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# Progress in Implementation of Risk Management

## Customs General Administration

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## **ABBREVIATIONS AND ACRONYMS**

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

## TABLE OF CONTENT

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ABBREVIATIONS AND ACRONYMS .....	i
TABLE OF CONTENT .....	ii
GLOSSARY .....	iii
SECTION I: BACKGROUND.....	1
SECTION II: ERRORS THAT HAVE BEEN ADDRESSED .....	2
SECTION III: ERRORS THAT HAVE NOT BEEN ADDRESSED.....	7
SECTION IV: NEW FINDINGS.....	12
SECTION V: CONCLUSION .....	14

## **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 continues to make progress in the implementation of RM. The organization is proactively trying to address identified problems and they are correctly discovering that RM is more than the RM module. Previously, focus was placed on being able to target shipments and now they are shifting towards eliminating risk scenarios via automation. Obviously, the elimination of risk scenarios implies modifying set procedures and practices, which naturally face resistance, but upper management is committed to change.

The dominance of RM topics has also become more evident since now the RM personnel want to discuss scenarios that are more complicated, they access previously generated manuals for reference and they are more active participants in training sessions.

Many in the organization still struggle with the implications inherent to RM such as, customs declarations with green stamps should never be inspected, some shipments will go through customs without any inspection even though in reality the shipment contained goods which should have been inspected and all amendments of a customs declaration need to be done by the filer. It is not easy to brake with set habits but it is evident that they are getting closer to making significant changes.

The IT department has a very strong role in causing change. Traditionally the IT departments were practically waiting for the end user to initiate the change process but when moving to an RM model, it is the IT department the one that tends to be the most sensitive to identifying automation opportunities and therefore they are the ones that tend to be the promoters of change. Again, another practice that faces resistance that is in a process of adoption.

## **SECTION II: ERRORS THAT HAVE BEEN ADDRESSED**

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The following errors were previously identified in the RM module and it was confirmed that they have been fixed.

1. The first time importer company and goods indicator works correctly.
2. The deletion process of indicators works correctly.
3. Setting high risk indicators that target individuals work correctly.
4. Setting indicators by specific ports work correctly.
5. The statistical reports have been corrected.
6. Indicators that overlap deleted indicators work correctly.
7. Inspector instructions of all matched indicators are correctly displayed to the agents.

The following errors were previously identified in the RM module, and they are in the process of getting fixed.

1. 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.

The following enhancements were previously identified and they have been implemented.

1. The APIS watch list has been correctly incorporated.
2. The feedback from inspections is now displayed on a list to facilitate its review.
3. Regarding APIS, the customs agents at the airport have started registering the history of offenses detected which is the bases for the current watch list.

The following enhancements were previously identified and they are in the process of getting fixed.

1. 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.

The valuation module that is being built, will display via a user friendly interface, the Mongolian trade data in detail. The system was designed such that the same application can be used internally by the personnel of the CGA and by the public sector. For each field displayed on the system, the administrator can indicate if the field is private or public and this way the

CGA will have full control regarding the information that is made public. Consequently, the public sector does not require users and passwords, which facilitates the administrative duties.

The valuation module will also contain a section that will allow the user to make studies based on a particular HS to analyze the declared price for a particular commodity over time. This type of information is considered very useful for detecting undervaluation problems.

Once the system is fully operational, it's recommended that the CGA conducts a public awareness campaign and invites the trade community to use the data to identify suspicious operations which can help the CGA target problem areas.

2. Force inspectors to choose between no offence (no finding) or offence (finding) after an inspection is performed and force feedback only if the offense option is selected

The enhancement made allowed the agent to select a new option which as “No Comment” and correctly did not provide a section for the agent to register additional information if this option was chosen. However, “No Comment” does not have the same meaning as “No Finding”. Also, as possible results of the inspection, other values which are synonyms of “No Findings” were not eliminated which means that the customs agent could also select result values such as, no problems found during a document inspection, no problems found during a physical inspection and even register comments in these cases which is not correct. Therefore, the “No Comment” result value should be changed to “No Finding” and all synonyms should be removed.

3. Streamline the amendment process providing traceability and allowing for feedback to be registered regarding the reason why an amendment was required.

Progress was made in amendments since now, the log of a customs declaration will show all amendments which were made. When the amended customs declaration is submitted again, the random number assigned is not modified which is correct. However, if the original stamp was orange and based on the amended information, the new stamp should be green, then the final stamp should be orange. If the original stamp was orange and based on the amended information, the new stamp should be orange then the final stamp should continue to be orange. If the original stamp was orange and based on amended information, the new stamp should be red, then the final stamp should be orange but the customs agent and the supervisor should be forced by the system to change the stamp to red. If the original stamp was red and based on the amended information the new stamp should be green or orange, then the final stamp should be red. If the original stamp was red and based on the amended information the new stamp should be red, then the final stamp should be red.

The proposed stamp management allows the customs agent to confirm if the requested amendment was performed correctly regardless if as a result of the amendment, the shipment is now considered to have less risk. On the other hand if as a result of the amendment the shipment is now considered to have higher risk, then the shipment will correctly get the inspection treatment that it merits.

At the end of the clearance process, force the inspectors to first process the customs declarations that were assigned a green stamp, followed by the orange stamps and leave for last the red stamps in a first come first serve order.

The enhancement made, correctly displays to the agent first the customs declarations which were assigned a green stamp, followed by the customs declarations which were assigned an orange stamp and finally the customs declarations that were assigned a red stamp. However, the system still allows the agent to pick any of the customs declarations for processing without giving priority to the customs declarations that were assigned green and orange stamps. Therefore, the system needs to be changed such that no customs declarations with orange and

red stamps can be released if there is at least one customs declaration with a green stamp that has not been released. In addition, no customs declarations with red stamps can be released if there is at least one customs declaration with an orange stamp which has not been released.

4. Customs agents should be forced to view the instructions before an inspection is performed.

The enhancement made correctly shows the instructions before the inspection is performed in a pop up window. However, the pop up window does not get displayed if the configuration options on the customs agent's computer are not set up correctly. Therefore, it is recommended that an initial pop up window is added when the user tries to log into CAIS such that if the customs agent's computer is not configured correctly, then the customs agent will not be able to access CAIS. With this mechanism the IT department can reasonably assume that all computers which access CAIS do have the correct configuration so that the popup windows with instructions can be correctly displayed.

5. Prohibit the loading of overlapping indicators.

Two indicators overlap if for one of them, there is nothing that can be stated on a customs declaration that will cause the indicator to be matched. For example, if there is a mandatory indicator that states that customs declarations from UB port are always red and there is a high risk indicator that states that customs declarations from UB port should have 80% probability of getting assigned a red stamp, then the high risk indicator will never get matched and therefore these two indicators overlap. If for example there is a mandatory indicator that states that a customs declaration processed at UB port by broker 50 should get assigned a red stamp and if there is a high risk indicator that states that all declarations processed in UB port should have a probability of 80% of getting a red stamp then these indicators do not overlap since a customs declaration with UB port and broker 50 will match the mandatory indicator and a customs declaration with with UB port and broker 60 will match the high risk indicator.

When dealing with overlapping indicators, special attention is required if the indicators being evaluated have HS codes. For example, a certified indicator which states that HS 02020202 should have a 2% probability of a red stamp cannot be considered that it overlaps a high risk indicator that states that HS 02020202 should have an 80% probability of a red stamp. The reasoning is that a customs declaration with a single item that has HS 02020202 will have its stamp decided by the certified indicator but a customs declaration with more than one item where only one its items has HS 02020202 will have its stamp decided by the high risk indicator since this declaration is not "covered" by the certified indicator.

To define the rules that should be applied for detecting overlapping indicators, first establish that the types of indicators are set in the following order:

1. Mandatory
2. Certified
3. Exclusion
4. High Risk

Considering the stated order, references can be made to indicator types which are above and below. For example, Exclusion indicators are said to be below Mandatory and Certified indicators and above High Risk indicators.

Another definition that is needed is that indicator A is said to be fully contained in indicator B if indicator A is a subset of indicator B. For example, if indicator A states UB port and indicator

B states UB port and broker 50, then indicator A is fully contained in indicator B since indicator A is a subset of indicator B

The pseudo code for identifying overlapping indicators is the following:

```

IF new indicator has HS THEN
    IF existing mandatory indicator is fully contained in new indicator THEN
        Overlapping indicator
    ELSE
        OK
ELSE
    IF new indicator exactly the same as existing indicator THEN
        Overlapping indicator
ELSE IF new indicator is fully contained in existing indicator below THEN
    Overlapping indicator
ELSE IF above indicator (or in same level) is fully contained in new indicator THEN
    Overlapping indicator
ELSE
    OK
ENDIF

```

For example, consider the following table of indicators:

Order Loaded	Type of Indicator	PC	Broker	Port	HS	Importer
2	Mandatory	300				
3	Certified	400	30			
	Exclusion					
1	High Risk	400	30	UB		

Indicator 1 does not overlap any indicator since it is the first one loaded. Indicator 2 does not overlap indicator 1 because it is not fully contained in indicator 1. Indicator 3 does not overlap indicator 2 but it does overlap indicator 1 since indicator 3 is fully contained in indicator 1.

There are overlapping indicators which are harmless. They will simply cause other indicators to never be matched. For example if there is a mandatory indicator that states that all customs declarations filed by broker 50 should always get a red stamp and then a high risk indicator is loaded stating that all declarations filed by broker 50 should have 100% inspections, at the end, all customs declarations filed by broker 50 will have a red stamp even though none will be assigned based on the high risk indicator. However, certain overlaps are considered dangerous since the RM team could be implementing a control measure to stop certain shipments but if

they are unaware of overlapping indicators their control measure could never get a match. For example, if there is a certified indicator that states that all customs declarations which are filed at UB port should have a 10% probability of getting assigned a red stamp and then the RM team identifies problems at UB port and decide that all declarations filed at UB port should have a 90% probability of getting assigned a red stamp and therefore load a corresponding high risk indicator. This high risk indicator will never get matched. Actually, the dangerous overlaps are always related to high risk indicators. Therefore, to minimize the work of the IT team and to gain more experience in the usage of the RM module, it is recommended that as a first phase, only the dangerous overlaps are prevented. The pseudo code for the dangerous overlaps is the following:

```
IF new indicator has an HS THEN
    OK
ELSE
    IF new indicator is exactly the same as an existing indicator THEN
        Overlapping indicator
    ELSE IF new indicator is in high risk THEN
        IF above indicator (or in same level) is fully contained by new indicator THEN
            Overlapping indicator
        ELSE
            OK
        ENDIF
    ENDIF
ENDIF
```

### **SECTION III: ERRORS THAT HAVE NOT BEEN ADDRESSED**

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The following errors were previously identified in the RM module and they have not been fixed.

1. 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.

The following enhancements were previously identified which have not been implemented.

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.

During research done on the data provided by the banks, it was detected that the tellers sometimes make typing errors and that there is no one standard method when it comes to registering the customs declaration number on a payment performed. The customs declaration number is usually placed by the teller in a comments field but there are cases where the customs declaration number was omitted, additional wording was included, the declaration number had hyphens or spaces, etc. To help avoid these types of errors, it is suggested that on the payment slip, generated by customs, specific wording is placed instructing the teller what exactly to place in the comments section. Also, it is suggested that a two dimensional bar code is added to the payment slip containing key payment information separated by pipes (|) so that the banks can efficiently data capture the required information without errors. It is suggested that the first field on the bar code is reserved to identify the type of barcode, for example 001 could be customs duties and later if different payments arise, then the first field of the

barcode would correctly guide the bank applications. Under this scenario, the banks do not have to use the barcode but if they want to be more efficient and commit less errors, then the two dimensional bar code will be widely adopted.

At GTD there is an e banking project in progress which has as a goal to allow tax payments using the bank's web pages. It is considered that reasonably this project could incorporate in its scope the payment of customs declarations. However, many customs declarations, especially during the adoption phase, will continue to be paid via tellers and therefore, the other enhancements suggested are still valid.

3. The exchange rate is now updated daily by government and this has been incorporated into the customs process. However, sometimes the broker has to use older exchange rates but these cases are not validated by the customs system. Therefore, the customs system should be changed such that a previous exchange rate can be stated on a customs declaration by a broker only if the shipment meets the corresponding conditions.
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 recommended that the customs system could verify automatically the model year using the VIN. However vehicle customs declarations were analyzed and it was determined that in the Mongolian region, the 17 digit VIN is seldom used and in its place a 10 digit registration number used.

A Russian site [bestway@yandex.ru](mailto:bestway@yandex.ru) was identified that provides online information of vehicles based on the registration number. The cost of the service is 55 USD per month for unlimited access and they do provide an API so that automatic interfaces can be built. It is recommended that CGA contracts the service and evaluates with real data if it provides an added value. A good result would be that the Russian site does provide the model year of the vehicle and this information can be validated automatically by the customs system eliminating an inspection point.

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 framework 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.

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## SECTION IV: NEW FINDINGS

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The following new problems have been identified:

1. The modify and the reactivate buttons on the RM module considerably increase the complexity of the code and reduce the credibility of a module. Logs have to be reviewed to trace the history of indicators which because of the modify and reactivate buttons, an indicator could have gaps in its application and changes in its scope making traceability more difficult. Therefore, by removing the modify and reactivate buttons, indicators will be forced to be added and deleted streamlining the tractability process.
2. Today the customs agent can only pick one error as a result of an inspection but in reality a customs declaration could have multiple errors. Therefore, this process needs to be changed so that more than one error can be selected and for each error the customs agent should have the possibility of stating comments. Also, each error needs to be reviewed to determine if it can be amended by the broker. If all errors selected by the customs agent can be amended by the broker, then the customs declaration should be sent back to the broker so that the required corrections can be performed.
3. An indicator that is loaded with an apply date starting today, is not correctly enforced the RM module.
4. When a supervisor reassigns an inspector stated on a customs declaration, apparently the system changes the stamp to red. If an inspector is reassigned the stamp should remain unchanged.
5. The customs system is not validating goods which are exempt and it will allow these exemptions to be stated on a customs declaration even if there is no compliance with the applicable limitations such, exemptions that can only be stated under certain procedure codes.
6. The customs system is not validating that certain procedure codes cannot be used by individuals.
7. The customs system is not automatically verifying that returned goods are done under allotted time and if exceeded, the corresponding penalty should be charged automatically.
8. Apparently, brokers with repeated offenses are required to not file additional customs declarations until they receive training. The customs system should automatically block brokers which reach the allotted offense limit and should be automatically activated after they successfully complete the required training.
9. Alerts should be sent by the customs system to designated CGA personnel when a temporary import or export has exceeded allotted time and grace period.
10. Customs declarations for fuel require a complementary report to be submitted to the CGA specifying the fuel usage. The system should automatically control the report filing by blocking importers, brokers and/or broker companies which have not complied and automatically reinstating these users when they provide the required report.
11. Mongolia is about to enter into a treaty with Japan and provisions need to be made in the customs system to accommodate the new regulations that a treaty implies. Also the model should be able to easily incorporate new treaties.

It is recommended that identifiers are incorporated into the customs declaration to allow for precise filing. The identifiers could be at a header level or at an item level. For example, identifier TL with value JAL at a header level could indicate that this customs declaration is being filed under the treaty with Japan which would allow the customs system to perform the corresponding validations. When a new treaty is approved, the TL indicator would be filed with a new assigned value. Therefore, the identifier model is very flexible for precise filing and its usage is very broad.

12. CAIS should have an automatic link with the offense system to avoid recapturing the customs declaration number which is prone to clerical errors. This will allow better usage of valuable offense data since cases where a customs declaration's offense data cannot be located will be eliminated.
13. The customs system should verify that brokers are not allowed to declare nonexistent procedure codes.

## **SECTION V: CONCLUSION**

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The best RM is where risk scenarios have been eliminated. The majority of risk scenarios are eliminated via automation. Therefore, now that in Mongolia the RM module is fairly stable, emphasis has to be placed on increasing automation in the customs procedures so that current risk scenarios can be eliminated which in turn will facilitate trade and allow the CGA to make better usage of available resources. In consequence, the IT department has a vital role in the organization and it has to shift its mentality from passive, waiting for end users to propose changes to active, being the promoters and innovators of change.