



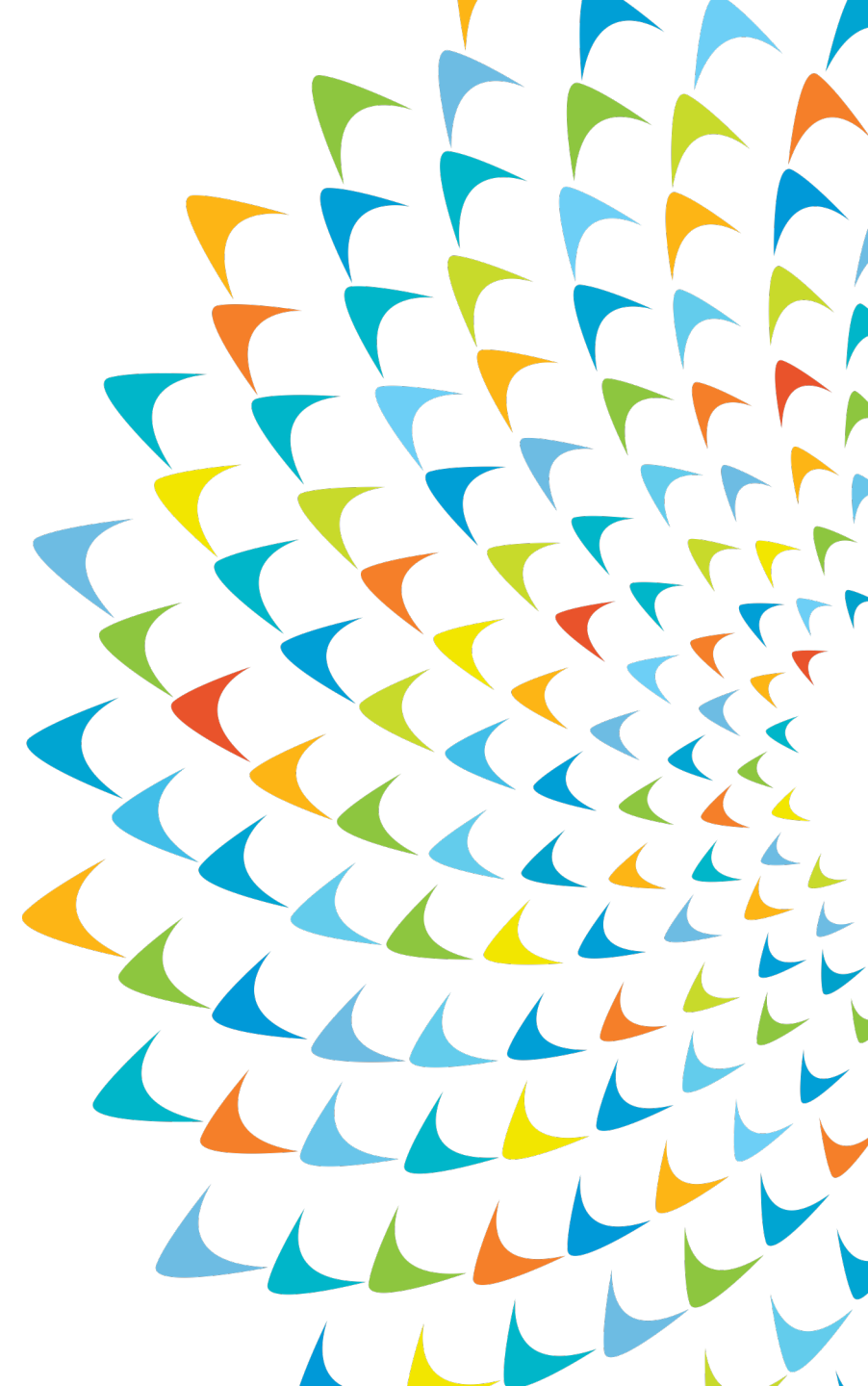
ENHANCE AND ACCELERATE THE IMPLEMENTATION OF THE AEO PROGRAM IN MONGOLIA

**In-person Workshop on Authorized
Economic Operator (AEO) Program**

**Session 3: The AEO Application Process and
Tips for the AEO Validator**

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AEO Certification Process

Application Process

Applicants for an AEO authorization must complete an application and security profile to join the AEO program. The application process requires transparent procedures for review and approval.

Validation Process

After Customs accepts the application, the validation process starts. The intent of the validation is to form an opinion on whether the AEO applicant meets the program criteria and Customs compliance.

Authorization Process

When the decision has been made by the Customs AEO team to provide AEO status to a business, a certificate is issued.



The Application Process

Internal Checks and Controls	Description
Receive and Register the Application	The applicant completes the application form and sends it to Customs. Once received, the Customs team confirms receipt and registers the application in the AEO management portal.
Validate the Application	On receipt, the application is checked for completeness and assessed to ensure that the eligibility requirements are met.
Assess Suitability	Based on the application, an internal vetting process starts. The purpose of this suitability assessment is to identify potential participants who are unlikely to pass the certification process due to current intelligence or trade compliance holdings.
Accept the Application	If the AEO applicant complies with the requirements, the application is approved by the Customs AEO Operations Management followed by an initial or kickoff meeting to start the validation process.



Nine Steps in the Validation Process

1. Validation Planning	The validation planning covers the choice and order of validation procedures, the sites to be visited, interviews to be held, the time frame and dates, and required resources
2. Information Gathering	The validator must understand the business's supply chain operations because an essential part of understanding the business is having a clear view of the business processes (the international supply chain). Conducting interviews can be very time consuming. Thus, many Customs administrations make use of a Self-Assessment Questionnaire.
3. Understanding the Business Systems	A systems-based approach to an AEO validation requires the validator to identify enough information about relevant business and security systems and processes to be able to test the business's internal control and monitoring systems.
4. Initial Interview	The initial interview should be conducted with the business's management staff. It is important to meet representatives who are involved with relevant Customs and security processes
5. Risk Assessment	Identify the specific risks associated with the business's supply chain activities and the trade facilitation benefits that the business is interested in receiving. When the validator understands a business and the objectives are clear, the validator can determine whether potential risks are relevant for that specific individual business



Nine Steps in the Validation Process

6. Conduct the Validation

Identify and analyze the appropriateness and effectiveness of the trader's internal controls that are relevant to ensuring compliance with Customs and supply chain security

7. Response to Residual Risk

After all relevant risks are assessed, including the business's internal control measures to reduce and control these risks, there may be some risks that are not (sufficiently) covered.

8. Reporting

When the validation is complete, a report is prepared highlighting matters of significance and presenting the validator's conclusions on the risks that have been identified and tested

9. Control Plan

The control plan addresses how the detected risks should be monitored over time. It describes and plans how Customs will monitor the business and respond to the risks identified



AEO Certification Documentation

A letter or agreement between Customs and the operator detailing any necessary improvement actions or mutually agreed obligations (where appropriate) is separately made and signed.

The certificate is officially handed over to the authorized operator.

The AEO status is confirmed to the trader and entered in the AEO management system.

The control plan, made by the validator or with the validator's advice, is finalized.



Post Certification

Sub-Processes	Description
Managing the AEO	It is crucial for the success of an AEO program that the Customs account manager is well informed about the history, current situation, and actual developments and events affecting the international supply chain of the AEO
Monitoring	After certification of an AEO, the Customs administration (account manager) must monitor the AEO's international supply chain-related activities and processes on an ongoing basis to ensure continued compliance with trade and security measures
Re-Evaluation	Re-evaluation of the AEO should happen after a maximum monitoring period of at least two years. Also, it is possible to conduct partial re-evaluation reviews that focus on areas of the AEO's supply chain activities that have changed since the initial validation.



Functions of the Account Manager

Being available day-to-day to respond to questions

Handling the exchange of information and reports with the AEO

Arranging meetings and business visits, ensuring good governance when appropriate

Proactively supporting the AEO with information about upcoming changes that potentially can have an impact on compliance and service levels, variations in current licenses and authorizations

Building networks with key institutions within and outside the own administration to enable businesses to receive the correct information and thus foster compliance

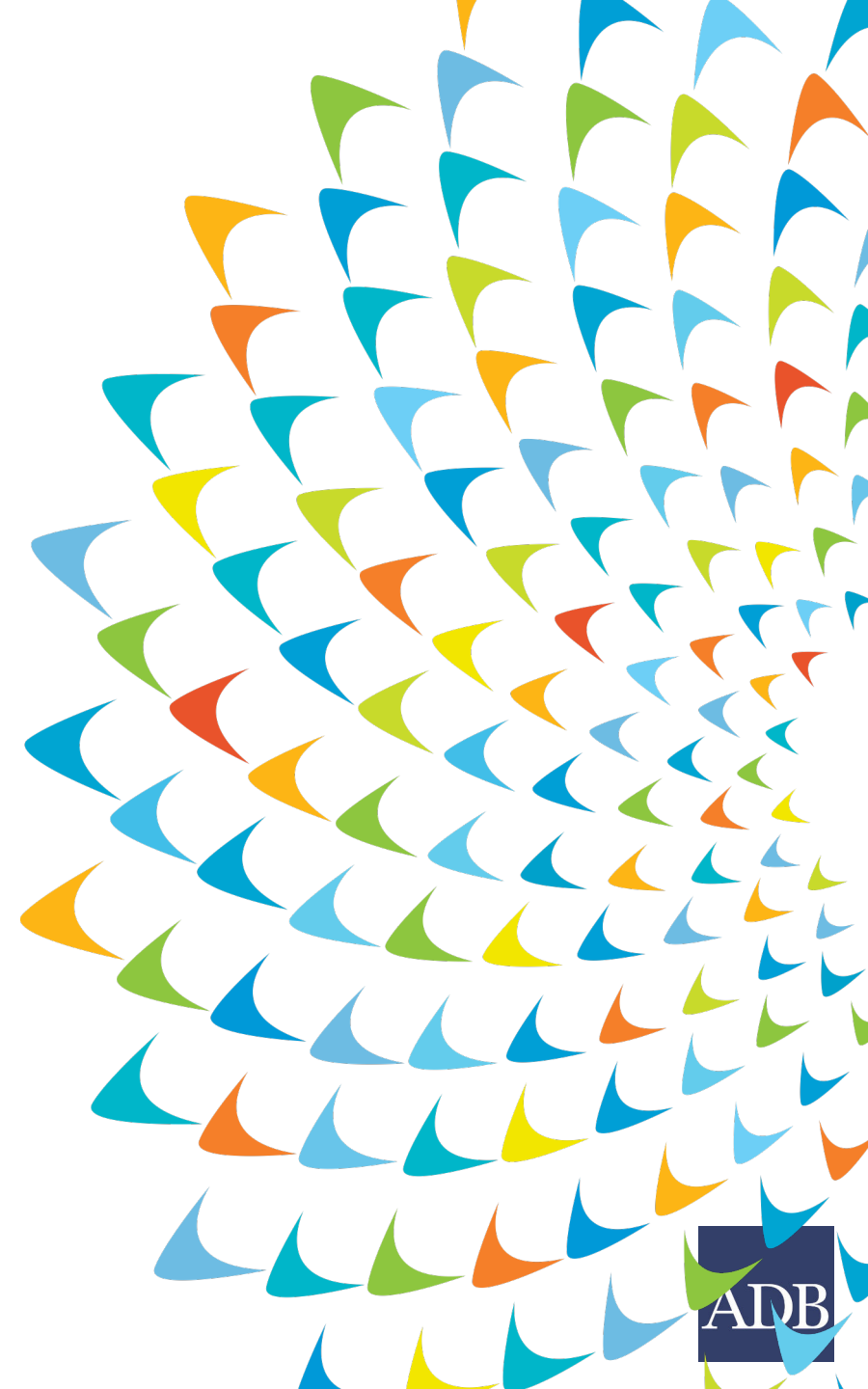


Monitoring Levels

Sub-Processes	Description
Data Analysis	Data and information available in the Customs information and intelligence systems and databases and data collected via open-source monitoring are analyzed.
Evidence Gathered	Evidence (actively) gathered through physical, documentary, and/or post-clearance controls, site visit reports, and information from other agencies are analyzed
In-depth Audit	When specific risks occur that require attention, an in-depth audit on specific risk issues is conducted.



Sample Tips for the AEO Validator based on the submitted Self-Assessment Questionnaire





Tips for the AEO Validator (1)

No.	Questions	Tips for the AEO Validator
	1. Demonstrated compliance with Customs requirements	
1	Does the company committed any infringements/offences as defined in national legislation over a period determined by the AEO programme?	<ul style="list-style-type: none">• The applicant requires the absence of any serious infringement or repeated infringements of national/regional legislation, including no record of serious criminal offences relating to the economic activity of the applicant.• Customs checks the totality of the facts, along with mitigating and aggravating factors (deliberate offence, repeated offences, financial gain, etc.) in its decision to determine if the applicant is qualified to become an AEO
2	Have any applications for Customs authorizations/ certifications been refused, or existing authorizations been suspended or revoked?	<ul style="list-style-type: none">• Customs must maintain a record of any applications for Customs authorizations/ certifications that have been refused, or a record of existing authorizations that have been suspended or revoked because of breaches of national/regional legislation
3	Any goods that are subject to economic trade licenses /restrictions (e.g. textiles, agricultural goods, dual-use goods), please describe briefly your procedures	<ul style="list-style-type: none">• Applicants should provide the list of goods they trade in that are subject to economic trade licenses / restrictions and provide the relevant license/permission or approval from competent authorities.



Tips for the AEO Validator (2)

No.	Questions	Tips for the AEO Validator
	2. Satisfactory system for the management of commercial records	
1	Does the company have policies, procedures and/or guidelines in place for the management of commercial records?	<ul style="list-style-type: none">• It is important for a company to have a well-written, adopted, and implemented set of policies and procedures. Policies and procedures encourage consistency in how one manages records.
2	Does the company give Customs full access to necessary records and make available any authorizations, powers of attorney and licenses relevant to the importation or exportation of goods, subject to the requirements of national legislation?	<ul style="list-style-type: none">• The company should provide Customs with access to necessary records and make available any authorizations, powers of attorney and licenses relevant to the importation or exportation of goods, subject to the requirements of national legislation.
3	Does the system maintained by the company have adequate capability to securely capture, store/archive, process, manage, retrieve, protect and report timely, accurate, complete and verifiable import and export records, with clear procedures defined for Customs purposes?	<ul style="list-style-type: none">• For Customs purposes, the system should consider the following:<ul style="list-style-type: none">• Proper archiving of records for later presenting to Customs, within any limitations provided under national legislation.• Employment of adequate information technology security measures which will protect against access by unauthorized persons.• Proper procedures laid out for back-up, recovery, fallback, archiving and retrieval of business records.



Tips for the AEO Validator (3)

No.	Questions	Tips for the AEO Validator
	3. Financial Viability	
1	Has the company provided financial statements for the previous period, based on national generally accepted accounting principles?	<ul style="list-style-type: none">• Where the company is required by national law to have its financial statements audited by an external auditor, these should be provided. If there are opinions or reports attached to the financial statements, these should also be considered.
2	Is the company currently engaged in, or the subject of, bankruptcy proceedings? Has it ever been?	<ul style="list-style-type: none">• The applicant should disclose whether the company is or has been the subject of bankruptcy or bankruptcy protection proceedings, and details of the bankruptcy proceedings should be disclosed.
3	Has the company fulfilled its financial obligations regarding payment of Customs duties and all other duties and taxes?	<ul style="list-style-type: none">• A record of accurate and timely payments to Customs of duties, taxes and fees can serve as evidence of a good compliance record and commitment to meeting Customs obligations over a period of time, reinforcing trust.
4	Has the company met requirements for surety bonds or other financial instruments to secure payment of duties and taxes to Customs (in Members which provide for release prior to payment)?	<ul style="list-style-type: none">• If a company has met the requirements for financial instruments, such as surety bonds, it is likely to have undergone additional financial screening/underwriting. This should be considered.



Tips for the AEO Validator (4)

No.	Questions	Tips for the AEO Validator
	4. Education, Training and Threat Awareness	
1	Does the business have a documented internal training system for trade security?	<ul style="list-style-type: none">• Security education ensures that employees receive the training required to identify, prevent and respond to security threats and breaches.• Employees must be provided with trade security training on a regular basis, and at least once a year. Newly-hired employees must receive this training as part of their orientation/ job skills training
2	Are drivers and other personnel that conduct security inspection of empty conveyances and IIT trained to inspect their conveyances/IIT for security purpose?	<ul style="list-style-type: none">• Drivers and other personnel that conduct security inspection of empty conveyances and Instruments of International Traffic (IIT) must be trained to inspect their conveyances/ IIT for security purpose.
3	Are employees trained on the company's cybersecurity policies and procedures? Does this include the need for employees to protect passwords/ passphrases and computer access?	<ul style="list-style-type: none">• Personnel operating and managing security technology systems must receive operations and maintenance training in their specific areas. Prior experience with similar systems is acceptable.• Self-training via operational manuals and other methods is acceptable.



Tips for the AEO Validator (5)

No.	Questions	Tips for the AEO Validator
5. Origination of Cargo		
1	<p>Does the manufacturer or supplier implement good manufacturing practices in digitized format?</p> <p>Note: GMPs examine and cover every aspect of the manufacturing process to guard against any risks that can be catastrophic for goods, such as cross-contamination, adulteration, and mislabeling.</p>	<ul style="list-style-type: none"> • Check the production site, a product may be substandard or adulterated if manufactured or held under insanitary conditions • If there are raw materials or chemicals that are banned or regulated • Harmful substance being used, you can do a random check to their production planning and inventory control report • Check for possible tampering of labels / misleading labels • Failure to state prominently any information required by or under authority in relation to handling or manufacturing products • Security/safety threats to premises and goods • Availability of CCTVs specifically in the storage area • check the finished products prior to packing, reconcile with the proforma packing list
2	<p>Does the manufacturer or supplier have a system in place that can show the details of the goods to be exported in digitized format?</p>	<ul style="list-style-type: none"> • Ask for briefing about their previous customs declarations with similar HS codes, including the supporting documents • Ask for a previous importation and check their application system if properly documented from arrival to customs release including delivery of product at the manufacturing premises Easily cleanable surfaces in the manufacturing area • Water supply, washing and toilet facilities, floor drainage and sewage system are adequate to satisfy employee needs



Tips for the AEO Validator (6)

No.	Questions	Tips for the AEO Validator
6. Storage before Transport		
1	Does the consolidator or the freight forwarder can document the storage of containers before transport?	<ul style="list-style-type: none"> • Perform background check of the consolidator, business registration, local permits, etc., and if possible, check their facilities • Check for proper documentation of daily services
2	Does the consolidator have a good standing with the Customs Authority?	<ul style="list-style-type: none"> • Check the performance and compliance of the consolidator company with Customs
3	Describe briefly the documented procedures in place to verify the physical integrity of the cargo conveyance prior to stuffing, including the reliability of the locking mechanisms of the doors	<ul style="list-style-type: none"> • Check the documentation procedure in relation to stuffing, issuance of house bill of lading or house airway bill to consignors of shipments under its solicitation • Check the information indicated in the consolidated cargo manifest if complete, such as port of discharge, marks and numbers, seals, number of packages, etc.
4	Describe briefly the documented procedures in place for inspecting the structure of the transport conveyance, including the seven-point inspection process carried out for all dedicated transport conveyances prior to stuffing: <ul style="list-style-type: none"> • Front wall / Left side Right side • Floor and ceiling • Inside/outside doors /Outside/under carriage 	<ul style="list-style-type: none"> • Check pallets, crates, boxes to ensure they have undergone sufficient processing • If pallets are present, are they stamped or branded with IPPC mark of compliance • Check to make sure the floor is the correct height Make sure the floor is flat and uniform in height • Be on the lookout for unusual repairs / loose bolts • Be on the lookout for tampering and any hardware inconsistencies prior to the attachment of any sealing device • Make sure reliable locking mechanisms are attached to the container



Tips for the AEO Validator (7)

No.	Questions	Tips for the AEO Validator
7. Movement to Consolidation Point		
1	Please indicate the freight forwarders contracted for the movement of goods. Can the freight forwarder provide the movement of goods document anytime for inspection?	<ul style="list-style-type: none"> • Availability of the conduct of an inspection before dispatch report to ensure that the vehicle used in the movement of cargo is in good working order • Availability of essential shipment documents to comply with all the requisite security measures to prevent theft and misuse of dangerous goods • Perform background check of the logistics company
2	Can the freight forwarder document the procedures in place in monitoring on a continuous basis the movement to deconsolidation point of the cargo?	<ul style="list-style-type: none"> • Availability of a movement of goods procedure to check the correct packaging or container and the movement of goods are approved by inspection bodies • To transport strategic goods, availability of permits in the movement of goods are provided anytime and should meet driver requirements
3	Can the freight forwarder document procedures for regular vehicle inspections after stops in journey: <ul style="list-style-type: none"> • That drivers should ensure the integrity of the load whilst consignments are added or removed • That drivers have been trained in prompt reporting of incidents 	<ul style="list-style-type: none"> • Leaving the goods in the hands of an identified person only • Availability of an accident report while transporting the shipment • The driver or operator must report it to the appropriate authority immediately. • Availability of a mobile reporting procedure is in place to ensure that reporting can be carried out immediately should an incident occur



Tips for the AEO Validator (8)

No.	Questions	Tips for the AEO Validator
8. Information Security Policy		
1	Does the applicant have an information security policy establishment?	<ul style="list-style-type: none">• Identify the responsible manager or security officer in the development and enforcement of approved information security policies• The information security policy should be consistent with the SAFE Framework and consistent with existing guidelines as an applicant for AEO certification• The policy should be periodically compared with best practices appropriately incorporating changes in technologies, personnel and business practices
2	Does it have an information security policy review process?	<ul style="list-style-type: none">• Identify the responsible officer in updating security policy review process, exceptions as necessary and route them back through the review process
3	Does it have an information security policy violations and enforcement	<ul style="list-style-type: none">• The security policy should cover the disciplinary ramifications for violators, determines the severity of the violation, performance history, and other pertinent factors in determining the extent of discipline• Criminal prosecution is possible where the act constitutes a violation of law should be defined in the security policy.• A breach of contract, where applicable, may also apply



Tips for the AEO Validator (9)

No.	Questions	Tips for the AEO Validator
	9. Physical and Environmental Security	
1	Physical access control for secure areas	<ul style="list-style-type: none">• Limit the entrance and exit gates of the facilities• Employ security guards equipped with suitable security tools• Secure areas should be manned where possible with random patrols• Check if there are intruder detection systems in critical areas such as CCTVs and silent alarms• Availability of a management report that documents security incidents emanating from secure areas
2	Reporting lost/stolen identification badges or access tokens	<ul style="list-style-type: none">• Availability of a logbook documenting lost or stolen access tokens or IDs
3	Isolated delivery and loading areas	<ul style="list-style-type: none">• Delivery and loading areas should be controlled and isolated from secure areas to avoid unauthorized access• Third-parties should need to register at the guardhouse, load the items at the docking areas, and have them delivered with a proper sign-off
4	Secure third-party access	<ul style="list-style-type: none">• Customers, contractors, former staffs, VIP guests going to critical areas must always be escorted
5	Fire, water, and physical intrusion alarms trigger immediate action	<ul style="list-style-type: none">• Critical areas such as loading and delivery points, storage areas and packing area must be equipped with fire, water, and physical intrusion alarm systems



Tips for the AEO Validator (10)

No.	Questions	Tips for the AEO Validator
	10. Trading Partner Security	
1	Are there written procedures outlining criteria for evaluating the supply chain security of business partners?	<ul style="list-style-type: none">AEOs need to have procedures in place that outline how they can clearly identify their business partners, and to ensure (through implementation of appropriate contractual arrangements, security declarations or other appropriate measures in accordance with the AEO company's business model) that those business partners also do their due diligence to secure the international supply chain
2	What is the scope of the evaluation made when selecting business partners, and does it include AEO criteria or status?	<ul style="list-style-type: none">The business partner screening process can consider whether a partner is a member of an approved AEO program with a MRA with the member where AEO status was granted. It can also consider whether the business partner is certified by a recognized security organization that conducts supply chain security audits on its own members and based on AEO standards.
3	Are there processes to regularly review business partners in the context of building a secure supply chain?	<ul style="list-style-type: none">Periodically reviewing business partners' security assessments is important to ensure that a strong security programme is still in place and operating properly. If a company never requires updates of its assessment of a business partner's security programme, it will not know if a once viable programme is no longer effective, thus putting the company's supply chain at risk.



Tips for the AEO Validator (11)

No.	Questions	Tips for the AEO Validator
	11. Crisis Management and Incident Recovery	
1	Has a contingency plan been put in place to respond to disasters and emergencies, and is it updated in a timely manner?	<ul style="list-style-type: none">• Companies should have written procedures in place that address crisis management, business continuity, security recovery plans, and business resumption.• A crisis or emergency may include the disruption of the movement of trade data due to a cyberattack, a fire, or a carrier driver being hijacked by armed individuals. Based on risk and where the member operates or sources from, contingency plans may include additional security notifications or support; and how to recover what was destroyed or stolen, to return to normal operating conditions.• Contingency plans need to be updated, based on risks and lessons learned.



Tips for the AEO Validator (12)

No.	Questions	Tips for the AEO Validator
12. Measurement Analysis and Improvement		
1	Does the company perform regular internal audits to assess continuous compliance with AEO criteria?	<ul style="list-style-type: none">The role of internal audit is to provide independent assurance that a company's risk management, governance and internal control processes are operating effectively. A review process of AEO requirements may be included in the context of internal control of the company.
2	Does the company have internal mechanisms in place to continuously improve import/export activities and address issues identified in audits/reviews?	<ul style="list-style-type: none">If weaknesses are identified during business partners' security assessments, they must be addressed as soon as possible, and corrections must be implemented in a timely manner. Companies must confirm via documentary evidence that deficiencies have been mitigated.
3	Does the company conduct regular monitoring activities against AEO criteria?	<ul style="list-style-type: none">The internal audit/review activities need to be performed regularly, i.e. once a year. A member may choose to use smaller targeted reviews directed at specific procedures. Specialized areas that are key to supply chain security, such as inspections and seal controls, may undergo reviews specific to those areas. However, it is useful to conduct an overall general review periodically to ensure that all areas of the security programme are working as designed.



Thank you

