



Risk Assessment, Profiling and Targeting

Module 3: Unit 3



Risk Assessment, Profiling and Targeting

Chapter Aim:

Describe the application of risk targeting and profiling in the Customs context



Risk Assessment, Profiling and Targeting

Chapter Objectives:

You will be able to:

- Explain the steps of the Learning Circle
- List the sources of key information and identification of border risks
- Explain seizure analysis
- Describe the steps in developing profiles



Risk Assessment, Profiling and Targeting

Chapter Objectives cont'd:

- Explain targeting and covering/targeting
- Explain the purpose of the Evaluation step
- Explain key considerations for data storage and security
- Describe information systems used for risk assessment and analysis



Chapter at a Glance

Overview:

3.1 Learning Circle and Risk Assessment

3.2 Use of Information Technology



Risk Assessment is the overall process of:

Risk Identification

Risk Evaluation

Risk Analysis

Prioritization

Risk Assessment allows:

Concentration of effort and resources to maximize seizures

Facilitation of legitimate trade

Improves selectivity/targeting



Learning Circle and Risk Assessment



7 Steps of the Learning Circle



Sources of key information that can assist Risk Assessment are:

- Seizure reports
- Strategic, Tactical, Operational reports of other customs administrations
- Intelligence data
- Information exchange
- Risk signals from customs/other law enforcement personnel
- Cooperation/interviews with importing/transportation field
- Transport documents
- Available national data bases
- Signals and alerts



Learning Circle and Risk Assessment

Risk Identification is identifying **when, where, why, how** and by **whom** risks can arise

Risk identification can be subjective due to uncertain/unknown future events

If conducted by people familiar with holistic business processes and supported by intelligence, then experience and knowledge can provide an objective view of the environment



Learning Circle and Risk Assessment

The following 2 slides shows an example of Risk Identification at a Border Gate

The steps in (drugs related) risk identification:

1. Describe the current enforcement controls system.
2. Draw a flowchart which shows each step in the control process.
3. What are the current controls in the system?
4. What are the current strengths and weaknesses in the system?
5. Where, when, how is the risk likely to be occur and by whom?
6. Why do the opportunities to circumvent the controls arise?
7. Categorize risks-Controllable or Uncontrollable.

In a risk identification process, there are many different areas and items in your control system. Possible items, not exhaustive, to be considered in identifying risks/weaknesses, are as follows:



Learning Circle and Risk Assessment

Geography

- Is your border crossing close to a contraband source area in the neighboring country?
- Is your border crossing or control point on a major contraband transit route?
- Is the country next to your border crossing a contraband transit country?

Traffic Patterns and Staffing

- Is the amount of traffic consistent or is it heavier at certain times of the day or certain days of the week?
- What is the primary kind of traffic – cars, trucks ...?
- Does the type of traffic change at certain times, with there being more cars, trucks or foot traffic than at other times?
- Is the staffing sufficient to meet traffic patterns – amount of staff greater during higher traffic periods?

Goods and Local (Drug) Trends

- Do the goods that normally come through your border crossing or control point offer good opportunity to conceal contraband?
- Does the packaging or containers for goods that normally come through your border crossing or control point offer good opportunity to conceal contraband?
- Are drug prices in your country going up or down (drug prices going down will possibly indicate that more drugs are entering the country)?
- Have the number of addicts or drug overdoses been increasing in your country (an increase would possibly indicate that more drugs are available in your country)?

Cooperation with the other law enforcement agencies at the border

- Cooperation and information exchange is the key for combating customs frauds in general and drugs in particular. Do you exchange information with other agencies at the border?

Neighboring Country's Enforcement Activity

- Do your colleagues on the other side of the border conduct export searches?
- Do you exchange information with your colleagues? This information could concern seizures or intelligence.

Controls

- What are the strengths and weaknesses of your controls?
- Why do opportunities exist for contraband to go through your controls?
- What percent of cargo, vehicles and people are searched?
- Do you ever question the operators or passengers in vehicles?
- Do you keep records or seizures?
- Do you develop profiles of suspect smugglers or concealment methods?
- Do new officers receiving training on what drugs to look for and common drug smuggling methods?



Risk Analysis is developing an understanding of the risk

Enables decisions about whether risks need to be addressed and the appropriate strategies and methods to control the risk

Consequences and probabilities are combined to determine a level of risk - **high, medium** or **low**

How likely is an event to happen?

What are the potential consequences and their magnitude ?



Risk Analysis considerations

- Causes of risk
- Sources of risk
- Risk consequences
- Probability of consequences occurring
- Factors that affect consequences and probability
- Existing risk controls and effectiveness
- Estimation of range of potential consequences



**Understanding how a violation of
customs law occurred provides
the ability to recognize
future attempts or weakness in the
system**



Objectives of Seizure Analysis

Identify and outline the background to the seizure

- Modus operandi, scope, scale of activity, persons involved

Establish all subjects involved and what role they played

- Identify persons, companies, suppliers, shippers, brokers

Identify what aspects of the seizure are not known

- Essentially identifying future work to fill in gap

Identify any ongoing risk to the border

- Who was involved, and what risk do they present now
- Who was not arrested, do they pose a threat now
- Were false leads followed unnecessarily?



Seizure Analysis cont'd

Establish whether seizure was part of trend or pattern

- Has it occurred overseas, in your country
- Any new smuggling method identified?

What if any lessons can be learned from this seizure

- Do profiles/targeting criteria need refining
- Were false leads followed unnecessarily?



Factors to consider when evaluating risks from a Land Border Crossing perspective

Rate the likelihood and the consequences as high, medium or low.

Geography

- If your border crossing is next to a contraband source country or on a major transit route, the likelihood of the risk occurring would be higher than if these circumstances did not exist.
- If the country next to your border crossing is a major transit country, then you should consider the possibility that it could pose a big threat as a source country and increase the likelihood of smuggling.

Traffic Patterns and Staffing

- If there is insufficient staff to handle the traffic, this increases the likelihood of smuggling.
- Traffic coming from a source area would be of higher risk than traffic from a non-source area and traffic going to a high user area would be of higher risk than traffic going to a low or non-user area.
- Cargo made up of multiple consignments will be more difficult to profile and perform selectivity on than cargo going to a single consignee, which would increase the likelihood of smuggling.

Goods and Local (drug) Trends

- If legitimate goods, or their packaging and containers, which normally cross your controls, offer a good opportunity to conceal contraband - this increases likelihood of contraband coming through your controls undetected.
- If you are not familiar with all the goods that commonly go through your controls crossing - it is more difficult for you to profile and select suspect shipments, thereby increasing the risk.
- The greater the amount of drugs used in your country that are produced in the neighboring country, the greater the likelihood that they are being smuggled across your border crossing and the consequences are also high.

Neighboring Country's Enforcement Activity

- If your colleagues on the other side of the border conduct export searches, this will probably make your particular border crossing less attractive to smugglers and will choose a border crossing with less intense enforcement activity. This will decrease the likelihood of the risk occurring, but if they do not do export searches, it will increase the likelihood.
- If you do not exchange information with your colleagues across the border, you are missing a great opportunity and, therefore, increase the risk of smuggling at your border control point.

Your Border Crossing Controls

- If searches are always cursory and not complete, the likelihood that contraband is coming through your controls will be higher.
- If you do not question any vehicle operators or passengers, you will not have the opportunity to discover many risk indicators which are revealed through questioning and this will increase the risk of smuggling by people or cargo.
- Failure to keep seizure records, to develop profiles of smugglers and methods and to use risk indicators means that you are using random selection techniques which are not effective and thereby increase the smuggling risk at your border crossing.



Profiling is a dynamic process that needs constant adjustment

- **Risk Profiles**

- Specific risk profiles
- Random profiles

- **Describe**

- Risk area (eg. drugs/revenue)
- Assessment of risk or possible risk
- Specific indicators (eg. company/persons/goods)
- Counter-measures to be taken (means of control)
- Period that profile is active for



Learning Circle and Risk Assessment

Development and Characteristics of a Risk Profile

From “Risk Areas” to “Risk Profiles”

A risk profile should:

- Be a document which can be set out in a number of ways
- Be comprehensive and relevant
- Describe the risk area
- Describe an assessment of the risk
- Describe counter-measures to be taken
- Provide an action date
- Provide results
- Provide an evaluation of the effectiveness of the action taken
- Be accessible to relevant Customs officers

Risk indicators are specified selectivity criteria such as:

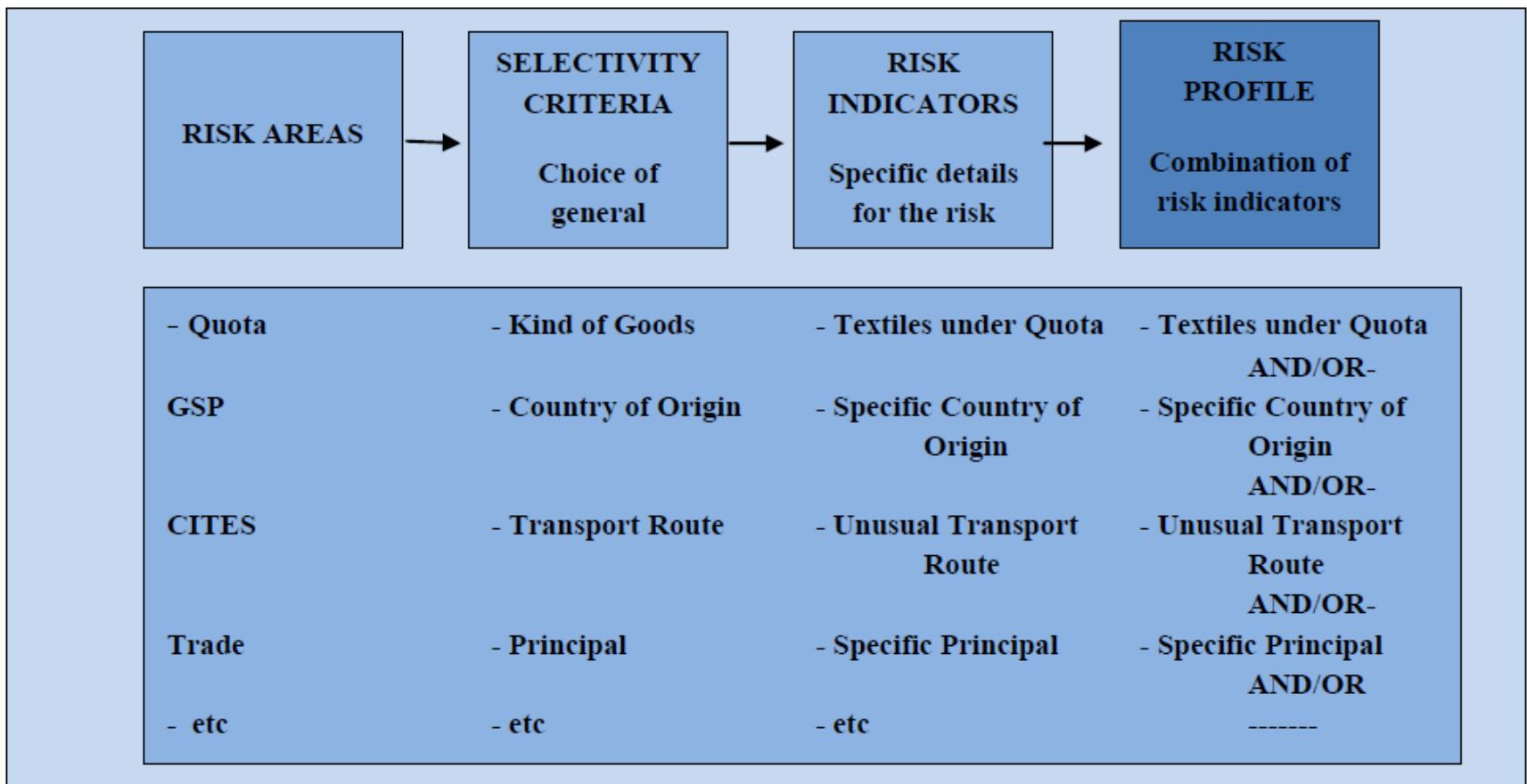
- Specific commodity code
- Country of origin
- Departure country
- Licensing indicator
- Value, trader
- Level of compliance
- Means of transport
- Purpose of the stay in the Customs territory
- Financial consequences/ situation of the trader/person

Once established, the profiles along with other information and intelligence will provide a basis for targeting potentially high risk movements of consignments, means of transport, or passengers.



Learning Circle and Risk Assessment

Risk Profile cont'd





Learning Circle and Risk Assessment

Charting Risk Indicators at an Airport

Profiling Example: Passengers

Information contained in seizure reports resulted in the following chart:

Age	Sex	Day of the Week	Time of Seizure
25	M	Sunday	09:00
27	M	Sunday	08:30
41	M	Tuesday	09:15
23	F	Saturday	10:00
30	M	Monday	09:30
29	F	Sunday	08:15
26	M	Thursday	14:00

This is a simple example but demonstrates how a profile can assist in not only knowing who to look for (**Male, aged between 25-30**) but also when to look for them (**between 08:00-10:00hours**)

Charting Risk Indicators at a Sea Port

Profiling Example: Cargo:

Information contained in seizure reports resulted in the following chart:

Drug Type	Cargo Type	Concealment	Shipping Line
Heroin	Computers	Inside Computer	Green Seas
Hashish	Clothing	False Wall	Royal
Heroin	Televisions	Inside Television	Green Seas
Heroin	Televisions	Inside Television	Green Seas
Heroin	Computers	Inside Computer	Royal
Heroin	Computers	Inside Computer	Green Seas
Hashish	Paper Products	In Packaging	Royal

This is a simple example but demonstrates how a profile can assist in not only knowing what to look for (**Heroin**), where (**Inside computers & televisions**) but also on what arriving vessels (**Green Seas & Royal**)



Profile Developing Steps

- **Collect** available data from various sources
- **Evaluate, structure and chart** the data
 - Check and verify reliability and accuracy
 - Select a chart format that allows comparison
 - Itemize data elements
 - Establish a computer database
- **Analyse** the data
 - Identify common elements
 - Recognize patterns
 - Movements, MOC, conveyances, flights, day/date/time, age/sex, routing, origin of contraband



Developing Steps cont'd

- **Establish, disseminate/activate** the profile
 - Customs profiling system
 - Bulletin board
 - Telephone
 - Mail
 - Briefing
- **Obtain feedback**
 - Seizure reports
 - Other written reports
 - Intelligence
 - Oral reports



Developing Steps cont'd

- **Modify profile**
 - Change elements as indicated by feedback
 - Profiles need regular updating
- **After risk profiles active for a period of time**
 - Assess value
 - Input results into risk assessment process
 - Update the risk profiles
 - Identify additional investigative leads and potential targets for inspection



Learning Circle and Risk Assessment

Profiling Example

Combating Drug Smuggling

Country A, XYZ Harbour

- Identified - drug smuggling port
- Team - tasked to analyze the situation & develop a profile

1. COLLECT INFORMATION

- Seizure reports, other documents - manifests, bills of lading etc.
- Intelligence data/other relevant information
- Interview customs officers/other law enforcement personnel/ knowledgeable people from importing & transportation field, e.g. customs brokers, cargo agents, warehouse personnel etc.

2. EVALUATE AND CHART THE DATA

- Evaluation - the reliability of the source and accuracy of the information
- Chart format selected
- Date - collated, itemized and data elements entered on chart
 - Effective collation assists the intelligence developer/analysts to:
 - Identify the relationship between persons and companies
 - Determine significant events and patterns
 - Uncover information gap
 - Collect additional information
 - Coding

Coding process involves transforming original (raw) information, into a number of variables (type of offence/ mode of transport/time/location etc) and to develop within each variable, a number of mutually exclusive categories.

3. ANALYZE THE DATA

- Examine components of collected/evaluated data to establish patterns and relationships.



Learning Circle and Risk Assessment

Profiling Example cont'd

Combating Drug Smuggling

4. ESTABLISH THE DATA ELEMENTS

- Draw up list of data elements
- Determine coefficients for each data element (high/medium/low)

Risk Indicators	Coefficients:
Importer	2
Fictitious companies	4
Lorries	4
New drivers	2
Private cars	4
New companies	2
Payment in cash	1
Hand written manifest	1
Suspicious routing	2

In addition - determine if there
intelligence data available concerning the
target

5. DEFINE THE LEVEL OF RISKS

- Low risk (1-6) : No inspection
- Medium risk (7-10): Case by case decision and/or documentary inspection
- High risk (11 +): Physical inspection
 - High risk - physical check should always be conducted
 - Low risk - there is usually no need to make an inspection
 - Medium risk – the decision to inspect is Customs officer's intuition & other available information.
If physical inspection is not performed - might qualify for documentary control

6. DISSEMINATE, REVIEW & MODIFY

- Circulate the profile to appropriate users / activate in an automated system
- Collect feedback
- Evaluate feedback
- Modify the profile, if needed

After risk profiles have been used for period of time determined earlier:

- Assess the value that risk profiles/intelligence contribute to risk assessment process. The results of the analysis work are used to input new information and simultaneously update the risk profiles and coefficients, if needed. As a result of this work the Customs services are able to identify additional investigative leads and potential targets for inspection.



Targeting

Prior identification of high risk goods, conveyances and passengers through document review, questioning and observation

But

As Customs becomes aware of patterns and trends in smuggling and create characterizations based upon them, the trends will change



**You must be familiar with
what is normal
before you can recognize
what is abnormal**



Advantages of IT

- Information availability
- Improves collection, analysis, targeting, profiling and outcomes
- Effective exchange of information
- Assessment of data more accurately and rapidly
- Quick reactions to changing circumstances
- Effective tool for risk assessment
- Databases for transactions, movements and risk profiles
- Subject declarations to selectivity filters
- Facilitate legitimate trade



DATA MINING

'the nontrivial extraction of implicit, previously unknown, and potentially useful information from data'



Advantages

- Identify patterns, models and relationships in data sets
- Potential predictive analysis
- Contains elements of databases, statistics, artificial intelligence and machine learning
- Analyze, categorize and summarize large data sets
- Improves performance in risk identification, analyzing and preparation for audits/checks
- Resource of time gained by Customs



Risk Management Process

Stage 1 - Risk Finding

- Risk signals collected from colleagues, other law enforcement organizations and own resources

Stage 2 – Risk Analyse

- Determine whether risk exists, how to detect and cover

Stage 3 - Preparation

- Allocating audit/check assignments (physical)

Stage 4 – Detection

Stage 5 – Covering

- Investigations determine whether risk really exist and appropriate measures eg. penalties/recovering duties

Stage 6 – Evaluation

- Review and analyse results from previous stages



Techniques

Time Series Analysis

Used in risk identification stage

Provides Customs with ability to search for unknown patterns, in order to discover new risks

Predictive Modeling

Provides Customs with ability to produce estimations of unknown dependable variables - present or past

Techniques used for this method are regression analysis, decision trees and neural networks



nCEN

WCO developed to assist Customs administrations collect, analyse, store and exchange law enforcement information and intelligence

- Better intelligence analysis
- Risk targeting
- Seizure and performance management reporting
- Resource utilization
- Platform for enhanced co-operation/collaboration



Seizures and Offences Database

Drugs

Precursors

Beverages

Tax and duty evasion

Pornography / Paedophilia

CITES (endangered species of flora and fauna)

Intellectual property rights (counterfeiting and piracy)

Other prohibitions/restrictions eg. works of art, stolen vehicles, anabolic steroids, etc

Tobacco

Currency

Nuclear materials

Hazardous materials

Weapons and explosives



Use of Information Technology

- Database containing
 - ❑ Nominal Customs seizures and offences
 - ❑ Suspected persons, means of transport, concealment and offending business entities
 - ❑ Concealment methods and allows exchange of X-ray pictures
- Website containing alerts and intelligence
- Application facilitating cooperation and communication between Customs administrations
- Information Communication Interface (Icomm) for data exchange between other law enforcement agencies



Use of Information Technology

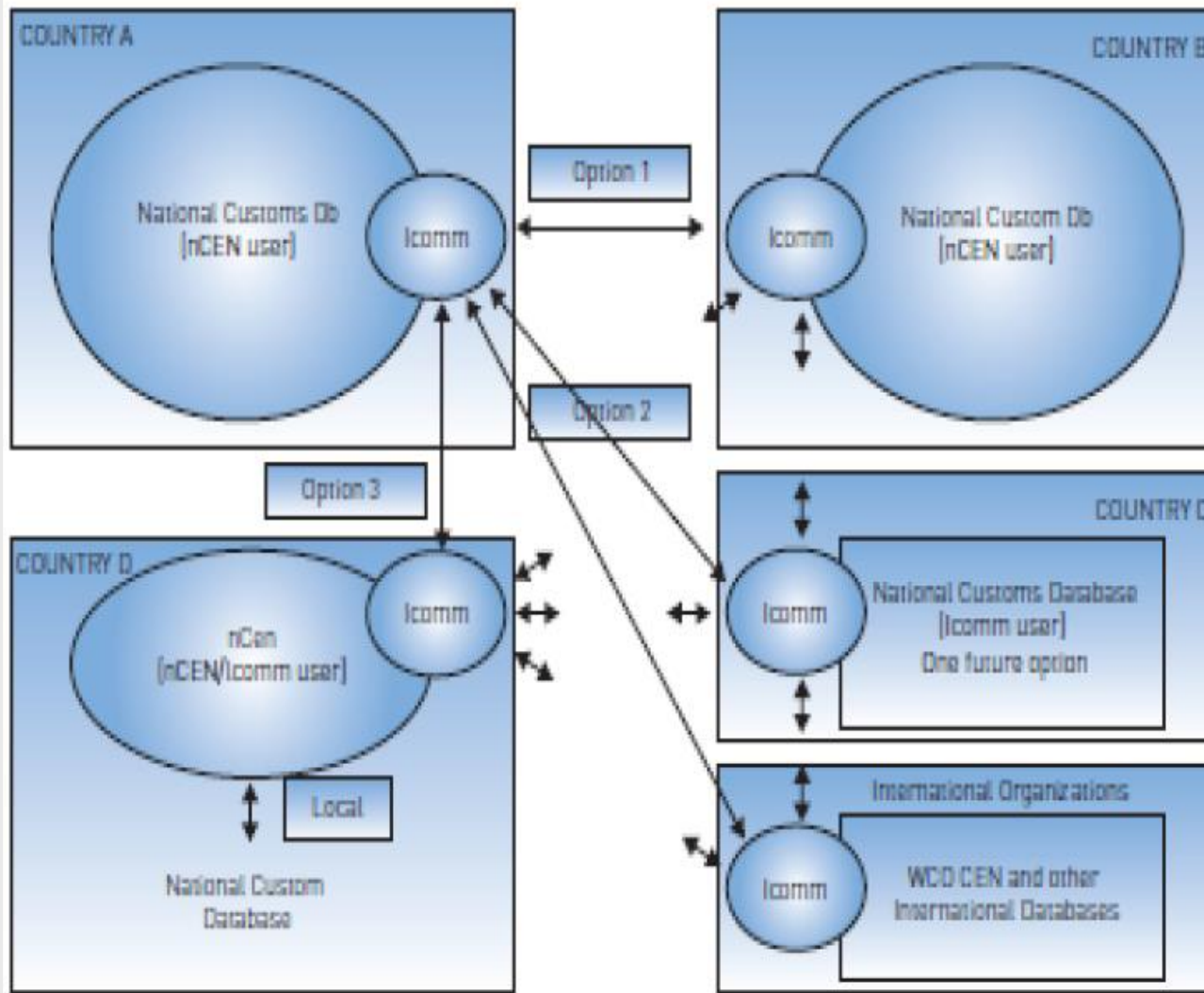
Uses modern technologies to perform reliable, secure and inexpensive operations

Internet based relying on encryption technology to protect communication and data transfers

Its characteristics are simplicity, user friendly, low-cost communication, rapid and secure



Use of Information Technology





A National Valuation Database

Can be used along with other risk tools to assess potential risk regarding the accuracy of the declared Customs value for imported goods

Information input should reflect the Customs value and based on relevant elements from the WCO Data Model



Use of Information Technology

WTO Agreement on Customs Valuation is a fair, uniformed and neutral system for the Customs valuation of imported goods

Valuation is the transaction value of the imported goods – the actual price paid/payable

Inter alia, a valuation database, can assist Customs to be satisfied as to the truth/accuracy of the value declared



RKC General Annex Chapter 6 defines

Risk Assessment - "The systematic determination of risk management priorities by evaluating and comparing the level of risk against predetermined standards, target risk levels or other criteria."

Risk Management - "The systematic application of management procedures and practices which provide Customs with the necessary information to address movements or consignments which present a risk."



Use of Information Technology

When database technology indicates the existence of a potential risk Customs.....

- May place the operations of a particular importer under scrutiny and/or monitoring action
- Can ask the importer to provide further evidence to support the declared value
- Can conduct a post-importation audit of the importer

Use of databases in risk assessment can occur at any stage

- Prior to lodging import declaration
- When declaration is lodged
- Throughout the clearance process
- After the goods have been released



Use of Information Technology

Usefulness of a valuation database as a risk assessment tool depends on the reliability and relevance of the data

The data in the database is generally found in the import declarations and supporting documents of previous importations but may also include other pertinent and reliable data for risk assessment purposes

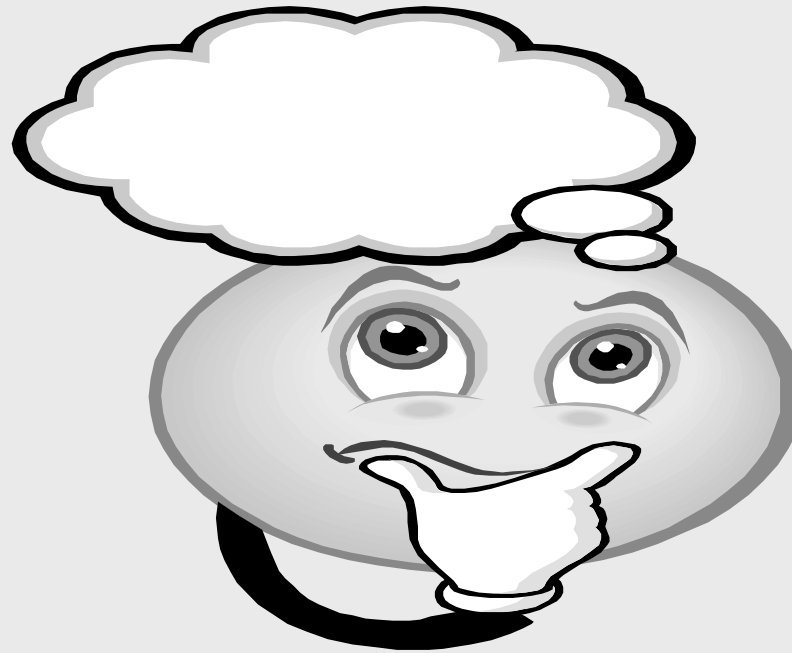


Questions





Activities



Complete Activity 4 and Activity 5