

Foundation Building: Data Collection, Primary Inspection & Compliance Verification

Walter Hekala
Senior Associate
Booz Allen Hamilton

Senior Customs Consultant
USAID/Pragma
Trade and Investment Project

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Historical Background



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??? To Now

Transaction Based Management

Definition – Management of imports and exports by each declaration.

Account Based Management

Definition - Management of imports and exports by management of Account (Importer or Exporter).

Advantage – *Leveraged use of Customs resources.*



Primary Focus Industries

Commodity focused industries **vital to national interests** that are directly impacted by the level of importer or exporter compliance with trade laws.

Factors:

- ▶ Strategic importance,
- ▶ International agreement concerns
- ▶ Duty and taxes
- ▶ Public health and safety
- ▶ Intellectual Property
- ▶ Gross Domestic Product/economic impact



Trade Priority Issues

- ▶ Classification
- ▶ Trade Statistics
- ▶ Country of Origin Marking
- ▶ Embargoes and Sanctions
- ▶ Intellectual Property Rights
- ▶ Transshipment
- ▶ Trade Agreements
- ▶ Quota Evasion
- ▶ Revenue
- ▶ Valuation

Account Management

An account is defined as any entity with which Customs has an interest related to trade compliance.

Integrated Measurement System

Trade Compliance and Enforcement Plan

Importers and Exporters, Customs Brokers, Transportation Companies, Freight forwarders, Warehouse operators

Integrated Trade System

Two sides of the house-

Compliance Measurement

- ▶ Transaction compliance **measurement** builds on a statistical valid **sampling plan**.
- ▶ Significance of discrepancy and violations assessed.

Compliance assessment

- ▶ Account compliance **measurement** builds on a statistically valid **sampling plan**.
- ▶ Significance of errors defined and assessed.

Enforcement Compliance Plan

- ▶ Five-year strategic plan
- ▶ Annual goals and objectives
- ▶ Overview of compliance results to date
- ▶ List of primary focus industries and trade priority issues
- ▶ National sub plans for the industries
- ▶ Compliance Measurement plan for the year
- ▶ Compliance Assessment plan for the year
- ▶ Investigative and Enforcement Actions
- ▶ Specific targets for nationally directed programs



Collect Data and Information - Step 1



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Integrated Trade Measurement System



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Compliance Measurement

Transaction based measurement

Sample size (Allocation) by classification (HS number) is based on:

- ▶ Customs work load (number of declarations)
- ▶ Compliance history (by HS number)
- ▶ Total value (value of all declarations under the HS number)
- ▶ Average value (per shipment in the HS classification)

Based on these criteria a risk score is assigned. To each 4 digit HS number)



Risk numbers are then evaluated against:

- ▶ Expected precision
- ▶ Revenue estimations

HS numbers are stratified (joined in groupings and weighted).

(Note: Please compare this process to the private firms that use “world prices.”)

Compliance Assessment

Account compliance assessment - **the heart** of modern risk management.

Objective:

Using limited resources for the best return of investment

CUSTOMS IS A BUSSINESS!



Key Concepts: Voluntary Compliance and voluntary disclosure

Informed Compliance

Post entry control is driven by compliance audits.

Compliance Assessment Team Kit (CAT KIT)



What is a Customs Audit?

- ▶ Meets with the importer; gives importer questionnaires
- ▶ Develops an account profile
- ▶ Evaluates the results of the importer questionnaires
- ▶ Reviews the importer's accounting, automation, and internal control systems
- ▶ Selects samples
- ▶ Tests the samples for compliance
- ▶ Computes compliance rates
- ▶ **Determines the causes of non-compliance**



- ▶ **Recommends actions to address the non-compliance**
- ▶ Issues Compliance Assessment report



Importer Compliance Monitoring Programs

- ▶ Importer Self-Assessments
 - Self Assessment Handbook
 - Specialized Experts
 - Customs guidance

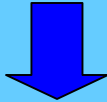


Cargo Selectivity

▶ Enforcement Reports



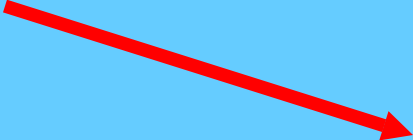
Enforcement Statistics



National Criteria



Enforcement
Lookouts



Enforcement Actions



Account Management



Custom &
Business
Partnership