

Risk Assessment, Profiling and Selection



Please note that the opinions in this presentation are those of the presenter only and do not reflect the opinions of any company, Government Agency or other bodies.

You have \$100 to bet on a horse race

- **Which horse do you select?**
- **Do you have enough information to make a selection?**
- **If you knew the color of each horse, would this help you?**
- **If you knew the names of the horse owners, would this help you?**

Risk Assessment

- **What information would you like to have?**

What information is helpful?

- **The race is 2 kilometers long**
- **The race course is muddy because it rained the day before**
- **The race track is located in Hong Kong**
- **Last week, there was a championship race in Hong Kong**
- **An experienced rider has a better chance of winning this race**

Build a Profile

- **Success over the distance**
- **Success on a muddy track**
- **Experience of the rider**

- 1. Rider has never been on this course. In last three starts, horse finished 3. 4. 3. No distance was greater than 1 kilometer.**
- 2. Rider is experienced on this course, never before rode horse. In last three starts, horse finished 8, 4, 2. Never ran on a muddy course**
- 3. Rider is experienced on this course and has ridden the horse before. In last three starts, horse finished 7, 2, 1. 7 finish was on a muddy course**

- 4. Rider is experienced on this course.
This is the first race for the horse**

- 5. Rider is experienced on this course and
has ridden the horse before. In the last
two races, the horse finished 2 and 1. 1
finish was on a muddy course**

Selection

- Which horse best fits the profile?

Border Controls



- **Procedures used by customs to ensure compliance with the laws and regulations which are intended to protect the borders of a country against the unlawful movement of goods**
- **Purpose is to ensure that all movements of goods, conveyances and people across international borders occur within the laws, regulations and procedures which govern them**

- **For law enforcement purposes, border controls include :**
 - **Searching passengers, cargo and conveyances for the purpose of finding illegal drugs and contraband**

- **Reviewing documents associated with the entry and exit of passengers, cargo and conveyances for the purpose of identifying those that may require examination because they are high risk**

- **To be effective, border controls must use intelligence and other information in order to concentrate on identifying the highest risk passengers, cargo and conveyances**

Role of Border Controls in Stopping Customs Fraud

- **Particularly effective against drug and contraband smuggling**
- **Most large seizures take place at the border before contraband is broken down into smaller quantities during distribution**

Levels of Border Controls

- **Pre-clearance for passengers: The review of passenger manifests prior to arrival of a flight in order to identify passengers who are high risk**
- **Pre-clearance for cargo: review of cargo manifests prior to arrival of cargo in order to identify high risk cargo**

- **Pre-clearance for conveyances: review itinerary to identify those conveyances whose journeys originated from, connected with conveyances from source countries or transited source countries**

- **Clearance: involves reviewing entry documents for the purpose of identifying high risk passengers, cargo and conveyances and the physical examination of passengers, cargo and conveyances**

Need to Use Risk Assessment, Profiling and Selectivity in Border Controls



1. Balancing Facilitation and Enforcement

- **Facilitate the increased international movement of legitimate passengers and cargo while attempting to minimize the international movement of illegal goods**
- **Reduction in enforcement resources**

- **Huge traffic in goods and passengers greatly decreases chances of finding contraband through random search**
- **Impossible to check all passengers, conveyances and cargo**
- **Smugglers rely on this high volume in deciding when and where to smuggle contraband**

- **Solution: concentrate resources on identifying and examining high-risk passengers, conveyances and cargo**

RISK



THE RISK OF NOT TAKING RISK IS THE RISK OF FAILURE

2. Purpose of Risk Assessment

- **Attempt to identify and quantify risks in order to develop control procedures (example, physical examination or documentary check) and to concentrate control efforts on those risk areas where smuggling is most likely to occur**

- **Identifies smuggling methods and trends**
- **Helps agencies decide how to allocate resources**
- **Officers are more motivated when they know that they are examining goods in which there is a greater likelihood of finding contraband**

3. Purpose of Profiling

- **Once high-risk smuggling methods have been identified, profiles are used to show common features of smuggling methods**

4. Purpose of Targeting

- **Used to select for examination those passengers, cargo and conveyances in which there is the greatest likelihood of finding contraband**

Terms Commonly Used in Risk Assessment, Profiling and Selectivity



RISK Give every challenge your best shot.

- **Risk**: chance that people or goods may illegally cross an international border
- **Risk areas**: those border controls procedures and categories of international travel and trade which present a risk
- **Risk analysis**: systematic use of information to determine how often identified risks may occur and the consequences of their occurring

- **Risk assessment**: identifying the greatest areas of risk
- **Risk indicators**: specific criteria which, when taken together, can be used to identify high risk passenger, goods and conveyances
- **Risk management**: systematic application of management procedures to identify, analyze, assess and take enforcement action against risks

- **Profile**: A group of common characteristics, information or risk indicators which describes an existing or potential group of targets who are involved in illegal activity
- **Profiling**: identifying passengers, goods and conveyances which match a profile that indicates illegal activity

- **Selectivity: selecting for examination the highest risk passengers, good and conveyances based upon risk assessment and other information and enforcement activity**

Risk Assessment, Profiling, Selectivity in Golf



RISK Give every challenge your best shot. 

Risk Assessment



Training Objectives

- **You will be able to explain the meaning of risk assessment and how it works**
- **You will know the benefits of using risk assessment**

The Process of Identifying:

- **What contraband is passing through your port**
- **Why it is coming through your port**
- **Determining the degree for which your port is at risk for contraband and specific smuggling methods**
- **Determining the effectiveness of border controls at your port**

Goals of Risk Assessment

- **Concentrate border controls on areas of highest risk, while leaving the majority of passengers and trade to flow relatively freely across international borders**

- **Assess the effectiveness of your border operation by identifying weak points in your physical layout, systems and procedures and identifying why specific types of contraband are coming through your controls**

Conducting a Risk Assessment of Your Port of Entry



Draw a flowchart which shows each step in the control system

- **Identify the current controls**
- **Identify the strengths in the system**
- **Identify the weaknesses in the system**
- **What opportunities are there to circumvent the control system**
- **Why do these opportunities exist**
- **Where, when and how is the risk likely to occur and by whom?**

Location

- **Is your port of entry close to a source area for contraband**
- **Is your port of entry on a major contraband smuggling route**
- **Does your port of entry receive many conveyances from source countries**
- **Is your port of entry near a major user area**

Traffic patterns

- **What is the primary type of traffic-cargo, people or conveyances**
- **Where does the traffic primarily come from (source areas) and where does it go to (user areas)**

Goods

- **What legitimate goods commonly come through your port**
- **Do the goods which normally come through your port offer good opportunity to conceal contraband**
- **Does the packaging or containers for goods that normally come through your port offer good opportunity to conceal contraband**

- **Are the goods which come through your port of such a nature that they are difficult to search**
- **Do perishable goods, such as fruits and vegetables, come through your port of entry**
- **Are you familiar with the goods that commonly come through your port of entry so that you can recognize those that are not normal**

Consumer trends

- **Where are the major user areas for drugs or other types of contraband in relation to your port of entry**
- **Are drug prices in your country going up or down**
- **What kinds of drugs or other contraband are commonly used locally/nationally**

- **What kind of contraband is produced in neighboring countries**
- **Have the number of addicts or drug overdoses been increasing or decreasing in your country**

Controls

- **What are your controls for cargo**
- **What are your controls for documents**
- **What are your controls for people**
- **What are your controls for conveyances**
- **What are the strengths of these controls**
- **What are the weaknesses of these controls**

- **Why do opportunities exist for contraband to come through your border crossing**
- **What types of searches do you primarily do - cursory or complete**
- **Do you search conveyances**
- **Do you keep records of seizures**
- **Do you develop profiles of suspect smugglers or concealment methods**
- **Do you develop risk indicators of suspect smugglers or concealment methods**

- **Do you receive information/intelligence from your headquarters on smuggling trends and methods**
- **Do you exchange information on a regular basis with other ports of entry**

High risk goods

- **What goods come into your port which have an exceptionally high rate of duty**
- **Any goods come into your port which are similar to high duty goods, but have a lower rate of duty**
- **What goods come into your port which can be used to conceal high risk or high duty goods**

Assessing risks

- **After identifying the risks, the next step is to analyze the likelihood and consequences of each risk factor in order to establish the level of risk**

Key questions in assessing risks

- **What is the potential likelihood (frequency or probability) of the risks happening**
- **What are the potential consequences (impact or magnitude of the effect) of the risks if they do occur**

Risk Assessment at Schipool Airport

- **Customs at Schipool Airport, Amsterdam uses risk assessment to identify flights which pose a risk for various goods**



- **Drugs**
- **Endangered species**
- **Trademark fraud**
- **Weapons**
- **Nuclear goods**
- **Chemical precursors**

- **The flights over a 24 hour period are analyzed and those which are at risk for these items are color coded :**
 - **Endangered species**
 - **Trademark fraud**
 - **Weapons**
 - **Nuclear goods**
 - **Chemical precursor**
 - **Drugs**

- **FLIGHT ROUTE ARV TIME CODE**

- **KL721 JNB 0900 +++**
- **SN654 IST/VIE 1030 ++**
- **BA41 DEL/ATH 1045 ++ ++**

Profiling



Training Objectives

- **You will be explain the meaning of profiling and how it works**
- **You will know the benefits of using profiling**
- **You will know why intelligence is needed for profiling**
- **You will know how to develop profiles for your port of entry**

- **A tool that can provide you with a “picture” of a smuggler or smuggling method**
- **Many smuggling attempts have common characteristics and in looking for these characteristics, you will be able to identify high-risk passengers, cargo and conveyances**

Review

- **Risk Assessment** showed you how to identify those areas of greatest risk to your port
- **In Profiling**, you will know how to identify common characteristics of smugglers and smuggling methods

- **Essential element in developing profiles is the availability of information on prior seizures**
- **You must be able to review past seizure records in order to identify characteristics that are common to past smuggling attempts**
- **A report must be made for each seizure**

Seizure Reports

- **Seizure reports must be completed for each seizure which is made and they must go to a central place where they can be collected and analyzed**

What fields of information do you think should be in a seizure report?

Seizure Report Information

- **Date of seizure**
- **Place of seizure**
- **Seizing officer**
- **Contraband (type and quantity)**
- **Consignee name and address**
- **Shipper name and address**
- **Individual's name, address, date of birth, passport number, nationality, sex**

- **Airline flight number**
- **Route of vehicle (origin and destination)**
- **Route of vessel (origin and destination)**
- **Concealment method**
- **Risk indicators**

Preparing a Seizure Report

- **On 12 May 1999, a seizure of 5 kgms of heroin was made from a land cargo shipment destined for SXC trading, Chiang Mai, Thailand. The origin of the shipment was Yangon, Myanmar and the cargo was being transported in a privately owned Toyota truck, bearing Thai license 37549.**

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- **The shipment was selected for inspection due to its country of origin and because the box seemed much too heavy for its declared contents of used clothing.**
- **Examination of the box showed it contained a suitcase**
- **Examination of the soft-sided “naton” brand suitcase showed the sides to be too stiff and the suitcase was too heavy when emptied**

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Profile

- **5 kgms heroin**
- **Place of origin: Yangon**
- **Concealment: soft-sided naton suitcase**
- **Risk indicators: type of goods, weight of goods**

Other Sources of Information for Developing Profiles

- **Intelligence**
- **Information on seizures in other ports**
- **Seizures made by other law enforcement agencies**
- **People in the importing and transportation fields: customs brokers, cargo agents, freight forwarders**

Steps in Developing a Profile



1. Collect available information

- **Reports of past seizures are the primary source of information**
- **Seizures made in other ports**
- **Seizures made by other law enforcement agencies**

2. Chart the information

- **Prepare a chart containing headings for the various fields of information**

People

- **Date of seizure**
- **Time of seizure**
- **Nationality**
- **Sex**
- **Origin**
- **Concealment method**
- **Place of seizure**
- **Time of seizure nationality**
- **Age of person**
- **Destination**
- **Type of contraband**

Cargo

- **Date of seizure** **place of seizure**
- **Time of seizure** **type of cargo**
- **Consignee** **type of conveyance**
- **Consignor** **origin**
- **Destination** **concealment method**
- **Route** **type of contraband**

Cargo

- **Date of seizure**
- **Time of seizure**
- **Consignee**
- **Consignor**
- **Destination**
- **Route**
- **Place of seizure**
- **Type of cargo**
- **Type of conveyance**
- **Origin**
- **Concealment method**

Conveyances

- **Date of seizure**
- **Place of seizure**
- **Flight number**
- **Origin**
- **Concealment method**
- **Time of seizure**
- **Type of vehicle**
- **Vessel name**
- **Destination**
- **Type of contraband**

3. Analyze the information contained in the chart

- **Look for similarities in smugglers or smuggling methods**
- **Seizures made from the same flight or type of cargo**

- **A written summary, or profile, of the analysis should be prepared**

4. Distribute the profile

- **The profile should be distributed or in some other way made available to everyone who needs it**
- **This is sensitive information**

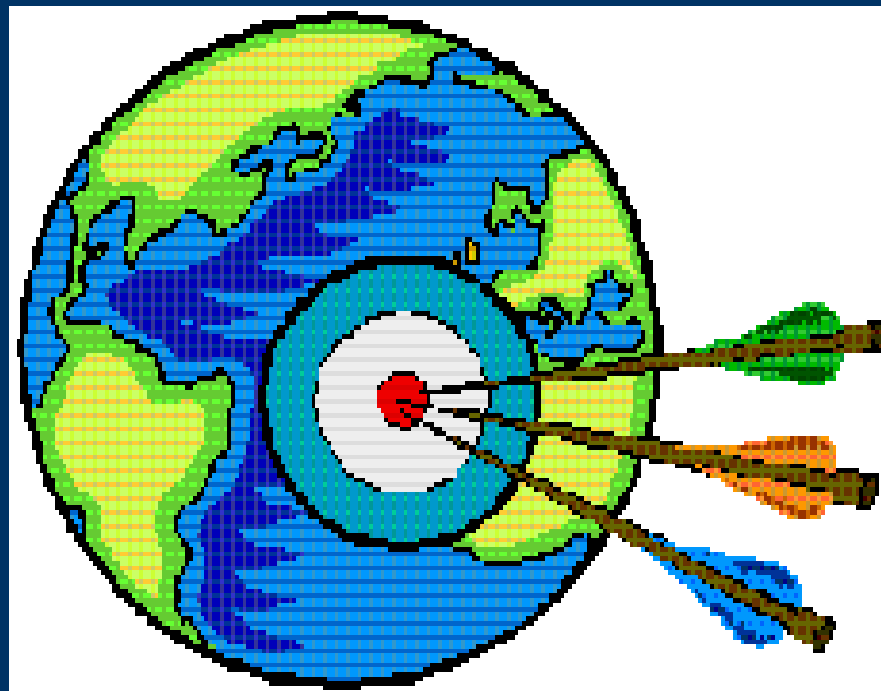
5. Obtain feedback

- **Periodic review to determine whether the profiles are working**
- **Have the profiles resulted in increased seizures?**

6. Modify the profile

- **Profiles must constantly change in order to reflect new smuggling methods**

Targeting/Selection



Training Objectives

- **You will be able to explain the meaning of Selection and how it works**
- **You will know the benefits of using Selection**
- **You will know how to identify risk indicators for cargo, passengers and conveyances**

Review

- **Risk Assessment** showed you how to identify those areas of greatest risk to your port
- **Profiling** showed you how to identify the common characteristics of smugglers and smuggling methods
- **Selectivity** will show you how to use risk indicators which will help you to identify high risk cargo, passengers and conveyances

- **Based upon the prior identification of high risk goods, passengers and conveyances, combined with document review, questioning and observation techniques in order to choose which goods, passengers and conveyances to submit to a closer examination**

Two primary concerns of a smuggler



Protection of their identity in the event their smuggling attempt is detected

- **FOR CARGO:**
- **Can be used to find risk indicators because a smuggler who is smuggling contraband in cargo will not want to use his real name or address**
- **Smuggler will use a false name or address or set up a business for the purpose of smuggling**

Risk Indicators: Shipments of cargo to a business

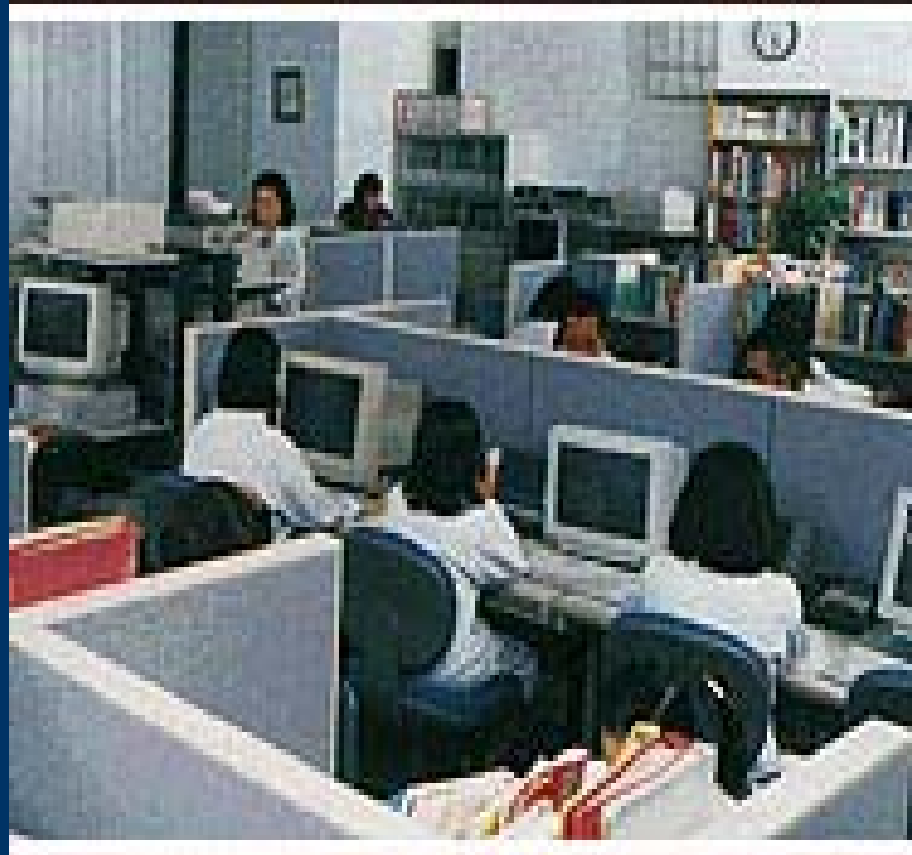
- **For which there is no telephone number or with a non-existent address**
- **Which has no listing in a business directory**
- **Which is a first time importer**

- **FOR PASSENGERS:**
- **Can be used to identify risk indicators because a smuggler may hire a courier**

Bill of Lading

- **Contract of carriage of goods by sea**
- **Original is a negotiable receipt for the goods**
- **Certification by the shipper of the correctness of detail specified about the goods**
- **Provides information to interested parties**

Document Risk Indicators



- **WHO ?**

- **Who is the consignee**
- **Is the shipment consigned to a broker**
- **Who owns the company**
- **Who is the freight forwarder : is he well known and what is his reputation**

- **WHAT ?**
 - **What is being imported**
 - **Is the commodity logical for the importer or exporter**
 - **Does a particular exporter repeatedly send samples only**

- **WHEN ?**

- **When was the bill of lading executed**
- **When will the freight arrive**
- **Is there an unexplainable time lapse in the cargo movement**

- **WHERE ?**

- **Where did the shipment originate - source country or logical for the type of goods**
- **Where is the shipper located**
- **Where was the freight paid (prepaid to remain anonymous)**

- **WHY ?**

- **Why was this particular company hired to ship the goods**
- **Why was the routing, if it was indirect, used**
- **Why was the cargo trans-shipped, if it was**

Intelligence Collection & Analysis



- **On 3 March, Edward Black, who lives at 97 Redhill Road, will be driving his black 1998 Toyota Corolla from New York to Washington on Highway 95. He is supposed to be carrying a large shipment of methamphetamines hidden in the car trunk.**

Types of Intelligence

Strategic Intelligence

- **Gives senior management at the national or regional level, information on developments that may affect policy determinations and the allocation of financial, physical or human resources**

- **Relates to long term threats**
- **Provides Customs with an overview of criminal and commercial capabilities, vulnerabilities, trends and intentions**

- **Helps in the formulation of policies and plans to combat future criminal activity and to facilitate legitimate trade**

Tactical Intelligence

- **Analysis of data on specific individuals or organizations**
- **Deals with modus operandi, capabilities, vulnerabilities, trafficking routes, etc.**

- **Provides data about individuals and groups that have been identified as posing a threat**
- **Information usually good for 4 -6 months**

Operational Intelligence

- **Provides support to field staff on a day to day basis**
- **Works on immediate threats which require an immediate response**

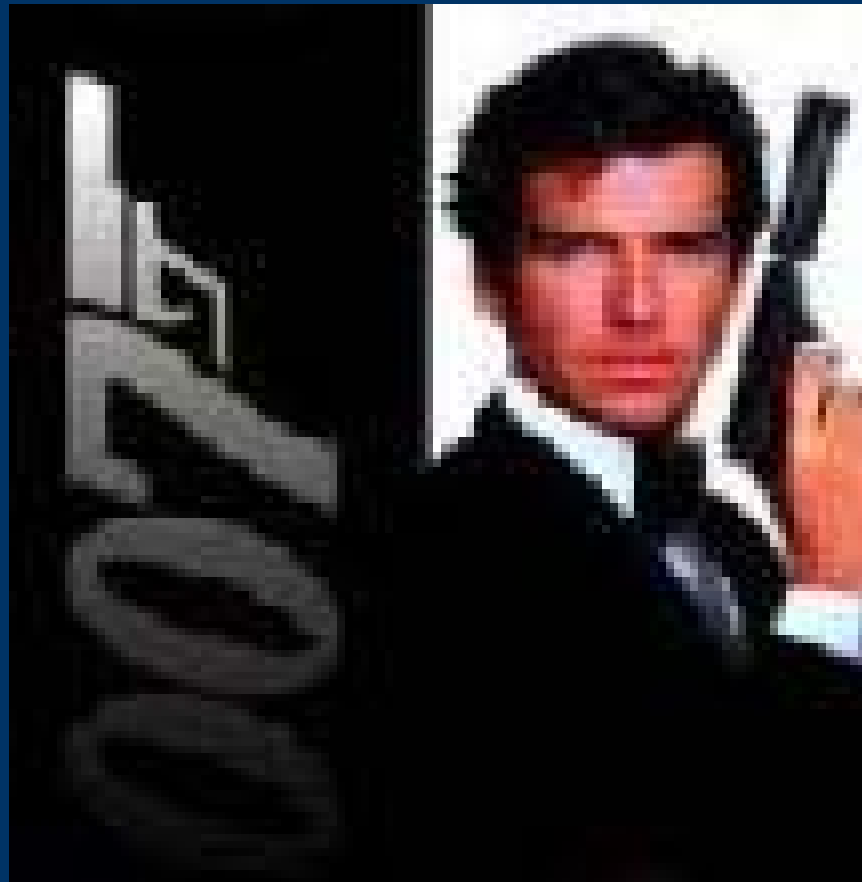
- **Aimed at detecting individuals or groups in order to stop their illegal activities**
- **Short term intelligence**

- **Strategic Intelligence : Impact of joining a Free Trade Agreement/ Threat posed by organized crime smuggling cigarettes**

- **Tactical Intelligence : Threat posed to your seaports by fishing boats from a certain country/ Importation of undervalued tires**

- **Operational Intelligence : Threat posed to a specific seaport by a specific fishing boat due to visit that port/ A container of sea cargo said to contain tires**

Principles of Intelligence Operations



- **Intelligence and operational units are interdependent.**
- **Intelligence must be related to the Customs mission**
- **Intelligence must be timely**
- **Intelligence operations must be proactive and imaginative**
- **Intelligence operations must be secure**

– Role of the Intelligence Unit : To service all Customs work areas by providing timely, accurate and relevant advice on the background intentions, capabilities, limitations and vulnerability of persons and organizations intent on violating Customs laws

- **1. Each Customs administration will need to establish its own intelligence network and systems, tailored to its own needs, based on perceived risk**
- **THE OPERATIONAL UNITS MUST TASK INTELLIGENCE**

- **2. The systems used in the intelligence network will start with the submission of a report on the raw information, includes systems for recording, storing and retrieval, and some control over how the information is developed**

- **These systems include lists of suspect persons (names, addresses, companies, vehicles, associates), companies, ships, small boats, cars, trucks, airplanes and include a system of cross-referencing between them**

- **The system may be used to produce statistics on seizures, arrests, searches of conveyances (positive and negative)**

- **The system will contain a means of identifying suspects with instructions for the action to be taken**
- **Whatever system is adopted, it is important that everyone who makes use of it understand how it works**
- **The system should also include adequate security**

Information Developed by Intelligence on Areas of Concern to Revenue Divisions

- **Prohibited and restricted goods**
- **Intellectual property**
- **Valuation**
- **Origin**
- **Classification**
- **Duty evasion**

Common Services Provided by Intelligence

- **Company and individual credit checks**
- **Liaison with other agency intelligence units**
- **Background checks on companies and individuals**

- **Analyzing seizures and preparing trend reports**
- **Preparing alerts**
- **Preparing and producing assessments**

Services Provided by Intelligence to Investigations or Inspections

- **Operational Support :**
 - **Drug investigation files**
 - **Revenue investigation files**
 - **Air, land and sea port threat assessments**

- **Specific commodity threat assessments**
- **Support of specific operations**

In order to provide operational support, the intelligence unit must...

- **Develop information reports**
- **Undertake required background checks**
- **Liaison with other agencies, when appropriate**

- **Prepare formal assessments and reports**
- **Liaise closely with the operational staff**
- **Ensure security of all information**

Support Given to Operations

- **Present oral briefings**
- **Develop event flow charts**
- **Create link diagrams**
- **Develop case analysis**
- **Coordinate intelligence checks**

Class Discussion : Communication

- **Existing channels of communication within your Customs Service**
- **Ways to improve communication in order to enhance exchange of information**

Intelligence Files :

- **Very useful in following up new information**
- **When new information is received, the intelligence files should be examined to find connections with the new data**

Indexing

- **The file must provide several paths for querying stored information**
- **This is accomplished by using indexes on which the desired information is recorded concisely, with reference to the basic document**

Name Index

- **Individuals name, aliases used and birth date**
- **The intelligence report is indexed onto the name card by recording the date, report number and the criminal activity**

Smuggling Method Index

- **This card should relate smugglers to known smuggling methods**
- **Information would include the concealment method, mode of conveyance, routing, type of contraband**

Contraband Index

- **This index would relate a specific type of contraband to a particular smuggling method**
- **Information would include the method of concealment, type of conveyance, routing, etc.**

Cocaine Seizure

- **10 April 1996 : seizure of 40 kgms from vessel titanic hidden in sacks of wheat/vessel routing Medellin - Sydney / consignee ABC imports, Sydney/ consignor valued wheat LTD.**

Vessel Titanic

- **10 April 1996, seizure of 40 kgms cocaine concealed in sacks of wheat/ route :
Medellin - Sydney**

Cocaine Concealment Methods : Sacks of Wheat

- **10 April 1995, seizure of 40 kgms of cocaine concealed in sacks of wheat. Cocaine was wrapped in numerous layers of tin foil and electrical tape. 5 kgms per sack**
- **Detection method : difference in weight of the sacks**

ABC Imports

- Consignee in shipment of wheat on vessel Titanic in which 40 kgms of cocaine was concealed

Valdez Wheat Co.

- **Consignor of shipment of wheat on vessel titanic to ABC imports, Sydney in which 40 kgms of cocaine was concealed**

Analysis

- **The purpose of intelligence analysis is to bring together various pieces of information and to assemble them to form some kind of pattern or meaning**

Identifying Trends and Methods



NBC 7/39

- **Look for common and new characteristics: age, sex, commodity, concealment places, routing, method of transport, transshipment points**
- **Any new trends or methods may warrant the publication of an alert**

- **Flow charting to show the flow of money, contraband or other commodities through the criminal network**
- **Activity charting to show the pattern or sequence of a criminal operation, including methods**
- **Frequency charting to organize and summarize quantitative information**

Categories of Intelligence Reports

- **Intelligence Reports**
- **Threat Assessments**
- **Intelligence Alerts**

Intelligence Reports

- **A. Formal Written Report**
- **Summary**
- **Subject and intelligence problem**
- **Inferences**
- **Conclusions**
- **Key recommendations**

Threat Assessments

- **Differ from regular intelligence reports because assessments are usually produced as a result of a new, quickly developing situation or tasking**

Threat Assessment Contents

- Information will be very focused
- Product Example :
 - Undervalued mobile telephones
 - Weapons
 - Counterfeit computer software

- **Geographic Example :**
 - **Specific country**
 - **Specific Route**

Commercial Fraud

1. Misdescription Fraud

- **Classification : Goods are classified for Customs purposes in order to provide statistical information, to assist in the collection of correct duties, and the administration of other Customs procedures, such as licensing, quotas, etc.**

- **Misclassification Fraud : When a false declaration is made with regard to the physical description or properties of the goods**

- **Misclassification may take place with regard to**
 - **:**
 - **Classification**
 - **Origin**
 - **Value**
 - **Quantity/quality**
 - **Quota limits**
- **Local and international trade patterns**

Misclassification Fraud Risk Indicators

- **Generalized description of the goods on the invoice**
- **Incomplete documentary information**
- **Incorrect origin of the goods**
- **Revenue history of the importer**

- **High duty/risk goods**
- **Unlikely market destination**
- **Inconsistency with importer's business**
- **Use of vague addresses**
- **First time importer**
- **Change of name or trading style**
- **Related parties to the transaction**
- **Transportation costs too high**

Valuation Fraud Risk Indicators

- **Incomplete documentary information**
- **Exceptionally high or low prices**
- **High insurance costs**
- **Disproportionate transportation cost**
- **Incorrect origin of the goods**

- **High risk/high duty goods**
- **Quality of the goods**
- **Misclassification**
- **First time importer**
- **History of importer**
- **Change of name or trading style**
- **Vague addresses or p o box**
- **Unusual payment method**

- **Declared value much higher or lower than similar prior imports (type, quantity)**
- **Cost of freight too high for value of goods**
- **Insured value greater than declared value**
- **Cost of freight, insurance too low**

Misdescription/Misclassification Risk Indicators

- **Country of origin**
- **Quantity measurement appropriate for type of goods**
- **Method of transport appropriate**
- **Method of packing appropriate**

Post-Clearance Audit



- **Post-clearance audit is a process of verifying that a business is in compliance with Customs legislation through the examination of the books and records of that business.**
- **The result of an audit should be a picture of how an importer conducts its Customs related business.**

- **Post-clearance audit is a valuable tool in preventing or detecting commercial fraud because it allows Customs to view a transaction through the importer's records.**
- **Periodic audits ensure that importers properly declare all imported goods and correctly pay all duties, taxes and other charges which are due.**

- **Post-clearance audit is a valuable control asset because it allows for the facilitation of the movement of goods while still enabling Customs to verify the accuracy of the import declaration.**

- **With the introduction of the GATT (WTO) valuation system, Customs will usually have to accept the value of goods which is declared by importers.**
- **Post-clearance audit is essential to verify the value and to detect and prevent fraud under the GATT (WTO) valuation system.**

Selection of Importers for Audit

- **It is essential that the audit unit work and exchange information with other departments within Customs, particularly the valuation department, cargo clearance units, investigations, and intelligence.**
- **These different departments can all give the audit unit valuable information which can be used to identify importer or transactions to be audited.**

- **For example, the valuation or cargo clearance department can identify those importers who import high value or high risk goods.**
- **These departments and the investigation department can identify those importers who have presented a problem in the past.**

- **In identifying importers for audit, it is also beneficial to check the import data base in order to identify those importers who import high risk or high duty goods.**

Risk Assessment can take three forms:

- ◆ **Strategic – Industry level**
- ◆ **Operational – Company level**
- ◆ **Tactical – Transaction level**

- **Strategic risk assessment is based upon Customs being able to identify the overall risk posed by an entire sector or group of importers.**
- **In identifying this industrial sector, you are able to then target all or selected companies within the industry as high risk.**

- **An industry sector could be classified as high risk for various reasons, such as:**
 - ◆ **The strategic importance of the industry to the national interest**
 - ◆ **The international trade agreements which govern the industry**
 - ◆ **Public health and safety considerations**
 - ◆ **Intellectual property rights**
 - ◆ **Economic impact of the imports**

Operational risk assessment is the process of identifying groups of high risk transactions by particular importers.

Considerations when identifying these groups of high risk transactions include:

- ◆ Importer's volume of imports**
- ◆ Total value of imported goods**
- ◆ Type of goods imported**
- ◆ Prior import or compliance problems**
- ◆ First time importer/exporter**

Tactical risk assessment deals with specific import transactions.

Factors to consider when identifying high risk transactions include:

- ◆ **Who the importer is**
- ◆ **What commodity is involved**
- ◆ **Prior discrepancies or violations involving the commodity**
- ◆ **Major high value importation**

- ◆ **The country of origin**
- ◆ **Whether any special regulations or programs apply to this type of import (such as quotas)**
- ◆ **Value declared for the commodity is outside the previously established high-low range**

Other factors which could increase the level or risk in any of the above mentioned types of risk assessment:

- ◆ Referral information from other Customs units**
- ◆ Potential of revenue recovery**
- ◆ Risk of revenue loss**
- ◆ Government program priorities or Specific intelligence**

Profiling gives you a “picture” of the common characteristics of a company or a transaction which may be fraudulent or, at least, questionable.

- **In order to develop profiles, it is necessary to collect information in order to identify the type of companies, products and import practices which have been involved in Customs fraud in the past in order to identify their common characteristics**

- **When this information is available and in a format which makes it possible to be analyzed, it should be reviewed in order to identify the common profile characteristics.**

When developing a profile for a product, for example, items to consider in developing a profile are:

- ◆ **Tariff item**
- ◆ **Description**
- ◆ **Supplier**
- ◆ **Country of origin**
- ◆ **Country of export**
- ◆ **Total value for duty and duty paid**

Targeting is necessary because it is not possible to audit all importers which meet a profile or have some partial characteristics of a profile.

◆ Classification

- Know areas of incorrect classification by similar importers
- Goods previously examined and found to be incorrectly classified by the importer

- **Goods with a high volume of imports, which may encourage the importer to incorrectly classify them in order to obtain better duty rates**
- **The goods are of a type not normally imported by the importer**
- **Unit values not consistent with the type of product**

◆ Origin

- **Importer imports the same goods from the same supplier, but declares different origins**
- **Known risk products which in the past have been found to have the origin incorrectly declared**

- **Products for which the declared origin is suspicious**
- **Products where the declared country of origin may have been merely a transshipment point in which no work was done on the product**

◆ Valuation

- Goods are of a type that could have royalties or similar added costs

Specific factors which would increase the level of risk for a specific importer are:

- ◆ **Related Party Transactions:**
Related party transactions offer great opportunity for price manipulation, particularly if the relationship between the parties is not disclosed

- **Country of Origin:** Origin can be a problem because the same product can be produced in a number of countries at a different cost in each.
 - ◆ where origin is a factor in determining the level of risk, consideration must also be given as to whether the goods could have been transshipped or diverted.

◆ **Special Trade Agreements:** If a special trade regime exists, there may be a risk because the goods will be either free or at a reduced rate of duty. Origin and value may become an issue which affects the duty.

◆Manufacturer/Seller: If the importer is importing goods from a particular exporter with whom there has been problems in the past, it should make these importations subject to review.

- **Obvious criteria to be used in selecting an importer for audit would be the importer's past history.**
- **Specifically, what was the results of prior audits and investigations or whether the importer has a prior history of submitting import packages which consistently have problems.**

Thank you