients; limited improvement in managing customs risks; lack of long term sustainability; lack of relevant professional development of customs resources.

From David Child (UK and South Africa)—“The Crown Agent system (TIMS or something like that) is like quite a few others in that they are basically a data collection (trade stats) and accounting system. That is Ok, of course if you are examining 100% of consignments! It can also work if you are examining or intending to examine a fairly large % (half/third etc). Where a targeting system really helps, in my view, is when you are trying to really discriminate to just look at a small % and to 'prescribe' the type of check.

So my experience of systems of targeting, is to consider carefully whether it is needed at all – that must depend on what the targeting is intending to achieve (and the extent of 'mandatory, inspections - personal effects, medicines, foodstuffs etc). It may well not be necessary to have a targeting system if the categories are so clear that a screening officer can select them into a red/orange/blue etc channel (he/she can also build in the obvious things like higher risk tariff chapters, higher risk origins, higher values, gold card holders, etc).

Obviously replacing the CA system will probably result in a system that has targeting within it – so they will be replacing anything they buy now....

From Graham Johnson (UK and East Africa)—“Strange you should be looking at new customs IT systems as my customs team, part of the DFID program known as Trademark East Africa, as



part of the support role in the East African Community, are doing just that for Rwanda, Tanzania, Uganda and Burundi.

All are currently using ASYCUDA ++ (UNCTAD supported system). Kenya is using a proprietary system called SIMBA. All are going through the hoops too find more modern and easier to maintain systems.

We have looked at Crimson Logic, TATIS, Web Fontaine, Crown Agents, SIMBA 2 (a proprietary system developed for Senegal) and ASYCUDA World.

Problem with the current ASYCUDA system was the operating system UNIX/Oracle that was heavy on maintenance and complicated, also all support was via the ASYCUDA developers who did not have the capacity to respond quickly.

All the new systems are based on Microsoft and easy to fix.

All the commercial systems offer the earth in bolt on modules including single window. Without fail all are expensive with heavy maintenance costs and in our extensive test program have failed to deliver.

The one that we are now recommending is the new ASYCUDA World. It is Microsoft based (they have learned their lesson) and is by far the cheapest both to purchase and maintain. The fact that it is supported by UNCTAD means that the UN owns the license and gives it to the user and picks up the cost of installation and some basic training. The user then pays a maintenance fee and any additional training.

If you need more technical details I will get my two IT experts to send you their technical stuff. Most of the time I have no idea what they are talking about but they are held in awe by the Customs folk throughout the EAC and hated by the IT salesmen.”

Paul Kimberly (UK and Australia)—“This approach makes good sense to me. It is along the lines of current trends where Customs authorities are assembling best of breed applications rather than betting everything on one vendor-such as ASYCUDA, Crown Agents, etc. Its a way of maintaining use of current technologies and assembling applications that are much closer to an organizations specifications, requiring less custom coding and time. New Zealand customs have decided to go this way, I believe.

I will put out a few feelers to see if I can get some more specific advice. Note that Greenline is highly thought of and is used for risk management not just by Customs authorities but also security and police agencies, Homeland security-type agencies, etc.”